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February 10, 1986

Case 5539

Mr. Richard L. Stamets
Oil Conservation Division
P. C. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

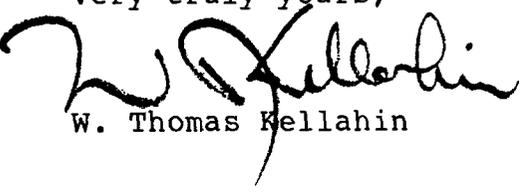
Re: Jerome P. McHugh
Gavilan Mancos Oil Pool

Dear Mr. Stamets:

On behalf of Jerome P. McHugh, please find enclosed applications for the approval of non-standard proration and spacing units and unorthodox well locations in the Gavilan Mancos Oil Pool. The applications are necessitated because of undersized sections due to governmental surveys.

We would appreciate you setting these cases for hearing on the March 5, 1986 docket.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Jerome P. McHugh
650 South Cherry
Suite 1225
Denver, Colorado 80222

(Certified-Return Receipt Requested)
All Addressees Below:

Dugan Production Corporation
P. O. Box 208
Farmington, New Mexico 87499

Mountain States Natural Gas Corp.
P. O. Box 35426
Tulsa, Oklahoma 74135

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets
February 10, 1986
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Reading & Bates Petroleum Co.
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103

Kenai Oil & Gas Inc.
1675 Larimare Street
Suite 500
Denver, Colorado 80202

Alex E. Phillips
1200 Phil Tower Building
Tulsa, Oklahoma 74103

Tenneco Oil Company
Attn: Millard Carr
P. O. Box 3245
Englewood, Colorado 80155

Conoco Inc.
Attn: Hugh Ingram
P. O. Box 460
Hobbs, New Mexico 88240

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

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

IN THE MATTER OF THE APPLICATION
OF JEROME P. MCHUGH FOR APPROVAL
OF TWO UNORTHODOX WELL LOCATIONS
AND TWO NON-STANDARD PRORATION AND
SPACING UNITS, GAVILAN MANCOS OIL
POOL, RIO ARRIBA COUNTY, NEW MEXICO.

CASE: 5859

A P P L I C A T I O N

COMES NOW JEROME P. MCHUGH, by and through his undersigned attorneys, Kellahin & Kellahin, and pursuant to the rules and regulations of the Oil Conservation Division of New Mexico seeks approval of the following identified unorthodox well locations and non-standard proration and spacing units in the Gavilan Mancos Oil Pool, Rio Arriba County, New Mexico:

(1) A well located 660 feet FEL and 1980 feet FSL, Section 19, T25N, R2W, NMPM, with a non-standard spacing unit of 186.76 acres, more or less, and consisting of lots 1,2,3,4, of Section 19, being all of said section; and

(2) A well located 660 feet FEL and FSL of Section 30, T25N, R2W, NMPM, with a non-standard spacing unit of 187.32 acres, more or less, and consisting of lots 1,2,3,4, of section 30, being all of said section.

In support of his application, Jerome P. McHugh would show the Division:

1. Applicant is an owner and operator in the area and has the right to drill and develop the two non-standard proration units.

2. The proposed non-standard spacing units are necessary because of a governmental survey which created the western side of the subject township with sections of less than 640 acres.

3. Applicant has already developed certain adjoining sections by drilling Gavilan Mancos Oil Pool wells on 320-acre spacing.

4. In order to protect correlative rights, applicant proposes that each of the subject non-standard spacing units be authorized 50% of the allowable for a standard 320-acre unit.

5. That Section 19 and Section 30, each can be drilled and developed by a voluntary agreement among the owners in those sections.

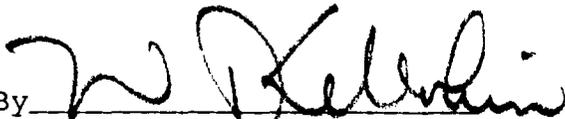
6. That the inclusion of either Section 19 or Section 30 with acreage in any adjoining section will result in the formation of a spacing unit in excess of 320-acres and will violate correlative rights.

7. That in order to resolve the governmental survey problem with the subject sections, the most equitable method would be to approve each said section as a

separate non-standard unit and then restrict the allowable for Gavilan Mancos wells drilled on those sections.

WHEREFORE, applicant requests that the matter be set for hearing and that after notice and hearing, the application be granted as requested.

Kellahin & Kellahin

By 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, NM 87501

Certificate of Mailing
and
Compliance with Order R-8054

In accordance with Division Rule 1207 (Order R-8054) I hereby certify that notice of the hearing on March 5, 1986, and a copy of this application were mailed, certified mail, return receipt, at least twenty days prior to hearing to the following operators and interested parties. Each said party is advised that they are not required to attend this hearing, but as interested parties may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date:

Dugan Production Corporation
P. O. Box 208
Farmington, New Mexico 87499

Mountain States Natural Gas Corp.
P. O. Box 35426
Tulsa, Oklahoma 74135

Reading & Bates Petroleum Co.
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103

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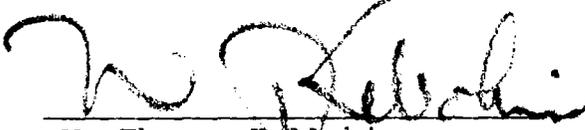
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Attn: Hugh Ingram
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Hobbs, New Mexico 88240

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

Done this 11th day of February, 1986.


W. Thomas Kellahin