

(NORTHWESTERN NEW MEXICO (PRORATED GAS POOLS - MARGINAL AND NON-MARGINAL WELLS CLASSIFICATIONS - ORDER NO. R-1670-X AND R-333-F-2-B) - Cont'd.)

**GAVILAN-MANCOS POOL
Rio Arriba County, New Mexico**

Order No. R-7407, Creating and Adopting Temporary Operating Rules for the Gavilan-Mancos Pool, Rio Arriba County, New Mexico, March 1, 1984, as Amended by Orders No. R-7407-E, June 8, 1987, and Order No. R-7407-F, Order No. R-6469-F, August 1, 1988.

See separate Order No. R-7407-E, effective June 8, 1987, approving an allowable and gas-oil ratio limit for the Gavilan-Mancos Oil Pool.

See separate Order No. R-7407-F and R-6469-F, August 1, 1988, amending Rule 2 (a) and approving an allowable and gas-oil ratio limit for the Gavilan-Mancos and West Puerto Chiquito-Mancos Pools.

Application of Jerome P. McHugh for the Creation of a New Oil Pool and Special Pool Rules, Rio Arriba County, New Mexico.

CASE NO. 7980
Order No. R-7407

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 16, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of December, 1983, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Jerome P. McHugh, seeks an order creating a new oil pool, vertical limits to be the Niobrara member of the Mancos formation, with special pool rules including a provision for 320-acre spacing, Rio Arriba County, New Mexico.

(3) That in companion Case 7979, Northwest Pipeline Company seeks an order deleting certain lands from the Basin Dakota Pool, the creation of a new oil pool with vertical limits defined as being from the base of the Mesaverde formation to the base of the Dakota formation, (the Mancos and Dakota formations), and the promulgation of special pool rules including a provision for 160-acre spacing, Rio Arriba County, New Mexico.

(4) That Cases 7979 and 7980 were consolidated for the purpose of obtaining testimony.

(5) That geological information and bottomhole pressure differentials indicate that the Mancos and Dakota Formations are separate and distinct common sources of supply.

(6) That the testimony presented would not support a finding that one well would efficiently drain 320 acres in the Dakota formation.

(7) That the Mancos formation in the area is a fractured reservoir with low porosity and with a matrix permeability characteristic of the Mancos being produced in the West Puerto Chiquito Mancos Pool immediately to the east of the area.

(8) That said West Puerto Chiquito-Mancos Pool is a gravity drainage reservoir spaced at 640 acres to the well.

(9) That the evidence presented in this case established that the gravity drainage in this area will not be as effective as that in said West Puerto Chiquito-Mancos Pool and that smaller proration units should be established therein.

(6) (As Amended by Order No. R-1670-X(A) and R-333-F-2-B(A), December 20, 1983) That effective April 1, 1984, all wells in the South Blanco-Pictured Cliffs Pool and the Tapacito-Pictured Cliffs Pool capable of producing 250 MCF per month or more (8 MCF per day) shall be reclassified as non-marginal.

(7) That the over and underproduced status of all non-marginal units in said Pictured Cliffs Pools ending the proration period March 31, 1984, shall not be affected by this order.

(8) That any unit reclassified from marginal to non-marginal under terms of this order shall be deemed to have entered the proration period in an underproduced status for purposes of Rule 16A of the gas proration rules contained in Division Order No. R-1670, as amended.

(9) That Rule 16-A of said General Rules and Regulations should be amended to read in its entirety as follows:

"RULE 16 (A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any well which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during said classification period; provided however, that the operator of any well so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the well is not of marginal character and should not be so classified."

The Director may suspend the reclassification of wells which should take place on July 1, October 1, and January 1 on his own initiative or upon a proper showing by an interested party and it should appear that such suspension is necessary to permit underproduced wells, which would otherwise be reclassified, a proper opportunity to make up such underproduction."

(10) That the application for reclassification of wells producing between 250 MCF and 2000 MCF per month in the Mesaverde and Dakota Pools as non-marginal wells is hereby denied.

(11) That the application for the amendment of the production level at which exempt marginal wells in the Mesaverde and Dakota Pools are determined is hereby denied.

(12) That the effective date of this order shall be January 1, 1984.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

BEFORE THE OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO
Case No. 12633 Exhibit No. 5

Submitted by:
McElvain Oil & Gas Properties, Inc.
Hearing Date: August 23, 2001

GAVILAN-MANCOS POOL - Cont'd.)

(10) That the currently available information indicates that one well in the Gavilan-Mancos Oil Pool should be capable of effectively and efficiently draining 320 acres.

(11) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to prevent reduced recovery of hydrocarbons which might result from the drilling of too many wells, and to otherwise prevent waste and protect correlative rights, the Gavilan-Mancos Oil Pool should be created with temporary Special Rules providing for 320-acre spacing.

(12) That the vertical limits of the Gavilan-Mancos Pool should be defined as: The Niobrara member of the Mancos formation between the depths of 6590 feet and 7574 feet as found in the Northwest Exploration Company, Gavilan Well No. 1, located in Unit A of Section 26, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(13) That the horizontal limits of the Gavilan-Mancos Oil Pool should be as follows:

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM
Sections 1 through 3: All

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM
Sections 19 through 30: All
Sections 33 through 36: All

(14) That to protect the correlative rights of interested parties in the West Puerto Chiquito-Mancos Oil Pool, it is necessary to adopt 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.

(15) That in order to gather information pertaining to reservoir characteristics in the Gavilan-Mancos Oil Pool and its potential impact upon the West Puerto Chiquito-Mancos Oil Pool, the Special Rules for the Gavilan-Mancos Oil Pool should provide for the annual testing of the Mancos in any well drilled in the E/2 of a section adjoining the West Puerto Chiquito-Mancos Pool.

(16) That the said Temporary Special Rules and Regulations should be established for a three-year period in order to allow the operators in the Gavilan-Mancos Oil Pool to gather reservoir information to establish whether the temporary rules should be made permanent.

(17) That the effective date of the Special Rules and Regulations promulgated for the Gavilan-Mancos Oil Pool should be more than sixty days from the date of this order in order to allow the operators time to amend their existing proration and spacing units to conform to the new spacing and proration rules.

IT IS THEREFORE ORDERED:

(1) That a new pool in Rio Arriba County, New Mexico, classified as an oil pool for Mancos production is hereby created and designated as the Gavilan-Mancos Oil Pool, with the vertical limits comprising the Niobrara member of the Mancos shale as described in Finding No. (12) of this Order and with horizontal limits as follows:

GAVILAN-MANCOS OIL POOL
RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM
Sections 1 through 3: All

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM
Sections 19 through 30: All
Sections 33 through 36: All

(2) That temporary Special Rules and Regulations for the Gavilan Mancos Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
GAVILAN-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the Gavilan-Mancos Oil Pool or in a correlative interval within one mile of its northern, western or southern boundary, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (As Amended by Order No. R-7407-E, June 8, 1987, and Order No. R-7407-F and R-6469-F, August 1, 1988.) (a) A standard proration unit shall consist of between 632 and 648 acres consisting of a governmental section with at least one and not more than two wells drilled or recompleted thereon; provided that if the second well is drilled or recompleted on a standard unit it shall not be located in the same quarter section, nor closer than 1650 feet to the first well drilled on the unit; and provided further that proration units formed prior to the date of this order are hereby approved as non-standard, provided however, that operators have the option to file Form C-102 to form standard units.

(b) A buffer zone is hereby created consisting of the east half of sections bordering Township 1 West. Only one well per section shall be drilled in said buffer zone and of such well is located closer than 2310 feet from the western boundary of the West Puerto Chiquito-Mancos Oil Pool it shall not be allowed to produce more than one-half the top allowable for a 640-acre proration unit.

RULE 3. Non-standard spacing or proration units shall be authorized only after proper notice and hearing.

RULE 4. Each well shall be located no nearer than 790 feet to the outer boundary of the spacing or proration unit, nor nearer than 330 feet to a governmental quarter-quarter section line.

RULE 5. That no more than one well in the Gavilan-Mancos Oil Pool shall be completed in the East one-half of any section that is contiguous with the western boundary of the West Puerto Chiquito-Mancos Oil Pool, with said well being located no closer than 1650 feet to said boundary.

RULE 6. That the operator of any Gavilan-Mancos Oil Pool well located in any of the governmental sections contiguous to the West Puerto Chiquito-Mancos Oil Pool the production from which is commingled with production from any other pool or formation and which is capable of producing more than 50 barrels of oil per day or which has a gas-oil ratio greater than 2000 to 1, shall annually, during the month of April or May, conduct a production test of the Mancos formation production in each said well in accordance with testing procedures acceptable to the Aztec district office of the Oil Conservation Division.

IT IS FURTHER ORDERED:

(1) That the Special Rules and Regulations for the Gavilan-Mancos Oil Pool shall become effective March 1, 1984.

(2) That any well presently producing from the Gavilan-Mancos Oil Pool which does not have a standard 320-acre proration unit, an approved non-standard proration unit, or which does not have a pending application for a hearing for a standard or non-standard proration unit by March 1, 1984, shall be shut-in until a standard or non-standard unit is assigned the well.

(3) That this case shall be reopened at an examiner hearing in March, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the Gavilan-Mancos Oil Pool should not be developed on 40-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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