

**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. 8350 (Reopened)  
Order No. R-7745-B**

**IN THE MATTER OF CASE NO. 8350 BEING  
REOPENED PURSUANT TO THE PROVISIONS  
OF DIVISION ORDER NOS. R-7745 AND  
R-7745-A WHICH ORDERS PROMULGATED  
TEMPORARY SPECIAL RULES AND REGULATIONS  
FOR THE GAVILAN GREENHORN-GRANEROS-  
DAKOTA OIL POOL IN RIO ARRIBA COUNTY,  
NEW MEXICO, INCLUDING A PROVISION FOR  
320-ACRE SPACING AND PRORATION UNITS  
AND DESIGNATED WELL LOCATIONS.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of November, 1992, 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) By Order No. R-7745 issued in Case No. 8350 on November 30, 1984, the Division, upon application of Jerome P. McHugh, created, defined and promulgated temporary special rules and regulations for the Gavilan Greenhorn-Graneros-Dakota Oil Pool in Rio Arriba County, New Mexico, including provisions for 320-acre spacing and proration units and designated well locations.

(3) Pursuant to the provisions of Order No. R-7745, Case No. 8350 was reopened and heard August 22, 1990 to allow the operators in the subject pool the opportunity to appear and show cause why the special rules and regulations for said pool should not be rescinded and the pool developed on less than 320-acre spacing.

(4) By Order No. R-7745-A issued on September 24, 1990, the Division, upon the request of Oryx Energy Company and as a result of testimony presented in Reopened Case No. 8350, continued in effect the temporary special rules and regulations for an additional period of two years.

(5) Pursuant to the provisions of Order No. R-7745-A, Case No. 8350 is being reopened at the present time to allow the operators in the subject pool the opportunity to appear and show cause why the special rules and regulations for said pool should not be rescinded and the pool developed on less than 320-acre spacing.

(6) Benson-Montin-Greer Drilling Corporation, one of six operators in the subject pool, appeared through counsel at the hearing but presented no evidence and testimony in this case.

(7) Benson-Montin-Greer Drilling Corporation's position is that the temporary special rules and regulations for the Gavilan Greenhorn-Graneros-Dakota Oil Pool should be made permanent.

(8) In addition, NM & O Operating Company and Mallon Oil Company, both operators in the subject pool, submitted letters also in support of making the temporary special rules and regulations permanent.

(9) The subject pool was initially spaced on 320 acres for the following reasons:

- a) geologic and engineering data presented in original Case No. 8350 demonstrated that the average well in the subject pool would be capable of marginal production only and, being so marginal in nature, would not support the drilling of a well to produce these zones only;
- b) the Gavilan-Mancos Oil Pool is above the Gavilan Greenhorn-Graneros-Dakota Oil Pool and is the pool of primary interest with respect to ultimate recoveries of oil and gas, and;
- c) the institution of 320-acre spacing for the subject pool would effectively limit the number of wells drilled through the Mancos formation which would serve to protect said formation from potential damage during drilling and cementing operations.

(10) It is apparent from previous evidence and testimony in this matter that spacing the Gavilan Greenhorn-Graneros-Dakota Oil Pool on less than 320 acres would not serve to increase the recovery of oil and gas from the pool, may cause reduced recovery from the Mancos formation due to formation damage during drilling and cementing operations, and would likely disrupt and cause inequities in revenue distribution among those parties who have thus far shared in production from the subject pool.

(11) Continuation of the temporary special rules and regulations for the Gavilan Greenhorn-Graneros-Dakota Oil Pool will serve to prevent the economic loss caused by the drilling of unnecessary wells, will prevent reduced recovery from the Mancos formation, and will prevent waste and protect correlative rights.

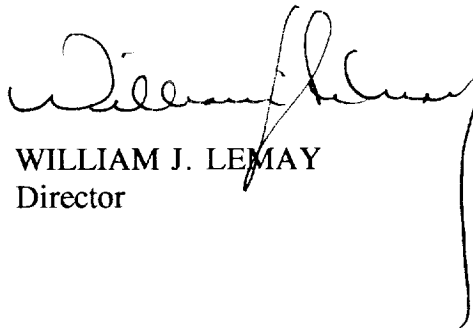
**IT IS THEREFORE ORDERED THAT:**

(1) The temporary rules and regulations for the Gavilan Greenhorn-Graneros-Dakota Oil Pool, Rio Arriba County, New Mexico, as promulgated by Division Order No. R-7745, are hereby continued in full force and effect until further order of the Division.

(2) Jurisdiction is hereby 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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