

50 YEARS



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



1935 - 1985

TONEY ANAYA
GOVERNOR

May 19, 1986

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

Ms. Karen Aubrey
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 8839
ORDER NO. R-7407-C

Applicant:

Jerome P. McHugh

Dear Madam:

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

Sincerely,

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

R. L. STAMETS
Director

RLS/fd

Copy of order also sent to:

Hobbs OCU	<u>x</u>
Artesia CCD	<u>x</u>
Aztec OCU	<u>x</u>

Other James Bruce

HUNT WALKER
P. O. BOX 2409
DENVER, COLORADO 80201-2409
(303) 298-1156

April 13, 1986

New Mexico Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501-2088

RE: Case #8854, #8839
Non-Standard Spacing Proposals
Rio Arriba County, New Mexico
Gavilan Mancos Field
Loddy #1 Well
Township 25 North, Range 2 West
Section 20: W/2.

Gentlemen:

I am the owner of Walker Energy Company, which owns a working interest in the Loddy #1 well referenced above. I am writing you to let you know how strongly I disapprove of your non-standard spacing proposal (Case #8854) that is coming up for a hearing on April 16th. The Loddy #1 was spudded in July of 1985 by Jerome P. McHugh as operator. I am a small operator and participated in the well for a 17.71% working interest, which at the time it was drilled, was the furthest west Gallup Mancos test in the Gavilan area (25N-2W). We drilled the well based on the 320 acre well spacing in force at the time and approved by the New Mexico Oil Conservation Division. The well has been completed as a discovery, and will produce oil and gas.

If I understand your proposal (case #8854), you are going to space in the four lots in section 19 comprising 186.76 acres into our well, creating a 506.76 acre spacing unit, and allowing for two wells. This would reduce my working interest in the Loddy #1 to 11.18%. I'd like you to know that I took a tremendous risk in drilling the Loddy well, and I drilled it under the field rules that were in force at that time. Now that the Loddy well is a producer, you are coming to me and proposing that I have to reduce my interest by 37%, and let another company, that took absolutely no risk in the well, come in for a 37% interest? Somehow that doesn't seem very fair to me. If we had drilled a dry hole instead of a producer, and you approved these special field rules, would I be able to go to the working interest owners of section 19 and ask for 37% of my money back?

FILED
OIL CONSERVATION DIVISION
JEROME P. McHugh
EQUIDIT NO. 3
CASE NO. 8839

I would like to support the proposal by Jerome P. McHugh (case #8839), which seems to treat the spacing problem in a more equitable manner. Let the working interest owners of section 19 drill their own well, and if they can make a producer out of it, produce the well at an allowable of 186.76/320th's. McHugh's proposal seems to be much more equitable than giving a total "free ride" to the working interest owners of section 19.

I urge you to drop your special field rules proposal (#8854) regarding sections 19 and 20, and adopt McHugh's proposed rules (#8839). I think you have every right to change spacing rules up until the point a well is spudded; any changes after that point are unfair and are like changing the rules in the middle of the game.

If I can give you any more information that would help you decide these cases, I would be happy to do so.

Thank you for this opportunity to express my point of view.

Very truly yours,

Hunt Walker

cc: Mr. Kent Craig
Jerome P. McHugh and Assoc.
600 South Cherry Street
Suite 1225
Denver, CO 80222

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

March 3, 1986

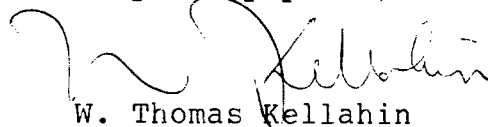
Mr. Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Jerome P. McHugh
NMOCD Case 8839

Dear Mr. Stogner:

This will confirm my telephone request to you this morning requesting that OCD Case 8839 be continued to the Examiner docket of March 19, 1986, so that this case would be on the same docket as Division Cases 8836, 8837, and 8838, which I understand have been dismissed and re-filed for the March 19, 1986 docket.

Very truly yours,


W. Thomas Kellahin

WTK:ca

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