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RECEIVED

July 12, 1988

JUL 14 1988

OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Case 9451

Re: Application of Jerome P. McHugh & Associates
for Amendment to Division Order R-6369-B
and extension of the horizontal boundary for
the West Puerto Chiquito Mancos Oil Pool,
Rio Arriba County, New Mexico

Dear Mr. LeMay:

On behalf of Jerome P. McHugh & Associates, please
set the enclosed application for hearing on the
examiner's docket now scheduled for August 3, 1988.

The following is suggested as a sample advertisement
for the docket and for the newspaper publication:

Application of Jerome P. McHugh & Associates for
amendment to Division Order R-6469-B by modifying
the restriction of the special rules and regulations
for the West Puerto Chiquito Mancos Oil Pool which
confines those rules to the limits of the pool
boundary, and for the expansion of the said pool to
include Section 2, T23N, R1W, NMPM, Rio Arriba
County, New Mexico. Applicant, in the above styled
cause, seeks an order modifying the restriction
contained in Order R-6469-B which limits the special
rules and regulations of the West Puerto Chiquito
Mancos Oil Pool to its current horizontal boundary
by deleting that restriction from the southern
boundary of said pool, thereby causing the automatic
expansion of the southern boundary of the pool and

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the application of said pool rules to any well whose spacing unit is within one mile of the southern boundary of said pool. Applicant further seeks the inclusion of Section 2, T23N, R1W, NMPM, into the said pool.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Gary Johnson
Jerome P. McHugh & Associates
650 South Cherry, Suite 1225
Denver, Colorado 80155

"Certified-Return Receipt Requested"

All Parties listed in Application

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

IN THE MATTER OF THE APPLICATION OF
JEROME P. MCHUGH & ASSOCIATES FOR
AMENDMENT TO DIVISION ORDER R-6469-B
BY MODIFYING THE RESTRICTION OF THE
SPECIAL RULES FOR THE WEST PUERTO
CHIQUITO MANCOS OIL POOL WHICH CONFINES
THOSE RULES TO THE LIMITS OF THE POOL
BOUNDARY, AND FOR THE EXPANSION OF THE WEST
PUERTO CHIQUITO MANCOS OIL POOL TO
INCLUDE SECTION 2, T23N, R1W, NMPM,
RIO ARRIBA COUNTY, NEW MEXICO.

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A P P L I C A T I O N

COMES NOW JEROME P. MCHUGH & ASSOCIATES, by and through their attorneys, Kellahin, Kellahin & Aubrey, and in accordance with Section 7-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order modifying the restriction contained in Order R-6469-B which limits the special rules and regulations of the West Puerto Chiquito Mancos Oil Pool to its current horizontal boundary by deleting that restriction from the southern boundary of said pool, thereby causing the automatic expansion of the southern boundary of the pool and the application of said pool rules to any well whose spacing unit is within one mile of the southern boundary of said pool. Applicant further seeks the inclusion of Section 2, T23N, R1W, NMPM, into the said pool, and in support thereof would show:

1. Applicant has drilled and completed its Laguna Colorado #2-6 well at a standard location (Unit F) 1650 feet from the North line and 1650 feet from the West line, of Section 2, T23N, R1W, NMPM, Rio Arriba County, New Mexico.

2. While the subject well was drilled to test the Dakota formation, it was not capable of commercial production from the Dakota Formation.

3. The subject well is currently completed in and capable of commercial production from the Mancos formation.

4. The subject well produces from the same Mancos formation that has been established as productive in the West Puerto Chiquito Mancos Oil Pool.

5. Current geologic and engineering information justifies the inclusion of the subject well in West Puerto Chiquito Mancos Oil Pool.

6. The Mancos formation in the subject Section 2 is a fractured reservoir with low porosity and a matrix permeability characteristics of the Mancos being produced in the West Puerto Chiquito Mancos Oil Pool.

7. Until contrary evidence is available, in order to avoid the drilling of unnecessary wells, to prevent waste, and to protect correlative rights, Section 2 and each of the sections contiguous to said Section 2, should

be made a part of the West Puerto Chiquito Mancos Oil Pool by extension of the subject pool.

8. In addition, in order to avoid the drilling of unnecessary wells and to preserve the greatest flexibility for the proper development of the reservoir and protection of correlative rights, a procedure should be adopted for the automatic expansion of the southern boundary of the West Puerto Chiquito Mancos Oil Pool to include any well completed or recompleted within one mile of that boundary.

9. 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, all sections adjoining said Section 2 should be subject to the West Puerto Chiquito Mancos Pool Rules.

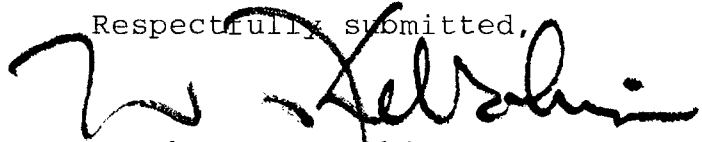
10. That to protect the correlative rights of interested parties the subject well it is necessary to delete the restriction contained in Order R-6469-B which limits the Rules and Regulations for the West Puerto Chiquito Mancos Pool to its current southern boundary.

11. That in accordance with Division Rule 1207, notice of this application has been sent to all those parties shown on Exhibit "A" attached hereto.

12. That applicant requests that this case be docketed for hearing at the next available Examiner's hearing now scheduled for August 3, 1988 in Santa Fe, New Mexico.

WHEREFORE, applicant, Jerome P. McHugh & Associates, requests that after notice and hearing the subject application be granted as requested.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive style with a large initial "W" and a long horizontal stroke at the end.

W. Thomas Kellahin, Esq.
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504

Exhibit A

Mr. A. R. Greer
Benson-Montin-Greer Drilling Corp.
221 Petroleum Center Building
Farmington, New Mexico 87401

Amoco Production Company
Attn: Kent Lund, Esq.
P. O. Box 800
Denver, Colorado 80201

Mobil Producing Texas & New Mexico, Inc.
Nine Greenway Plaza, Suite 2700
Houston, Texas 77046

Tidewater Oil Company
P. O. Box 1960
Durango, Colorado 81301

Energy Institutional Investors, Ltd.
3510 N. causeway Boulevard
Metairie, LA 70011

Petro-Lewis Institutional Investors
Box 90500
Houston, Texas 77290

A. G. Hill
5000 Thanksgiving Tower
Dallas, Texas 75201

J. Gregory Merrion
P. O. Box 1541
Farmington, New Mexico 87499

Robert L. Bayless
P. O. Box 1541
Farmington, New Mexico 87499

Lawrence C. Harris
P. O. Box 1714
Roswell, New Mexico 88201

Ora R. Hall, Jr.
Route 1, Box 265X
Roswell, New Mexico 88201

EXHIBIT "A" continued:

J. W. Huber Corporation
2000 West Loop South
Houston, Texas 77027

Prudential-Bache Energy Income
Production Partnerships
c/o Graham Resources
109 North Park Boulevard
Covington, Louisiana 70433-3263

FPCO Oil & Gas Inc.
Freeport-McMoran
P. O. Box 60004
New Orleans, Louisiana 70160

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Hanson-McBride Petroleum Co.
P. O. Box 1515
Roswell, New Mexico 88202

Charlie Marshal and Rosa Jane Schmitz
General Delivery
Regina, New Mexico 87046

Kathy M. Cochran
General Delivery
Regina, New Mexico 87046

Allen F. Cochran
General Delivery
Regina, New Mexico 87046