

Resubmitted  
PTDSO-013955832

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



Case 13801

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

- [D] Other: Specify \_\_\_\_\_

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**JAMES BRUCE**  
 P. O. BOX 1056  
 SANTA FE, NM 87504  
Print or Type Name

*James Bruce*  
 Signature

Attorney for Applicant  
 Title

jamesbruc@aol.com  
 e-mail Address

8/18/06  
 Date

2006 AUG 18 AM 11 50

US Energy

DATE IN 5/19/06	SUSPENSE 6-8-2006	ENGINEER MIKE STIGUER	LOGGED IN 5/19/06	TYPE NSL	APP NO. PTD50613955856
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

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- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
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U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
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**JAMES BRUCE**  
 P.O. BOX 1056  
 SANTA FE, NM 87504

Print or Type Name

*James Bruce*  
 Signature

*Attorney for Applicant*  
 Title

*5/19/06*  
 Date

*jamesbruce@aol.com*  
 e-mail Address

2006 MAY 19 PM 2 44

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

August 18, 2006

Hand delivered

Michael E. Stogner  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Resubmittal of (revised) unorthodox location application (administrative reference No. pTDS0-613955856)

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), U.S. Enercorp, Ltd. applies for approval of an unorthodox oil well location for the following well:

<u>Well:</u>	Almagre Arroyo "30" Well No. 1
<u>Surface Location:</u>	2605 feet FSL & 2400 feet FWL
<u>Bottom Hole Location:</u>	<b>990 feet FNL &amp; 990 feet FWL<sup>1</sup></b>
<u>Well Unit:</u>	All of Section 30, Township 24 North, Range 1 East, N.M.P.M., Rio Arriba County, New Mexico

The well will be drilled to a depth sufficient to test the Mancos formation (West Puerto Chiquito-Mancos Pool). Pursuant to Division Order Nos. R-2565-B and R-6469-G, as amended, the pool is spaced on 640 acres, with wells to be located no closer than 1650 to a section line nor closer than 330 feet to a quarter section line. A Form C-102 is attached as Exhibit A.

Applicant intends to drill a pilot hole at the surface location to the Mancos, and then drill directionally to the proposed bottom hole location. A directional drilling plan is attached as Exhibit B.

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<sup>1</sup> The original proposed bottom hole location was 660 feet from the north line and 660 feet from the west line of Section 30.

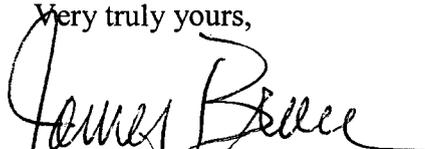
The location is based on geologic reasons. Due to the high dip rates of the subsurface geologic formations, directional drilling is required in order for the wellbore to stay within the Mancos formation. The directional plan will test the highly dipping formation from top to bottom over the course of the directional wellbore. The surface location, kickoff point, and bottom hole location are designed as part of that plan, and will maximize recovery from the well unit.

The well encroaches on §19-24N-1E, §24-24N-1W, and §25-24N-1W. There is no production from those sections, so the offset working interest owners or unleased mineral owners have been notified of this application, as shown by Exhibit C.

The original application was objected to by Merrion Oil & Gas Corporation and Benson-Montin-Greer Drilling Corp., and the application was returned unapproved. Since then both companies have reached agreement with applicant to withdraw their objections. Copies of their waiver letters are attached as Exhibit D. I will provide a fully executed copy of the B-M-G waiver when I receive it.

Please contact me if you need any further information on this application.

Very truly yours,



James Bruce

Attorney for U.S. Enercorp, Ltd.

Box 1980, Hobbs, N.M. 88241-1980  
DISTRICT II  
11 South First, Artesia, N.M. 88210  
DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410  
DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code		*Pool Name	
*Property Code		*Property Name <b>ALMAGRE ARROYO 30</b>			*Well Number <b>1</b>
*OGRD No.		*Operator Name <b>U.S. ENERCORP, LTD.</b>			*Elevation <b>7212</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	30	24 N	1 E		2605	SOUTH	2400	WEST	RIO ARRIBA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

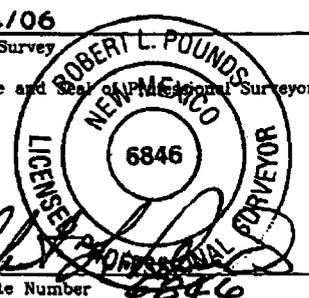
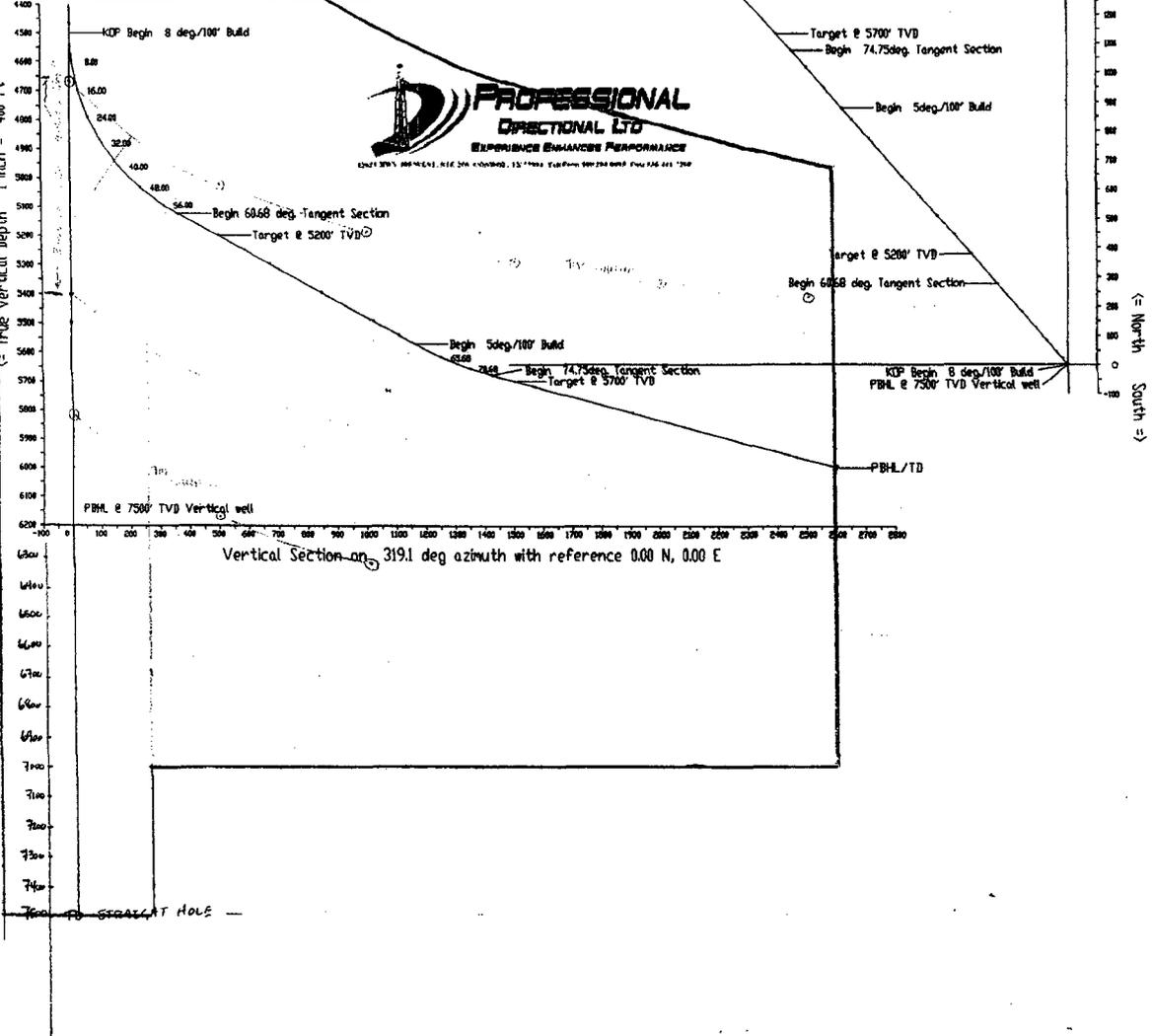
<p>18 N 89°24'47" E</p> <p>5274.47'</p> <p>990'</p> <p>990'</p> <p>① 39.01</p> <p>250' / 250'</p> <p>SECTION 30</p> <p>2400'</p> <p>PLAT. 36.281820° LONG. 106.876966° NAD 83</p> <p>② 39.07</p> <p>③ 39.13</p> <p>④ 39.19</p> <p>S 89°27'47" W</p> <p>2605'</p>	5246.34'	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p> <p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>3/14/06</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor: </p> <p>Certificate Number 6846</p>
	5274.47'	
	5254.26'	
	S 0°34'13" E	

Exhibit A

U.S. Enercorp, L.L.C  
 Almagre Arroyo 30 #1  
 Rio Arriba County, New Mexico

1 inch = 400 ft (< West East =>)

MD	Inc.	Azi	TVD	N-S	E-W	DLS	Comment	revl
4500	0.00	319.11	4500	0	0	0.00	KDP Begin 8 deg./100' Build	05-03-2006
5258	60.68	319.11	5124	276	-239	8.00	Begin 60.68 deg. Tangent Section	
5413	60.68	319.11	5200	378	-327	0.00	Target @ 5200' TVD	
6174	60.68	319.11	5573	800	-762	0.00	Begin 5deg./100' Build	
6456	74.75	319.11	5679	1076	-932	5.00	Begin 74.75deg. Tangent Section	
6534	74.75	319.11	5700	1134	-982	0.00	Target @ 5700' TVD	
7675	74.75	319.11	6000	1966	-1702	0.00	PBHL/TD	



**Exhibit B**

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

August 18, 2006

Certified Mail – Return Receipt Requested

To: Persons listed on Exhibit A

Ladies and gentlemen:

U.S. Enercorp, Ltd. has filed a revised application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location in the Mancos formation in Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than Friday, September 8, 2006 (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a latter date.

Very truly yours,



James Bruce

Attorney for U.S. Enercorp, Ltd.

— EXHIBIT C —

EXHIBIT A

§19-24N-1E:

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

§24-24N-1W:

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

Burlington Resources Oil & Gas Company LP  
P.O. Box 4289  
Farmington, New Mexico 87499

Elm Ridge Exploration Co.  
Suite 950  
12225 Greenville Avenue  
Dallas, Texas 75243

Energen Resources Corporation  
2198 Bloomfield Highway  
Farmington, New Mexico 87402

Medicine Bow Operating Company  
Suite 1900  
1225 17<sup>th</sup> Street  
Denver, Colorado 80202

§25-24N-1W:

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

Burlington Resources Oil & Gas Company LP  
P.O. Box 4289  
Farmington, New Mexico 87499

Elm Ridge Exploration Co.  
Suite 950  
12225 Greenville Avenue  
Dallas, Texas 75243

Energen Resources Corporation  
2198 Bloomfield Highway  
Farmington, New Mexico 87402

Medicine Bow Operating Company  
Suite 1900  
1225 17<sup>th</sup> Street  
Denver, Colorado 80202

Merrion Oil & Gas Corporation  
610 Reilly Avenue  
Farmington, New Mexico 87401

Ramon G. & Irene A. Sanchez  
P.O. Box 533  
Cuba, New Mexico 87013

Richard D. & Marilyn Sue Foster  
3 Maya Lane  
Los Alamos, New Mexico 87544

Mildred N. Pollack  
312 Dartmouth S.E.  
Albuquerque, New Mexico 87106

Evelyn June Wall, Trustee of  
the Nordeen Family Trust  
1730 Aliso  
Albuquerque, New Mexico 87110

Ernest & Mary E. Sanchez  
Route 4, Box 2041  
Bloomfield, New Mexico 87413

Howard L. & Elsie M. Hays  
P.O. Box 401  
Regina, New Mexico 87046

Tedrick C. Sedillo  
HC 78 Box 21  
Regina, New Mexico 87046

Eduardo J. Lopez  
P.O. Box 3786  
Santa Fe, New Mexico 87504

**U.S. ENERCORP, LTD.**

**Post Office Box 17098**

**San Antonio, Texas 78217**

**Telephone: (210) 829-4888**

**Fax: (210) 824-3950**

August 7, 2006

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

Attn: James Hornbeck

Re: Protest of Non-Standard Location  
Almagre Arroyo 30 No. 1 Well  
NW Sec. 30-24N-R1E  
Rio Arriba County, New Mexico

Gentlemen,

This letter, when signed by you, shall serve to evidence our prior verbal agreement regarding your protest of our Non-Standard Location Application for the Almagre Arroyo 30 No. 1 well as follows:

- (1) U.S. Enercorp, LTD. (USE) will amend (or re-file) the subject Non-Standard Location Application to reflect our agreement to cause the subject wellbore to be drilled no closer than 990' to your lease line, being the North and West lines of Section 30, T24N - R1E, rather than 660', as originally stated, and
- (2) USE will provide you with the daily drilling reports, a copy of any well logs, formation test results and other similar information directly related to the drilling of the subject well and,

In consideration for (1) and (2) above, Benson-Montin-Greer Drilling Corp. (BMG) will withdraw its protest of the subject Non-Standard Location Application. Furthermore, BMG's execution of this letter constitutes a waiver of protest to USE's amended (or re-filed) application with the NMOCD. BMG shall provide such additional approvals and consents as may be useful or necessary for the final approval of the subject non-standard location by the NMOCD.

The effective date of this letter agreement shall be the date of your agreement to the terms hereof as shown below and shall remain in effect for a period of one (1) year thereafter.

— **EXHIBIT D** —

Benson-Montin-Greer Drilling Corp.  
August 7, 2006  
Page 2

If this letter correctly sets forth the terms and provisions of our agreement regarding the proposed Almagre Arroyo 30 No. 1 well, please date and sign the enclosed duplicate original and return it to this office in the enclosed envelope.

Very truly yours,



John H. Sowell, III  
Landman

Agreed to and Accepted Effective this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

Benson-Montin-Greer Drilling Corp.

By: \_\_\_\_\_

Title: \_\_\_\_\_

JHS:th

**U.S. ENERCORP, LTD.**

Post Office Box 17028  
San Antonio, Texas 78217  
Telephone: (210) 829-4888  
Fax: (210) 824-3950

August 7, 2006

Merrion Oil & Gas Corporation  
610 Reilly Avenue  
Farmington, New Mexico 87401

Attn: George F. Sharpe

Re: Protest of Non-Standard Location  
Almagre Arroyo 30 No. 1 Well  
NW Sec. 30-24N-R1E  
Rio Arriba County, New Mexico

Gentlemen,

This letter, when signed by you, shall serve to evidence our prior verbal agreement regarding your protest of our Non-Standard Location Application for the Almagre Arroyo 30 No. 1 well as follows:

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- (2) USE will provide you with the daily drilling reports, a copy of any well logs, formation test results and other similar information directly related to the drilling of the subject well and,

*JS*  
*AS*  
*and completion*

In consideration for (1) and (2) above, Merrion Oil & Gas Corporation (Merrion) will withdraw its protest of the subject Non-Standard Location Application. Furthermore, Merrion's execution of this letter constitutes a waiver of protest to USE's amended (or re-filed) application with the NMOCD. Merrion shall provide such additional approvals and consents as may be useful or necessary for the final approval of the subject non-standard location by the NMOCD.

The effective date of this letter agreement shall be the date of your agreement to the terms hereof as shown below and shall remain in effect for a period of one (1) year thereafter.

Merrion Oil & Gas Corporation  
August 7, 2006  
Page 2

If this letter correctly sets forth the terms and provisions of our agreement regarding the proposed Almagre Arroyo 30 No. 1 well, please date and sign the enclosed duplicate original and return it to this office in the enclosed envelope.

Very truly yours,



John H. Sowell, III  
Landman

Agreed to and Accepted Effective this 9 day of August, 2006.

Merrion Oil & Gas Corporation

By: George Stanger

Title: Manager, Oil & Gas Investments

JHS:th

June 8, 2006

U. S. Enercorp, Ltd.  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87501

**Re: *Administrative application (administrative application reference No. pTDS0-613955856) for an exception to the well location provisions of the special rules and regulations governing the West Puerto Chiquito-Mancos Oil Pool (50440) for U. S. Enercorp, Ltd.'s proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high-angle well such that the resulting producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 636.40-acre oil spacing and proration unit, comprising all of Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.***

Dear Mr. Bruce:

On June 7, 2006 the New Mexico Oil Conservation Division ("Division") received an objection from an off-setting working interest owner to the west, presumably in Section 25, Township 24 North, Range 1 West, NMPM, Rio Arriba County, New Mexico (see copy of letter from Merrion Oil & Gas Corporation of Farmington, New Mexico dated June 5, 2006 attached). Your application for U. S. Enercorp, Ltd. is therefore denied and is being returned to you.

Should U. S. Enercorp, Ltd. wish to pursue this matter further, an application before a duly appointed hearing examiner will be necessary whereby your client will be required to present sufficient evidence to support this application.

Sincerely,

Michael E. Stogner  
Staff Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management – Farmington  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. Tommy Roberts, Legal Counsel for Merrion Oil & Gas Corporation – Farmington

June 9, 2006

**Benson-Montin-Greer Drilling Corp.  
Attention: James Hornbeck  
4900 College Boulevard  
Farmington, New Mexico 87402**

***Re: Administrative application filed on May 19, 2006 by U. S. Enercorp, Ltd. (administrative application reference No. pTDS0-613955856) for an exception to the well location provisions of the special rules and regulations governing the West Puerto Chiquito-Mancos Oil Pool (50440) for U. S. Enercorp, Ltd.'s proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high-angle well such that the resulting producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 636.40-acre oil spacing and proration unit, comprising all of Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.***

Dear Mr. Hornbeck:

Your letter of objection dated June 5, 2006 (for reference see copy of letter attached) to the subject application was received by the New Mexico Oil Conservation ("Division") in Santa Fe, New Mexico on Thursday afternoon, June 8, 2006. Pursuant to an earlier objection by Merrion Oil & Gas Corporation of Farmington, New Mexico, this administrative application was denied and subsequently returned to the applicant (see copy of the Division's letter dated June 8, 2006 also attached).

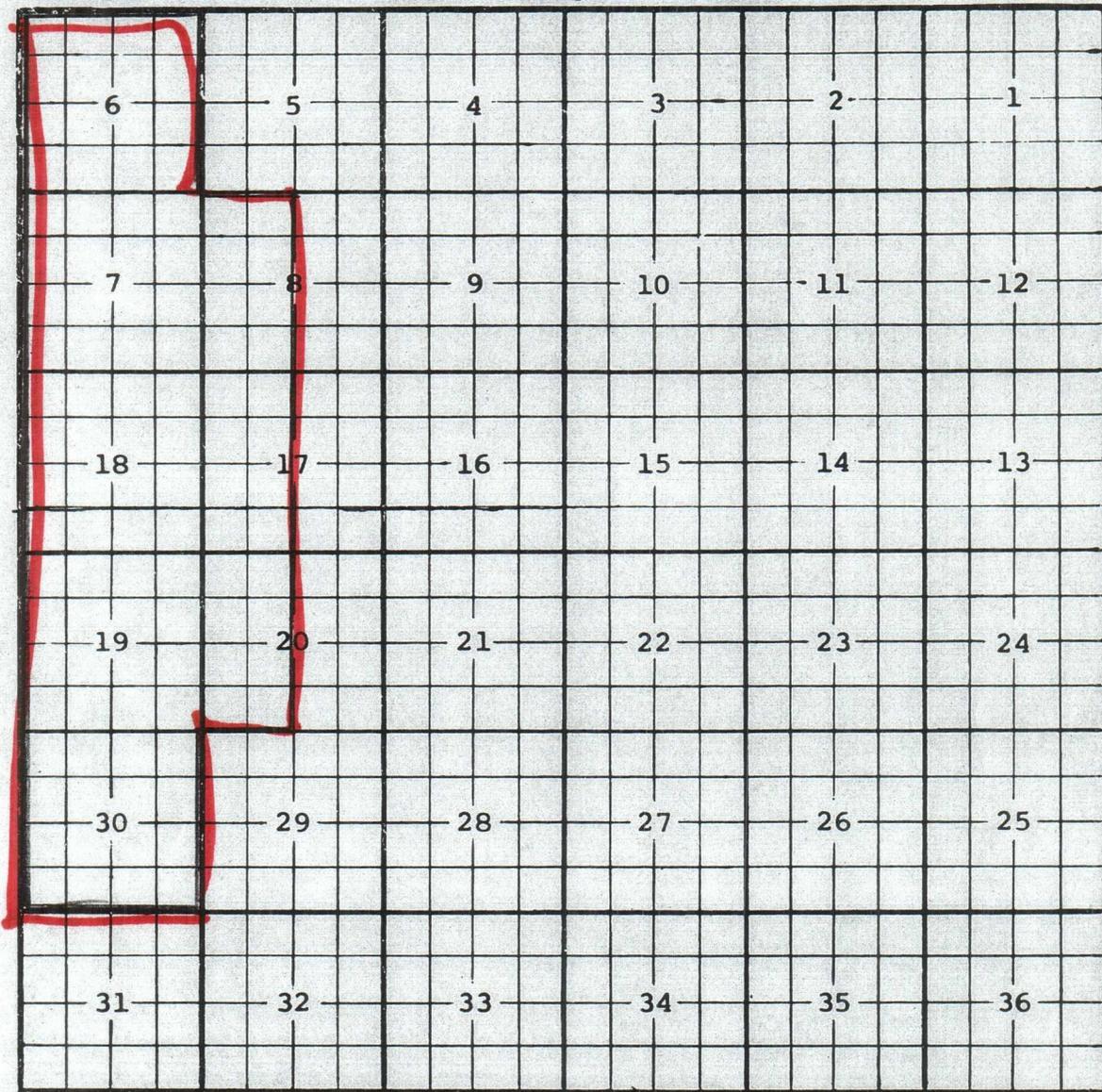
Sincerely,

Michael E. Stogner  
Staff Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
U. S. Enercorp, Ltd. c/o James Bruce - Santa Fe  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. Tommy Roberts, Legal Counsel for Merrion Oil & Gas Corporation - Farmington

COUNTY *Rio Arriba* POOL *West Puerto Chiquito - Mancos Oil*

TOWNSHIP *24 North* RANGE *1 East* NMPM



Ext: All Sec. 6 & 7;  $\frac{W}{2}$  Sec. 8;  $\frac{W}{2}$  Sec. 17; All Sec. 18 & 19;  $\frac{W}{2}$  Sec. 20;  
All Sec. 30 (R-3994, 7-15-70)

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

09/11/06 13:34:34  
OGOEEM -TQSN  
PAGE NO: 1

Sec : 30 Twp : 24N Rng : 01E Section Type : NORMAL

1	39.01	Federal owned	C	40.00	Federal owned	B	40.00	Federal owned	A	40.00	Federal owned
2	39.07	Federal owned	F	40.00	Federal owned	G	40.00	Federal owned	H	40.00	Federal owned
3	39.13	Federal owned	K	40.00	Federal owned	J	40.00	Federal owned	I	40.00	Federal owned
4	39.19	Federal owned	N	40.00	Federal owned	O	40.00	Federal owned	P	40.00	Federal owned

AUG 09 2006

**U.S. ENERCORP, LTD.**

Post Office Box 17098  
San Antonio, Texas 78217  
Telephone: (210) 829-4888  
Fax: (210) 824-3950

August 7, 2006

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

Attn: James Hornbeck

Re: Protest of Non-Standard Location  
Almagre Arroyo 30 No. 1 Well  
NW Sec. 30-24N-R1E  
Rio Arriba County, New Mexico

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*\*and  
Completion*

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The effective date of this letter agreement shall be the date of your agreement to the terms hereof as shown below and shall remain in effect for a period of one (1) year thereafter.

Post-It® Fax Note	7671	Date	11/13/06	# of pages	2
To	RICHARD EZEANYI	From	JAMES HORNBECK		
Co./Dept	NMOLD	Co.	Benson - Montin - Greer		
Phone #		Phone #	505-325-8674		
Fax #	505-476-3462	Fax #			

11/13/06

Benson-Montin-Greer Drilling Corp.

August 7, 2006

Page 2

If this letter correctly sets forth the terms and provisions of our agreement regarding the proposed Almagre Arroyo 30 No. 1 well, please date and sign the enclosed duplicate original and return it to this office in the enclosed envelope.

Very truly yours,



John H. Sowell, III  
Landman

Agreed to and Accepted Effective this 10 day of November, 2006.

Benson-Montin-Greer Drilling Corp.

By: James Shrubert

Title: Geologist

JHS:th

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruce@aol.com](mailto:jamesbruce@aol.com)

2006 OCT 20 PM 12 50

*Copy*

October 20, 2006

Mark E. Fesmire, P.E.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case No. 13801/U.S. Enercorp, Ltd.

Unorthodox location for Almagre Arroyo "30" Well No. 1  
Section 30, Township 24 North, Range 1 East, N.M.P.M., Rio Arriba County

Dear Mr. Fesmire:

**This letter requests that the above matter be referred back to the administrative docket.**  
The reasons for this request are as follows:

1. An administrative application for an unorthodox location was filed in May 2006, and notice was given to offsets. The original application requested an endpoint for the directional well of 660 feet FNL and FWL. Due to objections from two offsets (Benson-Montin-Greer Drilling Corp. and Merrion Oil & Gas Corporation), the administrative application was denied.
2. Applicant modified its application so that the endpoint location was less unorthodox (990 feet FNL and FWL), and Benson-Montin-Greer and Merrion informed applicant that they would not object to the modified location. Waiver letters were provided to Benson-Montin-Greer and Merrion.
3. The revised administrative application, attached as Exhibit 1, was filed in August 2006. Copies of the waiver letters are attached to the application. Merrion signed the waiver letter, although applicant has never received a signature page from Benson-Montin-Greer. Written notice of the revised application was provided to all offsets, including Benson-Montin-Greer, which received a copy of the revised application. See Exhibit 2.

*WVF 10/20/06*

4. However, because Benson-Montin-Greer did not sign the waiver letter provided to it, Mike Stogner set the application for hearing.

It is my position that Division procedures were filed by giving notice of the application to Benson-Montin-Greer, regardless of whether it signed a waiver letter. Benson-Montin-Greer received actual notice of the revised application and did not object. As a result, I do not believe that this matter is required to be set for hearing, and ask that it be referred back to the administrative docket for approval.

Thank you for your consideration of this matter

Very truly yours,



James Bruce

Attorney for U.S. Enercorp, Ltd.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Case File

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**U. S. Enercorp, Ltd.**

c/o **James Bruce**

**P. O. Box 1056**

**Santa Fe, New Mexico 87504**

September 26, 2006

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

Case 13801

**Re:** Your re-submittal of a previously denied administrative application (**administrative application reference No. pTDS0-613955856**) on behalf of the operator, U. S. Enercorp, Ltd., for an exception to Rule 4 (a) of the "Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool," as promulgated by Division Order No. R-6469-B, as amended, for their proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high angle directional well through the Mancos formation from a surface location 2605 feet from the South line and 2400 feet from the West line (Unit K) of Section 30, Township 24 North, Range 1 East, NMPM, West Puerto Chiquito-Mancos Oil Pool (**50440**), Rio Arriba County, New Mexico, to an unorthodox subsurface oil well location 990 feet from the North and West lines (Lot 1/Unit D) of Section 30.

Dear Mr. Bruce:

Approximately five-and-a-half years ago the Division enacted a policy whereby any incomplete administrative filing older than 30 days is to be withdrawn and returned. This policy, as I understand, was adopted to better serve our customers and help assure a quicker turn around time by this agency on administrative filings.

Your August 18, 2006 re-filing of the subject application is still pending a signed waiver of objection from Benson-Montin-Greer Drilling Corporation. Furthermore, there is currently an outstanding letter of objection from Benson-Montin-Greer Drilling Corporation to this well. This application is deemed to be incomplete; however, to maintain the integrity of the record in this matter, I will not deny your application a second time but instead will set this application for hearing before a Division Hearing Examiner on the next available docket scheduled for October 26, 2006. To help expedite this matter I have prepared the following advertisement:

**"Application of U. S. Enercorp, Ltd. for an unorthodox oil well location, Rio Arriba County, New Mexico.** Applicant seeks an exception to Rule 4 (a) of the "Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool," as promulgated by Division Order No. R-6469-B, as amended, for its proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high angle directional well through the Mancos formation from a surface location 2605 feet from the South line and 2400 feet from the West line (Unit K) of Section 30, Township 24 North, Range 1 East, to an unorthodox subsurface oil well location 990 feet from the North and West lines (Lot 1/Unit D) of Section 30. All of Section 30 is to be dedicated to this well in order to form a standard 636.40-acre oil spacing and proration unit for the West Puerto Chiquito-Mancos Oil Pool (**50440**)."

U. S. Enercorp, Ltd.

Division Administrative Application Reference No. pTDS0-613955856

September 26, 2006

Page 2

Should you have any questions, please contact the Division's Chief Engineer, Mr. Richard Ezeanyim at (505) 476-3467. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner

Engineering Assistant to the Division Director

cc: New Mexico Oil Conservation Division – Aztec  
U. S. Bureau of Land Management – Farmington  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. James Hornbeck, Benson-Montin-Greer Drilling, Corporation – Farmington  
Mr. Tommy Roberts, Legal Counsel for Merrion Oil & Gas Corporation - Farmington

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD  
**To:** Jim Bruce  
**Cc:**  
**Subject:** Re-filing of U.S. Enercorp's Almagre Arroyo #1  
**Attachments:**

**Sent:** Mon 9/11/2006 11:03 AM

RE: pTDS0-613955856

This request is based on "geologic reasons"; however, no geological support data was included. Also, at what depth will this well intercept the top of the West Puerto Chiquito-Mancos Oil Pool?

11:30 AM  
9-11-06  
Met w/ Jim Bruce  
at the office.  
M. Stogner

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD **Sent:** Mon 9/11/2006 1:17 PM  
**To:** Jim Bruce  
**Cc:**  
**Subject:** RE: Re-filing of U.S. Enercorp's Almagre Arroyo #1  
**Attachments:**

RE: pTDS0-613955856

For confirmation, please submit a copy of Benson-Montin-Greer Drilling Corp.'s signed waiver/agreement once its obtained. Thank you.

---

**From:** Stogner, Michael, EMNRD  
**Sent:** Mon 9/11/2006 11:03 AM  
**To:** Jim Bruce  
**Subject:** Re-filing of U.S. Enercorp's Almagre Arroyo #1

RE: pTDS0-613955856

This request is based on "geologic reasons"; however, no geological support data was included. Also, at what depth will this well intercept the top of the West Puerto Chiquito-Mancos Oil Pool?

**Stogner, Michael, EMNRD**

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**From:** JamesBruc@aol.com [JamesBruc@aol.com] **Sent:** Mon 9/11/2006 6:25 PM  
**To:** Stogner, Michael, EMNRD  
**Cc:**  
**Subject:** Re: Re-filing of U.S. Enercorp's Almagre Arroyo #1  
**Attachments:**

OK, and I have called the applicant for a geology exhibit.

Jim

 Attachments can contain viruses that may harm your computer. Attachments may not display correctly.

**Stogner, Michael, EMNRD**

**From:** JamesBruc@aol.com [JamesBruc@aol.com]

**Sent:** Fri 9/15/2006 7:05 AM

**To:** Stogner, Michael, EMNRD

**Cc:**

**Subject:** Fwd: FW: Almagre Arroyo well

**Attachments:**  FW: Almagre Arroyo well(1MB)

Mike: This is the info you requested on the U.S. Enercorp unorthodox location application.

Jim

---

**From:** John Sowell [mailto:john@usenercorp.com]  
**Sent:** Thu 9/14/2006 8:37 AM  
**To:** JamesBruc@aol.com  
**Subject:** FW: Almagre Arroyo well

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**From:** Jim Mcconnell  
**Sent:** Wednesday, September 13, 2006 11:48 AM  
**To:** John Sowell  
**Subject:** RE: Almagre Arroyo well

John - Attached is a structure map on the top of the Niobrara. We should hit the top of the West Puerto Chicito-Mancos Oil Pool (Map) at +2700' ss. Let me know if you need anything else to get the permit. JIM

---

**From:** John Sowell  
**Sent:** Tue 9/12/2006 1:43 PM  
**To:** Jim Mcconnell  
**Subject:** FW: Almagre Arroyo well

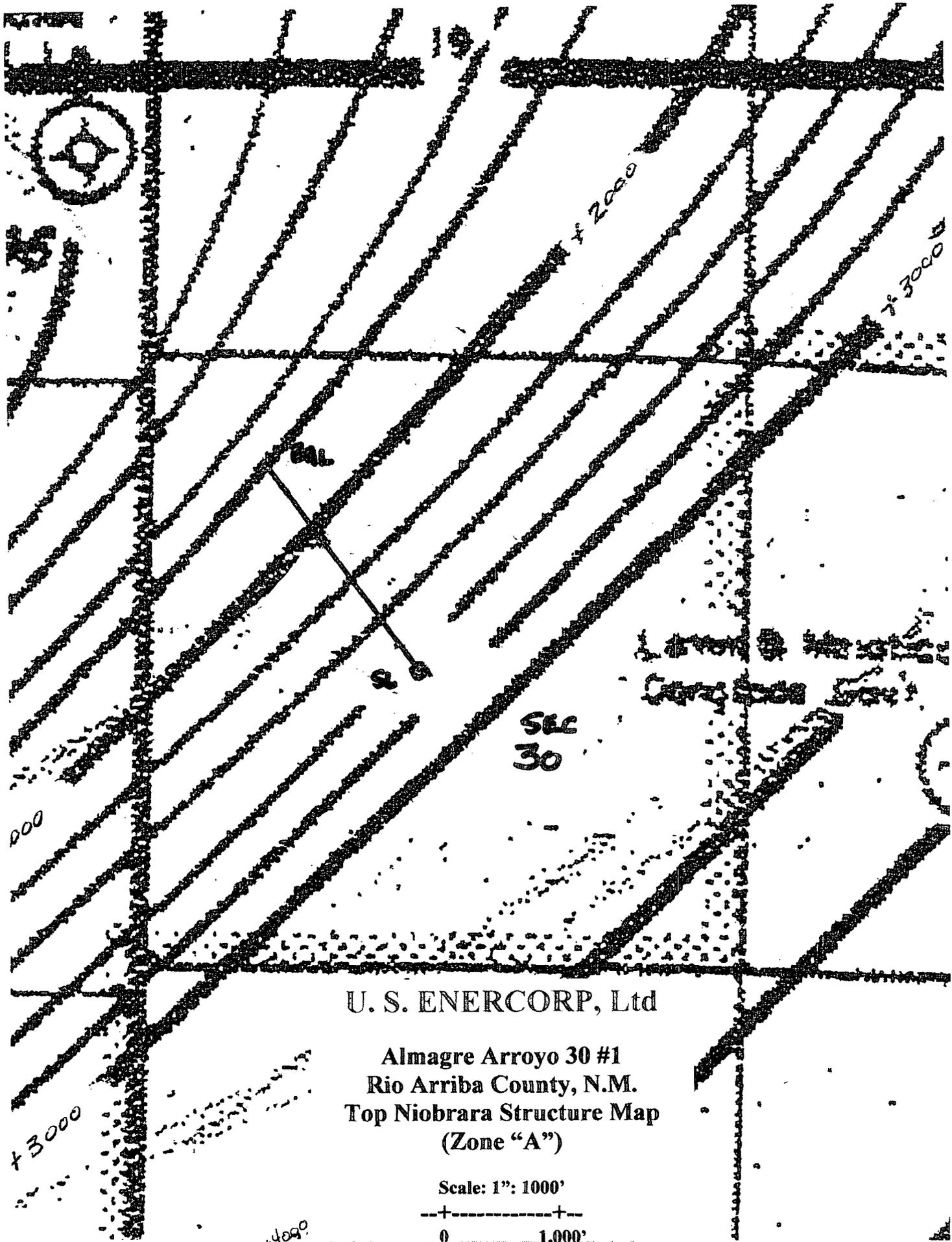
---

**From:** JamesBruc@aol.com [mailto:JamesBruc@aol.com]  
**Sent:** Tuesday, September 12, 2006 12:55 PM  
**To:** John Sowell  
**Subject:** Almagre Arroyo well

John: The OCD also wants an estimated top for the West Puerto Chiquito-Mancos Oil Pool.  
Thanks.

Jim.

My e-mail is up and running now.



U. S. ENERCORP, Ltd

Almagre Arroyo 30 #1  
Rio Arriba County, N.M.  
Top Niobrara Structure Map  
(Zone "A")

Scale: 1" = 1000'



**Stogner, Michael, EMNRD**

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**From:** Stogner, Michael, EMNRD **Sent:** Fri 9/15/2006 7:55 AM  
**To:** JamesBruc@aol.com  
**Cc:**  
**Subject:** RE: FW: Almagre Arroyo well  
**Attachments:**

Thanks. I'm now waiting for the "fully executed copy of the B-M-G waiver" once you receive it.

---

**From:** JamesBruc@aol.com [mailto:JamesBruc@aol.com]  
**Sent:** Fri 9/15/2006 7:05 AM  
**To:** Stogner, Michael, EMNRD  
**Subject:** Fwd: FW: Almagre Arroyo well

Mike: This is the info you requested on the U.S. Enercorp unorthodox location application.

Jim

 You replied on 9/20/2006 7:25 AM.

**Stogner, Michael, EMNRD**

**From:** JamesBruc@aol.com [JamesBruc@aol.com]

**Sent:** Tue 9/19/2006 4:19 PM

**To:** Stogner, Michael, EMNRD

**Cc:**

**Subject:** US Enercorp unorthodox location application/Rio Arriba County

**Attachments:**

Mike: I checked with my client, and they have not received Benson-Montin-Greer's signed letter back. However, I did notify B-M-G of the revised application. If you want a copy of the green card, give me a call and I will fax it to you.

Jim

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD **Sent:** Wed 9/20/2006 7:25 AM  
**To:** JamesBruc@aol.com  
**Cc:**  
**Subject:** RE: US Enercorp unorthodox location application/Rio Arriba County  
**Attachments:**

Since this is an application that was originally objected to and had been set for hearing, we need the signed letter back before I can proceed any further in issuing an administrative order. Otherwise, should we set this matter to hearing?

---

**From:** JamesBruc@aol.com [mailto:JamesBruc@aol.com]  
**Sent:** Tue 9/19/2006 4:19 PM  
**To:** Stogner, Michael, EMNRD  
**Subject:** US Enercorp unorthodox location application/Rio Arriba County

Mike: I checked with my client, and they have not received Benson-Montin-Greer's signed letter back. However, I did notify B-M-G of the revised application. If you want a copy of the green card, give me a call and I will fax it to you.

Jim

**Stogner, Michael, EMNRD**

---

**From:** JamesBruc@aol.com [JamesBruc@aol.com] **Sent:** Wed 9/20/2006 7:53 AM  
**To:** Stogner, Michael, EMNRD  
**Cc:**  
**Subject:** Re: US Enercorp unorthodox location application/Rio Arriba County  
**Attachments:**

No.

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD **Sent:** Wed 9/20/2006 8:12 AM  
**To:** JamesBruc@aol.com  
**Cc:**  
**Subject:** RE: US Enercorp unorthodox location application/Rio Arriba County  
**Attachments:**

My mistake, this application was originally objected to, but was not set for hearing; it was denied instead. As requested, i will not set this application for hearing but will hold it for the signed waiver.

---

**From:** JamesBruc@aol.com [mailto:JamesBruc@aol.com]  
**Sent:** Wed 9/20/2006 7:53 AM  
**To:** Stogner, Michael, EMNRD  
**Subject:** Re: US Enercorp unorthodox location application/Rio Arriba County

No.

**Stogner, Michael, EMNRD**

---

**From:** JamesBruc@aol.com [JamesBruc@aol.com] **Sent:** Wed 9/20/2006 8:28 AM  
**To:** Stogner, Michael, EMNRD  
**Cc:**  
**Subject:** Re: US Enercorp unorthodox location application/Rio Arriba County  
**Attachments:**

Thanks. My client is calling B-M-G.

Jim

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD **Sent:** Mon 9/25/2006 6:20 AM  
**To:** JamesBruc@aol.com  
**Cc:**  
**Subject:** RE: US Enercorp unorthodox location application/Rio Arriba County  
**Attachments:**

Can you provide me with the signed waiver from B-M-G in 24-hrs. (time staring now)?

---

**From:** JamesBruc@aol.com [mailto:JamesBruc@aol.com]  
**Sent:** Wed 9/20/2006 8:28 AM  
**To:** Stogner, Michael, EMNRD  
**Subject:** Re: US Enercorp unorthodox location application/Rio Arriba County

Thanks. My client is calling B-M-G.

Jim

oil 024

Rough  
Draft  
Admin Order



September \_\_\_\_\_, 2006

U. S. Enercorp, Ltd.  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

Administrative Order NSL-54 \_\_\_\_\_ (BHL)

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application (*administrative application reference No. pTDS0-613955856*) dated May 19, 2006 filed on behalf of the operator, U. S. Enercorp, Ltd.; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter from Mr. Michael E. Stogner, Staff Engineer in Santa Fe, New Mexico, denying this application; (iii) Mr. Stogner's subsequent letter on June 9, 2006 to Mr. James Hornbeck with Benson-Montin-Greer Drilling, Corp. in Farmington, New Mexico; (iv) your re-submittal of this application on August 18, 2006; (v) Mr. Stogner's two e-mails on Monday, September 11, 2006, requesting supplemental information to support this application; (vi) yours and Mr. Stogner's meeting on Monday morning, September 11, 2006; (vii) your reply on

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\_\_\_\_\_ with the necessary information to complete this application; and (viii) the Division's records in Aztec and Santa Fe: all concerning U. S. Enercorp, Ltd.'s request for an exception to Rule 4 (a) of the "*Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool*," as promulgated by Division Order No. R-6469-B, as amended, for its proposed Almagre Arroyo "30" Well No. 1 (*API No. 30-039-\_\_\_\_\_*) to be drilled as a high angle directional well through the Mancos formation from a surface location 2605 feet from the South line and 2400 feet from the West line (Unit K) of Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico, to an unorthodox subsurface oil well location 990 feet from the North and West lines (Lot 1/Unit D) of Section 30.

All of Section 30 is to be dedicated to this well in order to form a standard 636.40-acre oil spacing and proration unit for the West Puerto Chiquito-Mancos Oil Pool (50440).

Your application for U. S. Enercorp, Ltd. has been duly filed under the: (i) provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005]; and (ii) the applicable provisions of the special rules currently governing the West Puerto Chiquito-Mancos Oil Pool.

The geologic interpretation submitted therein indicates that a high angle-directionally drilled wellbore through the Mancos formation to the proposed subsurface unorthodox end-point, or bottomhole oil well location, will maximize recovery from the West Puerto Chiquito-Mancos Oil Pool underlying this 636.40-acre unit.

Under the authority granted me under Rule 5 of the special pool rules governing the West Puerto Chiquito-Mancos Oil Pool, Division Rule 104.F (2), and Division Rule 111.C (2), U. S. Enercorp, Ltd. is hereby permitted to proceed with its intended development of the West Puerto Chiquito-Mancos Oil Pool within Section 30 with the its above-described Almagre Arroyo "30" Well No. 1, which includes the proposed unorthodox targeted end-point, or bottomhole oil well location.

Further, U. S. Enercorp, Ltd. shall comply with all provisions of Division Rule 111 applicable in this matter.

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

Sincerely,

Mark E. Fesmire, P. E.  
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec  
U. S. Bureau of Land Management – Farmington  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. James Hornbeck, Benson-Montin-Greer Drilling, Corp. – Farmington



USEnercorp 02

cc

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

**June 9, 2006**

**Benson-Montin-Greer Drilling Corp.  
Attention: James Hornbeck  
4900 College Boulevard  
Farmington, New Mexico 87402**

**Re: Administrative application filed on May 19, 2006 by U. S. EnterCorp, Ltd. (administrative application reference No. pTDSO-613955856) for an exception to the well location provisions of the special rules and regulations governing the West Puerto Chiquito-Mancos Oil Pool (50440) for U. S. EnterCorp, Ltd.'s proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high-angle well such that the resulting producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 636.40-acre oil spacing and proration unit, comprising all of Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.**

Dear Mr. Hornbeck:

Your letter of objection dated June 5, 2006 (for reference see copy of letter attached) to the subject application was received by the New Mexico Oil Conservation ("Division") in Santa Fe, New Mexico on Thursday afternoon, June 8, 2006. Pursuant to an earlier objection by Merrion Oil & Gas Corporation of Farmington, New Mexico, this administrative application was denied and subsequently returned to the applicant (see copy of the Division's letter dated June 8, 2006 also attached).

Sincerely,

Michael E. Stogner  
Staff Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
U. S. EnterCorp, Ltd. c/o James Bruce - Santa Fe  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. Tommy Roberts, Legal Counsel for Merrion Oil & Gas Corporation - Farmington

June 5, 2006

Mr. Michael Stogner  
NMOCD  
1220 South St. Frances Drive  
Santa Fe, NM 87505

2006 JUN 8 PM 1 22

**Re: Protest of Non-Standard Location  
Almagre Arroyo 30 No. 1 Well  
NW Sec 30-24N-1E  
Rio Arriba County, New Mexico**

Dear Mr. Stogner:

James Bruce, on behalf of U.S. Enercorp, Ltd., applied for a non-standard location for the subject well (application letter dated May 19, 2006). The well is in the West Puerto Chiquito Mancos Pool, which has 640 acre spacing units, and setback requirements of 1650' from the section lines. U.S. Enercorp apparently plans to drill a vertical well at a standard location, and then plug back, and kick off from that vertical well to drill a horizontal well to the northwest. They will re-enter the Mancos closer than the 1650' setback, and will continue to drill towards the section line, ultimately ending up 660' from the section line. As the offset leaseholder to the west, BMG believes this well will drain our reserves, and that BMG will be irreparably harmed by the approval of this application. From examination of the topographic map, it appears that Enercorp's objectives can be accomplished without drilling outside of the established pool drilling window and that the horizontal section could remain in the approved spacing setbacks. ***Therefore, Benson-Montin-Greer requests that this application be either denied, or be set for hearing before the NMOCD on the July 6<sup>th</sup> docket.***

If you have any questions, please call me at 505-325-8874. Thank you for your consideration.

Sincerely,



James Hornbeck  
Geologist

cc. James Bruce, Tommy Roberts



U.S. Enercorp (S)

cc

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

**June 8, 2006**

**U. S. Enercorp, Ltd.**  
c/o **James Bruce**  
**P. O. Box 1056**  
**Santa Fe, New Mexico 87501**

**Re: Administrative application (administrative application reference No. pTDS0-613955856) for an exception to the well location provisions of the special rules and regulations governing the West Puerto Chiquito-Mancos Oil Pool (50440) for U. S. Enercorp, Ltd.'s proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high-angle well such that the resulting producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 636.40-acre oil spacing and proration unit, comprising all of Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.**

Dear Mr. Bruce:

On June 7, 2006 the New Mexico Oil Conservation Division ("Division") received an objection from an off-setting working interest owner to the west, presumably in Section 25, Township 24 North, Range 1 West, NMPM, Rio Arriba County, New Mexico (see copy of letter from Merrion Oil & Gas Corporation of Farmington, New Mexico dated June 5, 2006 attached). Your application for U. S. Enercorp, Ltd. is therefore denied and is being returned to you.

Should U. S. Enercorp, Ltd. wish to pursue this matter further, an application before a duly appointed hearing examiner will be necessary whereby your client will be required to present sufficient evidence to support this application.

Sincerely,

**Michael E. Stogner**  
Staff Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. Tommy Roberts, Legal Counsel for Merrion Oil & Gas Corporation - Farmington



U S Enercorp (1)

CC

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

**June 8, 2006**

**U. S. Enercorp, Ltd.  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87501**

**Re: Administrative application (administrative application reference No. pTDS0-613955856) for an exception to the well location provisions of the special rules and regulations governing the West Puerto Chiquito-Mancos Oil Pool (50440) for U. S. Enercorp, Ltd.'s proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high-angle well such that the resulting producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 636.40-acre oil spacing and proration unit, comprising all of Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.**

Dear Mr. Bruce:

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Should U. S. Enercorp, Ltd. wish to pursue this matter further, an application before a duly appointed hearing examiner will be necessary whereby your client will be required to present sufficient evidence to support this application.

Sincerely,

Michael E. Stogner  
Staff Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
Mr. George F. Sharpe, Merrion Oil & Gas Corporation, Farmington  
Mr. Tommy Roberts, Legal Counsel for Merrion Oil & Gas Corporation - Farmington



June 5, 2006

Mr. Michael Stogner  
NMOCD  
1220 South St. Frances Drive  
Santa Fe, NM 87505

**Re: Protest of Non-Standard Location  
Almagre Arroyo 30 No. 1 Well  
NW Sec 30-24N-1E  
Rio Arriba County, New Mexico**

2006 JUN 7 AM 1 1 39

Dear Mr. Stogner:

James Bruce, on behalf of U.S. Enercorp, Ltd., applied for a non-standard location for the subject well (application letter dated May 19, 2006). The well is in the West Puerto Chiquito Mancos Pool, which has 640 acre spacing units, and setback requirements of 1650' from the section lines. U.S. Enercorp apparently plans to drill a vertical well at a standard location, and then plug back, and kick off from that vertical well to drill a horizontal well to the northwest. They will re-enter the Mancos closer than the 1650' setback, and will continue to drill towards the section line, ultimately ending up 660' from the section line. As the offset leaseholder to the west, Merrion believes this well will drain our reserves, and that Merrion will be irreparably harmed by the approval of this application. From examination of the topographic map, it appears that Enercorp's objectives can be accomplished without drilling outside of the established pool drilling window and that the horizontal section could remain in the approved spacing setbacks. ***Therefore, Merrion requests that this application be either denied, or be set for hearing before the NMOCD on the July 6<sup>th</sup> docket.***

If you have any questions, please call me at 505-324-5314. Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "George F. Sharpe".

George F. Sharpe  
Manager – Oil & Gas Investments

cc. James Bruce, Tommy Roberts

US Enercoop

DATE IN 5/19/06	SUSPENSE 6-8-2006	ENGINEER MIKE STOGNER	LOGGED IN 5/19/06	TYPE NSL	APP NO. PDS0613955856
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

- [D] Other: Specify \_\_\_\_\_

2006 MAY 19 PM 2 44

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

**JAMES BRUCE**  
 P.O. BOX 1056  
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

*James Bruce* Attorney for Applicant 5/19/06  
 jamesbruce@aol.com

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

May 19, 2006

Hand delivered

Michael E. Stogner  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), U.S. Enercorp, Ltd. applies for approval of an unorthodox oil well location for the following well:

<u>Well:</u>	Almagre Arroyo "30" Well No. 1
<u>Surface Location:</u>	2605 feet FSL & 2400 feet FWL
<u>Bottom Hole Location:</u>	660 feet FNL & 660 feet FWL
<u>Well Unit:</u>	All of Section 30, Township 24 North, Range 1 East, N.M.P.M., Rio Arriba County, New Mexico

The well will be drilled to a depth sufficient to test the Mancos formation (West Puerto Chiquito-Mancos Pool). Pursuant to Division Order Nos. R-2565-B and R-6469-G, as amended, the pool is spaced on 640 acres, with wells to be located no closer than 1650 to a section line nor closer than 330 feet to a quarter section line. A Form C-102 is attached as Exhibit A.

Applicant intends to drill the well vertically at the surface location, through the Mancos formation, to determine where best to begin directionally drilling. It will then drill directionally to the proposed bottom hole location. A directional drilling plan is attached as Exhibit B.

The location is based on geologic reasons. Due to the high dip rates of the subsurface geologic formations, directional drilling is required in order for the wellbore to stay within the Mancos formation. The directional plan will test the highly dipping formation from top to bottom over the course of the directional wellbore. The surface location, kickoff point, and bottom hole location are designed as part of that plan, and will maximize recovery from the well unit.

The well encroaches on §19-24N-1E, §24-24N-1W, and §25-24N-1W. There is no production from those sections, so the offset working interest owners have been notified of this application, as shown by Exhibit C.

Please contact me if you need any further information on this application.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for U.S. Enercorp, Ltd.

Box 1980, Hobbs, N.M. 88241-1980  
DISTRICT II  
11 South First, Artesia, N.M. 88210  
DISTRICT III  
1090 Rio Brazos Rd., Aztec, N.M. 87410  
DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code		* Pool Name	
* Property Code		* Property Name <b>ALMAGRE ARROYO 30</b>			* Well Number <b>1</b>
* OGRID No.		* Operator Name <b>U.S. ENERCORP. LTD.</b>			* Elevation <b>7212</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	30	24 N	1 E		2605	SOUTH	2400	WEST	RIO ARRIBA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

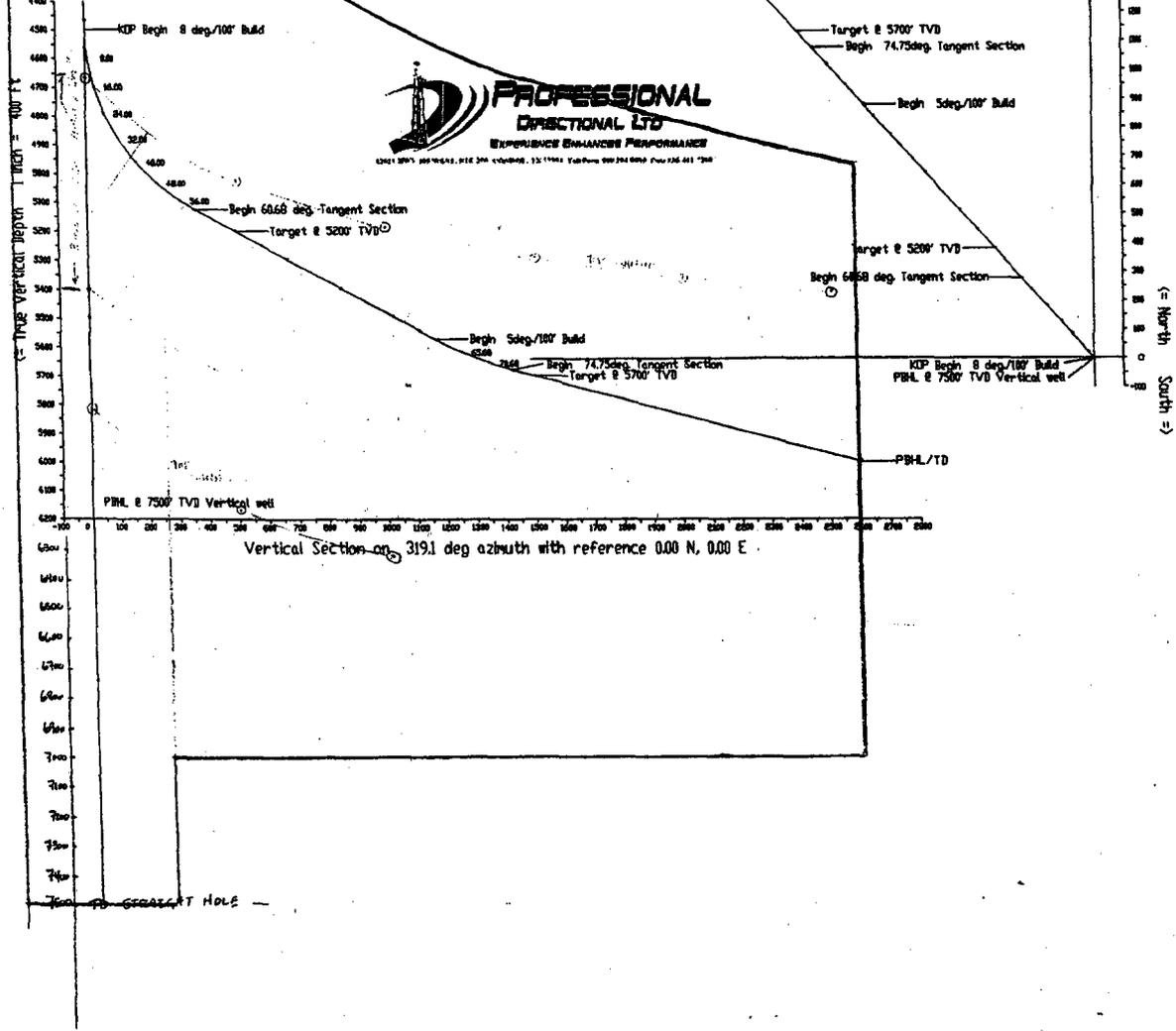
	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>	
	<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>3/14/06 Date of Survey</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p><b>ROBERT L. POUNDS</b> NEW MEXICO LICENSED PROFESSIONAL SURVEYOR 6846</p> <p>Certificate Number <b>6846</b></p>	
	<p>5274.47'</p>	
	<p>5254.26'</p>	

Exhibit A

U.S. Enercorp, L.L.C  
 Almagre Arroyo 30 #1  
 Rio Arriba County, New Mexico

1 inch = 400 ft (< West East =>)

WELL PROFILE DATA										rev1
MD	Inc.	Azi	TVD	N-S	E-W	DLS	Comment	05-03-2006		
4500	0.00	319.11	4500	0	0	0.00	KIP Begin 8 deg/100' Build			
5258	60.68	319.11	5124	276	-239	8.00	Begin 60.68 deg. Tangent Section			
5413	60.68	319.11	5200	378	-327	0.00	Target @ 5200' TVD			
6174	60.68	319.11	5573	880	-762	0.00	Begin 5 deg/100' Build			
6456	74.75	319.11	5679	1076	-932	5.00	Begin 74.75 deg. Tangent Section			
6534	74.75	319.11	5780	1134	-982	0.00	Target @ 5700' TVD			
7675	74.75	319.11	6000	1966	-1702	0.00	PBHL/TD			



**Exhibit B**

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
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(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

May 19, 2006

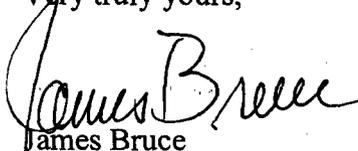
Certified Mail – Return Receipt Requested

To: Persons listed on Exhibit A

Ladies and gentlemen:

U.S. Enercorp, Ltd. has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location in the Mancos formation in Section 30, Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than Thursday, June 8, 2006 (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a latter date.

Very truly yours,

  
James Bruce

Attorney for U.S. Enercorp, Ltd.

**Exhibit C**

EXHIBIT A

§19-24N-1E:

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

PXP Gulf Coast Inc.  
Suite 700  
500 Dallas Street  
Houston, Texas 77002

§24-24N-1W:

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

PXP Gulf Coast Inc.  
Suite 700  
500 Dallas Street  
Houston, Texas 77002

Burlington Resources Oil & Gas Company LP  
ConocoPhillips Company  
P.O. Box 4289  
Farmington, New Mexico 87499

Elm Ridge Exploration Co.  
Suite 950  
12225 Greenville Avenue  
Dallas, Texas 75243

Energen Resources Corporation  
2198 Bloomfield Highway  
Farmington, New Mexico 87402

Grand Valley Gas Company  
Suite 800  
47 West 200 South  
Salt Lake City, Utah 84101

Medicine Bow Operating Company  
Suite 1900  
1225 17<sup>th</sup> Street  
Denver, Colorado 80202

§25-24N-1W:

Benson-Montin-Greer Drilling Corp.  
4900 College Boulevard  
Farmington, New Mexico 87402

PXP Gulf Coast Inc.  
Suite 700  
500 Dallas Street  
Houston, Texas 77002

Burlington Resources Oil & Gas Company LP  
ConocoPhillips Company  
P.O. Box 4289  
Farmington, New Mexico 87499

Elm Ridge Exploration Co.  
Suite 950  
12225 Greenville Avenue  
Dallas, Texas 75243

Energen Resources Corporation  
2198 Bloomfield Highway  
Farmington, New Mexico 87402

Grand Valley Gas Company  
Suite 800  
47 West 200 South  
Salt Lake City, Utah 84101

Medicine Bow Operating Company  
Suite 1900  
1225 17<sup>th</sup> Street  
Denver, Colorado 80202

Merrion Oil & Gas Corporation  
610 Reilly Avenue  
Farmington, New Mexico 87401

*Tom Roberts Law Office LLC  
P.O. Box 129  
Farmington, NM 87499-0129*

Ramon G. & Irene A. Sanchez  
P.O. Box 533  
Cuba, New Mexico 87013

Lewis L. & Shirley M. Moore  
9912 Columbus Circle Drive N.W.  
Albuquerque, New Mexico 87114

Richard D. & Marilyn Sue Foster  
3 Maya Lane  
Los Alamos, New Mexico 87544

Earl V. Wall  
1409 Moon N.E.  
Albuquerque, New Mexico 87112

Mildred N. Pollack  
312 Dartmouth S.E.  
Albuquerque, New Mexico 87106

Evelyn June Wall, Trustee of  
the Nordeen Family Trust  
1730 Aliso  
Albuquerque, New Mexico 87110

Ernest & Mary E. Sanchez  
Route 4, Box 2041  
Bloomfield, New Mexico 87413

Howard L. & Elsie M. Hays  
P.O. Box 401  
Regina, New Mexico 87046

Tedrick C. Sedillo  
555 60<sup>th</sup> Street N.W.  
Albuquerque, New Mexico 87105

Beth A. Charles  
a/k/a Beth Aline Hand  
HC 78, Box 21  
Regina, New Mexico 87046

Eduardo J. Lopez  
P.O. Box 3786  
Santa Fe, New Mexico 87504

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 2881  
Order No. R-2565

NOMENCLATURE

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR 160-ACRE  
SPACING, RIO ARRIBA COUNTY, NEW MEXICO.

R-2565-A  
R-2565-B  
R-2565-C  
R-2565-D

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 14, 1963, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 9th day of September, 1963, 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, Benson-Montin-Greer Drilling Corporation, seeks the promulgation of special rules and regulations establishing 160-acre spacing units for oil wells completed in the vicinity of the Puerto Chiquito-Gallup Oil Pool for a temporary period of three years.
- (3) That the applicant also seeks authority to conduct interference tests in the subject area and to transfer allowables among producing wells on the same lease while such tests are being conducted.
- (4) That the horizontal limits of the Puerto Chiquito-Gallup Oil Pool should be extended in order to include therein all wells producing from the same common source of supply.

Case No. 2881  
Order No. R-2565  
(Nomenclature)

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the Puerto Chiquito-Gallup Oil Pool.

(6) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(7) That the temporary special rules and regulations should be established for a three-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(8) That an administrative procedure should be established whereby the operators in the Puerto Chiquito-Gallup Oil Pool would be permitted to conduct interference tests and to transfer allowables among producing wells on the same lease during the temporary three-year period in order to facilitate the gathering of information pertaining to reservoir characteristics.

(9) That this case should be reopened in September, 1966, at which time the operators in the subject pool should appear and show cause why the Puerto Chiquito-Gallup Oil Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the Puerto Chiquito-Gallup Oil Pool are hereby redefined to include the following-described area:

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM  
Sections 2 through 10 inclusive: All  
Sections 15 through 22 inclusive: All  
Sections 27 through 33 inclusive: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM  
Sections 1 through 36 inclusive: All

Case No. 2881  
Order No. R-2565  
(Nomenclature)

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Sections 3 through 10 inclusive: All  
Sections 14 through 23 inclusive: All  
Sections 26 through 35 inclusive: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36 inclusive: All

TOWNSHIP 27 NORTH, RANGE 1 EAST, NMPM

Sections 3 through 10 inclusive: All  
Sections 15 through 22 inclusive: All  
Sections 27 through 30 inclusive: All

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 30 inclusive: All

(2) That Special Rules and Regulations for the Puerto Chiquito-Gallup Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
PUERTO CHIQUITO-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Puerto Chiquito-Gallup Oil Pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Puerto Chiquito-Gallup Oil Pool shall be located on a standard 160-acre unit comprising a single governmental quarter section.

RULE 3. Each well completed or recompleted in the Puerto Chiquito-Gallup Oil Pool shall be located within 165 feet of the center of a governmental quarter-quarter section.

RULE 4. The Secretary-Director may grant an exception to the requirements of Rule 3 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection

Case No. 2881  
Order No. R-2565  
(Nomenclature)

to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 5. A standard unit in the Puerto Chiquito-Gallup Oil Pool (158 through 162 acres) shall be assigned a 160-acre proportional factor of 4.00 for allowable purposes. Any unit comprising less than 158 acres or more than 162 acres shall be assigned a proportional factor in the same ratio to 4.00 as the acreage in the unit bears to 160.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the Gallup formation within the Puerto Chiquito-Gallup Oil Pool that will not comply with the well location requirements of Rule 3 is hereby granted an exception to the requirements of said rule. The operator shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before October 1, 1963.

(2) That any operator desiring to dedicate 160 acres to a well presently drilling to or completed in the Puerto Chiquito-Gallup Oil Pool shall file a new Form C-128 with the Commission on or before October 1, 1963.

(3) That the following-described non-standard units comprising less than 160 acres are hereby approved:

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 5:	E/2 NE/4	80.00 acres
Section 5:	W/2 NE/4	80.00 acres
Section 5:	<sup>N/2</sup> E/2 NW/4	80.00 acres
Section 5:	<sup>S/2</sup> W/2 NW/4	80.00 acres
Section 9:	E/2 NW/4	80.00 acres
Section 9:	W/2 NW/4	80.00 acres
Section 15:	SE/4 SW/4	40.00 acres
Section 15:	N/2 SW/4 and SW/4 SW/4	120.00 acres
Section 16:	E/2 NE/4	80.00 acres
Section 16:	W/2 NE/4	80.00 acres
Section 21:	E/2 SE/4	80.00 acres
Section 21:	W/2 SE/4	80.00 acres
Section 22:	W/2 NW/4	80.00 acres
Section 22:	E/2 NW/4	80.00 acres

*by R-2565-A*

Case No. 2881  
Order No. R-2565  
(Nomenclature)

TOWNSHIP 27 NORTH, RANGE 1 EAST, NMPM

Section 28:	N/2 NW/4	30.00 acres
Section 28:	SW/4 NW/4 and Lot 4	64.21 acres
Section 28:	SE/4 NW/4 and Lot 3	64.01 acres
Section 29:	N/2 NE/4	30.00 acres
Section 29:	N/2 NW/4	30.00 acres
Section 29:	SW/4 NW/4 and Lot 4	64.30 acres
Section 29:	SE/4 NW/4 and Lot 3	64.30 acres
Section 29:	SW/4 NE/4 and Lot 2	64.30 acres
Section 29:	SE/4 NE/4 and Lot 1	64.30 acres

PROVIDED HOWEVER, That none of the aforesaid non-standard units shall become effective until the operator thereof has filed with the Commission Form C-128 outlining thereon the acreage dedicated to the well.

(4) That the Secretary-Director of the Commission is hereby authorized to approve interference tests and the transfer of allowables to wells on the same lease or, if in a unitized area, to wells in the same participating area, provided however, that any such authorization shall be limited to a period of six months, but may be renewed. No transfer well shall be permitted to receive, in addition to its own allowable, more than 50 per cent of one top unit allowable for the Puerto Chiquito-Gallup Oil Pool.

To obtain administrative approval for interference tests and the transfer of allowable, the operator shall submit in triplicate a request for such authority describing in detail the proposed method of conducting such tests and transferring the allowable. The application shall be accompanied by a plat showing thereon all Gallup wells within a radius of two miles of the proposed shut-in well(s) and the transfer well(s). The plat shall also identify each lease or participating area as to ownership or operating rights. The application shall include evidence that all offset operators to the shut-in well(s) and the transfer well(s) have been furnished a complete copy of the application. It shall also be accompanied by Form C-116 for each shut-in well, showing the results of a pre-shut-in test to determine the amount of allowable to be transferred. The transferred allowable shall not exceed the volume of oil produced during the last 24 hours of a 72-hour period during which the well shall be produced at a constant rate. The Commission and offset operators to both the shut-in well(s) and the transfer well(s) may witness such tests if they so desire

*Approved  
R-2565*

Case No. 2881  
Order No. R-2565  
(Nomenclature)

and shall be notified of the tests at least 48 hours prior to the commencement thereof.

The Secretary-Director of the Commission may grant approval of the interference tests and transfer of allowable upon receipt of waivers from all offset operators or upon expiration of a 20-day waiting period, provided no offset operator has objected to the proposed test and transfer.

(5) That notwithstanding any of the provisions of Rule 104(a) of the Commission Rules and Regulations, the Special Rules and Regulations for the Puerto Chiquito-Gallup Oil Pool shall not be applicable outside the limits of said pool as hereinabove defined or as hereafter extended.

(6) That this case shall be reopened in September, 1966, at which time the operators in the subject pool may appear and show cause why the Puerto Chiquito-Gallup Oil Pool should not be developed on 40-acre proration units.

(7) 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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF THE STATE OF  
NEW MEXICO FOR THE PURPOSE  
OF CONSIDERING:

CASE NO. 2920  
ORDER NO. R-2580

THE APPLICATION OF THE OIL  
CONSERVATION COMMISSION UPON  
ITS OWN MOTION FOR AN ORDER  
CREATING, REDESIGNATING, DESIGNATING  
VERTICAL LIMITS, AND EXTENDING  
CERTAIN POOLS IN RIO ARRIBA  
AND SAN JUAN COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 16, 1963, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 30th day of October, 1963, 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 there is need for the redesignation of the Rattlesnake-Pennsylvanian Oil Pool in San Juan County, New Mexico, as the Rattlesnake-Pennsylvanian "CD" Oil Pool and to define the vertical limits of said pool as; top of pool being that point correlative to the point depicted at 6554 feet and bottom of pool correlative to the point depicted at 6827 feet on the log of the Continental Rattlesnake Well No. 136 located in Unit J of Section 2, Township 29 North Range 19 West, NMPM.

(3) That there is need for the redesignation of the Puerto Chiquito-Gallup Oil Pool in Rio Arriba County, New Mexico, as the Puerto Chiquito-Mancos Oil Pool and to define the vertical limits of said pool as; top of pool being that point correlative to the point depicted at 1997 feet and bottom of pool correlative to the point depicted at 3143 feet on the log of the Intex Hijo Well No. 1 located in Unit F of Section 5, Township 26 North, Range 1 East, NMPM. (From the top of the Niobrara formation to the bottom of the Greenhorn formation).

(4) That there is need for the creation of a new pool in San Juan County, New Mexico, for the production of gas from the Pennsylvanian formation, said pool to bear the designation of Rattlesnake-Pennsylvanian "B" Pool.

Said Rattlesnake-Pennsylvanian "B" Pool was discovered by Continental Oil Company's, Rattlesnake Well No. 144 located in Unit N of Section 2, Township 29 North, Range 19 West, NMPM. It was completed in Pennsylvanian "B" on June 8, 1962. The top of the perforations is 6402 feet. The vertical limits are described as the interval from 6404 feet to 6554 feet as found on the log of Continental Oil Company's Rattlesnake Well No. 136, located in Unit J of Section 2, Township 29 North, Range 19 West.

(5) That there is need for certain extensions to the Boulder-Mancos Oil Pool, the Devils Fork-Gallup Pool, and the Otero-Gallup Oil Pool, all in Rio Arriba County, New Mexico, and to the Many Rocks-Gallup Oil Pool and the Totah-Gallup Oil Pool, both in San Juan County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That the Rattlesnake-Pennsylvanian Oil Pool, San Juan County, New Mexico, is hereby redesignated as the Rattlesnake-Pennsylvanian "CD" Oil Pool with vertical limits correlative to the zone from 6554 feet to 6827 feet depicted on the log of Continental Rattlesnake Well No. 136, located in Unit J of Section 2, Township 29 North, Range 19 West, NMPM.

(b) That the Puerto Chiquito-Gallup Oil Pool, Rio Arriba County, New Mexico, is hereby redesignated as the Puerto Chiquito-Mancos Oil Pool with vertical limits correlative to the zone from 1997 feet to 3143 feet depicted on the log of Intex Hijo Well No. 1 located in Unit F of Section 5, Township 26 North, Range 1 East, NMPM.

(c) That a new pool in San Juan County, New Mexico, classified as a gas pool for Pennsylvanian production, is hereby created and designated as the Rattlesnake-Pennsylvanian "B" Pool, consisting of the following-described area:

TOWNSHIP 29 NORTH, RANGE 19 WEST, NMPM

SECTION 2: S/2

SECTION 11: N/2

Vertical limits described as the interval from 6404 feet to 6554 feet as found on the log of Continental Rattlesnake Well No. 136 located in Unit J of Section 2, Township 29 North, Range 19 West, NMPM.

(d) That the Boulder-Mancos Oil Pool in Rio Arriba County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 28 NORTH, RANGE 1 WEST, NMPM

SECTION 27: N/2 SE/4

(e) That the Devils Fork-Gallup Pool in Rio Arriba County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

SECTION 9: E/2 NW/4, W/2 NE/4 and E/2 SE/4

Order No. R-2580

Case No. 2920

(f) That the Many Rocks-Gallup Oil Pool in San Juan County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM  
SECTION 17: NE/4 SW/4, N/2 SE/4 and SE/4 SE/4

TOWNSHIP 32 NORTH, RANGE 17 WEST, NMPM  
SECTION 26: W/2 SW/4  
SECTION 35: NW/4 SE/4

(g) That the Otero-Gallup Oil Pool in Rio Arriba County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM  
SECTION 16: SE/4  
SECTION 21: NE/4  
SECTION 22: SW/4 NW/4

(h) That the Totah-Gallup Oil Pool in San Juan County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM  
SECTION 18: S/2 NE/4

IT IS FURTHER ORDERED:

That the effective date of this order and all creations, extensions, redesignations, and designations of vertical limits included herein shall be November 1, 1963.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

SEAL

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

CASE No. 2881  
Order No. R-2565-A

IN THE MATTER OF THE APPLICATION OF  
BENSON-MONTIN-GREER DRILLING CORPORA-  
TION FOR 160-ACRE SPACING, RIO ARRIBA  
COUNTY, NEW MEXICO.

*See Also Order Nos.*

*R-2565  
R-2565-B  
R-2565-C  
R-2565-D*

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that due to clerical error and inadvertence, Order No. R-2565, dated September 9, 1963, does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That the following-described non-standard units are hereby stricken from Order No. R-2565:

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 5:	E/2 NW/4	80.00 acres
Section 5:	W/2 NW/4	80.00 acres

(2) That the following-described non-standard units are hereby interlineated in lieu of the above-described non-standard units:

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 5:	N/2 NW/4	80 acres
Section 5:	S/2 NW/4	80 acres

(3) That this order shall be effective nunc pro tunc as of September 9, 1963.

DONE at Santa Fe, New Mexico, on this 8th day of July, 1964.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

S E A L

esr/

A. L. PORTER, Jr., Member & Secretary

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 3455

Order No. R-3118

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE DIVISION  
OF THE PUERTO CHIQUITO-GALLUP OIL POOL  
INTO TWO POOLS AND FOR SPECIAL RULES  
FOR EACH, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 21st day of September, 1966, 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 by Order No. R-2565, dated September 9, 1963, as amended by Order No. R-2565-A, September 9, 1963, and Order No. R-2855, dated December 9, 1964, temporary Special Rules and Regulations were promulgated for the Puerto Chiquito-Gallup Oil Pool, Rio Arriba County, New Mexico.

(3) That Order No. R-2565, dated September 9, 1963, as amended by Order No. R-2565-A, September 9, 1963, and Order No. R-2855, dated December 9, 1964, provided Case 2881 was to be reopened in September, 1966, to allow the operators in the subject pool to appear and show cause why the Puerto Chiquito-Gallup Oil Pool should not be developed on 40-acre proration units.

(4) That the applicant now seeks the division of the Puerto-Chiquito Gallup Oil Pool into two pools and for special rules for each.

(5) That no additional evidence was presented at this hearing.

(6) That the applicant, Benson-Montin-Greer Drilling Corporation, requested the continuance of this case to November 16, 1966, to allow the applicant time to gather additional information concerning the reservoir characteristics of the pool from two wells now being drilled in the pool.

(7) That the applicant also requested that the Special Rules and Regulations be continued in effect until further order of the Commission.

(8) That no objection was made to the continuance of this case to November 16, 1966.

(9) That no objection was made to the request that the Special Rules and Regulations be continued in effect until further order of the Commission.

(10) That this case should be continued to November 16, 1966, and that the temporary Special Rules and Regulations for the Puerto Chiquito-Gallup Oil Pool should be continued in effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the temporary Special Rules and Regulations for the Puerto Chiquito-Gallup Oil Pool, promulgated by Order No. R-2565 and as amended by Order No. R-2565-A and Order No. R-2855, are hereby continued in full force and effect until further order of the Commission.

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

-3-

CASE No. 3455  
Order No. R-3118

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

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STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 3455  
Order No. R-2565-B  
NOMENCLATURE

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR DIVISION OF  
AN OIL POOL INTO TWO POOLS AND FOR  
SPECIAL RULES FOR EACH, RIO ARRIBA  
COUNTY, NEW MEXICO.

*See Also Order No.*

*R-2565  
R-2565-A  
R-2565-L  
R-2565-D*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 16, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of November, 1966, 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 by Order No. R-2565, dated September 9, 1963, as amended by Order No. R-2565-A, dated September 9, 1963, and Order No. R-2855, dated December 29, 1964, temporary Special Rules and Regulations were promulgated for the Puerto Chiquito-Gallup Oil Pool, Rio Arriba County, New Mexico.

(3) That by Order No. R-3118, dated September 21, 1966, said temporary Special Rules and Regulations were continued in full force and effect until further order of the Commission.

(4) That by Order No. R-2580, dated October 30, 1963, the

Puerto Chiquito-Gallup Oil Pool was redesignated the Puerto Chiquito-Mancos Oil Pool.

(5) That the applicant, Benson-Montin-Greer Drilling Corporation, seeks the abolishment of the Puerto Chiquito-Gallup Oil Pool (redesignated the Puerto Chiquito-Mancos Oil Pool), Rio Arriba County, New Mexico, the creation of the East Puerto Chiquito-Mancos Oil Pool, and the creation of the West Puerto Chiquito-Mancos Oil Pool, with vertical limits of each to be the Mancos formation and horizontal limits as follows:

EAST PUERTO CHIQUITO-MANCOS OIL POOL

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Sections 2 through 5: All  
Sections 8 through 10: All  
Sections 15 through 17: All  
Sections 20 through 22: All  
Sections 27 through 29: All  
Sections 32 and 33: All

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Sections 3 through 10: All  
Sections 14 through 18: All  
Sections 20 through 23: All  
Sections 26 through 29: All  
Sections 32 through 35: All

TOWNSHIP 27 NORTH, RANGE 1 EAST, NMPM

Sections 3 through 10: All  
Sections 15 through 22: All  
Sections 27 through 30: All

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

Section 1: E/2  
Section 12: E/2  
Section 13: E/2  
Section 24: E/2  
Section 25: E/2

WEST PUERTO CHIQUITO-MANCOS OIL POOL

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Sections 6 and 7: All

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM (CONTINUED)

Sections 18 and 19: All

Sections 30 and 31: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36: All

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 19: All

Sections 30 and 31: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36: All

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

Section 1: W/2

Sections 2 through 11: All

Section 12: W/2

Section 13: W/2

Sections 14 through 23: All

Section 24: W/2

Section 25: W/2

Sections 26 through 30: All

(6) That the applicant proposes that the East Puerto Chiquito-Mancos Oil Pool be governed by all the previous rules, regulations, and orders of the Commission presently applicable to the Puerto Chiquito-Gallup Oil Pool (redesignated the Puerto Chiquito-Mancos Oil Pool).

(7) That the applicant also seeks the promulgation of temporary Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, including a provision for 320-acre spacing units.

(8) That the applicant further seeks the establishment of an administrative procedure whereby the operators in the West Puerto Chiquito-Mancos Oil Pool would be permitted to conduct interference tests and to transfer allowables among producing wells on the same lease or, if in a unitized area, to wells in the same participating area in order to facilitate the gathering of information pertaining to reservoir characteristics.

(9) That the Puerto Chiquito-Gallup Oil Pool (redesignated the Puerto Chiquito-Mancos Oil Pool) encompasses more than one separate common source of supply and should therefore be abolished.

(10) That each of the proposed pools encompasses a separate common source of supply.

(11) That the East Puerto Chiquito-Mancos Oil Pool and the West Puerto Chiquito-Mancos Oil Pool should be created with horizontal limits as proposed by the applicant and vertical limits comprising the Niobrara member of the Mancos shale.

(12) That the East Puerto Chiquito-Mancos Oil Pool should be governed by all the previous rules, regulations, and orders presently applicable to the Puerto Chiquito-Gallup Oil Pool (redesignated the Puerto Chiquito-Mancos Oil Pool).

(13) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary Special Rules and Regulations providing for 320-acre spacing units should be promulgated for the West Puerto Chiquito-Mancos Oil Pool.

(14) That the temporary Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(15) That the said temporary Special Rules and Regulations should be established for a three-year period in order to allow the operators in the West Puerto-Chiquito Mancos Oil Pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(16) That an administrative procedure should be established whereby the operators in the West Puerto Chiquito-Mancos Oil Pool would be permitted to conduct interference tests and to transfer allowables among producing wells on the same lease or, if in a unitized area, to wells in the same participating area, during the temporary three-year period in order to facilitate the gathering of information pertaining to reservoir characteristics.

(17) That this case should be reopened in November, 1969, at which time the operators in the West Puerto Chiquito-Mancos Oil Pool should appear and show cause why the said pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That the Puerto Chiquito-Gallup Oil Pool (redesignated the Puerto Chiquito-Mancos Oil Pool) is hereby abolished.

(2) That a new pool in Rio Arriba County, New Mexico, classified as an oil pool for Mancos production, is hereby created and designated the East Puerto Chiquito-Mancos Oil Pool, with vertical limits comprising the Niobrara member of the Mancos shale, and with horizontal limits as follows:

EAST PUERTO CHIQUITO-MANCOS OIL POOL

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Sections 2 through 5: All  
Sections 8 through 10: All  
Sections 15 through 17: All  
Sections 20 through 22: All  
Sections 27 through 29: All  
Sections 32 and 33: All

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Sections 3 through 10: All  
Sections 14 through 18: All  
Sections 20 through 23: All  
Sections 26 through 29: All  
Sections 32 through 35: All

TOWNSHIP 27 NORTH, RANGE 1 EAST, NMPM

Sections 3 through 10: All  
Sections 15 through 22: All  
Sections 27 through 30: All

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

Section 1: E/2  
Section 12: E/2  
Section 13: E/2  
Section 24: E/2  
Section 25: E/2

(3) That a new pool in Rio Arriba County, New Mexico, classified as an oil pool for Mancos production, is hereby created and designated the West Puerto Chiquito-Mancos Oil Pool, with vertical

limits comprising the Niobrara member of the Mancos shale, and with horizontal limits as follows:

WEST PUERTO CHIQUITO-MANCOS OIL POOL

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Sections 6 and 7: All

Sections 18 and 19: All

Sections 30 and 31: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36: All

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 19: All

Sections 30 and 31: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36: All

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

Section 1: W/2

Sections 2 through 11: All

Section 12: W/2

Section 13: W/2

Sections 14 through 23: All

Section 24: W/2

Section 25: W/2

Sections 26 through 30: All

(4) That the East Puerto Chiquito-Mancos Oil Pool shall be governed by all the previous rules, regulations, and orders presently applicable to the Puerto Chiquito-Gallup Oil Pool (re-designated the Puerto Chiquito-Mancos Oil Pool).

(5) That temporary Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS

FOR THE

WEST PUERTO CHIQUITO-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be spaced, drilled, operated, and

CASE No. 3455  
Order No. R-2565-B

produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Lands Survey. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit. *amended by R-2565-C*

RULE 3. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located within 165 feet of the center of a governmental quarter-quarter section. *amended by R-2565-C*

RULE 4. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 5. A standard unit in the West Puerto Chiquito-Mancos Oil Pool (316 through 324 acres) shall be assigned a 320-acre proportional factor of 8.00 for allowable purposes. Any unit containing less than 316 acres or more than 324 acres shall be assigned a proportional factor in the same ratio to 8.00 as the acreage in the unit bears to 320. *amended by R-2565-C*

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the Niobrara member of the Mancos shale within the West Puerto Chiquito-Mancos Oil Pool that will not comply with the well location requirements of Rule 3 is hereby granted an exception to the requirements of said rule. The operator shall notify the Aztec District Office

CASE No. 3455  
Order No. R-2565-B

of the Commission in writing of the name and location of the well on or before December 15, 1966.

(2) That any operator desiring to dedicate 320 acres to a well presently drilling to or completed in the West Puerto Chiquito-Mancos Oil Pool shall file a new Form C-102 with the Commission on or before December 15, 1966. *Rescinded by R-6469*

(3) That the Secretary-Director of the Commission is hereby authorized to approve interference tests and the transfer of allowables to wells on the same lease or, if in a unitized area, to wells in the same participating area, provided however, that no transfer well shall be permitted to receive, in addition to its own allowable, more than one top unit allowable for the West Puerto Chiquito-Mancos Oil Pool; that the Secretary-Director of the Commission is hereby authorized to permit the accumulation of allowables for wells shut in for interference tests and to permit the transfer of back allowables from shut-in wells, provided however, that the period of time authorized to produce back allowable shall not exceed six months following completion of the interference tests.

To obtain administrative approval for interference tests and the transfer of allowable, the operator shall submit in triplicate a request for such authority describing in detail the proposed method of conducting such tests and transferring the allowable. The application shall be accompanied by a plat showing thereon all Mancos wells within a radius of two miles of the proposed shut-in well(s) and the transfer well(s). The plat shall also identify each lease or participating area as to ownership or operating rights. The application shall include evidence that all offset operators to the shut-in well(s) and the transfer well(s) have been furnished a complete copy of the application. It shall also be accompanied by Form C-116 for each shut-in well, showing the results of a pre-shut-in test to determine the amount of allowable to be transferred. The transferred allowable shall not exceed the volume of oil produced during the last 24 hours of a 72-hour period during which the well shall be produced at a constant rate. The Commission and offset operators to both the shut-in well(s) and the transfer well(s) may witness such tests if they so desire and shall be notified of the tests at least 48 hours prior to the commencement thereof.

The Secretary-Director of the Commission may grant approval of the interference tests and transfer of allowable upon receipt

-9-

CASE No. 3455

Order No. R-2565-B

of waivers from all offset operators or upon expiration of a 20-day waiting period, provided no offset operator has objected to the proposed test and transfer. *Rescinded by R-6469*

(4) That notwithstanding any of the provisions of Rule 104(a) of the Commission Rules and Regulations, the temporary Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool shall not be applicable outside the limits of said pool as hereinabove defined or as hereafter extended.

(5) That this case shall be reopened in November, 1969, at which time the operators in the West Puerto Chiquito-Mancos Oil Pool may appear and show cause why the said pool should not be developed on 40-acre spacing units. *Rescinded by R-6469*

(6) 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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 3743  
Order No. R-3401

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR A PRESSURE  
MAINTENANCE PROJECT, RIO ARRIBA  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 3, 1968,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 11th day of April, 1968, the Commission, a  
quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, 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, Benson-Montin-Greer Drilling Corp-  
oration, seeks authority to institute a pressure maintenance  
project in its Canada Ojitos Unit Area, West Puerto Chiquito-  
Mancos Oil Pool, Rio Arriba County, New Mexico, by the injection  
of gas into the Niobrara member of the Mancos shale through its  
Canada Ojitos Unit Well No. 2 (K-13), located in Unit K of Sec-  
tion 13, Township 25 North, Range 1 West, NMPM, Rio Arriba County,  
New Mexico.

(3) That initially the project area should comprise only  
the following-described area in Rio Arriba County, New Mexico:

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Sections 10 and 11: All

Section 13: W/2

Sections 14 and 15: All

Section 16: E/2

Section 23: N/2

Section 24: NW/4

(4) That a pressure maintenance project comprising the above-described area is in the interest of conservation and should result in greater ultimate recovery of oil, thereby preventing waste.

(5) That the applicant further seeks the promulgation of special rules and regulations governing said pressure maintenance project, and the establishment of an administrative procedure whereby said project area may be expanded for good cause shown and whereby additional wells in the project area may be converted to gas injection.

(6) That Special rules and regulations for the operation of the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project should be promulgated and, for operational convenience, such rules should provide certain flexibility in authorizing the production of the project allowable from any well or wells in the project area in any proportion, provided that no well in the project area which directly or diagonally offsets a well outside the Canada Ojitos Unit Area producing from the same common source of supply should be allowed to produce in excess of top unit allowable for the West Puerto Chiquito-Mancos Oil Pool until such time as the well has experienced a substantial response to gas injection. When such a response has occurred, the well should be permitted to produce up to two times top unit allowable for the West Puerto Chiquito-Mancos Oil Pool. Production of such well at a higher rate should be authorized only after notice and hearing.

IT IS THEREFORE ORDERED:

(1) That the applicant, Benson-Montin-Greer Drilling Corporation, is hereby authorized to institute a pressure maintenance project in its Canada Ojitos Unit Area, West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, to be designated

as the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project, by the injection of gas into the Niobrara member of the Mancos shale through the following-described well in Rio Arriba County, New Mexico:

Canada Ojitos Unit Well No. 2 (K-13),  
located in Unit K of Section 13, Town-  
ship 25 North, Range 1 West, NMPM.

(2) That Special Rules and Regulations governing the operation of the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project, Rio Arriba County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
BMG WEST PUERTO CHIQUITO-MANCOS PRESSURE MAINTENANCE PROJECT

RULE 1. The project area of the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project, hereinafter referred to as the Project, shall comprise the area in Rio Arriba County, New Mexico, described as follows:

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Sections 10 and 11: All

Section 13: W/2

Sections 14 and 15: All

Section 16: E/2

Section 23: N/2

Section 24: NW/4

RULE 2. The allowable for the Project shall be the sum of the allowables of the several wells within the project area, including those wells which are shut-in, curtailed, or used as injection wells. Allowables for all wells shall be determined in a manner hereinafter prescribed.

RULE 3. Allowables for injection wells may be transferred to producing wells within the project area, as may the allowables for producing wells which, in the interest of more efficient operation of the Project, are shut-in or curtailed because of high gas-oil ratio or are shut-in for any of the following reasons: pressure regulation, control of pattern or sweep efficiencies, or to observe changes in pressures or changes in characteristics of reservoir liquids or progress of sweep.

CASE No. 3743  
Order No. R-3401

RULE 4. The allowable assigned to any well which is shut-in or which is curtailed in accordance with the provisions of Rule 3, which allowable is to be transferred to any well or wells in the project area for production, shall in no event be greater than its ability to produce during the test prescribed by Rule 6, below, or greater than the current top unit allowable for the pool during the month of transfer, whichever is less.

RULE 5. The allowable assigned to any injection well on a 320-acre proration unit shall be top unit allowable for the West Puerto Chiquito-Mancos Oil Pool.

RULE 6. The allowable assigned to any well which is shut-in or curtailed in accordance with Rule 3, shall be determined by a 24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well should be produced in the same manner and at a constant rate. The daily tolerance limitation set forth in Commission Rule 502 I (a) and the limiting gas-oil ratio (2,000 to 1) for the West Puerto Chiquito-Mancos Oil Pool shall be waived during such tests. The project operator shall notify all operators offsetting the well, as well as the Commission, of the exact time such tests are to be conducted. Tests may be witnessed by representatives of the offsetting operators and the Commission, if they so desire.

RULE 7. The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or to top unit allowable for the West Puerto Chiquito-Mancos Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the Canada Ojitos Unit Area producing from the same common source of supply shall not produce in excess of top unit allowable for the pool until such time as the well receives a substantial response to gas injection. When such a response has occurred, the well shall be permitted to produce up to two times top unit allowable for the pool. Production of such well at a higher rate shall be authorized only after notice and hearing. Each producing well shall be subject to the limiting gas-oil ratio (2,000 to 1) for the West Puerto Chiquito-Mancos Oil Pool except that any well or wells within the project area producing with a gas-oil ratio in excess of 2,000 cubic feet of gas per barrel of oil may be produced on a "net" gas-oil ratio basis, which net gas-oil ratio shall be determined by applying credit for daily average gas injected if any, into the West Puerto Chiquito-Mancos Oil Pool

-5-

CASE No. 3743

Order No. R-3401

within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$A_{adj} = \frac{TUA \times F_a \times 2,000}{\frac{P_g - I_g}{P_o}}$$

where:

- $A_{adj}$  = the well's daily adjusted allowable
- TUA = top unit allowable for the pool
- $F_a$  = the well's acreage factor
- $P_g$  = average daily volume of gas produced by the well during the preceding month, cubic feet
- $I_g$  = the well's allocated share of the daily average gas injected during the preceding month, cubic feet
- $P_o$  = average daily volume of oil produced by the well during the preceding month, barrels

In no event shall the amount of injected gas being credited to a well be such as to cause the net gas-oil ratio,  $\frac{P_g - I_g}{P_o}$ , to be less than 2,000 cubic feet of gas per barrel of oil produced.

**RULE 8.** Each month the project operator shall, within three days after the normal unit allowable for Northwest New Mexico has been established, submit to the Commission a Pressure Maintenance Project Operator's Report, on a form prescribed by the Commission, outlining thereon the data required, and requesting allowables for each of the several wells in the Project as well as the total Project allowable. The aforesaid Pressure Maintenance Project Operator's Report shall be filed in lieu of Form C-120 for the Project.

RULE 9. The Commission shall, upon review of the report and after any adjustments deemed necessary, calculate the allowable for each well in the Project for the next succeeding month in accordance with these rules. The sum of the allowables so calculated shall be assigned to the Project and may be produced from the wells in the Project in any proportion except that no well in the Project which directly or diagonally offsets a well outside the Project producing from the same common source of supply shall produce in excess of two times top unit allowable for the pool.

RULE 10. The conversion of producing wells to injection, the drilling of additional wells for injection, and expansion of the project area shall be accomplished only after approval of the same by the Secretary-Director of the Commission. To obtain such approval, the project operator shall file proper application with the Commission, which application, if it seeks authorization to convert additional wells to injection or to drill additional injection wells shall include the following:

(1) A plat showing the location of proposed injection well, all wells within the project area, and offset operators, locating wells which offset the project area.

(2) A schematic drawing of the proposed injection well which fully describes the casing, tubing, perforated interval, and depth showing that the injection of gas will be confined to the Niobrara member of the Mancos shale.

(3) A letter stating that all offset operators to the proposed injection well have been furnished a complete copy of the application and the date of notification.

The Secretary-Director may approve the proposed injection well if, within 20 days after receiving the application, no objection to the proposal is received. The Secretary-Director may grant immediate approval, provided waivers of objection are received from all offset operators.

Expansion of the project area may be approved by the Secretary-Director of the Commission administratively when good cause is shown therefor.

RULE 11. That the subject pressure maintenance project shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations insofar as said rules are not inconsistent with the rules prescribed by this order.

-7-

CASE No. 3743

Order No. R-3401

(3) That allowables to all wells in the Canada Ojitos Unit Area but outside the limits of the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project Area as defined herein shall be assigned and produced in accordance with the applicable Commission Rules and Regulations.

(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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 3455  
Order No. R-2565-C

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR DIVISION OF  
AN OIL POOL INTO TWO POOLS AND FOR  
SPECIAL RULES FOR EACH, RIO ARRIBA  
COUNTY, NEW MEXICO.

*See Also Order No.*

*R-2565*

*R-2565-A*

*R-2565-B*

*R-2565-D*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:30 a.m. on December 17, 1969, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of January, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 by Order No. R-2565-B, dated November 28, 1966, temporary Special Rules and Regulations were promulgated for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, establishing 320-acre spacing units for a period of three years.

(3) That pursuant to the provisions of Order No. R-2565-B, this case was reopened to allow the operators in the subject pool to appear and show cause why the West Puerto Chiquito-Mancos Oil Pool should not be developed on 40-acre spacing units.

CASE No. 3455

Order No. R-2565-C

(4) That the evidence establishes that one well in the West Puerto Chiquito-Mancos Oil Pool can efficiently and economically drain and develop 320 acres.

(5) That the evidence establishes that waste may occur if more than one well is drilled to the subject pool on a 320-acre spacing or proration unit.

(6) That Rules 2, 3, and 5 of the Special Rules and Regulations promulgated by Order No. R-2565-B should be amended to read in their entirety as follows:

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located within 165 feet of the center of one of the governmental quarter-quarter sections in the spacing or proration unit; provided, however, that nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

RULE 5. A standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (316 through 324 acres) shall be assigned a 320-acre proportional factor of 8.00 for allowable purposes. Any non-standard spacing or proration unit containing less than 316 acres or more than 324 acres shall be assigned a proportional factor in the same ratio to 8.00 as the acreage in the unit bears to 320.

(7) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent a reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect

correlative rights, the Special Rules and Regulations promulgated by Order No. R-2565-B as amended by this order should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That Rules 2, 3, and 5 of the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, promulgated by Order No. R-2565-B, are hereby amended to read in their entirety as follows:

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

*amended by R-6469*

RULE 3. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located within 165 feet of the center of one of the governmental quarter-quarter sections in the spacing or proration unit; provided, however, that nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit. *amended by R-6469*

RULE 5. A standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (316 through 324 acres) shall be assigned a 320-acre proportional factor of 8.00 for allowable purposes. Any non-standard spacing or proration unit containing less than 316 acres or more than 324 acres shall be assigned a proportional factor in the same ratio to 8.00 as the acreage in the unit bears to 320. *amended by R-6469*

(2) That the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, promulgated by Order No. R-2565-B as amended by this order are hereby continued in full force and effect until further order of the Commission.

-4-

CASE No. 3455  
Order No. R-2565-C

(3) 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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 4373  
Order No. R-3994  
NOMENCLATURE

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR POOL RE-  
DELINEATION, RIO ARRIBA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 1, 1970,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 15th day of July, 1970, the Commission, a  
quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, 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, Benson-Montin-Greer Drilling Corpora-  
tion, seeks the redelineation of certain pool boundaries to include  
the contraction of the East Puerto Chiquito-Mancos Oil Pool, Rio  
Arriba County, New Mexico, by the deletion therefrom of the  
following-described area:

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Section 4: W/2  
Section 5: All  
Section 8: All  
Section 9: W/2  
Section 17: All  
Section 20: All  
Section 29: W/2

(2) Continued from page 1 -

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 20: W/2  
Section 29: All  
Section 32: All  
Section 33: W/2

and the extension of the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, to include all of the acreage described above and additional acreage in said county, as follows:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36: All

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM

Sections 6 and 7: All  
Section 8: W/2  
Section 17: W/2  
Sections 18 and 19: All  
Section 20: W/2  
Section 30: All

(3) That the East Puerto Chiquito-Mancos Oil Pool should be contracted as requested by the applicant.

(4) That the West Puerto Chiquito-Mancos Oil Pool should be extended as requested by the applicant.

(5) That the deletion and extensions as described in Finding (2) above will not violate correlative rights nor cause waste.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the East Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, are hereby contracted by the deletion therefrom of the following-described area:

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Section 4: W/2  
Section 5: All  
Section 8: All  
Section 9: W/2  
Section 17: All  
Section 20: All  
Section 29: W/2

(1) Continued from page 2 -

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 20: W/2

Section 29: All

Section 32: All

Section 33: W/2

(2) That the horizontal limits of the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, are hereby extended to include therein the following-described area:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

Sections 1 through 36: All

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM

Sections 6 and 7: All

Section 8: W/2

Section 17: W/2

Sections 18 and 19: All

Section 20: W/2

Section 30: All

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

Section 4: W/2

Section 5: All

Section 8: All

Section 9: W/2

Section 17: All

Section 20: All

Section 29: W/2

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 20: W/2

Section 29: All

Section 32: All

Section 33: W/2

(3) That the location of any well which, by virtue of this extension, is presently drilling to or completed in the West Puerto Chiquito-Mancos Oil Pool or in the Niobrara member of the Mancos shale within one mile thereof is hereby approved; that the operator of any such well having an unorthodox location shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before August 1, 1970.

CASE No. 4373  
Order No. R-3994

(4) That, pursuant to Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, any well which, by virtue of this extension, is subject to the West Puerto Chiquito-Mancos Oil Pool rules providing for 320-acre spacing or proration units, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating 320 acres to said well or to obtain a non-standard unit approved by the Commission. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Forms C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Commission within said 60-day period shall subject the well to cancellation of allowable.

(5) That this order shall become effective August 1, 1970.

(6) 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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

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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. 6997  
Order No. R-6469

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR AMENDMENT  
OF POOL RULES, RIO ARRIBA COUNTY,  
NEW MEXICO.

*Over all  
R-6469-A*

ORDER OF THE DIVISION

*R-6469-B*

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 6, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of September, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That by Order No. R-2565-B, entered November 28, 1966, in Case 3455, the Division created and defined the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, and promulgated temporary Special Rules and Regulations therefor, including a provision for 320-acre spacing and proration units.
- (3) That by Order No. R-2565-C, entered January 6, 1970, said temporary Special Rules and Regulations were made permanent until further order of the Division.
- (4) That the original applicant in Case No. 3455, Benson-Montin-Greer Drilling Corporation, now seeks the amendment of said special rules and regulations to provide for 640-acre spacing and proration units and specified well locations and also seeks the establishment of certain non-standard proration units.

(5) That the geological and engineering data presented at the hearing indicate that the wells in the West Puerto Chiquito-Mancos Oil Pool are in fact draining 640 acres or more, and that the amendment of the special rules and regulations for said pool to provide for 640-acre spacing and proration units will not cause waste nor impair correlative rights.

(6) That the well location requirements for said 640-acre units should specify that no well be located closer than 660 feet to the outer boundary of the section, nor closer than 330 feet to a quarter section line, nor closer than 10 feet to a quarter-quarter section line.

(7) That the following non-standard units should be approved:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

a 320-acre unit comprising	Section 1:	N/2;
✓ x a 640-acre unit comprising	Section 23:	N/2
	Section 24:	N/2;
✓ x a 640-acre unit comprising	Section 23:	S/2
	Section 24:	S/2;

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM

a 640-acre unit comprising	Section 7:	E/2
	Section 8:	W/2;
a 640-acre unit comprising	Section 17:	W/2
	Section 18:	E/2;
✓ x a 480-acre unit comprising	Section 19:	N/2
	Section 20:	NW/4;
✓ x a 480-acre unit comprising	Section 19:	S/2
	Section 20:	SW/4;

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

a 640-acre unit comprising	Section 29:	W/2
	Section 30:	E/2;

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

✓ x a 640-acre unit comprising	Section 5:	W/2
	Section 8:	W/2;
✓ x a 640-acre unit comprising	Section 5:	E/2
	Section 8:	E/2;
✓ x a 640-acre unit comprising	Section 17:	W/2
	Section 20:	W/2;
✓ x a 640-acre unit comprising	Section 17:	E/2
	Section 20:	E/2;

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

✓ X a 640-acre unit comprising Section 19: E/2  
Section 20: W/2;

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

✓ X a 640-acre unit comprising Section 1: W/2  
Section 12: W/2;  
✓ X a 640-acre unit comprising Section 13: W/2  
Section 24: W/2;  
✓ X a 600-acre unit comprising Section 25: W/2  
Section 26: All;  
✓ X a 600-acre unit comprising Section 27: All  
Section 28: E/2;  
✓ X a 600-acre unit comprising Section 28: W/2  
Section 29: All;  
✓ X and a 400-acre unit comprising Section 30: All.

(8) That the amount of acreage contained in the above described non-standard units is approximate, and the exact acreage in each should be determined when it is actually dedicated to a well.

(9) That an order embodying the above findings is in the interest of conservation, will prevent waste and protect correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That Rules 2, 3, and 5 of the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, promulgated by Order No. R-2565-B, and as amended by Order No. R-2565-C, are hereby amended to read in their entirety as follows:

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 640 acres which shall comprise a single governmental section, being a legal subdivision of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 632 and 648 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

*R-6469-4*

RULE 3. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located no nearer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line; provided however that nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

RULE 5. A standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 648 acres) shall be assigned a 640-acre depth bracket allowable of 640 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned a depth bracket allowable in the same ratio to 640 as the acreage in the unit bears to 640.

(2) That the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, promulgated by Order No. R-2565-B as amended by Order No. R-2565-C and as further amended by this order are hereby continued in full force and effect until further order of the Division.

(3) That the following non-standard proration units are hereby approved:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

- a 320-acre unit comprising Section 1: N/2;
- a 640-acre unit comprising Section 23: N/2
- Section 24: N/2;
- a 640-acre unit comprising Section 23: S/2
- Section 24: S/2;

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM

- a 640-acre unit comprising Section 7: E/2
- Section 8: W/2;
- a 640-acre unit comprising Section 17: W/2
- Section 18: E/2;
- a 480-acre unit comprising Section 19: N/2
- Section 20: NW/4;
- a 480-acre unit comprising Section 19: S/2
- Section 20: SW/4;

TOWNSHIP 25 NORTH, RANGE 1 EAST, NMPM

a 640-acre unit comprising Section 29: W/2  
Section 30: E/2;

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

a 640-acre unit comprising Section 5: W/2  
Section 8: W/2;  
a 640-acre unit comprising Section 5: E/2  
Section 8: E/2;  
a 640-acre unit comprising Section 17: W/2  
Section 20: W/2;  
a 640-acre unit comprising Section 17: E/2  
Section 20: E/2;

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

a 640-acre unit comprising Section 19: E/2  
Section 20: W/2;

TOWNSHIP 27 NORTH, RANGE 1 WEST, NMPM

a 640-acre unit comprising Section 1: W/2  
Section 12: W/2;  
a 640-acre unit comprising Section 13: W/2  
Section 24: W/2;  
a 600-acre unit comprising Section 25: W/2  
Section 26: All;  
a 600-acre unit comprising Section 27: All  
Section 28: E/2;  
a 600-acre unit comprising Section 28: W/2  
Section 29: All;  
and a 400-acre unit comprising Section 30: All.

PROVIDED HOWEVER, that the amount of acreage in the above-described non-standard proration units is approximate, and the exact amount of acreage in each unit shall be determined when the unit is actually dedicated to a well.

(4) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the West Puerto Chiquito-Mancos Oil Pool shall have dedicated thereto 640 acres, in accordance with the foregoing pool rules or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

-6-

Case No. 6997

Order No. R-6469

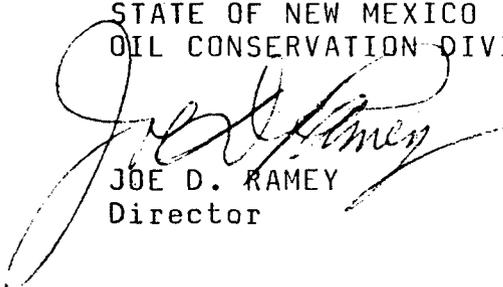
Failure to file new Forms C-102 with the Division dedicating 640 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(5) That Orders Nos. (2), (3), and (5) of "IT IS FURTHER ORDERED" in Division Order No. R-2565-B are hereby rescinded.

(6) That jurisdiction of this cause is 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



JOE D. RAMEY  
Director

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 7075  
Order No. R-6469-A

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE AMENDMENT  
OF POOL RULES, RIO ARRIBA COUNTY, NEW  
MEXICO.

*See Also Order No.  
R-6469-B*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 24, 1980, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of January, 1981, 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 by its Order No. R-6469, entered in Case No. 6997 on September 10, 1980, the New Mexico Oil Conservation Division amended Rules 2, 3, and 5 of the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as promulgated by Order No. R-2565-B and amended by Order No. R-2565-C, to provide, among other things, that each well completed or recompleted in said pool shall be located on a standard spacing or proration unit consisting of approximately 640 acres which shall comprise a single governmental section, and to further provide that each well completed or recompleted in said pool shall be located no nearer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line.

(3) That the applicant in said Case No. 6469, Benson-Montin-Greer Drilling Corporation, is also the applicant in the instant case, and in this case seeks the further amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool to require that wells completed or recompleted on standard units in said pool be located in the west half of the section at least 1650 feet from the outer boundary of the spacing and proration unit, and that the drilling of wells be controlled so as to allow no more than a 330-foot horizontal deviation from the surface location. Further, to provide that the location of wells on certain specified non-standard proration units approved by Order No. R-6469 would be no closer than 660 feet to the outer boundary of the non-standard unit nor closer than 330 feet to a quarter section line or 10 feet to a quarter-quarter section line. Applicant further seeks an administrative procedure whereby unorthodox locations could be approved upon receipt of written waivers from all offsetting operators being "crowded" by the unorthodox location.

(4) That at the outset of the hearing of this case, protestants moved that the case be dismissed and said motion was taken under advisement.

(5) That the motion for dismissal should be denied and the application considered on its merit, based on the evidence presented at the hearing.

(6) That the applicant is the operator of the Canada Ojitos Unit Area, and as such has conducted and is conducting a pressure maintenance program in the West Puerto Chiquito-Mancos Oil Pool by the injection of gas into the Niobrara member of the Mancos shale up-structure on the eastern flank of the pool.

(7) That said gas injection is causing the oil in place to move down-dip where it is being produced from wells mainly in the western side of the unit.

(8) That the applicant carefully monitors the production from each well in the Canada Ojitos Unit Area, tracking the gas migration downstructure, and has consistently resorted to the shutting in of any well experiencing a substantial increase in gas-oil ratio, in order to help maintain reservoir pressure.

(9) That such practices have enabled the applicant to achieve remarkably flat production decline curves, and have permitted the production of quantities of oil from several of the unit wells far beyond original expectation, while maintaining pressure in the reservoir through the gas injection program.

(10) That the producing formation into which applicant is injecting gas and from which it is producing oil may extend westward beyond the western boundary of the Canada Ojitos Unit.

(11) That the applicant, in seeking to require that wells completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool be located only in the west half of the dedicated section, alleges that such displacement of wells to the west is necessary to prevent uncompensated-for drainage of oil from the unitized lands of the Canada Ojitos Unit Area, thereby protecting correlative rights, and to prevent the dissipation of the reservoir pressure which has been built-up and maintained by gas injection, and the subsequent loss of oil production, thereby preventing waste.

(12) That the protestants in this case object to the proposed restrictions on well locations, claiming that there may be recoverable reserves in the Niobrara member of the Mancos shale which could not be produced, and that there may be other productive formations which could not be dually completed, if locations were restricted to the west half only of the section.

(13) That the protestants in this case should have the opportunity to develop the east half of the sections immediately west of the Canada Ojitos Unit, and to deny them such an opportunity would be unreasonable and could violate their correlative rights and cause waste.

(14) That the application to permit wells to be drilled in the subject pool in the W/2 only of the dedicated section should be denied.

(15) That the applicant should be protected from having the Canada Ojitos Unit Area drained by wells immediately off-setting the unit boundary as such wells could violate its correlative rights and cause waste.

(16) That wells in the West Puerto Chiquito-Mancos Oil Pool completed or recompleted on spacing and proration units of approximately standard size (640 acres) should be located a reasonable distance from the outer boundary of such unit, and a minimum of 1650 feet is a reasonable distance which should afford adequate protection to all parties and prevent waste. That such wells should be located no nearer than 330 feet to a quarter section line.

(17) That due to the nature of the structure and formations in the subject area, there may be a strong tendency for wells, when being drilled, to drift in an easterly direction unless carefully controlled.

(18) That such drift, unless controlled, could result in the bottom hole location of wells in the subject pool being far to the east of the surface location.

(19) That in order to protect correlative rights and prevent waste, the drift of drilling wells should be monitored and the drilling controlled in such a manner that the bottom of the producing interval in the well be not more than 330 feet from the surface location.

(20) That provision should be made for the reporting of the drift in wells drilled in the subject pool to the Division and to offset operators, if any there be, and for the bringing of any well in violation of the 330-foot drift limitation to hearing, subject to a possible production penalty, if it appears that such well may impair correlative rights or cause waste, unless such hearing is waived by all offset operators.

(21) That certain of the non-standard proration units approved for the subject pool by Order No. R-6469 are of such size and shape that the surface location requirement described in Finding No. (16) above cannot be practicably applicable, and exception should be granted for wells drilled on those units.

(22) That the locations of wells on said non-standard units should be no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line nor closer than 10 feet to an interior quarter-quarter section line, and such wells should be subject to the drift limitations described in Finding Nos. (19) and (20) above.

(23) That Rule 2 of the West Puerto Chiquito-Mancos Oil Pool Special Rules and Regulations prohibits the establishment of non-standard proration units (less than 632 acres or more than 648 acres) without notice and hearing.

(24) That an administrative procedure should be provided in said special rules whereby non-standard units necessitated by corrections in the lands surveys could be approved without such notice and hearing.

(25) That such an administrative procedure should be provided by the addition of Rule 2A to said pool rules, reading in its entirety as follows:

"RULE 2A. An exception to the provisions of Rule 2 may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

"To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

"In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the non-standard unit within 30 days after the Director received the application."

(26) That an administrative procedure should be adopted whereby any unorthodox location in exception to Findings Nos. (16) and (22) above could be approved without notice and hearing upon receipt of written waivers from all offsetting operators whose lands are being "crowded" by the proposed unorthodox location.

(27) That an order embodying the above findings is in the interest of conservation, will protect and not impair correlative rights, will prevent and not cause waste, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the motion for dismissal of Case No. 7075 is denied.

(2) That the application to permit wells to be drilled in the West Puerto Chiquite-Mancos Oil Pool in the W/2 only of the dedicated section is hereby denied.

(3) That the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as heretofore promulgated by Order No. R-2565-B and amended by Orders Nos. R-2565-C and

R-6469, are hereby further amended by the addition of Rule 2A, reading in its entirety as follows:

"RULE 2A. An exception to the provisions of Rule 2 may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

"To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

"In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the non-standard unit within 30 days after the Director received the application."

(4) That Rule 3 of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as promulgated by Order No. R-2565-B and as amended by Orders Nos. R-2565-C and R-6469 is hereby amended to read in its entirety as follows:

"RULE 3. (a) Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located no nearer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line, provided however, that nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

"(b) The operator of each well projected to and completed in the West Puerto Chiquito-Mancos Oil Pool shall conduct deviation tests on such well to determine the deviation from the vertical at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Gas.

"(c) If the total deviation, assumed in a constant direction, indicates a horizontal displacement of the lowermost perforation, or the bottom of the hole in the case of an open-hole completion, of more than 330 feet from the surface location, no allowable shall be approved for the well unless a directional survey approved by the Division Director establishes a horizontal displacement of 330 feet or less, or unless the well has been approved for production, subject to a possible production penalty, after notice and hearing.

"Offset operators to the east of any such well which has a total deviation of more than 330 feet may waive the aforesaid hearing requirement, in which case no penalty will be imposed on the well."

(5) That Rule 4 of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as promulgated by Order No. R-2565-B is hereby amended to read in its entirety as follows:

"RULE 4. The Division Director may grant an exception to the surface location requirements of Rule 3 (a) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers of objection from all operators or if no objection is received from any offsetting operator within 20 days after receipt of the application and written waivers have been received from all offset operators whose lands are being "crowded" either directly or diagonally by the proposed unorthodox location."

(6) That the unit well for each of the non-standard proration units approved by Ordering Paragraph No. (3) of Division Order No. R-6469 shall be located no nearer than 660 feet to the outer boundary of its respective proration unit nor closer than 330 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line.

(7) That the deviation tests and well drift limits prescribed by Rules 3 (b) and 3 (c) of the West Puerto Chiquito-Mancos Oil Pool in Ordering Paragraph (4) above shall be

applicable to wells drilled on the aforesaid non-standard proration units.

(8) That the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, promulgated by Order No. R-2565-B, as amended by Orders Nos. R-2565-C and R-6469, and as further amended by this order, are hereby continued in full force and effect until further order of the Commission.

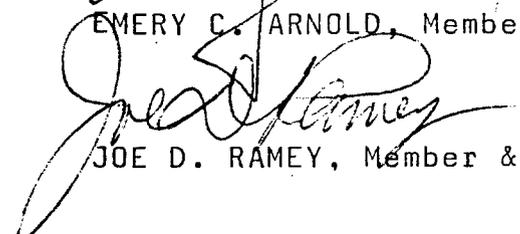
(9) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

ALEX J. ARMIJO, Member

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

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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. 8724  
Order No. R-2565-D

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE  
EXTENSION OF THE VERTICAL LIMITS  
OF THE EAST PUERTO CHIQUITO-MANCOS  
OIL POOL, RIO ARRIBA COUNTY, NEW MEXICO.

*See Also Order No. R-2565-D*

*R-2565*

*R-2565-A*

*R-2565-B*

*R-2565-C*

*R-2565-E*

*R-6469 (D)(M)(C)*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on October 9, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 10th day of February, 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 East Puerto Chiquito-Mancos Oil Pool, located in Rio Arriba County, New Mexico, was created by Division Order No. R-2565-B, dated November 26, 1966, with the vertical limits comprising the Niobrara member of the Mancos shale.
- (3) The applicant, Benson-Montin-Greer Drilling Corporation, is the operator of the East Puerto Chiquito-Mancos Unit Area located entirely within the present horizontal boundaries of the East Puerto Chiquito-Mancos Oil Pool.
- (4) The applicant seeks the extension of the vertical limits of said pool to be from the base of the Mesaverde formation to the base of the Greenhorn member of the Mancos formation.
- (5) The evidence presented indicates that such vertical extension should permit maximum development of the productive

horizons not presently within the defined limits of the pool thereby preventing waste.

(6) The vertical limits of the East Puerto Chiquito-Mancos Oil Pool should be redefined as that interval from the base of the Mesaverde formation to the base of the Greenhorn member of the Mancos formation as found from approximately 1175 feet to 3143 feet, respectively, on the Gamma Ray/Induction Log from the Intex Oil Company Hijo Well No. 1 located 1980 feet from the North and West lines of Section 5, Township 26 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.

(7) Approval of this order would promote the conservation of oil and gas and should serve to protect the correlative rights of all operators within the pool.

IT IS THEREFORE ORDERED THAT:

(1) The vertical limits of the East Puerto Chiquito-Mancos Oil Pool is hereby redefined as that interval from the base of the Mesaverde formation to the base of the Greenhorn member of the Mancos formation as found from approximately 1117 feet to 3143 feet, respectively, on the Gamma Ray/Induction Log from the Intex Oil Company Hijo Well No. 1 located 1980 feet from the North and West lines of Section 5, Township 26 North, Range 1 East, NMPM, Rio Arriba County, New Mexico.

(2) Jurisdiction of this cause is 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



R. L. STAMETS,  
Director

S E A L

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. 8715  
Order No. R-6469-B

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE AMENDMENT  
OF THE SPECIAL RULES AND REGULATIONS  
FOR THE WEST PUERTO CHIQUITO-MANCOS OIL  
POOL, RIO ARRIBA COUNTY, NEW MEXICO.

*See Also Orders*

*No. R-6469*

*R-6469-A*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on September 25, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of March, 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) At the time of the hearing Division Cases Nos. 8695, 8714 and 8715 were consolidated for the purposes of testimony.
- (3) By Division Orders Nos. R-2565-C, R-6469, and R-6469-A, the New Mexico Oil Conservation Division amended the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as promulgated by Division Order No. R-2565-B, which included, among other things, provisions for 640-acre spacing and proration units, well location requirements, assigning to each 640-acre unit a depth bracket allowable of 640 barrels of oil per day, and restricting the number of wells drilled on each unit to only one.
- (4) The applicant, Benson-Montin-Greer Drilling Corporation, seeks, at this time, the amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil

Pool, to allow a second well to be drilled on any 640-acre proration unit in a "Buffer Zone" to be formed on the western portion of the pool where it shares, in part, a common boundary with the Gavilan-Mancos Oil Pool, which is spaced on 320-acre proration units with a depth bracket allowable of 702 barrels of oil per day from each unit.

(5) Said Buffer Zone would consist of the following described acreage which includes, in part, the western-most two rows of sections in the subject pool, all in Rio Arriba County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 1 WEST, NMPM  
Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM  
Sections 5 through 8: All  
Sections 17 through 20: All  
Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM  
Sections 5 through 8: All  
Sections 17 through 20: All  
Sections 29 through 32: All

(6) Applicant further seeks an amendment increasing the depth bracket allowable for the pool with additional provisions in the above-described Buffer Zone.

(7) Based on the evidence presented at this hearing and the testimony and evidence from the previous cases concerning the Gavilan and West Puerto Chiquito-Mancos Oil Pools of which administrative notice was taken, the two aforementioned pools share a common reservoir within the Mancos formation.

(8) Within this general area the Mancos formation sharply updips to the east and actually outcrops within a mile to the east of the West Puerto Chiquito-Mancos Oil Pool's eastern boundary thereby placing it in depth range of 0 to 5,000 feet. The Mancos formation within the Gavilan-Mancos Oil Pool averages between 6,000 to 7,000 feet.

(9) The fact of producing wells on each side of the common boundary between the West Puerto Chiquito-Mancos and the Gavilan-Mancos Oil Pools would strongly indicate that uncompensated drainage would be reduced and correlative rights would be better served if the West Puerto Chiquito-Mancos Oil Pool was assigned an allowable more nearly equivalent to the 640-acre total allowable in the Gavilan-Mancos Pool.

(10) The applicant proposed the new allowable of the subject pool be based on the allowable assigned in the Gavilan-Mancos Oil Pool times two, or 1404 barrels of oil per day.

(11) A review of the testimony presented at the hearing indicates that the evidence is insufficient to support this reasoning. The allowable should therefore be based on the depth bracket allowable as set out in Division General Rule 505, which is calculated to be 1342 barrels of oil per day for a 640-acre unit at a depth range of 6,000 to 7,000 feet.

(12) Within the proposed "Buffer Zone" as described in Finding No. (5) above, the applicant proposes the following amendments to the subject Special Pool Rules:

(a) A second well be permitted on a 640-acre proration unit;

(b) Only one well should be allowed to be drilled in the west one-half of each section in the row of Sections in the pool which immediately borders the Gavilan-Mancos Oil Pool;

(c) Any well on a proration unit that is located closer than 2310 feet from the immediate eastern boundary of the Gavilan-Mancos Oil Pool would not be allowed to produce that share of its proration unit's top allowable that is in excess of the top allowable for a well on a 320-acre proration unit in the Gavilan-Mancos Oil Pool, or 702 barrels of oil per day; and,

(d) When there is only one well on a 640-acre proration unit and it is located 2310 feet or more from the immediate eastern boundary of the Gavilan-Mancos Oil Pool, it would be allowed to produce a full proration unit's top allowable.

(13) The evidence presented shows that an order embodying the above findings is in the best interest of conservation, would prevent waste and protect correlative rights, and should therefore be approved and made effective as of February 1, 1986.

(14) The Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated and amended by Division Orders Nos. R-2565-B, R-2565-C, R-6469, and R-6469-A, have become somewhat complex, complicated, and unclear; therefore, these Special Rules should at this time be renumbered for the purpose of clarification.

IT IS THEREFORE ORDERED THAT:

(1) The Special Rules for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as previously established by Division Order No. R-2565-B as amended by Division Orders Nos. R-2565-C and R-6469-A are hereby superseded.

(2) That new Special Rules are hereby established for the West Puerto Chiquito-Mancos Oil Pool incorporating new or revised provisions in compliance with the findings of this order and pre-existing rules not in conflict therewith, all as follows:

SPECIAL RULES FOR THE  
WEST PUERTO CHIQUITO-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 640-acres which shall comprise a single governmental section, being a legal subdivision of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 632 and 648 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. An exception to the provisions of Rule 2 above may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the

non-standard unit within 30 days after the Director received the application.

RULE 4. (a) Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located no nearer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line, provided however, that, with the exception of those areas as described in Rule 5 below, nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

(b) The operator of each well projected to and completed in the West Puerto Chiquito-Mancos Oil Pool shall conduct deviation tests on such well to determine the deviation from the vertical at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Gas.

(c) If the total deviation, assumed in a constant direction, indicates a horizontal displacement of the lowermost perforation, or the bottom of the hole in the case of an open-hole completion, of more than 330 feet from the surface location, no allowable shall be approved for the well unless a directional survey approved by the Division Director establishes a horizontal displacement of 330 feet or less, or unless the well has been approved for production, subject to a possible production penalty; after notice and hearing.

RULE 5. The Division Director may grant an exception to the surface location requirements of Rule 4 (a) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers of objection from all operators or if no objection is received from any offsetting operator within 20 days after receipt of the application and written waivers have been received from all offset operators whose lands are being "crowded" either directly or diagonally by the proposed unorthodox location.

RULE 6. (a) A second well may be drilled on any proration unit which lies within the following described

"Buffer Zone" which includes the western-most two rows of sections within the pool, all in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Sections 5 through 8: All

Sections 17 through 20: All

Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

Sections 5 through 8: All

Sections 17 through 20: All

Sections 29 through 32: All

However, only one well shall be allowed in the western one-half of each section of the western-most row of sections in the above-described "Buffer Zone".

(b) The Director of The Oil Conservation Division may administratively extend the "Buffer Zone" upon an extension of the common boundary between the West Puerto Chiquito Oil Pool and the Gavilan-Mancos Oil Pool.

RULE 7. (a) Except as otherwise provided for in subparts (b) and (c), below, a standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 648 acres) shall be assigned a top allowable of 1342 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned an allowable in the same ratio to 1342 as the acreage in the proration unit bears to 640.

(b) Any well on a proration unit which is located closer than 2310 feet from the eastern boundary of the Gavilan-Mancos Oil Pool shall not be allowed to produce that share of its proration unit's top allowable that is in excess of the top allowable for a well on a 320-acre proration unit in the Gavilan-Mancos Oil Pool.

(c) Any well in the pool which is the only well on a 640-acre proration unit and which is located 2310 feet or more from the eastern boundary of the Gavilan-Mancos Oil Pool shall be allowed to produce a full proration unit's top allowable.

(3) The Special Rules for the West Puerto Chiquito-Mancos Oil Pool as described above shall be made effective as of February 1, 1986.

(4) All other provisions as set forth by Division Order No. R-2565-B, as amended by Orders Nos. R-2565-C, R-6469, and R-6469-A, are hereby continued in full force and effect until further order of the Division.

(5) Jurisdiction of this cause is 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



R. L. STAMETS,  
Director

S E A L

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

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

CASE NO. 8950  
Order No. R-2565-E  
and  
Order No. R-3401-A

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE AMENDMENT  
OF THE SPECIAL RULES AND REGULATIONS OF THE  
WEST PUERTO CHIQUITO-MANCOS OIL POOL TO ESTABLISH  
TEMPORARY SPECIAL PRODUCTION ALLOWABLE  
LIMITATIONS AND GAS-OIL RATIO LIMITATIONS,  
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on August 7, 8, 21, 22, and 27, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 11th day of September, 1986, 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 THAT:

(1) Notice of this application was provided to all operators of wells and each unleased mineral owner within the existing pool boundaries of the West Puerto Chiquito-Mancos Oil Pool as required by Division Rule 1207.

(2) Due public notice has been given as required by law and the Commission has jurisdiction of this case, the parties, and the subject matter thereof.

(3) The applicant, Benson-Montin-Greer Drilling Corporation (Greer) seeks an order amending the Special Rules and Regulations of the West Puerto Chiquito-Mancos Oil Pool to establish for a period of not less than 90 days a temporary special production allowable limitation of 400 barrels of oil per day for a standard 640-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.

(4) In companion Case 8946, Jerome P. McHugh and Associates, Inc. (McHugh) seeks an order amending the temporary Special Rules and Regulations of the Gavilan-Mancos Oil Pool as promulgated by Division Order No. R-7407 to establish for a period of not less than 90 days a temporary special production allowable limitation 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.

(5) Case 8946 and Case 8950 were consolidated by the Commission for the purposes of hearing.

(6) The Gavilan-Mancos Oil Pool and the West Puerto Chiquito-Mancos Oil Pool share a common boundary and are in pressure communication at least in proximity to such boundary.

(7) Greer operates and has operated the Canada Ojitos Unit in the West Puerto Chiquito-Mancos Oil Pool since 1963 to produce oil from the Mancos formation, and has developed the Mancos formation in the Canada Ojitos Unit with low well density, controlled withdrawal rates and pressure maintenance resulting in a low rate of pressure decline and significant additional oil recovery by gravity drainage.

(8) McHugh, Greer and Meridian Oil Company presented testimony and evidence in these cases as set out in Finding No. (7) in Order No. R-7407-D herein incorporated by reference.

(9) The Commission found that the evidence presented in these cases established those matters and issues contained in Findings Nos. (12) through (16) in Order No. R-7407-D also herein incorporated by reference.

(10) In Case No. 8950, Greer effectively seeks to have a common gas oil ratio limitation and a maximum daily oil allowable established to permit withdrawal rates on each side of the Gavilan/West Puerto Chiquito Oil Pool boundary to be equivalent, thereby protecting correlative rights.

(11) No party to the consolidated hearing objected to the establishment of such common limiting gas-oil ratio or equivalent daily oil allowable.

(12) Order No. R-7407-D, entered in Case No. 8946 effective September 1, 1986, established a limiting gas-oil ratio of 600 cubic feet of gas per barrel and a depth bracket allowable of 400 barrels of oil per day for wells in the Gavilan-Mancos Oil Pool for a temporary period until further order of the Commission and provided for reopening of such case at a hearing in March, 1987, unless otherwise called earlier by the Commission.

(13) Such temporary rules should be adopted for the West Puerto Chiquito-Mancos Oil Pool except that the maximum assignable oil allowable should be 800 barrels per day to account for the variation in spacing unit size between the two pools.

(14) For consistency, both the Special Rules for the West Puerto Chiquito-Mancos Oil Pool contained in Order No. R-2565-B, as amended, and the Special Rules for the West Puerto Chiquito-Mancos Pressure Maintenance Project contained in Order No. R-3401 should be amended to reflect such limiting gas-oil ratio and maximum oil allowable.

IT IS THEREFORE ORDERED THAT:

(1) The limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool, as heretofore defined and described, Rio Arriba County, New Mexico, shall be 600 cubic feet of gas per barrel of liquid hydrocarbons produced.

(2) Rule 7(a) of the Special Rules for The West Puerto Chiquito-Mancos Oil Pool as established by Order No. R-2565-B, as amended, is hereby amended to read in its entirety as follows:

"Rule 7. (a) Except as otherwise provided for in subparts (b) and (c), below, a standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 648 acres) shall be assigned a top allowable of 800 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned an allowable in the same ratio to 800 as the acreage in the proration unit bears to 640."

(3) Rule 6 and Rule 7 of the Special Rules for the West Puerto Chiquito-Mancos Pressure Maintenance Project established

by Order No. R-3401 are hereby amended to read in their entirety as follows:

"Rule 6. The allowable assigned to any well which is shut-in or curtailed in accordance with Rule 3, shall be determined by a 24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well should be produced in the same manner and at a constant rate. The daily tolerance limitation set forth in Commission Rule 502 I (a) and the limiting gas-oil ratio (600 to 1) for the West Puerto Chiquito-Mancos Oil Pool shall be waived during such tests. The project operator shall notify all operators offsetting the well, as well as the Commission, of the exact time such tests are to be conducted. Tests may be witnessed by representatives of the offsetting operators and the Commission, if they so desire."

"Rule 7. The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or to top unit allowable for the West Puerto Chiquito-Mancos Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the Canada Ojitos Unit Area producing from the same common source of supply shall not produce in excess of top unit allowable for the pool. Production of such well at a higher rate shall be authorized only after notice and hearing. Each producing well shall be subject to the limiting gas-oil ratio (600 to 1) for the West Puerto Chiquito-Mancos Oil Pool except that any well or wells within the project area producing with a gas-oil ratio in excess of 600 cubic feet of gas per barrel of oil may be produced on a "net" gas-oil ratio basis, which net gas-oil ratio shall be determined by applying credit for daily average gas injected, if any, into the West Puerto Chiquito-Mancos Oil Pool within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$A_{adj} = \frac{TUA \times F_a \times 1,000}{\frac{P_g - I_g}{P_o}}$$

where  $A_{adj}$  = the well's daily adjusted allowable.

TUA = top unit allowable for the pool.

$F_a$  = the well's acreage factor (1.0 if one well on a 640 acre proration unit or 1/2 each if two wells on a 640 acre unit, and 1/2 for a well in a section along the Gavilan boundary which lies closer than 2310' from the Gavilan boundary).

$P_g$  = average daily volume of gas produced by the well during the preceding month, cubic feet.

$I_g$  = the well's allocated share of the daily average gas injected during the preceding month, cubic feet.

$P_o$  = average daily volume of oil produced by the well during the preceding month, barrels.

In no event shall the amount of injected gas being credited to a well be such as to cause the net gas-oil ratio,  $\frac{P_g - I_g}{P_o}$  to be less than 600 cubic feet of gas per barrel of oil produced.

(4) The effective date of this order shall be September 1, 1986.

(5) Unless otherwise reopened by the Commission, this case shall be reopened at a Commission hearing in March, 1987, to be consolidated with the reconsideration of the Temporary Special Rules established by Order No. R-7407 for the Gavilan-Mancos Oil Pool.

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

-6-

Case No. 8950

Order No. R-2565-E and Order No. R-3401-A

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JIM BACA, Member

ED KELLY, Member



R. L. STAMETS, Chairman and  
Secretary

S E A L

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 8950  
Order No. R-6469-C  
and  
Order No. R-3401-A-1

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE  
AMENDMENT OF THE SPECIAL RULES AND  
REGULATIONS OF THE WEST PUERTO  
CHIQUITO-MANCOS OIL POOL TO ESTABLISH  
TEMPORARY SPECIAL PRODUCTION ALLOWABLE  
LIMITATIONS AND GAS-OIL RATIO LIMITA-  
TIONS, RIO ARRIBA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Oil Conservation Commission of New Mexico (Commission) that the combined order (Order Nos. R-2565-E and R-3401-A) issued in Case No. 8950 and dated September 11, 1986 does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-6469-B issued in Case No. 8715 and dated March 7, 1986, superseded the Special Rules promulgated for the West Puerto Chiquito-Mancos Oil Pool, as previously established by Division Orders Nos. R-2565-B, R-2565-C, and R-6469-A; and the designation of Division Order No. R-2565-E in the immediate case was in error; therefore, all references to said "Order No. R-2565-E" throughout this Order are hereby amended to read "Order No. R-6469-C."

(2) Division Order No. R-2565-E, herein redesignated Order No. R-6469-C, as described above, is hereby affirmed by this Order; similarly, all provisions pertaining to Division Order No. R-3401-A simultaneously issued in the immediate case shall remain in full force and effect except as provided in paragraph (3) herein below.

(3) The daily adjusted oil allowable formula contained in "Rule 7" of Decretory Paragraph No. (3) on page 4 of said order is hereby amended to read as follows:

$$A_{adj} = \frac{TUA \times F_a \times 600}{\frac{P_g - I_g}{P_o}}$$

-2-

Case No. 8950  
Order No. R-6469-C and  
Order No. R-3401-A-1

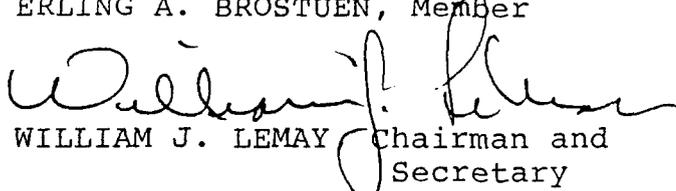
(4) The corrections set forth in this order be entered nunc pro tunc as of September 11, 1986.

DONE at Santa Fe, New Mexico, on this 17th day of February, 1987.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

WILLIAM R. HUMPHRIES, Member

ERLING A. BROSTUEN, Member

  
WILLIAM J. LEMAY Chairman and  
Secretary

S E A L

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 8950  
Order No. R-6469-D

IN THE MATTER OF CASE 8950 BEING REOPENED PURSUANT TO THE PROVISIONS OF COMMISSION ORDERS NOS. R-6469-C AND R-3401-A, AS AMENDED, WHICH ORDER PROMULGATED A TEMPORARY ALLOWABLE AND LIMITING GAS-OIL RATIO FOR THE WEST PUERTO CHIQUITO-MANCOS OIL POOL IN RIO ARRIBA COUNTY.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on March 30 and 31 and April 1, 2, and 3, 1987 at Santa Fe, New Mexico before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 8th day of June, 1987 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 THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of hearing, Cases 7980, 8946, 8950, 9113 and 9114 were consolidated for purposes of testimony.
- (3) Case 8950 involves re-opening the matter of temporary reduction of allowable and gas/oil ratio limit under Order R-6469-C/R-3401-A pertaining to the West Puerto Chiquito-Mancos Oil Pool.
- (4) Case 9113 involves a proposal to abolish the Gavilan-Mancos Oil Pool and consolidate that pool into the West Puerto Chiquito-Mancos Oil Pool and Case 9114 involves a proposal to shift the boundary between Gavilan-Mancos and West Puerto Chiquito-Mancos Oil Pool.

(5) The evidence shows that there is limited pressure communication between the two designated pools, and that there are two weakly connected areas separated by some restriction at or near the common boundary of the two designated pools.

(6) The evidence shows there are three principal productive zones in the Mancos formation in both presently designated pools, designated A, B, and C zones listed from top to bottom and that, while all three zones are productive in both designated pools, West Puerto Chiquito produces primarily from the C zone and Gavilan produces chiefly from the A and B zone.

(7) It is clear from the evidence that there is natural fracture communication between zones A and B but that natural fracture communication is minor or non-existent between zones B and C.

(8) Interference tests indicate: 1) a high degree of communication between certain wells, 2) the ability of certain wells to economically and efficiently drain a large area of at least 640 acres; and 3) the probability exists that the better wells recover oil from adjacent tracts and even more distant tracts if such tracts have wells which were less successful in connecting with the major fracture system.

(9) There is conflicting testimony as to whether the reservoir is rate-sensitive and the Commission should act to order the operators in West Puerto Chiquito and Gavilan-Mancos pools to collect additional data during 90-day periods of increased and decreased allowables and limiting gas-oil ratios.

(10) Estimates of the amount of time required to deplete the Gavilan Pool at current producing rates varied from 33 months to approximately five years from hearing date.

(11) An allowable of 1280 barrels per day is based upon an extension of the depth bracket allowable table and should be the allowable for a 640-acre proration unit for a period of 90 days with a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(12) The Oil Conservation Commission and their staff will evaluate the data collected, or contract to have the data evaluated, to ascertain whether the 1280 BOPD allowable and 2,000 to 1 limiting GOR will cause waste and/or provide a mechanism for confiscation of oil and gas through drainage via the highly transmissive fracture system.

(13) After the initial 90-day period ends, the allowable should be reduced to 800 BOPD per 640 acres with a limiting GOR of 600 cubic feet of gas per barrel of oil.

(14) The West Puerto Chiquito-Mancos Pool is dominated by the Canada Ojitos Unit on which a pressure maintenance program has been in progress since 1968 wherein all produced gas has been reinjected as well as outside purchased gas being injected.

(15) From commencement of production in the West Puerto Chiquito Mancos Pool in 1964 until approximately the end of 1986, a period of 22 years, the West Puerto Chiquito Pool enjoyed a favored pressure differential to the area now designated the Gavilan Mancos Pool but now the pressure differential favors the Gavilan Mancos Pool.

(16) The existing West Puerto Chiquito Mancos Pool wells located in the westernmost tier of sections in Township 25 North, Range 1 West, and the proper development of the Mancos Pool along the common existing boundary of the two pools will protect operators within the West Puerto Chiquito Mancos Pool from drainage by wells within the Gavilan Mancos Pool.

(17) Recognizing that the two designated pools constitute two weakly connected areas with different geologic and operating conditions the administration of the two areas will be simplified by maintaining two separate pools.

IT IS THEREFORE ORDERED THAT:

(1) The application of Benson-Montin-Greer in Case No. 9113 to abolish the Gavilan-Mancos Pool and extend the West Puerto Chiquito-Mancos Pool to include the area occupied by the Gavilan-Mancos pool is denied.

(2) The application of Mesa Grande Resources, Inc. for the extension of the Gavilan-Mancos and the concomitant contraction of West Puerto Chiquito-Mancos pool is denied.

(3) Beginning July 1, 1987, the allowable shall be 1280 barrels of oil per day per 640 acres with a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil. Operators are required to monitor reservoir performance, including but not limited to, production rates, gas-oil ratios, reservoir pressures, and shall report this information to the Commission within 30 days from completion of the tests. Within the first week of July, 1987, bottom hole pressure tests shall be taken

on all wells. Wells shall be shut-in until pressure stabilizes or for a period not longer than 72 hours. Additional bottom hole tests shall be taken within the first week of October, 1987, with similar testing requirements. All produced gas, including gas vented or flared, shall be metered. Operators are required to submit a testing schedule to the District Supervisor of the Aztec office of the Oil Conservation Division prior to testing so that tests may be witnessed by OCD personnel.

(4) Beginning October 1, 1987, the allowable shall be 800 barrels of oil per day per 640 acres with a limiting gas-oil ratio of 600 cubic feet of gas per barrel of oil. Operators are required to monitor reservoir performance as in (3) above with bottom hole pressure tests to be taken within the first week of January, 1988. This allowable and GOR limitation shall remain in effect until further notice from the Commission.

(5) This case shall be reopened at a hearing to be held in May, 1988 to review the pools in light of information to be gained in the next year and to determine if further changes in rules may be advisable.

(5) 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.

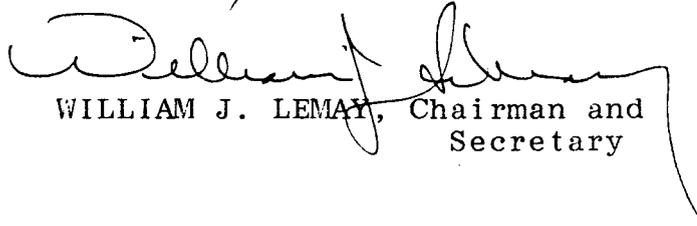
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and  
Secretary

S E A L

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 ON ITS OWN MOTION TO  
AMEND DIVISION ORDER NO. R-6469-B,  
RIO ARRIBA COUNTY, NEW MEXICO

CASE NO. 9379  
ORDER NO. R-6469-E

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 25, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of June, 1988, 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 Oil Conservation Division on its own motion seeks to amend Division Order No. R-6469-B, by deleting from the Special Rules and Regulations for the West Puerto Chiquito Mancos-Oil Pool, that provision which limits the applicability of these rules to the confinement of the pool boundaries.

(3) At the time of the hearing, representatives from Mobil Producing Texas and New Mexico, Inc. and Amoco Production Company appeared and/or objected to this application.

(4) Subsequent to the hearing the Division's representative requested this case be dismissed.

(5) This request for dismissal is therefore granted.

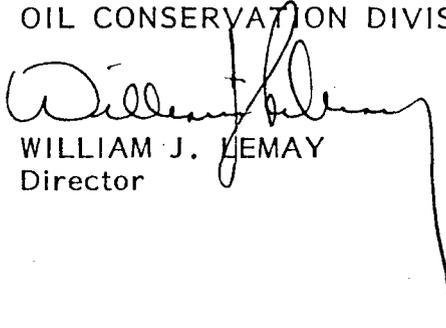
Case No. 9379  
Order No. R-6469-E  
Page 2

IT IS THEREFORE ORDERED THAT:

Case No. 9379 is hereby dismissed.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. HEMAY  
Director

S E A L

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 9111  
Order No. R-3401-B

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR EXPANSION OF  
THE PROJECT AREA FOR ITS WEST PUERTO  
CHIQUITO-MANCOS PRESSURE MAINTENANCE  
PROJECT, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on March 18, 1988, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission." Decision on the case was deferred until possibly related testimony in Cases 7980, 8946, 8950 and 9412 was received at the hearing held June 13, 1988.

NOW, on this 5th day of August, 1988, 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 THAT:

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

(2) Applicant requests expansion of the West Puerto Chiquito-Mancos Pressure Maintenance Project area to include the below-described area which would make the project area coterminous with the Canada Ojito Unit area and the Mancos Participating Area of the unit:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM  
Sections 5 through 8

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM  
Sections 5 through 8  
Sections 17 through 20  
Sections 29 through 32

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM  
w/2 Sections 5, 8, 17, and 20  
Sections 6, 7, 18, 19, 29, 30, 31 and 32

All in Rio Arriba County, New Mexico

(3) The expanded project area would abut the Gavilan-Mancos Pool boundary at the West line of Range 1 West.

(4) Applicant was supported in its application by Sun Exploration and Production Company and was opposed by Mallon Oil Company, Mesa Grande Resources, Inc., Mobil Texas-New Mexico Producing, Koch Exploration and others.

(5) Critical to the case is the degree, if any, of pressure communication across a low permeability zone at or near the present western boundary of the project area which is approximately two miles east of the western boundary of the unit.

(6) The two westernmost rows of sections inside the unit area are in effective pressure communication with the Gavilan-Mancos pool as demonstrated by shut in pressure measurements.

(7) The unit area east of the proposed expansion of the area described above exhibits a significantly greater pressure than the proposed expansion area and the adjacent Gavilan area, as a result of gas injection at the structurally higher and more easterly portion of the unit.

(8) The pressure differential across the low-permeability area which resides in the third row of sections east of the western boundary of the unit is in the range of 350-400 psi, and thus indicates limited pressure communication between the injection wells and the proposed expansion area.

(9) Limited transmissibility across the low-permeability zone has been shown by (1) transmission of a pressure pulse from a hydraulically fractured well to wells across the low permeability zone, (2) failure to increase the average pressure east of the zone by overinjection of gas, and (3) the lower gas-oil ratio of wells in the proposed expansion area as compared to adjacent Gavilan-Mancos wells.

(10) The gas credit provided by Rule 7 of Order R-3401, as amended, in the project area provides a reduced GOR penalty for wells in the project area because the pressure maintenance process results in a smaller reservoir voidage per barrel of oil produced than would occur if the gas were not reinjected.

(11) The permeability restriction described in Finding No. (5) limits the benefit which the proposed expansion area can receive from the pressure maintenance gas injection.

(12) There is evidence that wells within both the WPC and the Gavilan Pools are in communication with areas outside of those pools, particularly in a north-south direction. As a result there may be gas flow and repressurization from the pressure maintenance project in a northerly and southerly direction and that it may extend beyond the northern and southern boundaries of the pressure maintenance project.

(13) Because of Findings (11) and (12), giving full injection credit to those wells in the proposed expansion area would give those wells an advantage over the adjacent wells in the Gavilan-Mancos Pool and would impair the correlative rights of the owners in the Gavilan-Mancos Pool.

(14) Limited expansion of the project area, and reduced credit to wells in the expansion area for reinjected gas in the project area will encourage continued gas injection, will increase the ultimate recovery of oil in the West Puerto Chiquito-Mancos Oil Pool and will also protect correlative rights in the Gavilan-Mancos Pool wells offsetting the unit.

(15) The project area should be expanded only one tier of sections to the west leaving one tier of sections between the expansion area and Gavilan.

(16) The evidence is not conclusive as to the amount of injection credit which the wells in the expansion area of the project should receive, and pending further data evaluation, a 50% injected gas credit is reasonable.

(17) The gas credit amount in the expansion area granted by this order should be modified upon presentation of evidence that an advantage is gained by either pool over the other.

(18) The Aztec district office of the Division, in consultation with the operators in the two pools should determine the wells and procedures to be employed to obtain accurate, representative BHP's on either side of the common pool boundary on a semi-annual basis for detection and evaluation of any drainage across the said boundary and a basis for adjusting the gas injection credit assigned the wells in the expansion area.

IT IS THEREFORE ORDERED THAT:

(1) The Project Area of the West Puerto Chiquito-Mancos Pressure Maintenance Project is hereby expanded to include the following described area:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM  
Sections 5 and 8

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM  
Sections 5, 8, 17, 20, 29 and 32

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM  
W/2 Sections 5, 8, 17 and 20 and all of  
Sections 29 and 32

All in Rio Arriba County, New Mexico.

(2) Rule 6 and Rule 7 of the Special Rules for the West Puerto Chiquito-Mancos Pressure Maintenance Project established by Order No. R-3401, as amended, are hereby amended to read in their entirety as follows:

"Rule 6. The allowable assigned to any well which is shut-in or curtailed in accordance with Rule 3, shall be determined by a 24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well should be produced in the same manner and at a constant rate. The daily tolerance limitation set forth in Commission Rule 502 1 (a) and the limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool shall be waived during such tests. The project operator shall notify all operators offsetting the well, as well as the Commission, of the exact time such tests are to be conducted. Tests may be witnessed by representatives of the offsetting operators and the Commission, if they so desire."

"Rule 7. The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or top unit allowable for the West Puerto Chiquito-Mancos Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the Canada Ojitos Unit Area producing from the same common source of supply shall not produce in excess of top unit allowable for the pool. Production of such well at a higher rate shall be authorized only after notice and hearing. Each producing well shall be subject to the limiting gas-oil

ratio for the West Puerto Chiquito-Mancos Oil Pool except that any well or wells within the project area producing with a gas-oil ratio in excess of the limiting gas oil ratio may be produced on a "net gas-oil ratio" basis, which shall be determined by applying credit for daily average gas injected, if any, into the West Puerto Chiquito-Mancos Oil Pool within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$A_{adj} = TUA \times F_a \times \frac{GOR}{\frac{P_g - I_g}{P_o}}$$

where  $A_{adj}$  = the well's daily adjusted allowable.

TUA = top unit allowable for the pool.

$F_a$  = the well's acreage factor (1.0 if one well on a 640 acre proration unit or 1/2 each if two wells on a 640 acre unit, and 1/2 for a well in a section along the Gavilan boundary which lies closer than 2310' from the Gavilan boundary).

$P_g$  = average daily volume of gas produced by the well during the preceding month, cubic feet.

$I_g$  = the well's allocated share of the daily average gas injected during the preceding month, cubic feet.

$P_o$  = average daily volume of oil produced by the well during the preceding month, barrels.

GOR = limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool.

In no event shall the amount of injected gas being credited to a well be such as to cause the net gas-oil ratio,  $\frac{P_g - I_g}{P_o}$  to be less than the limiting gas-oil ratio for the West Puerto Chiquito Mancos Oil Pool.

Provided however, that wells located in the area described as: Sections 5 and 8, Township 24 North, Range 1

Case No. 9111  
Order No. R-3401-B

West; Sections 5, 8, 17, 20, 29 and 32,  
Township 25 North, Range 1 West; Sections 29  
and 32 and W/2 of Sections 5, 8, 17 and 20,  
Township 26 North, Range 1 West

shall be limited to 50% of the allocated share of injection  
gas in the  $I_g$  term of the formula above.

(3) The Aztec district office of the Division, with due  
counselling and advice from pool operators, shall, by October  
1, 1988, develop a program for semi-annual bottomhole pressure  
surveys of wells in both pools located not less than 3/8 mile  
and not more than 1 1/2 miles from the common pool boundary,  
designed to measure accurately the pressure differential  
across the pool boundary and to be used as a basis for  
adjusting the gas injection credit to wells in the expansion  
area. The program shall be presented for approval to the  
Commission Conference on October 6, 1988.

(5) This order may be modified, after notice and hear-  
ing, to offset any advantage gained by wells on either side of  
the common boundary of the Gavilan and West Puerto Chiquito  
Oil Pools, as a result of this order.

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

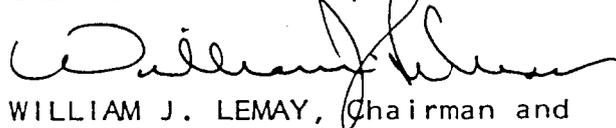
DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member

ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and  
Secretary

S E A L

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

REOPENED CASES NOS. 7980,  
8946 and 8950  
ORDER NO. R-7407-F  
ORDER NO. R-6469-F

REOPENING OF CASES 7980, 8946 and 8950 FOR  
FURTHER TESTIMONY AS PROVIDED BY ORDER  
R-7407-E IN REGARD TO THE GAVILAN-MANCOS OIL  
POOL AND ORDER R-6469-D IN REGARD TO THE  
WEST PUERTO CHIQUITO-MANCOS OIL POOL IN  
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on June 13, 1988, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 5th day of August, 1988, 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 THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of these causes and the subject matter thereof.
- (2) At the time of the hearing, Cases 7980 (reopened), 8946 (reopened), 8950 (reopened), 9111 (reopened) and 9412 were consolidated for purposes of testimony. Separate orders are being entered in Cases 9111 and 9412.
- (3) Case 7980 was called and reopened by the Commission to determine appropriate spacing and enter permanent orders establishing spacing and proration units in the Gavilan-Mancos Oil Pool (hereinafter "Gavilan") pursuant to Order R-7407-E (Rule 2a) which rule increased spacing from 320-acre to 640-acre spacing units.

Case No. 7980  
Order No. R-7407-F  
Order No. R-6469-F

(4) Case 8946 was re-opened to determine what top oil allowable and limiting gas-oil ratio should be established in the Cavilan-Mancos Oil Pool to provide waste and protect correlative rights.

(5) Case 8950 was re-opened to determine what top oil allowable and limiting gas-oil ratio should be established for the West Puerto Chiquito Mancos Oil Pool (hereinafter "WPC").

(6) Orders R-7407-E and R-6469-C were entered by the Commission to direct operators within Cavilan and WPC, respectively, to conduct tests on wells within the pools to determine the optimal top allowable and limiting gas-oil ratio for each of the pools. Pursuant to those orders, the pools were produced with a top allowable of 1280 barrels of oil per day for a standard 640-acre proration unit with a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil for the period July 1 until November 20, 1987, referred to as the "high rate test period" and were produced with a top oil allowable of 800 barrels of oil per day for a 640-acre proration unit with a limiting gas-oil ratio of 600 cubic feet of gas per barrel of oil from November 20, 1987 until February 20, 1988, referred to as the "low rate test period". Operators were directed to take bottomhole pressure surveys in selected wells within both pools at the start of and end of each test period. Subsequent to the test period, the top oil allowable remained at 800 barrels of oil per day for a 640-acre proration unit with a limiting gas-oil ratio of 600 to 1.

(7) Data collected by the operators during the test period pursuant to Orders R-7407-E and R-6469-C were submitted to the Division's Aztec district office and were available to all parties in this matter. At the request of the Commission, Petroleum Recovery Research Center at Socorro, New Mexico, made an independent evaluation of the data as a disinterested, unbiased expert and its report was entered into evidence by testimony and exhibit.

(8) Mallon Oil Company, Mesa Grande Resources, Inc., Mobil Texas-New Mexico Producing et al, collectively called "proponents", advocate return to special allowable of at least 1280 barrels of oil per day for 640-acre units with limiting gas-oil ratio of 2000 cubic feet per barrel whereas Benson-Montin-Greer Drilling Co., Sun Exploration and Production Company, Dugan Production Corporation et al, collectively called "opponents", advocate allowable and gas limits no higher than the current special allowable of 800 barrels of oil per day for 640-acre units and limiting gas-oil ratio of 600 cubic feet per barrel.

-3-

Case No. 7980  
Order No. R-7407-F  
Order No. R-6469-F

(9) Proponents presented testimony and exhibits intended to demonstrate:

- (a) Gavilan and WPC pools are separate sources of supply separated by a permeability barrier approximately two miles east of the line separating Range 1 West from Range 2 West which is the present common boundary between the two pools.
- (b) Insignificant oil has moved across the alleged barrier.
- (c) Gas-oil ratio limitations are unfair to Gavilan operators.
- (d) Wells were not shut in following the high rate testing period for sufficient time to permit accurate BHP measurement following the high rate testing period.
- (e) The high-rate/low-rate testing program prescribed by Order R-7407-E demonstrated that high producing rates prevented waste as evidenced by lower gas-oil ratios during that phase of the test period.
- (f) Irreversible imbibition of oil into the matrix during shut-in or low-rate production causes waste from reduced recovery of oil.
- (g) Pressure maintenance in Gavilan would recover no additional oil and would actually reduce ultimate recovery.
- (h) The most efficient method of production in Gavilan would be to remove all production restrictions in the pool.

(10) Opponents presented testimony and exhibits intended to demonstrate:

- (a) There is pressure communication throughout the Gavilan-WPC pools which actually comprise a single reservoir.
- (b) Directional permeability trending north-south with limited permeability east-west, together with gas reinjection, has worked to improve oil

Case No. 7980  
Order No. R-7407-F  
Order No. R-6469-F

recovery in the COU located wholly within the WPC pool.

- (c) Success of the pressure maintenance project is shown by the low gas-oil ratio performance of structurally low wells in the unit.
- (d) Oil has moved across the low permeability area east of the Proposed Pressure Maintenance Expansion Area to the Canada Ojitos Unit as pressure differentials have occurred due to fluid withdrawal or injection.
- (e) Although lower gas-oil ratios were observed during the high-rate production test period, reservoir pressure drop per barrel of oil recovered increased indicating lower efficiency.
- (f) Gravity segregation was responsible for the lower COR performance during high-rate production.
- (g) The effects of the pressure maintenance project were shown, not only in the expansion area but even into the Gavilan pool.
- (h) The reservoir performance during the test period shows pronounced effects of depletion.
- (i) The higher allowables advocated by proponents would severely violate correlative rights.

(11) Substantial evidence indicated, and all parties agreed, that 640 acres is the appropriate size spacing and proration unit for Gavilan.

(12) Eminent experts on both sides interpreted test data including gas-oil ratios, bottomhole pressures, and pressure build-up tests with widely differing interpretations and conclusions.

(13) The preponderance of the evidence demonstrates the Gavilan and WPC pools constitute a single source of supply which can continue to be regulated effectively as two separate pools with uniform rules for spacing and allowables.

(14) No well produced the top oil allowable during any month of the test period; no well produced the gas limit during the high rate test period; 30 wells produced the gas limit at the beginning of the low rate test period but eight wells produced that limit at the conclusion of the test period.

Case No. 7980  
Order No. R-7407-F  
Order No. R-6469-F

(15) There is substantial evidence that lower gas-oil ratios observed during the high-rate test period are due to a number of factors including reduced oil re-imbibition, gravity segregation of fluids within the reservoir, and greater pressure differential between fractures and matrix reservoir rock.

(16) A preponderance of evidence shows that both Cavilan and WPC exhibit a very high degree of communication between wells, particularly in north-south directions, and as a result the 72-hour shut in prior to BHP tests may not have been sufficient to permit pressures to completely stabilize. However, such pressure measurements were adequate to provide useful data for reservoir evaluation.

(17) Substantial evidence shows that some wells demonstrated a reduced gas-oil ratio with a high rate of production and that increased production limits should prevent waste.

(18) Substantial evidence also demonstrated that high deliverability wells have intersected a high capacity fracture system and therefore drain distant tracts better than low deliverability wells which have been drilled on those distant tracts. The evidence also indicates that high production rates result in the reduced oil recovery per pound of pressure drop. As a result a top oil allowable and limiting gas-oil ratio is necessary to prevent waste and protect correlative rights.

(19) A top oil allowable of 800 barrels per day per 640 acres with a limiting gas-oil ratio of 2,000 to 1 will enable high productivity wells to produce at more efficient rates without significantly impairing correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Rule 2 (a) of the temporary special rules and regulations for the Cavilan-Mancos Oil Pool as promulgated by Order R-7407 is hereby amended as follows:

Rule 2 (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.

-6-

Case No. 7980  
Order No. R-7407-F  
Order No. R-6469-F

(2) Effective August 1, 1988 the allowable for a standard 640-acre spacing and proration unit in the Gavilan-Mancos Oil Pool shall be 800 barrels of oil per day and the limiting gas-oil ratio shall be 2000 cubic feet of gas per barrel of oil. Non-standard units shall receive allowables in the same proportion of 800 barrels of oil per day that the acreage in the spacing and proration unit bears to 640 acres.

(3) Effective August 1, 1988, the allowable for a standard 640-acre spacing and proration unit in the West Puerto Chiquito-Mancos Oil Pool shall be 800 barrels of oil per day and the limiting gas-oil ratio shall be 2000 cubic feet of gas per barrel of oil. Non-standard units shall receive allowables in the same proportion of 800 barrels of oil per day that the acreage in the spacing and proration unit bears to 640 acres.

(4) Jurisdiction of these causes is retained for entry of such further orders as the Commission deems necessary.

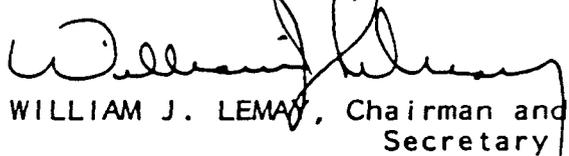
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member

ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and  
Secretary

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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION

REOPENED CASES NO. 7980, 8946 AND 8950  
ORDER NO. R-7407-F-1  
ORDER NO. R-6469-F-1

REOPENING CASES 7980, 8946 AND 8950  
FOR FURTHER TESTIMONY AS PROVIDED BY  
ORDER R-7407-E IN REGARD TO THE  
GAVILAN-MANCOS OIL POOL AND ORDER R-6469-D  
IN REGARD TO THE WEST PUERTO CHIQUITO-MANCOS  
OIL POOL IN RIO ARRIBA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Oil Conservation Commission of New Mexico (Commission) that the combined order (Order Nos. R-7407-F and R-6469-F) issued in Reopened Case Nos. 7980, 8946 and 8950 and dated August 5, 1988, does not correctly state the intended order of the Commission;

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-7407-F being inadvertently issued twice, the first in Reopened Case 7980 heard before the Commission on March 17, 1988, and the second being erroneously issued in the immediate case as described above; therefore, all references to "Order No. R-7407-F" throughout said order issued in Reopened Case Nos. 7980, 8946 and 8950, dated August 5, 1988, are hereby amended to read "Order No. R-7407-G."

(2) The corrections set forth in this order be entered nunc pro tunc as of August 5, 1988.

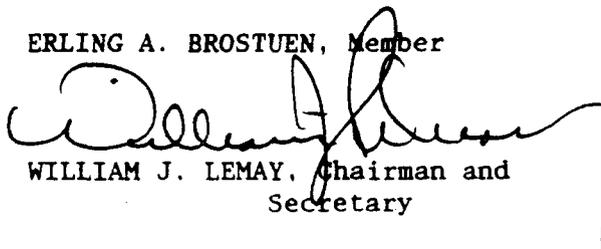
DONE at Santa Fe, New Mexico, on this 17th day of August, 1988.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member

ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and  
Secretary

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. 9451  
ORDER NO. R-6469-G

NOMENCLATURE

APPLICATION OF JEROME P. MCHUGH &  
ASSOCIATES FOR AMENDMENT TO DIVISION  
ORDER NO. R-6469-B AND EXTENSION OF  
THE HORIZONTAL LIMITS OF THE WEST  
PUERTO CHIQUITO-MANCOS OIL POOL, RIO  
ARRIBA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 3, 1988 and on August 17, 1988, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 10th day of January, 1989, the Division Director, having considered 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 Division Order Nos. R-2565-C, R-6469, and R-6469-A, the New Mexico Oil Conservation Division amended the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as promulgated by Division Order No. R-2565-B, which included, among other things, provisions for 640-acre spacing and proration units, well location requirements, assigning to each 640-acre unit a depth bracket allowable of 640-barrels of oil per day, restricting the number of wells drilled on each unit to only one, and confined said Rules to the limits of the pool boundary (see Decretory Paragraph No. (4) of Order No. R-2565-B).
- (3) The Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated by the four aforementioned orders were superseded and consolidated, for the purpose of clarity, into Division Order No. R-6469-B, issued in Case No. 8715 and dated March 17, 1986. Order No. R-6469-B also continued in full force and effect all other provisions set forth in

the four previous orders.

(4) Subsequent to the issuance of Division Order No. R-6469-B, several amendments to the allowable portion of said rules have been made.

(5) The one provision common in the evolution of the Special Rules for the West Puerto Chiquito-Mancos Oil Pool has been that said rules be confined to the limits of the pool boundary.

(6) At this time, the applicant in the immediate case, Jerome P. McHugh and Associates, seeks the deletion of this limiting clause in said pool rules so as to provide that all future development follow the practice as set forth in the Division's General Rules and Regulations, whereby provisions of the Special Rules and Regulations for an existing pool extend one mile beyond its boundary in the corresponding formation or zone.

(7) The applicant further seeks to extend the horizontal limits of the West Puerto Chiquito-Mancos Oil Pool to include all of Section 2, Township 23 North, Range 1 West, NMPM, Rio Arriba County, New Mexico.

(8) At the August 3, 1988 hearing, representatives of Benson-Montin-Greer Drilling Corporation, Mobil Exploration and Producing, and Amoco Production Company appeared and objected to this application.

(9) The General Rules and Regulations include those provisions described in Finding Paragraph No. (6) above to act as a buffer zone between pools and/or formations developed on different spacing sizes. Such a provision acts to protect correlative rights and avoids the augmentation of risk arising from the drilling of an excessive number of wells in an area such as this where 640-acre spacing abuts 40-acre spacing in the same formation.

(10) Amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool to delete the restriction which limits the provisions of said rules to the boundary of the pool will bring this area into conformance with the remainder of the state and is in the best interest of conservation, will prevent waste and should therefore be approved.

(11) The evidence presented at the hearing indicates that the Nassau Resources, Inc. Laguna Colorado "2" Well No. 6 located 1650 feet from the North and West lines (Unit F) of Section 2, Township 23 North, Range 1 West, NMPM, Rio Arriba County, New Mexico, completed in the Mancos formation in the perforated interval 6462 feet to 6956 feet, is in the same common source of supply as the West Puerto Chiquito-Mancos Oil Pool as now designated.

(12) The entire area encompassing said Section 2, which would be a standard 640-acre, more or less, oil spacing and proration unit in said pool, for this well should be included in the West Puerto Chiquito-Mancos Oil Pool.

Case No. 9451  
Order No. R-6469-G  
Page No. 3

IT IS THEREFORE ORDERED THAT:

(1) The application of Jerome P. McHugh & Associates is hereby approved and the West Puerto-Chiquito Mancos Oil Pool in Rio Arriba County, New Mexico, as heretofore classified, defined and described, is extended to include therein:

TOWNSHIP 23 NORTH, RANGE 1 WEST, NMPM  
Section 2: All

(2) RULE 1 of Decretory Paragraph No. (2) of Division Order No. R-6469-B, as amended, is hereby amended and shall read in its entirety as follows:

"RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool or in the Mancos member of the Gallup formation within one mile thereof, and not nearer to or within the limits of any other designated Mancos oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth."

(3) Decretory Paragraph No. (4) of Division Order No. R-2565-B is hereby rescinded.

IT IS FURTHER ORDERED THAT:

(4) The location of any well which, by virtue of this extension, is presently drilling to or completed in the West Puerto Chiquito-Mancos Oil Pool or within one mile of the West Puerto Chiquito-Mancos Oil Pool that will not comply with the well location requirements of RULE 4 is hereby granted an exception to the requirements of RULE 4. The operator shall notify the Aztec District Office in writing of the name and location of the well on or before March 31, 1989.

Case No. 9451  
Order No. R-6469-G  
Page No. 4

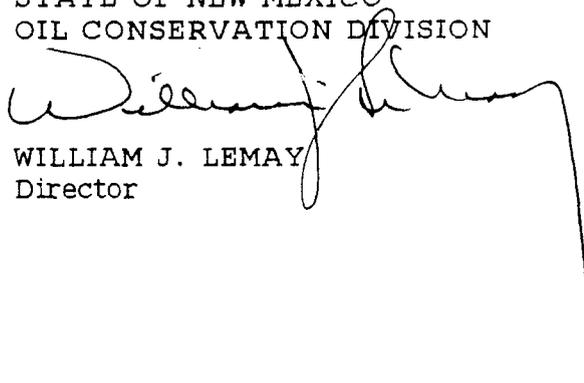
(5) Pursuant to Paragraph A. of Section 70-2-18 N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, any well which, by virtue of this extension and amendments is subject to the West Puerto Chiquito-Mancos Oil Pool rules providing for 640-acre spacing or proration units, shall have 60 days from the date of this order in which to file new Forms C-102 dedicating 640 acres to said well or to obtain a non-standard unit approved by the Division.

Failure to file new Forms C-102 with the Division dedicating the appropriate acreage or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

(6) Jurisdiction of this cause is 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

S E A L

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 9451  
ORDER NO. R-6469-G-1

NOMENCLATURE

APPLICATION OF JEROME P. MCHUGH &  
ASSOCIATES FOR AMENDMENT TO DIVISION  
ORDER NO. R-6469-B AND EXTENSION OF  
THE HORIZONTAL LIMITS OF THE WEST  
PUERTO CHIQUITO-MANCOS OIL POOL, RIO  
ARRIBA COUNTY, NEW MEXICO

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6469-G dated January 10, 1989, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Decretory Paragraph No. (2) on page 3 of said Order No. R-6469-G be and the same is hereby amended to read as follows:

"(2) RULE 1 of Decretory Paragraph No. (2) of Division Order No. R-6469-B, as amended, is hereby amended and shall read in its entirety as follows:

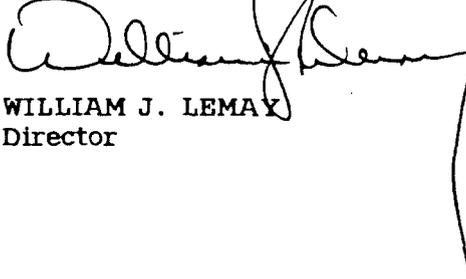
'RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool or in the Gallup member of the Mancos formation within one mile thereof, and not nearer to or within the limits of any other designated Mancos oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.'

(2) The corrections set forth in this order be entered nunc pro tunc as of January 10, 1989.

Case No. 9451  
Order No. R-6469-G-1  
Page No. 2

DONE at Santa Fe, New Mexico, on this 14th day of March, 1989.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the typed name and extends downwards with a long vertical line.

WILLIAM J. LEMAY  
Director

S E A L

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. 9525  
Order No. R-6469-H

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR THE AMENDMENT  
OF DIVISION ORDER NO. R-6469, AS  
AMENDED, RIO ARriba COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 1, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of March, 1989, 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-6469, as amended, dated September 10, 1980, the Division, upon the application of Benson-Montin-Greer Drilling Corporation, amended the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, to provide for spacing units consisting of 640 acres, and further established nineteen non-standard oil proration units for said pool.

(3) The applicant in the immediate case, Benson-Montin-Greer Drilling Corporation, seeks an amendment to said Order No. R-6469, as amended, to rescind approval for seven non-standard proration units approved therein located as described below in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

- |    |                            |             |     |
|----|----------------------------|-------------|-----|
| 1. | A 320-acre unit comprising | Section 1:  | N/2 |
| 2. | A 640-acre unit comprising | Section 23: | N/2 |
|    |                            | Section 24: | N/2 |
| 3. | A 640-acre unit comprising | Section 23: | S/2 |
|    |                            | Section 24: | S/2 |

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

- |    |                            |            |     |
|----|----------------------------|------------|-----|
| 4. | A 640-acre unit comprising | Section 5: | W/2 |
|    |                            | Section 8: | W/2 |

CASE NO. 9525  
Order No. R-6469-H  
Page -3

- |                               |                 |
|-------------------------------|-----------------|
| 5. A 640-acre unit comprising | Section 5: E/2  |
|                               | Section 8: E/2  |
| 6. A 640-acre unit comprising | Section 17: W/2 |
|                               | Section 20: W/2 |
| 7. A 640-acre unit comprising | Section 17: E/2 |
|                               | Section 20: E/2 |

(4) The evidence and testimony presented indicates that at the present time none of the subject non-standard proration units have been developed in the West Puerto Chiquito-Mancos Oil Pool.

(5) Amoco Production Company and Mobil Producing Texas & New Mexico Inc., both interest owners in parts of the subject proration units or in offsetting acreage, appeared at the hearing in opposition to certain evidence and testimony presented by the applicant in this case, but in support of the re-establishment of the proposed standard 640-acre proration units.

(6) The above-described non-standard proration units were apparently formed in part to correspond to the boundary of the applicant's Canada Ojitos Unit Area.

(7) Subsequent to that time, the boundary of the Canada Ojitos Unit Area has been expanded and now totally encompasses those proration units numbered 1, 4, 5, 6, and 7 as described in Finding No. (3) above.

CASE NO. 9525  
Order No. R-6469-H  
Page -4-

(8) Approval of the application as to those proration units numbered 1, 4, 5, 6, and 7 will prevent the drilling of unnecessary wells, promote orderly development within the Canada Ojitos Unit Area, and will protect the correlative rights of those interest owners in the Canada Ojitos Unit Area.

(9) The reformation of those non-standard proration units numbered 2 and 3 as described in Finding No. (3) above to standard proration units consisting respectively of all of Sections 23 and 24 will, in effect, cause these proration units to lie half in and half out of the Canada Ojitos Unit Area.

(10) The evidence and testimony presented by the applicant sufficiently demonstrates that approval of the application as to those proration units numbered 2 and 3 may also prevent the drilling of unnecessary wells, will promote the orderly development of reserves underlying Sections 23 and 24, and will protect the correlative rights of those interest owners within and outside the boundary of the Canada Ojitos Unit Area.

(11) No offset operator or interest owner appeared at the hearing in opposition to the application in this case.

(12) Approval of the subject application will prevent the drilling of unnecessary wells, promote the orderly development of reserves in the West Puerto Chiquito-Mancos Oil Pool, and will otherwise prevent waste and protect correlative rights.

CASE NO. 9525  
Order No. R-6469-H  
Page -5-

IT IS THEREFORE ORDERED THAT:

(1) That portion of Ordering Paragraph No. (3) of Division Order No. R-6469, as amended, approving the following non-standard proration units in Rio Arriba County, New Mexico, is hereby rescinded:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

- |    |                            |             |     |
|----|----------------------------|-------------|-----|
| 1. | A 320-acre unit comprising | Section 1:  | N/2 |
| 2. | A 640-acre unit comprising | Section 23: | N/2 |
|    |                            | Section 24: | N/2 |
| 3. | A 640-acre unit comprising | Section 23: | S/2 |
|    |                            | Section 24: | S/2 |

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM

- |    |                            |             |     |
|----|----------------------------|-------------|-----|
| 4. | A 640-acre unit comprising | Section 5:  | W/2 |
|    |                            | Section 8:  | W/2 |
| 5. | A 640-acre unit comprising | Section 5:  | E/2 |
|    |                            | Section 8:  | E/2 |
| 6. | A 640-acre unit comprising | Section 17: | W/2 |
|    |                            | Section 20: | W/2 |
| 7. | A 640-acre unit comprising | Section 17: | E/2 |
|    |                            | Section 20: | E/2 |

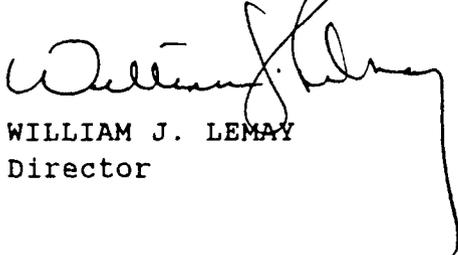
CASE NO. 9525  
Order No. R-6469-H  
Page -6-

(2) All other provisions contained within Division Order No. R-6469, as amended, shall remain in full force and effect.

(3) Jurisdiction of this cause is 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

S E A L

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. 9837  
ORDER NO. R-3401-C

APPLICATION OF BENSON-MONTIN-GREER  
DRILLING CORPORATION FOR AMENDMENT  
OF DIVISION ORDER NO. R-3401, AS  
AMENDED, RIO ARRIBA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 29, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of February, 1990, 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, Benson-Montin-Greer Drilling Corporation, seeks amendment of the Special Pool Rules and Regulations for the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project as promulgated by Order No. R-3401, as amended, to provide for accumulation of credit for extraneous gas injected into the project area.
- (3) The applicant is the operator of the BMG West Puerto Chiquito Mancos Pressure Maintenance Project and is injecting gas into this unit which is produced from a source outside of the project area.
- (4) At the hearing, the applicant requested dismissal of that portion of the application which requested cumulation of credits on an annual basis.
- (5) Granting this application will result in the operator moving more gas through the project area which will increase the ultimate recovery of oil from the project area thereby preventing waste.

Case No. 9837  
 Order No. R-3401-C  
 Page No. 2

(6) Since the injection credit will be equal to the gas injected by the operator into this formation as part of pressure maintenance operations, less that volume of gas produced from the project area, the correlative rights of no interest owners in the pool will be impaired by permitting the operator to cumulate the credit for injection of this gas.

(7) The Special Pool Rules and Regulations for the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project should be amended to provide for accumulation of credit for withdrawal at a future date for gas which is produced from a source outside the project area and injected into the Unit by the operator as part of pressure maintenance operations.

IT IS THEREFORE ORDERED THAT:

(1) Rules 7, 8 and 9 of the Special Pool Rules and Regulations for the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project, as promulgated by Division Order No. R-3401, as amended, are hereby amended to read as follows:

"Rule 7(a): The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or top unit allowable for the West Puerto Chiquito-Mancos Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the Canada Ojitos Unit Area producing from the same common source of supply shall not produce in excess of top unit allowable for the pool. Production of such well at a higher rate shall be authorized only after notice and hearing. Each producing well shall be subject to the limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool except that any well or wells within the project area producing with a gas-oil ratio in excess of the limiting gas-oil ratio may be produced on a "net gas-oil ratio" basis, which shall be determined by applying credit for daily average gas injected, if any, into the West Puerto Chiquito-Mancos Oil Pool within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$A_{adj} = TUA \times F_i \times \frac{GOR}{P_o - I_i}$$

where  $A_{adj}$  = the well's daily adjusted allowable.

TUA = top unit allowable for the pool.

Case No. 9837  
 Order No. R-3401-C  
 Page No. 3

- $F_w$  = the well's acreage factor (1.0 if one well on a 640-acre proration unit or 1/2 each if two wells on a 640-acre unit, and 1/2 for a well in a section along the Gavilan boundary which lies closer than 2310 feet from the Gavilan boundary).
- $P_g$  = average daily volume of gas produced by the well during the subject month, cubic feet.
- $I_g$  = the well's allocated share of the daily average gas injected during the subject month, cubic feet.
- $P_o$  = average daily volume of oil produced by the well during the subject month, barrels.
- GOR = limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool.

In no event shall the amount of injected gas being credited to a well be such as to cause the net gas-oil ratio,  $\frac{P_g - I_g}{P_o}$ , to be less than the limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool.

PROVIDED HOWEVER, that wells located in the area described as: Sections 5 and 8, Township 24 North, Range 1 West; Sections 5, 8, 17, 20, 29 and 32, Township 25 North, Range 1 West; Sections 29 and 32 and W/2 of Sections 5, 8, 17 and 20, Township 26 North, Range 1 West, shall be limited to 50% of the allocated share of injected gas in the  $I_g$  term of the formula above.

Rule 7(b): The operator may inject extraneous gas (gas produced from a source outside the West Puerto Chiquito-Mancos Pressure Maintenance Project) and accumulate credit for withdrawal at a future date. Withdrawal of such gas shall not be charged against the gas allowable of any well in the unit. Hydrocarbon liquids recovered from such gas at a separation facility shall be charged against the oil allowable for the well which produced the gas, but hydrocarbon liquids recovered from a processing or stripping facility shall be, and shall be treated as, condensate and shall not be charged against the unit's allowable or that of any well in the unit."

"Rule 8: Each month the project operator shall, within three weeks following the production month, submit to the Commission a Pressure Maintenance Project Operator's Report, on a form prescribed by the Commission outlining thereon the data required, and setting out the allowables for that production month and showing thereon overproduction, if any, for each of the several wells in the project

Case No. 9837  
Order No. R-3401-C  
Page No. 4

volume of extraneous gas injected, the amount withdrawn and the cumulative net status of extraneous gas remaining in the project area at the end of the reporting month. The aforesaid Pressure Maintenance Project Operator's Report shall be filed in lieu of Form C-120 for the Project."

"Rule 9: The Commission shall, upon review of the report and after any adjustments deemed necessary, confirm the allowable and overproduction, if any, and, if the project operator is not so doing, issue instructions to bring production and allowables into balance. The sum of the allowables so calculated shall be assigned to the project and may be produced from the wells in the project in any proportion except that no well in the project which directly or diagonally offsets a well outside the project producing from the same common source of supply shall produce in excess of two times top unit allowable for the pool."

(2) Jurisdiction of this cause is 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

S E A L

**JAMES BRUCE**  
ATTORNEY AT LAW

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Jamesbruce@aol.com

October 18, 2006

Via fax

Mark E. Fesmire, P.E.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Please continue the following cases to the November 9<sup>th</sup> hearing:

~~Case No. 13790 (XTO Energy Inc.)~~  
~~Case No. 13801 (U.S. Enercorp, Ltd.)~~

Please continue the following cases to the November 30<sup>th</sup> hearing:

~~Case No. 13785 (Ridgeway Arizona Oil Corporation)~~  
~~Case No. 13802 (RSC Resources Limited Partnership)~~

Thank you.

Very truly yours,

*James Bruce*  
James Bruce

Attorney for applicants

*LUVIS 10/24/06*

**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:**

**APPLICATION OF U.S. ENERCORP, LTD. FOR  
AN UNORTHODOX OIL WELL LOCATION,  
RIO ARRIBA COUNTY, NEW MEXICO.**

**Case No. 13,801**

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by U.S. Enercorp, Ltd. as required by the Oil Conservation Division.

**APPEARANCES**

**APPLICANT**

U.S. Enercorp, Ltd.  
Suite 405  
8610 North New Braunfels  
San Antonio, Texas 78217

Attention: John Sowell  
(210) 829-4888

**APPLICANT'S ATTORNEY**

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

**OPPONENT**

**OPPONENT'S ATTORNEY**

**STATEMENT OF THE CASE**

**APPLICANT**

Applicant seeks an order approving an unorthodox oil well location in the West Puerto Chiquito-Mancos Oil Pool for its Almagre Arroyo "30" Well No. 1, to be drilled as a high angle directional well from a surface location 2605 feet FSL and 2400 feet FWL of Section 30, Township 24 North, Range 1 East, NMPM, to an unorthodox subsurface oil well location 990 feet FNL and FWL of Section 30. All of Section 30 will be dedicated to the well to form a standard 636.40 acre oil spacing and proration unit.

**OPPONENT**

*WNT P/AS/8*

**PROPOSED EVIDENCE**

**APPLICANT**

**WITNESSES**

**EST. TIME**

**EXHIBITS**

John Sowell  
(landman)

15 min.

Approx. 4

\_\_\_\_\_  
(geologist)

15 min.

Approx. 2

**OPPONENT**

**WITNESSES**

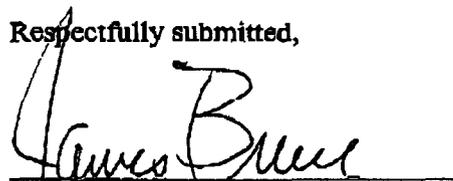
**EST. TIME**

**EXHIBITS**

**PROCEDURAL MATTERS**

-None-

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for U.S. Enercorp, Ltd.

Sections 18-19: All

Township 2 South, Range 21 West, N.M.P.M.

Sections 1-4: All

Sections 9-16: All

Sections 21-28: All

Sections 33-36: All

Township 3 South, Range 21 West, N.M.P.M.

Sections 3-4: All

The proposed unit area is centered approximately 33 miles west-southwest of Quemado, New Mexico.

**CASE NO. 13799:** *Application of COG Operating, L.L.C. for an unorthodox oil well location, Eddy County, New Mexico.* Applicant seeks to drill its proposed Harvard Federal Well No. 7 (API No. 30-015-35055) at an unorthodox Paddock oil well location 1090 feet from the North line and 330 feet from the West line (Unit D) of Section 12, Township 17 South, Range 30 East, which is located approximately four (4) miles northeast of Loco Hills, New Mexico. The NW/4 NW/4 of Section 12 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the Undesignated Loco Hills-Paddock Pool (96718).

**CASE NO. 13800:** *Application of Devon Energy Production Company, L. P. for an unorthodox gas well location, San Juan County, New Mexico.* Applicant seeks an exception to Division Rule 104.C (3) for its Northeast Blanco Unit Well No. 233 (API No. 30-045-32800) drilled to and completed in the South Los Pinos Fruitland Sand-Pictured Cliffs Pool (80690) from a surface location 1400 feet from the North line and 1 foot from the West line (Unit E) of Section 23, Township 31 North, Range 7 West, which is located approximately seven (7) miles north-northeast of the Navajo Dam on the San Juan River at the Navajo Reservoir. Applicant will submit proper evidence at the hearing, pursuant to Division Rule 111.B (4), to adequately show which acreage will be dedicated to this well in order to form a standard 160-acre gas spacing unit, either: (i) the NW/4 of Section 23; or (ii) the NE/4 of Section 22, Township 31 North, Range 7 West.

**CASE NO. 13790:** *Continued from the September 28, 2006 Examiner Hearing.*

*Application of XTO Energy, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico.* Applicant seeks approval to drill its proposed Butte Well No. 4 at an unorthodox coal gas well location within the S/2 equivalent (Lots 3 and 4, the E/2 SW/4, and the SE/4) of Irregular Section 18, Township 30 North, Range 13 West, being a 252.20-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629), 480 feet from the South line and 440 feet from the West line (Unit N) of Irregular Section 18. This unit is located approximately 4.5 miles north by west of the Four Corners Regional Airport in Farmington, New Mexico.

**CASE NO. 13801:** *Application of U. S. Enercorp, Ltd. for an unorthodox oil well location, Rio Arriba County, New Mexico.* Applicant seeks an exception to Rule 4 (a) of the “Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool,” as promulgated by Division Order No. R-6469-B, as amended, for its proposed Almagre Arroyo “30” Well No. 1 to be drilled as a high angle directional well through the Mancos formation from a surface location 2605 feet from the South line and 2400 feet from the West line (Unit K) of Section 30, Township 24 North, Range 1 East, to an unorthodox subsurface oil well location 990 feet from the North and West lines (Lot 1/Unit D) of Section 30. All of Section 30 is to be dedicated to this well in order to form a standard 636.40-acre oil spacing and proration unit for the West Puerto Chiquito-Mancos Oil Pool (50440).

**CASE NO. 13771:** *(Re-advertised.) Amended Application of Kaiser-Francis Oil Company for promulgation of Special Pool Rules for the East Happy Valley Bone Spring Pool, for an exception to the Gas-Oil Ratio Limitation, and assignment of a Special Depth Bracket Allowable, Eddy County, New Mexico.* Applicant seeks an order establishing special pool rules for the East Happy Valley Bone Spring Pool comprised of the W/2 of Section 11, Township 22 South, Range 26 East, NMPM providing for 160-acre spacing and proration units with the option for a second well and designated well locations, including 330’ setback requirements. Applicant also seeks an exception from the gas oil ratio limitation under Division Rule 506 A that would permit wells drilled within each proration unit within the pool to produce up to a GOR limitation of four thousand cubic feet of gas for each barrel of oil produced, along with an increase in the depth bracket allowable to 382 under Division Rule 505. Applicant proposes that the applicability of the special pool rules be limited to the W/2 of said Section 11. Applicant is the operator of the Mesa-Grande 11 Well No. 2 (API No. 30-015-3720) completed in the Second Bone Spring formation at a location 2661’ FSL and 660’ FWL (Unit L) of Section 11, T22S, R26E. The well and lands are located approximately ½ mile southwest of Carlsbad, New Mexico.

**CASE NO. 13594 (Order No. 12459):** *Re-opened and Re-advertised. Continued from the September 14, 2006 Examiner Hearing.*

*Application of Kaiser-Francis Oil Company To Amend Administrative Order NSL-5133 To Establish A Non-Standard Spacing and Proration Unit and for an Exception to Rule 104(B)(1), Eddy County, New Mexico.* Applicant seeks the amendment of Administrative Order NSL-5133 to establish an 80-acre non-standard spacing and proration unit consisting of the SW/4 NW/4 and NW/4 SW/4 of Section 11, T-22-S R-26-E NMPM, Eddy County, New Mexico and for an exception to Rule 104(B)(1) for the completion of its Mesa Grande “11” Well No. 2 in the Bone Spring and Delaware formations drilled at an unorthodox oil well location 2661’ FSL and 660’ FWL (Unit L) of Section 11. The subject lands and well are located approximately ½ mile southwest of

**JAMES BRUCE**  
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[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

October 20, 2006

Mark E. Fesmire, P.E.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case No. 13801/U.S. Enercorp, Ltd.

Unorthodox location for Almagre Arroyo "30" Well No. 1  
Section 30, Township 24 North, Range 1 East, N.M.P.M., Rio Arriba County

Dear Mr. Fesmire:

**This letter requests that the above matter be referred back to the administrative docket.**  
The reasons for this request are as follows:

1. An administrative application for an unorthodox location was filed in May 2006, and notice was given to offsets. The original application requested an endpoint for the directional well of 660 feet FNL and FWL. Due to objections from two offsets (Benson-Montin-Greer Drilling Corp. and Merrion Oil & Gas Corporation), the administrative application was denied.

2. Applicant modified its application so that the endpoint location was less unorthodox (990 feet FNL and FWL), and Benson-Montin-Greer and Merrion informed applicant that they would not object to the modified location. Waiver letters were provided to Benson-Montin-Greer and Merrion.

3. The revised administrative application, attached as Exhibit 1, was filed in August 2006. Copies of the waiver letters are attached to the application. Merrion signed the waiver letter, although applicant has never received a signature page from Benson-Montin-Greer. Written notice of the revised application was provided to all offsets, including Benson-Montin-Greer, which received a copy of the revised application. See Exhibit 2.

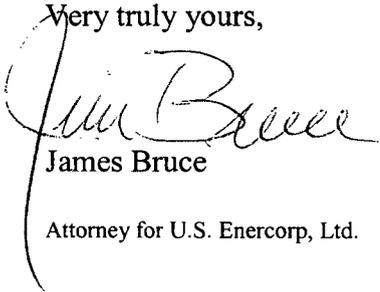
WVF 10/20/06

4. However, because Benson-Montin-Greer did not sign the waiver letter provided to it, Mike Stogner set the application for hearing.

It is my position that Division procedures were filed by giving notice of the application to Benson-Montin-Greer, regardless of whether it signed a waiver letter. Benson-Montin-Greer received actual notice of the revised application and did not object. As a result, I do not believe that this matter is required to be set for hearing, and ask that it be referred back to the administrative docket for approval.

Thank you for your consideration of this matter

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jim Bruce". The signature is written in dark ink and is positioned above the printed name and title.

James Bruce

Attorney for U.S. Enercorp, Ltd.