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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9451
ORDER NO. R-6469-G

NOMENCLATURE

APPLICATION OF JEROME P. MCHUGH &
ASSOCIATES FOR AMENDMENT TO DIVISION
ORDER NO. R-6469-B AND EXTENSION OF
THE HORIZONTAL LIMITS OF THE WEST
PUERTO CHIQUITO-MANCOS OIL POOL, RIO
ARRIBA COUNTY, NEW MEXICO

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ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 3, 1988 and on August 17, 1988, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 10th day of January, 1989, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Order Nos. R-2565-C, R-6469, and R-6469-A, the New Mexico Oil Conservation Division amended the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as promulgated by Division Order No. R-2565-B, which included, among other things, provisions for 640-acre spacing and proration units, well location requirements, assigning to each 640-acre unit a depth bracket allowable of 640-barrels of oil per day, restricting the number of wells drilled on each unit to only one, and confined said Rules to the limits of the pool boundary (see Decretory Paragraph No. (4) of Order No. R-2565-B).

(3) The Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated by the four aforementioned orders were superseded and consolidated, for the purpose of clarity, into Division Order No. R-6469-B, issued in Case No. 8715 and dated March 17, 1986. Order No. R-6469-B also continued in full force and effect all other provisions set forth in

the four previous orders.

(4) Subsequent to the issuance of Division Order No. R-6469-B, several amendments to the allowable portion of said rules have been made.

(5) The one provision common in the evolution of the Special Rules for the West Puerto Chiquito-Mancos Oil Pool has been that said rules be confined to the limits of the pool boundary.

(6) At this time, the applicant in the immediate case, Jerome P. McHugh and Associates, seeks the deletion of this limiting clause in said pool rules so as to provide that all future development follow the practice as set forth in the Division's General Rules and Regulations, whereby provisions of the Special Rules and Regulations for an existing pool extend one mile beyond its boundary in the corresponding formation or zone.

(7) The applicant further seeks to extend the horizontal limits of the West Puerto Chiquito-Mancos Oil Pool to include all of Section 2, Township 23 North, Range 1 West, NMPM, Rio Arriba County, New Mexico.

(8) At the August 3, 1988 hearing, representatives of Benson-Montin-Greer Drilling Corporation, Mobil Exploration and Producing, and Amoco Production Company appeared and objected to this application.

(9) The General Rules and Regulations include those provisions described in Finding Paragraph No. (6) above to act as a buffer zone between pools and/or formations developed on different spacing sizes. Such a provision acts to protect correlative rights and avoids the augmentation of risk arising from the drilling of an excessive number of wells in an area such as this where 640-acre spacing abuts 40-acre spacing in the same formation.

(10) Amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool to delete the restriction which limits the provisions of said rules to the boundary of the pool will bring this area into conformance with the remainder of the state and is in the best interest of conservation, will prevent waste and should therefore be approved.

(11) The evidence presented at the hearing indicates that the Nassau Resources, Inc. Laguna Colorado "2" Well No. 6 located 1650 feet from the North and West lines (Unit F) of Section 2, Township 23 North, Range 1 West, NMPM, Rio Arriba County, New Mexico, completed in the Mancos formation in the perforated interval 6462 feet to 6956 feet, is in the same common source of supply as the West Puerto Chiquito-Mancos Oil Pool as now designated.

(12) The entire area encompassing said Section 2, which would be a standard 640-acre, more or less, oil spacing and proration unit in said pool, for this well should be included in the West Puerto Chiquito-Mancos Oil Pool.

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IT IS THEREFORE ORDERED THAT:

(1) The application of Jerome P. McHugh & Associates is hereby approved and the West Puerto-Chiquito Mancos Oil Pool in Rio Arriba County, New Mexico, as heretofore classified, defined and described, is extended to include therein:

TOWNSHIP 23 NORTH, RANGE 1 WEST, NMPM
Section 2: All

(2) RULE 1 of Decretory Paragraph No. (2) of Division Order No. R-6469-B, as amended, is hereby amended and shall read in its entirety as follows:

"RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool or in the Mancos member of the Gallup formation within one mile thereof, and not nearer to or within the limits of any other designated Mancos oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth."

(3) Decretory Paragraph No. (4) of Division Order No. R-2565-B is hereby rescinded.

IT IS FURTHER ORDERED THAT:

(4) The location of any well which, by virtue of this extension, is presently drilling to or completed in the West Puerto Chiquito-Mancos Oil Pool or within one mile of the West Puerto Chiquito-Mancos Oil Pool that will not comply with the well location requirements of RULE 4 is hereby granted an exception to the requirements of RULE 4. The operator shall notify the Aztec District Office in writing of the name and location of the well on or before March 31, 1989.

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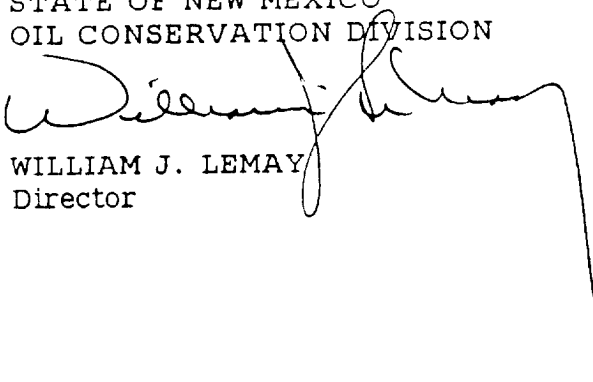
(5) Pursuant to Paragraph A. of Section 70-2-18 N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, any well which, by virtue of this extension and amendments is subject to the West Puerto Chiquito-Mancos Oil Pool rules providing for 640-acre spacing or proration units, shall have 60 days from the date of this order in which to file new Forms C-102 dedicating 640 acres to said well or to obtain a non-standard unit approved by the Division.

Failure to file new Forms C-102 with the Division dedicating the appropriate acreage or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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