

Dockets Nos. 23-86 and 24-86 are tentatively set for August 6 and August 20, 1986. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY, JULY 23, 1986
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, Alternate Examiner:

CASE 8941: (Readvertised)

Application of BCO, Inc. for a unit agreement, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Alamito (State) Unit Area comprising 640 acres, more or less, of State lands all in Section 32, Township 23 North, Range 7 West.

CASE 8912: (Continued from June 25, 1986 Examiner Hearing)

Application of Parabo, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4300 feet to 4950 feet in its Royalty Holding Well No. 4, located 660 feet from the North and East lines of Section 25, Township 21 South, Range 37 East.

CASE 8942: Application of BTA Oil Producers for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from approximately 5,082 feet to 5,120 feet in its Buckeye 8601 JV-P Well No. 1-SWD (Calatex Exploration, Inc. New Mexico State Well No. 1) located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 29, Township 17 South, Range 36 East.

CASE 8936: (Continued from July 9, 1986, Examiner Hearing)

Application of Santa Fe Energy Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying either the SW/4 NW/4 of Section 33, Township 23 South, Range 31 East, to form a standard 40-acre oil spacing and proration unit within said vertical limits or the W/2 of said Section 33 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, both aforementioned units to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8820: (Reopened) (Continued from July 9, 1986, Examiner Hearing)

Application of Santa Fe Energy Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp, Strawn, Atoka, and Morrow formations underlying the W/2 of Section 24, Township 22 South, Range 27 East, forming a standard 320-acre gas spacing and proration unit, to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8943: Application of WR Oil and Gas Company for a Water/Steam Injection Pilot Project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot injection project by the injection of steam and water into the Miguel Creek-Gallup Oil Pool in 14 wells located in Sections 20, 21, 28, 29, Township 16 North, Range 6 West. Applicant further seeks authorization to inject under pressure in said project in excess of the OCD guidelines standard of 0.2 psi per foot of depth.

CASE 8939: (Continued from July 9, 1986, Examiner Hearing)

Application of Yates Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation in the perforated interval from approximately 3750 feet to 3790 feet in the Sinclair Oil and Gas Company State 197 Well No. 3

located 1980 feet from the North line and 1762.5 feet from the West line (Unit F) of Section 6, Township 17 South, Range 34 East.

CASE 8940: (Continued from July 9, 1986, Examiner Hearing)

Application of Yates Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation in the perforated interval from approximately 3770 feet to 3810 feet in the H. L. Brown, Jr. State "B" Well No. 2 located 990 feet from the South line and 330 feet from the West line (Unit M) of Section 6, Township 17 South, Range 34 East.

CASE 8944: Application of Tenneco Oil Company for retroactive allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a determination that the work performed on its Fields "LS" Well No. 2A located 1500 feet from the South line and 850 feet from the East line (Unit I) of Section 25, Township 32 North, Range 11 West, Blanco-Mesaverde Pool, be designated as a "workover" pursuant to the Division Rules and Regulations regarding gas prorationing in northwest New Mexico, so that the increased allowable assigned to the subject well's proration unit (the S/2 of said Section 25) would be made effective as of November 1, 1985.

CASE 8945: Application of Jerome P. McHugh and Associates for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Dakota formation underlying the E/2 of Section 12, Township 25 North, Range 2 West, to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, said unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8946: Application of Jerome P. McHugh and Associates for an amendment to the special rules and regulations of the Gavilan-Mancos Oil Pool, promulgated by Division Order No. R-7407, to establish temporary special production allowable limitations and gas-oil ratio limitations for said pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-7407, dated December 20, 1983, to include therein a special temporary production allowable of 200 barrels of oil per day for a standard 320-acre spacing and proration unit and a special temporary gas-oil ratio limitation factor of 1,000 cubic feet of gas per barrel of oil produced.

CASE 8874: (Continued from June 25, 1986, Examiner Hearing)

Application of Union Texas Petroleum Corporation for Pool Reclassification, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Crosby-Devonian Gas Pool as an associated pool and the promulgation of special pool rules therefor.

CASE 8947: Application of Yates Petroleum Corporation for Hardship Gas Well Classification, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Box Canyon Unit Well No. 2 located 2080 feet from the North line and 1980 feet from the West line (Unit F) of Section 13, Township 21 South, Range 21 East, Little Box Canyon-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8948: Application of Mesa Grande Resources, Inc. for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the S/2 of Section 26, Township 25 North, Range 2 West, Gavilan-Mancos and Gavilan Greenhorn-Graneros-Dakota Oil Pools, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8937: (Continued from July 9, 1986, Examiner Hearing)

Application of Mobil Producing Texas and New Mexico, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its proposed Federal CCC Well No. 2 to be drilled 2970 feet from the South line and 2410 feet from the East line of Section 4, Township 16 South, Range 31 East, Undesignated North Square Lake Grayburg-San Andres Pool, Lot 15 of said Section 4 to be dedicated to the well forming a standard 40-acre oil spacing and proration unit.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

TONY ANAYA
 GOVERNOR

August 11, 1986

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87501
 (505) 827-5800

Mr. Thomas Kellahin
 Kellahin & Kellahin
 Attorneys at Law
 Post Office Box 2265
 Santa Fe, New Mexico

Re: CASE NO. 8945
 ORDER NO. K-8272

Applicant:
Jerome P. McHugh and Associates

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS
 Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD x

Other _____

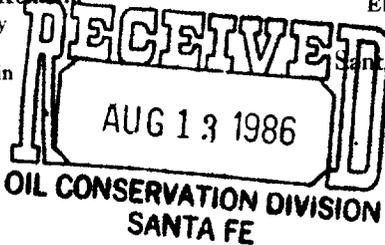
KELLAHIN and KELLAHIN
Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505



August 12, 1986

ms.

MOUNTAIN STATES NATURAL GAS
P. O. Box 35426
Tulsa, Oklahoma 74135

"Certified"
Return-Receipt Requested

Attn: Mr. Albert J. Blair

Re: Jerome P. McHugh
T25N, R2W, NMPM
Section 12: E/2
Rio Arriba County, New Mexico
Oil Conservation Division
Compulsory Pooling Order R-8272

Dear Mr. Blair:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8272, we are sending you a copy of this order and copy of the estimated costs of the subject well as set forth on the AFE dated November 4, 1985.

On behalf of Jerome P. McHugh, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Very truly yours,

Original signed by
W. THOMAS KELLAHIN
W. Thomas Kellahin

WTK:ca
Enc.

cc: Jerome P. McHugh & Associates
650 South Cherry, Suite 1225
Denver, Colorado 80222
Attn: Mr. Kent Craig

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8945
Order No. R-8272

APPLICATION OF JEROME P. MCHUGH AND
ASSOCIATES FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 23, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of August, 1986, the Division Director, having considered the testimony, 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) The applicant, Jerome P. McHugh and Associates, seeks an order pooling all mineral interests from the surface to the base of the Dakota formation underlying the E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing.

(3) The applicant has the right to drill and proposes to drill a well at a standard location.

(4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting

from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1986, the order pooling said unit should become null and void and of no effect whatsoever.

(14) Should all the parties to this forced pooling reach a voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Dakota formation underlying the E/2 of Section 12, Township 25 North, Range 12 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, said unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the first day of November, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the first day of November, 1986, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown;

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Jerome P. McHugh and Associates is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of

share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision - (combined fixed rates); the

operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unsevered mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

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

Case No. 8945

Order No. R-8272

-6-

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. Stamets
R. L. STAMETS,
Director

S E A L

DATE: 28 OCT 1985
 LEASE NAME: CONTINENTAL DIVIDE
 LOCATION: NW NE SEC 12 T25N R2W
 OPERATOR: JEROME P. McHUGH AND ASSOC.
 DESCRIPTION: 8200' DAKOTA TEST

WELL NO.: 0410010
 COUNTY: RIO ARriba
 STATE: NEW MEX.

ACCOUNTING CODE EXPENDITURE DESCRIPTION TANGIBLE COST INTANGIBLE COST

LEGAL COSTS/SURFACE DAMAGES	XXXXXXXXXX	6,000
SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION	XXXXXXXXXX	54,000
CONTRACT DRILLING	XXXXXXXXXX	175,500
MUD/CHEMICALS/ADDITIVES	XXXXXXXXXX	INCL
WATER/PURCHASE/TRANSPORTATION	XXXXXXXXXX	INCL
OPEN HOLE LOGGING	XXXXXXXXXX	11,250
MUD LOGGING	XXXXXXXXXX	2,500
DST/FORMATION TESTING	XXXXXXXXXX	0
CORING/CORE ANALYSIS	XXXXXXXXXX	0
TRUCKING/HAULING/CATWORK	XXXXXXXXXX	5,000
CEMENTING SERVICES	XXXXXXXXXX	2,500
RENTAL TOOLS AND EQUIPMENT	XXXXXXXXXX	2,500
PROFFESIONAL SERVICES AND EXPENSES	XXXXXXXXXX	5,000
SUPERVISION/OVERHEAD	XXXXXXXXXX	4,500
CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	5,000
PLUG/ABANDON/CLEANUP	XXXXXXXXXX	6,500
MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	18,500
CASING, SURFACE &/OR CONDUCTOR	INCL	XXXXXXXXXX
CASING, INTERMEDIATE	0	XXXXXXXXXX
FLOAT EQUIPMENT & CENTRALIZERS	INCL	XXXXXXXXXX
CASING HEAD/ DRILLING FLANGE	1,200	XXXXXXXXXX
NON-CONTROLLABLE EQUIPMENT	500	XXXXXXXXXX

DRY HOLE COST: TOTAL \$300,450 <<< 1,700 298,750

CEMENTING SERVICES	XXXXXXXXXX	22,000
COMPLETION UNIT/POWER SWIVEL/PUMP/PITS	XXXXXXXXXX	20,000
PERFORATING AND CASED HOLE LOGGING	XXXXXXXXXX	5,000
FORMATION TREATING/Frac/ACID	XXXXXXXXXX	25,000
RENTAL TOOLS & EQUIPMENT	XXXXXXXXXX	3,500
DIRT WORK/CONSTRUCTION	XXXXXXXXXX	3,500
CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	13,000
SUPERVISION/OVERHEAD	XXXXXXXXXX	3,000
PROFESSIONAL SERVICES & EXPENSES	XXXXXXXXXX	4,000
MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	9,000
CASING, PRODUCTION &/OR LINER	45,000	XXXXXXXXXX
FLOAT EQUIPMENT & CENTRALIZERS	6,500	XXXXXXXXXX
TUBING/PACKER/SPECIAL SUBSURFACE EQUIP	27,000	XXXXXXXXXX
RODS/PUMP/AUXILLARY EQUIP	14,000	XXXXXXXXXX
TUBING HEAD/CHRISTMAS TREE	5,300	XXXXXXXXXX
PUMPING UNIT/PRIME MOVER	45,000	XXXXXXXXXX
TANKS/STAIRWAY/WALKWAY	13,200	XXXXXXXXXX
SEPARATOR/TREATOR/PRODUCTION UNIT	10,000	XXXXXXXXXX
PIPELINE/POWERLINE	42,000	XXXXXXXXXX
VALVES/FITTINGS/LINE PIPE	6,000	XXXXXXXXXX
NON-CONTROLLABLE EQUIP/MISC EQUIP	2,000	XXXXXXXXXX
TRUCKING/HAULING/TRANSPORTATION	5,000	XXXXXXXXXX

COMPLETION COSTS: TOTAL \$329,000 <<< 221,000 108,000

TOTAL WELL COSTS: \$629,450 <<< 222,700 406,750

PARTNER APPROVALS:

WI %	COMPANY	BY	TITLE	DATE
43.750000	Jerome P. McHugh	<i>Jerome P. McHugh</i>	Land Mgr.	11/4/85
6.250000	Dugan Production Corp.			
12.500000	Reading & Bates O&G Co.			
5.853274	PC, Ltd.			
5.853273	IBEX Partnership			
12.500000	Hooper, Kimball & Williams			
.28063	Carolyn Clark Oatman			
.305176	Warren Clark Trust, by Mable Reed, Trustee			
.160214	Testamentary Trust under the Will of Warren Clark			
6.250000	Mountain States Natural Gas			
3.125000	Ralph Gilliland			
2.906250	Duer Wagner, Jr.			
.218750	Duer Wagner III			



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

October 29, 1986

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501-2088
(505) 827-5800

Mr. Kent Craig
Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222

Dear Mr. Craig:

Under the provisions of Division Order No. R-8272 and for the reasons outlined in your letter of October 24, 1986, Jerome P. McHugh and Associates are hereby granted until May 1, 1987, in which to begin the well to be drilled on the unit pooled by said order.

Sincerely,

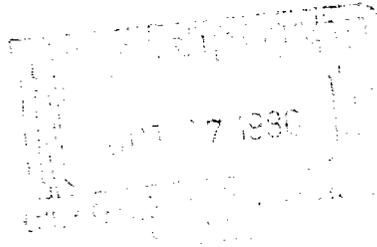
A handwritten signature in cursive script, appearing to read "R. L. Stamets", written over a horizontal line.

R. L. STAMETS
Director

RLS:dp

cc: Frank Chavez
Case File ✓

October 24, 1986



Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 8788
Order No. R-8144

Dear Mr. Stamets:

On January 22, 1986, Mr. Michael E. Stogner heard our case for a forced pooling proposal against Mountain States Natural Gas covering the Gallup and Dakota formations in the E/2 of Section 12-T25N-R2W. Mountain States controls a 6.25% working interest in said E/2.

On January 31, 1986, an order, noted in the captioned, was handed down by the Commission granting our request to be effective until May 1, 1986.

We did not meet our May 1, 1986 deadline due to the fact that we were still negotiating with the Santa Fe National Forest people, which was our only access to the location.

I then appeared before Mr. Stogner a second time on July 23, 1986 to request that the pooling be reheard and reinstated as we had agreed in principle with the Forest Service as to a mutually acceptable access route. Said Order R-8272, Case No. 8945, was issued on August 8, 1986 to be effective until November 1, 1986 as noted in the second paragraph under Article (1) on page 3 (copy attached).

The purpose of this letter is to request a six month extension of said Order No. 8272 until May 1, 1987 due to two major factors.

As I relayed to you earlier we have reached an agreement with the Forest Service as to an access road provided we meet their numerous criteria. We have let out bids to dirt contractors with the Forest Service requirements itemized and our lowest bid to date is in excess of \$100,000.

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222
(303) 321-2111

Richard L. Stamets
October 24, 1986
Page Two

This staggering amount coupled with the onset of winter greatly diminishes the economics of drilling this well in the next two or three months. Notwithstanding the cost of the road itself, we feel the cost in maintaining the Forest Service road through the '86-'87 winter for rig move-in and move-out purposes is prohibitive.

Thank you for your consideration of our request for continuation. Feel free to call me should you have any questions or need any additional information.

Very Truly Yours,


Kent C. Craig

KCC/rm

enclosure

cc: Mr. Tom Kellahin
Mr. James Hazen
Mr. Gary Johnson

MERIDIAN OIL

JUL 23 1986

July 18, 1986

Oil Conservation Division
State of New Mexico
Attention: Mr. David Catanach
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

*Mailed
7/22/86*

Re: Case #8945 and Case #8948
Docket #22-86
Examiner Hearing - July 23, 1986
Oil Conservation Division

Gentlemen:

Please be advised that Meridian Oil would appreciate receiving a copy of the application in the above referenced cases which are more fully described below:

Case #8945:

Application of Jerome P. McHugh & Associates for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Dakota formation underlying the E/2 of Section 12, T25N, R2W, to form a standard 320-acre spacing and proration unit for any and all formation and/or pools developed on 320-acre spacing, said unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

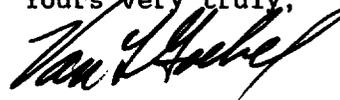
Case #8948:

Application of Mesa Grande Resources, Inc., for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interest in the Gallup and Dakota formations underlying the S/2 of Section 26, T25N, R2W, Gavilan-Mancos and Gavilan Greenhorn-Graneros-Dakota Oil Pools, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Please forward the copies to the undersigned at the letterhead address. Please contact the undersigned if you require any additional information for this request.

Thank you for your cooperation.

Yours very truly,



Van L. Goebel
Landman

VLG/tlm
Doc. #0378L

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

June 26, 1986

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

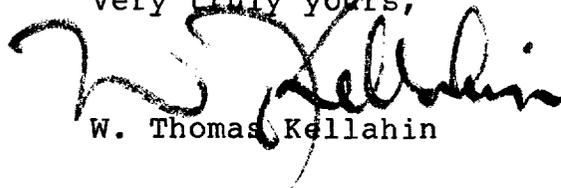
Re: Jerome P. McHugh

Dear Mr. Stamets:

On behalf of Jerome P. McHugh and Associates we would appreciate you setting the enclosed application for hearing on the July 23, 1986 Division Examiner hearing docket.

By copy of this letter to Mountain States Natural Gas, we are notifying them of their right to appear and participate in the hearing. They are further advised that failure to appear can result in the Division entering a forced pooling order, pooling their respective interest in this unit.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Jerome P. McHugh & Associates
Suite 1225
650 South Cherry
Denver, Colorado 80222
Attn: Kent Craig

Mountain States Natural Gas (Certified Mail)
P. O. Box 35426
Tulsa, Oklahoma 74543
Attn: Mr. Albert Blair

RECEIVED
JUN 30 1986
OIL CONSERVATION DIVISION

Case 8945

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF JEROME P. MCHUGH & ASSOCIATES
FOR COMPULSORY POOLING, RIO ARRIBA
COUNTY, NEW MEXICO.

CASE: 8945

A P P L I C A T I O N

Comes now JEROME P. MCHUGH and applies to the Oil Conservation Division of New Mexico for an order pooling all mineral interests from the surface to base of the Dakota formation underlying the E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, for the formation of a Dakota spacing and proration unit, and in support thereof would show the Commission:

1. Applicant is an owner of the right to drill and develop the E/2 Section 12, Township 25 North, Range 2 West, NMPM.

2. Applicant proposes to drill a Dakota well at a standard location in the NW/4NE/4 and to dedicate the E/2 of said Section to the well.

3. Applicant seeks to pool the interest of Mountain States Natural Gas, P. O. Box 35426, Tulsa, Oklahoma 74543 (Albert Blair), which applicant believes is a 6.25% interest in this spacing and proration unit.

4. Applicant has previously pooled this same interest for this same acreage as shown in Oil Conservation Division Case 8788 and as ordered by the Division in Order R-8144 entered effective January 31, 1986.

5. Applicant was unable to obtain the necessary rights-of-way for access to the well to be drilled pursuant to Order R-9144 and said order expired on May 1, 1986.

6. Applicant has now solved the right-of-way problems and seeks to again Pool the interests of Mountain States Natural Gas as was previously done by Order R-8144.

7. In order to obtain their just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.

8. The party named in paragraph 5 above has been furnished a copy of this application.

WHEREFORE applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling the subject well, completing and

equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well, for such other and further relief as may be proper.

Respectfully submitted,

Jerome P. McHugh

By 

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, NM 87501

(505) 982-4285

RECEIVED

STATE OF NEW MEXICO JUN 30 1986
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION OIL CONSERVATION DIVISION

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OF JEROME P. MCHUGH & ASSOCIATES
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Jerome P. McHugh

By 

W. Thomas Kellahin
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Santa Fe, NM 87501

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TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

50 YEARS



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(505) 827-5800

Case No. 8945

*Application of Jerome P. McHugh and
Associates For Compulsory Pooling, Rio
Arriba County, NM.*

*The testimony and exhibits presented in Case
No. 8788 were made a part of this
Case.*

Mike Steyer
8/4/86