

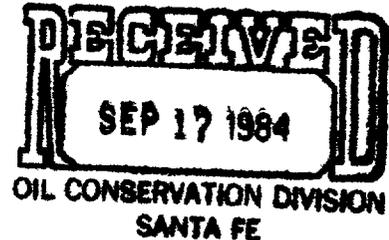


Amoco Production Company

Denver Region
1670 Broadway
P.O. Box 800
Denver, Colorado 80201
303-830-4040

J. D. Cutter
Proration and Unitization Manager

September 12, 1984



Joe D. Ramey, Director
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

File: JDC-170-986.511

Application of Jerome P. McHugh
Designation of Gavilan Greenhorn-Graneros-Dakota Oil Pool
Rio Arriba Co., New Mexico
September 20, 1984 Commission Docket
Case No. 8350

The purpose of this letter is to express our support for Jerome P. McHugh's request for establishment of 320 acre spacing units and other temporary special pool rules under the referenced oil pool.

Amoco Production Company is the owner of interest in leases in Sections 10 and 11 - T24N - R2W, has plans for development of those leases and would be directly affected by those proposed pool rules under the one mile provisions of Rule 104A.

We respectfully request this letter be made a part of the record of Case 8350.

JDC/bk

cc: Jerome P. McHugh - Denver
Dugan Prod. Corp. - Farmington
J. C. Burnside - AB

MERRION OIL & GAS CORPORATION

P. O. Box 1017
FARMINGTON, NEW MEXICO 87499

September 18, 1984

State of New Mexico
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

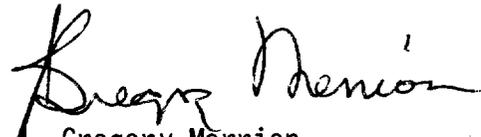
Attention: Mr. Joe D. Ramey, Director

Re: Case Nos. 8286 and 8350
Field Rules for Gavilan Greenhorn-Graneros-Dakota

Gentlemen:

Merrion Oil & Gas Corporation, which is the owner of approximately 2,000 acres of operating rights in and adjacent to the area for which special pool rules are being sought at this hearing, wish to state its position as follows. We are in support of 320 acre spacing and proration units at least on a temporary basis. We think the spaced area should conform as close as possible to the Gavilan Mancos Oil Pool.

Yours very truly,



J. Gregory Merrion
President

JGM/rs

MERRION OIL & GAS CORPORATION

P. O. Box 1017
FARMINGTON, NEW MEXICO 87499

September 18, 1984

State of New Mexico
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

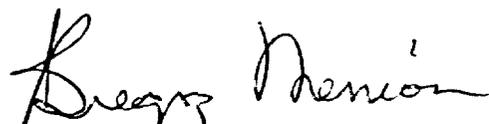
Attention: Mr. Joe D. Ramey, Director

Re: Case Nos. 8286 and 8350
Field Rules for Gavilan Greenhorn-Graneros-Dakota

Gentlemen:

Merrion Oil & Gas Corporation, which is the owner of approximately 2,000 acres of operating rights in and adjacent to the area for which special pool rules are being sought at this hearing, wish to state its position as follows. We are in support of 320 acre spacing and proration units at least on a temporary basis. We think the spaced area should conform as close as possible to the Gavilan Mancos Oil Pool.

Yours very truly,



J. Gregory Merrion
President

JGM/rs

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
RUTH S. MUSGRAVE
LOURDES A. MARTINEZ

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

September 18, 1984

RECEIVED

SEP 18 1984

OIL CONSERVATION DIVISION

Mr. Joe D. Ramey, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Oil Conservation Division Case 8350: New Pool Creation
and Special Pool Rules, Gavilan-Greenhorn-Graneros-Dakota
September 20, 1984.

Dear Mr. Ramey:

Southland Royalty Company supports the application of Jerome P. McHugh for the creation of a new oil pool, the Gavilan-Greenhorn-Graneros-Dakota (herein referred to as "Dakota") oil pool, in Commission Case No. 8350 which is set for hearing on September 20, 1984.

Southland has evaluated the drilling of the Dakota formation under several scenarios which include a Dakota single completion, dual completion with the Mancos, and commingling of the Dakota with the Mancos. Based on our economic projections, we cannot justify a Dakota single producer, a Dakota-Mancos dual well, or a Dakota-Mancos commingled well in which the Dakota carries its proportionate share of the costs. The only way that Southland can justify a Dakota completion is in a commingled wellbore, based on incremental costs.

Our estimated costs for these Dakota completions are:

- A) Dakota single completion - \$540,000
- B) Incremental cost of dually completing the Dakota in a Mancos-Dakota wellbore - \$156,000
- C) Incremental cost of commingling the Dakota in a Mancos-Dakota wellbore - \$55,000.

Mr. Joe D. Ramey
September 18, 1984
Page Two

Our estimate of the reserves for the Greenhorn-Graneros-Dakota is 13,600 BO and 27,200 MCF gas per well. These reserves are based on production tests in the Northwest - Gavilan #1 and Gavilan #1E wells, and the new production allocation factors presented by McHugh in Case numbers 8308, 8309 and 8310.

Based on the above reserves and cost estimates, Southland can justify a Dakota completion only if the incremental cost of commingling is considered. Therefore, if the field rules for the Mancos and Dakota call for different spacing, the Mancos and Dakota zones will have different ownership. The Dakota will be uneconomic to develop because it would have to bear the proportionate share of costs to the Dakota working interest owners. Thus, the Dakota could not be economically developed, and waste would occur.

The temporary 320-acre spacing rules for the Mancos are effective until March, 1987. Common spacing of the Mancos-Dakota would allow both zones to be developed. If rules calling for spacing other than common 320-acre spacing are adopted, the Dakota will never be developed. The Dakota will not justify development based on its proportionate share of well costs, or single development. This will result in the loss of production, which could be recovered in a commingled Mancos-Dakota wellbore.

Southland Royalty Company requests that this letter be incorporated into the record of this case.

Very truly yours,


William F. Carr

WFC/cv

cc: R. E. Fielder
W. Thomas Kellahin, Esq.

BEFORE THE OIL CONSERVATION COMMISSION
ENERGY AND MINERALS
STATE OF NEW MEXICO

IN THE MATTER OF THE
APPLICATION OF JEROME MCHUGH
& ASSOCIATES FOR CREATION OF THE
GAVILAN-GREENHORN GRANEROS DAKOTA
OIL POOL AND ADOPTION OF SPECIAL RULES
INCLUDING 320 ACRE SPACING, RIO ARRIBA
COUNTY, NEW MEXICO

CASE NO. 8350

STATEMENT OF BENSON-MONTIN-GREER
DRILLING CORP.

Benson-Montin-Greer Corp., in support of the above referenced application states:

1. It approves of commingling of Dakota and Greenhorn formations for the reason that it is difficult if not impossible, to physically separate the production from the two formations.

2. On December 20, 1983, the Oil Conservation Commission issued its Order No. R-7407 establishing the Gavilan-Mancos Oil Pool. In its Order the Commission issued temporary 320 acre spacing special pool rules for a period of three years. In particular, the Commission's Order adopts a restriction requiring that no more than one well be completed in the Gavilan-Mancos Oil Pool in the E/2 of each section adjoining the western boundary of the West Puerto Chiquito-Mancos Oil Pool, and shall be no closer than 1650 feet to the common boundary line between the two pools. The basis of this restriction, supported by the evidence introduced at the hearing of the matter, was to protect the correlative rights of interested parties in the West Puerto-Chiquito Mancos Oil Pool.

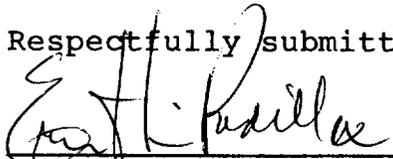
The application of Mesa Grande Resources in Case No. 8286 for 160 acre spacing in the Dakota formation, if approved at this time, could potentially negate protection of correlative rights afforded by Order R-7407. Insufficient data exists to support a demand for 160 acre spacing. In fact, the available data indicates that a Dakota well or a Dakota/Greenhorn well by itself may not be economic. The obvious effect of such uneconomic results of a Dakota or Dakota/Greenhorn completion would be for an operator of such a well to seek relief from the Commission to allow completion of the Mancos formation in the well bores of such wells which would have been drilled on 160 acre spacing. Such a practice would clearly frustrate and nullify the intent and purpose of the temporary nature of Order R-7407. The temporary nature of Order R-7407 is obviously to allow additional data to be developed during the three year period of the temporary rules to determine if spacing changes for the Mancos formation are warranted.

CONCLUSION

Thus, unless and until Dakota or Dakota/Greenhorn completions can be found to be economically viable by themselves on 160 acre spacing, the spacing patterns for the Dakota formation in the area of application should remain consistent with the provisions of Order R-7407.

Respectfully submitted,

By:


Ernest L. Padilla
Attorney for
Benson-Montin-Greer
Drilling Corp.