

April 17, 1986

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<i>McHugh</i>	EXHIBIT NO. <u>1</u>
CASE NO. <u>8878 8839</u>	

*May 14, 1986
Hearing*

CERTIFIED - Return Receipt Requested

Addressees
(See attached list)

Re: Case 8839
Secs. 19 and 30-T25N-R2W
Rio Arriba County, New Mexico

Gentlemen:

On February 10, 1986, Mr. Tom Kellahin of Santa Fe, acting on our behalf, filed an application with the New Mexico Oil Conservation Division for two non-standard proration units in Sections 19 and 30, Township 25 North, Range 2 West.

Our case was continued until yesterday, April 16, 1986, at which time the hearing was held before Mr. David Catanach.

This letter is to inform you that the case will again be readvertised until the next hearing scheduled for May 14, 1986.

The purpose for the readvertisement is due to the fact that we are proposing to move the requested location in Section 30 from 660' FSL and FEL to 1,420' FSL and 660' FEL inasmuch as our original location was in Gavilan Lake. We did not discover this oversight until recently, and requested in our presentation yesterday that the location be moved. Mr. Catanach advised that he had no objection to said revised location but under New Mexico statute he must ask us to readvertise the case with the new location.

Please let this letter serve as formal notice that the previous application stands as presented with the exception of the Section 30 location being moved to 1,420 FSL and 660' FEL.

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222
(303) 321-2111

Addressees
April 17, 1986
Page Two

Each of you will have the right to comment on said relocation at the May 14th hearing if you so desire.

Very Truly Yours,



Kent C. Craig

KCC/rm

cc: Karen Aubrey

ADDRESSEES

Dugan Production Corp.
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

Kenai Oil and Gas Inc.
One Barclay Plaza
1675 Larimer Street, Suite 500
Denver, Colorado 80202

E. Alex Phillips
1200 Philtower Building
Tulsa, Oklahoma 74103

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

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

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

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
- Show to whom and date delivered70\$
 - Show to whom, date, and address of delivery .. \$
2. RESTRICTED DELIVERY..... \$
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO:
Kenai Oil and Gas Inc.
1675 Larimer St., Suite 500
Denver, CO 80202

4. TYPE OF SERVICE:	ARTICLE NUMBER
<input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED	P121800538
<input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COD	
<input type="checkbox"/> EXPRESS MAIL	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
J. Barr

5. DATE OF DELIVERY <u>4-18-86</u>	POSTMARK <small>(may be on reverse side)</small>
---------------------------------------	---

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE:	7a. EMPLOYEE'S INITIALS
-------------------------------	-------------------------

RETURN RECEIPT

PS Form 3811, July 1982

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(CONSULT POSTMASTER FOR FEES)

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 Show to whom, date, and address of delivery .. _____ \$
 2. RESTRICTED DELIVERY _____ \$
 (The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO:
Reading & Bates Petroleum Co.
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800537
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
[Signature]

5. DATE OF DELIVERY POSTMARK (may be on reverse side)
4-21-86

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS

* GPO: 1982-379-593

RETURN RECEIPT

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$
 2. RESTRICTED DELIVERY _____ \$
 (The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO:
Mountain States Natural Gas Corp
P. O. Box 35426
Tulsa, Oklahoma 74135

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800536
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
[Signature]

5. DATE OF DELIVERY POSTMARK (may be on reverse side)
4-21-86

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS

* GPO: 1982-379-593

RETURN RECEIPT

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4.
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(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$
 2. RESTRICTED DELIVERY _____ \$
 (The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO: Hugh Ingram
Conoco Inc.
P. O. Box 460
Hobbs, NM 88240

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800541
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
[Signature]

5. DATE OF DELIVERY POSTMARK (may be on reverse side)
4-21-86

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS
4-22-86 *[Initials]*

* GPO: 1982-379-593

RETURN RECEIPT

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$
 2. RESTRICTED DELIVERY _____ \$
 (The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO: E. Alex Phillips
1200 Philtower Building
Tulsa, Oklahoma 74103

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800539
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
[Signature]

5. DATE OF DELIVERY POSTMARK (may be on reverse side)
4-21-86

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS

RETURN RECEIPT

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● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$

2. RESTRICTED DELIVERY _____ \$
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO: Millard Carr
 Tenneco Oil Company
 P. O. Box 3245
 Englewood, CO 80155

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800540
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
Walter D. Oswald

5. DATE OF DELIVERY POSTMARK
4-18-86 (may be on reverse side)

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS

RETURN RECEIPT

* GPO: 1982-379-593

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$

2. RESTRICTED DELIVERY _____ \$
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO:
 Dugan Production Corp.
 P. O. Box 208
 Farmington, NM 87499

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800535
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
J. A. Dugan

5. DATE OF DELIVERY POSTMARK
4-21-86 (may be on reverse side)

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS
JD

RETURN RECEIPT

* GPO: 1982

Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$

2. RESTRICTED DELIVERY _____ \$
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO: Ginger Bergin
 ARCO Oil and Gas Company
 P. O. Box 1610
 Midland, TX 79702

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800543
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
Sam Bergin

5. DATE OF DELIVERY POSTMARK
4-21-86 (may be on reverse side)

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS
HB

RETURN RECEIPT

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered70 \$
 Show to whom, date, and address of delivery .. _____ \$

2. RESTRICTED DELIVERY _____ \$
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. ARTICLE ADDRESSED TO:
 Mobil Texas & New Mexico Inc.
 9 Greenway Plaza, Suite 2700
 Houston, TX 77046

4. TYPE OF SERVICE: ARTICLE NUMBER
 REGISTERED INSURED
 CERTIFIED COD P121800542
 EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
Harvey

5. DATE OF DELIVERY POSTMARK
4/21/86 (may be on reverse side)

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS

RETURN RECEIPT

PS Form 3811, July 1983 447-945

<input checked="" type="radio"/> SENDER: Cx		1, 3 and 4.
Put your address ETURN TO space on the reverse side. Failure to do this will prevent this card from being returned to you. <u>The return receipt fee will provide you the name of the person delivered to and the date of delivery.</u> For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.		
1. <input checked="" type="checkbox"/> Show to whom, date and address of delivery.		
2. <input type="checkbox"/> Restricted Delivery.		
3. Article Addressed to: Mobil Producing Texas & NM Inc. 9 Greenway Plaza, Suite 2700 Houston, Texas 77046		
4. Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	Article Number P131072078	
Always obtain signature of addressee or agent and DATE DELIVERED.		
5. Signature - Addressee X		
6. Signature - Agent X <i>Home</i>		
7. Date of Delivery <i>2/1/84</i>		
8. Addressee's Address (ONLY if requested and fee paid)		

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
Jerome P. McHugh
 EXHIBIT NO. 1
 CASE NO: 8839

PS Form 3811, July 1983 447-948

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.

2. Restricted Delivery.

3. Article Addressed to:
 Kenai Oil & Gas Inc.
 1675 Larimare St., Suite 500
 Denver, Colorado 80202

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P131072074

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X _____

6. Signature - Agent
 X *Jerome P. McHugh*

7. Date of Delivery
 FEB 13 1986

8. Addressee's Address (ONLY if requested and fee paid)

Jerome P. McHugh 3/5/86

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 JEROME P. McHugh EXHIBIT NO. 1
 CASE NO: 8639

PS Form 3811, July 1983 447-945

Jerome P. McHugh 3/5/86

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

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

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P131072077

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X *S. Riddley*

6. Signature - Agent
 X

7. Date of Delivery - FEB 17 1986

8. Addressee's Address (ONLY if requested and fee paid)
 FEB 13 1986

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
Jerome P. McHugh EXHIBIT NO. 1
 CASE NO: 8839

PS Form 3811, July 1983 447-945

Jerome P. McHugh 3/5/86

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Reading & Bates Petroleum Co.
 3200 Mid Continent Tower
 Tulsa, Oklahoma 74103

4. Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail	Article Number P131072073
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Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X *R & B*

6. Signature - Agent
 X *Jerome P. McHugh*

7. Date of Delivery
 2-14-86

8. Addressee's Address (ONLY if requested and fee paid)
 1700 Mid Cont. Tower
 TULSA OK 74103

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 Jerome P. McHugh EXHIBIT NO. 1
 CASE NO. 8839

PS Form 3811, July 1983 447-948

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- Show to whom, date and address of delivery.
- Restricted Delivery.

3. Article Addressed to:
 Alex E. Phillips
 1200 Phil Tower Building
 Tulsa, Oklahoma 74103

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P131072075

Always obtain signature of addressee or agent and **DATE DELIVERED.**

- Signature - Addressee
 Alex E. Phillips
- Signature - Agent
 [Signature]
- Date of Delivery
 2-13-86
- Addressee's Address (ONLY if restricted and fee paid)
 SAME as above

Jerome P. McHugh 3/5/86

DOMESTIC RETURN RECEIPT



BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 Jerome P. McHugh EXHIBIT NO. 1
 CASE NO. 8839

PS Form 3811, July 1983 447-845

Jerome P. McHugh 3/5/86

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Mountain States Natural Gas
 P. O. Box 35426
 Tulsa, Oklahoma 74135

4. Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured <input type="checkbox"/> COD	Article Number P131072072
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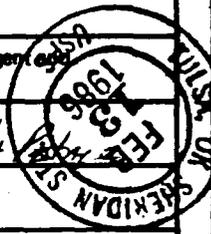
Always obtain signature of addressee or agent and
 DATE DELIVERED.

5. Signature - Addressee
 X Please Put the right *McHugh*

6. Signature - Agent
 X next time!!!

7. Date of Delivery
3/5/86

8. Addressee's Address (ONLY if requested and fee paid)
 Box 35426
 TULSA OK 74153



DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 JEROME P. McHugh EXHIBIT NO. 1
 CASE NO. 8839

PS Form 3811, July 1983 447-945

SENDER: Complete items 1, 2, 3 and 4.

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1. Show to whom, date and address of delivery. **|||||**

2. Restricted Delivery.

3. Article Addressed to:
 Dugan Production Corporation
 P. O. Box 208
 Farmington, NM 87499
|||||

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	0131072071

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X *Harri Adams*

6. Signature - Agent
 X

7. Date of Delivery
 2-12-86

8. Addressee's Address (ONLY if requested and fee paid)

Jerome P. McHugh 3/5/86

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
Jerome P. McHugh EXHIBIT NO. 1
 CASE NO. 8839

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
Jerome P. McHugh	EXHIBIT NO. 2
CASE NO. 8839	

April 9, 1986

ARCO Oil and Gas Co.
P. O. Box 1610
Midland, Texas 79702

Attention: Ginger Bergin

Re: Non-Standard Proration Units
Secs. 19 & 30-T25N-R2W
Rio Arriba County, New Mexico

Gentlemen:

In speaking with Jerome P. McHugh Jr. yesterday, he informed me that ARCO had not received notification of our application for non-standard proration units as to Sections 19 and 30, Township 25 North, Range 2 West.

Enclosed is a copy of the docket from the NMOCDC for a hearing originally set for March 19, 1986.

Note, under Case 8854, the Oil Conservation Commission under its own initiative proposed that the Sections 6, 7, 18, 19, 30, and 31, Township 25 North, Range 2 West be combined with the W/2 of each respective east offset, being the W/2 of Sections 5, 8, 17, 20, 29, and 32, for a 500 acre unit, more or less, with a two well allowable.

In light of the fact that we have a producing well in the W/2 of Section 20 and two wells in Section 29, spaced in the N/2 and S/2, we find that the Commission proposal is unacceptable.

The Commission is attempting to combine non-producing, undeveloped acreage with three producing wells which we currently have. The owners of the producing leases would come under our wells risk free.

Note on page 2 of the docket where our Case 8839 is proposed. We are asking the Commission to leave our producing wells as is and space Sections 19 and 30, being 186 acres each, more or less, by themselves. McHugh having an interest in both Sections 19 and 30 would agree to reduce our allowables, if drilled and productive, by a factor of 186 acres/320 acres.

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222
(303) 321-2111

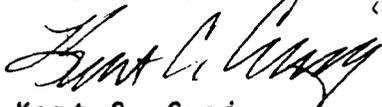
ARCO Oil and Gas Co.
April 9, 1986
Page Two

We feel our proposal is equitable and just inasmuch as the current owners of the producing wells are not penalized by dilution of their interests while the parties owning the undeveloped acreage are free to drill their own wells and produce on a reduced allowable basis.

We would certainly appreciate ARCO's support in the form of a letter to the Commission agreeing to our proposal.

Please feel free to call me at (303) 321-2111 should you have any questions. Our case is scheduled to be heard next Wednesday, April 16th in Santa Fe.

Very Truly Yours,



Kent C. Craig

KCC/rm

enclosure

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

April 8, 1986

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

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

DATE RECEIVED	APR 10 1986
BY	CLERK
FILE NO.	8839
CASE NO.	8839

Gentlemen:

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

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

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

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

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

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

Very truly yours,

Hunt Walker

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

K 3 W

R 2 W

12

7

8

9

MG M1
⊙

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18

17

16

MG B1
⊙

BB
⊙

E. Break
No objection
Arco

Neighborhood
Reserves

Proposed alluvial
to recheck 187 acres
320 acres

24

1. 46.64
2. 46.67
3. 19 46.70
4. 46.74

Alex Phillips
fee

L
⊙

20

J3
⊙

21

J2
⊙

T
25
N

T
25
N

No wells in
19 or 30
Deyan
fee

Marion
well
51%
McHugh

25

1. 46.78
2. 46.81
3. 37.5
4. 30 46.85
5. 37.5
4. 46.88
37.5

Kenai
Deyan
McHugh

FS 3
⊙

29

ET
⊙

28

FS 2
⊙

NS 2
⊙

36

31

32

33

34

M 8-34
⊙

DDO
⊙

NS 3
⊙

HR
⊙

R 3 W

R 2 W



CURRENT SPACING UNIT



PROPOSED NON-PROP. UNIT



CASE 8839
SECTIONS 19 & 30 - T25N-R2W
RIO ARRIBA CO., N. MEXICO

Exhibit 4

FULL SAIL #1
S/2 of Sec. 29-25N-2W

	CURRENT UNITS 320.00 Ac.		NMOCD UNIT 413.73 Ac.	
	<u>W.I.</u>	<u>NRI.</u>	<u>W.I.</u>	<u>NRI.</u>
McHugh	87.5%	70.375%	76.170%	71.060%
Dugan	12.5%	10.594%	12.50%	10.553%
Kenai	-0-	-0-	11.33%	9.550%
Royalty Owners	-0-	12.75%	-0-	9.862%
New Roy. Owners	-0-	-0-	-0-	2.832%
ORR Owners	-0-	5.625%	-0-	4.351%
New ORR Owners	-0-		-0-	.651%

DEPARTMENT OF REVENUE
 DIVISION OF TAXATION
 JEROME P.
 McHugh 5
 8839

FULL SAIL #3
 N/2 of Sec. 29-25N-2W

	CURRENT UNITS 320.00 Ac.		NMOC UNIT 413.59 Ac.	
	<u>W.I.</u>	<u>NRI.</u>	<u>W.I.</u>	<u>NRI.</u>
McHugh	43.75%	36.766%	45.164%	37.072%
Dugan	12.50%	10.625%	12.50%	10.685%
Kenai	43.75%	36.968%	42.336%	38.347%
Royalty Owners	-0-	13.50%	-0-	10.445%
New Roy. Owners	-0-	-0-	-0-	2.828%
ORR Owners	-0-	1.1406%	-0-	.882%
New ORR Owners	-0-	-0-	-0-	.198%

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
JEROME P. McHugh EXHIBIT NO. 6
 CASE NO. 8839

LODDY #1
W/2 of Sec. 20-25N-2W

CURRENT UNITS 320 Ac.	NMOCD UNIT 506.76 Ac.
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<u>W.I.</u>	<u>NRI.</u>	<u>W.I.</u>	<u>NRI.</u>
-------------	-------------	-------------	-------------

McHugh	51.432%	42.275%	39.392%	32.72%
Dugan	10.286%	8.496%	8.800%	7.373%
Kenai	20.573%	16.786%	22.211%	18.541%
Walker Energy	17.708%	14.757%	11.182%	9.318%
A. Phillips	-0-	-0-	17.492%	14.781%
Arriba Co.	-0-	-0-	.921%	.778%
Royalty Owners	-0-	17.274%	-0-	10.908%
New Roy. Owners	-0-	-0-	-0-	2.302%
ORR Royalty Owners	-0-	.411%	-0-	.260%
New ORR Owners	-0-	-0-	-0-	.552%

*Went
not
included
in study
well on east*

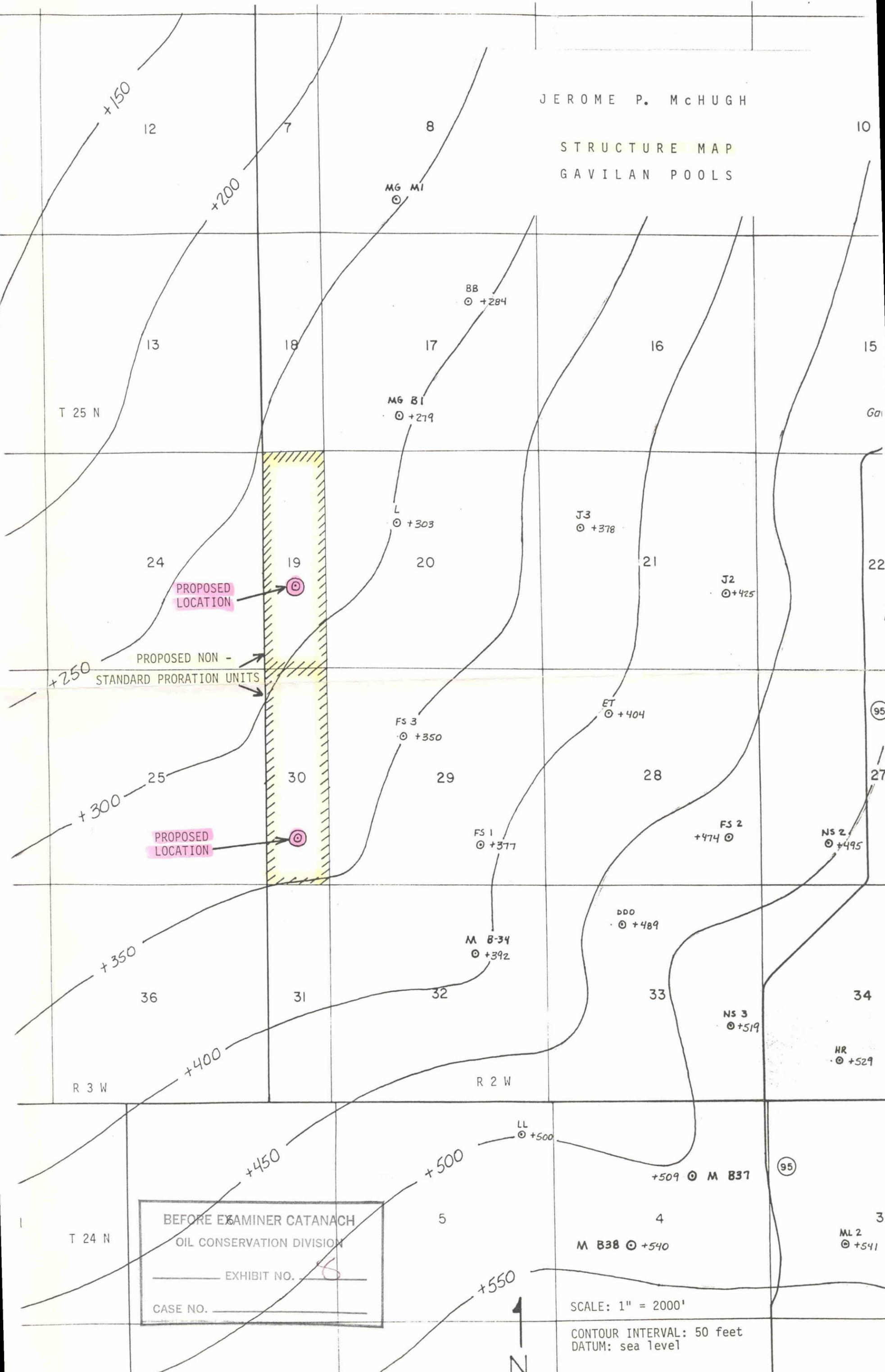
BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

*JEROME P.
McHugh* EXHIBIT NO. 7

CASE NO. 8839

JEROME P. McHUGH

STRUCTURE MAP
GAVILAN POOLS



BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 8
 CASE NO. _____

SCALE: 1" = 2000'
 CONTOUR INTERVAL: 50 feet
 DATUM: sea level

R 3 W

R 2 W

JEROME P. MCHUGH

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 9
 CASE NO. _____

CROSS - SECTION
 LOCATION MAP

T 25 N

A P3A

15

14

13

18

17

16

15

A 61

22

23

24

19

20

21

22

A H2

A G1

PROPOSED NON - STANDARD
 PRORATION UNITS

A L2

27

26

25

30

29

28

27

Arco 1-Leeson
 A L1

Cross - Section

PROPOSED
 LOCATION

A 61

1-Full Sat1

2-Full Sat1

2-Native Son

S 61

34

35

36

31

32

33

34



SCALE: 1" = 2000'

M6 M1

BB

M6 B1

L

J3

J2

Fs 3

ET

Fs 1

Fs 2

NS 2

M 8-34

DDO

NS 3

NS 1

95

J1

M6 B1

RB H-43

Govilon

STRUCTURAL CROSS-SECTION

GAVILAN POOL

RIO ARRIBA CO., N. MEX.

WEST

EAST

McHugh
2 - Full Sai1
28-25N-2W

McHugh
2 - Native Son
27-25N-2W

McHugh
1 - Full Sai1
29-25N-2W

Arco
2 - Leeson
27-25N-3W

R3W

R2W

PROPOSED
LOCATION

Top - Niobrara "A" Pay

Base - Pay

+500 -

+400 -

+300 -

+200 -

+100 -

Sea
Level

Horizontal scale: 1" = 2000'

Vertical Scale: 1" = 100'

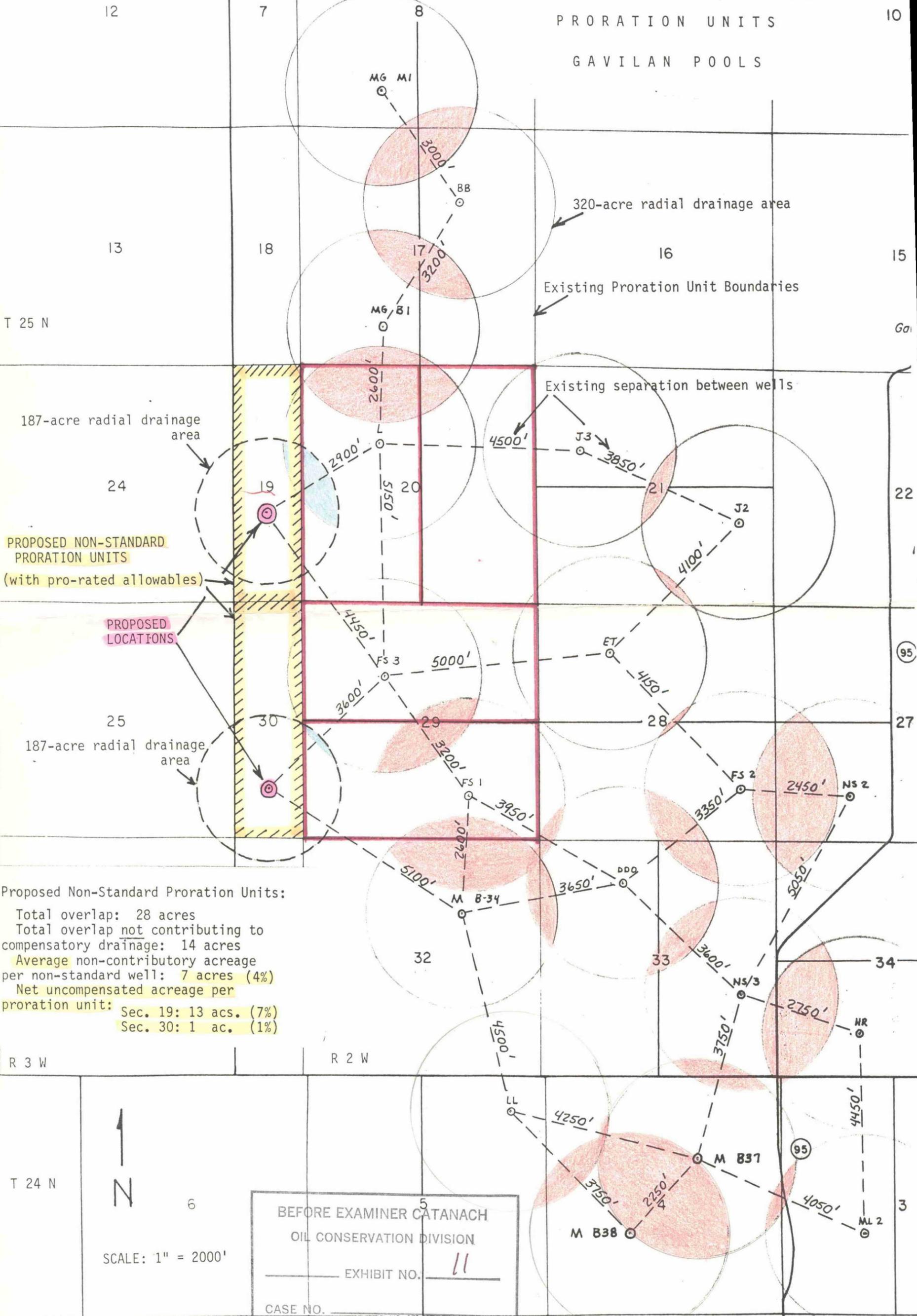
BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

EXHIBIT NO. 19

CASE NO. _____

JEROME P. MCHUGH

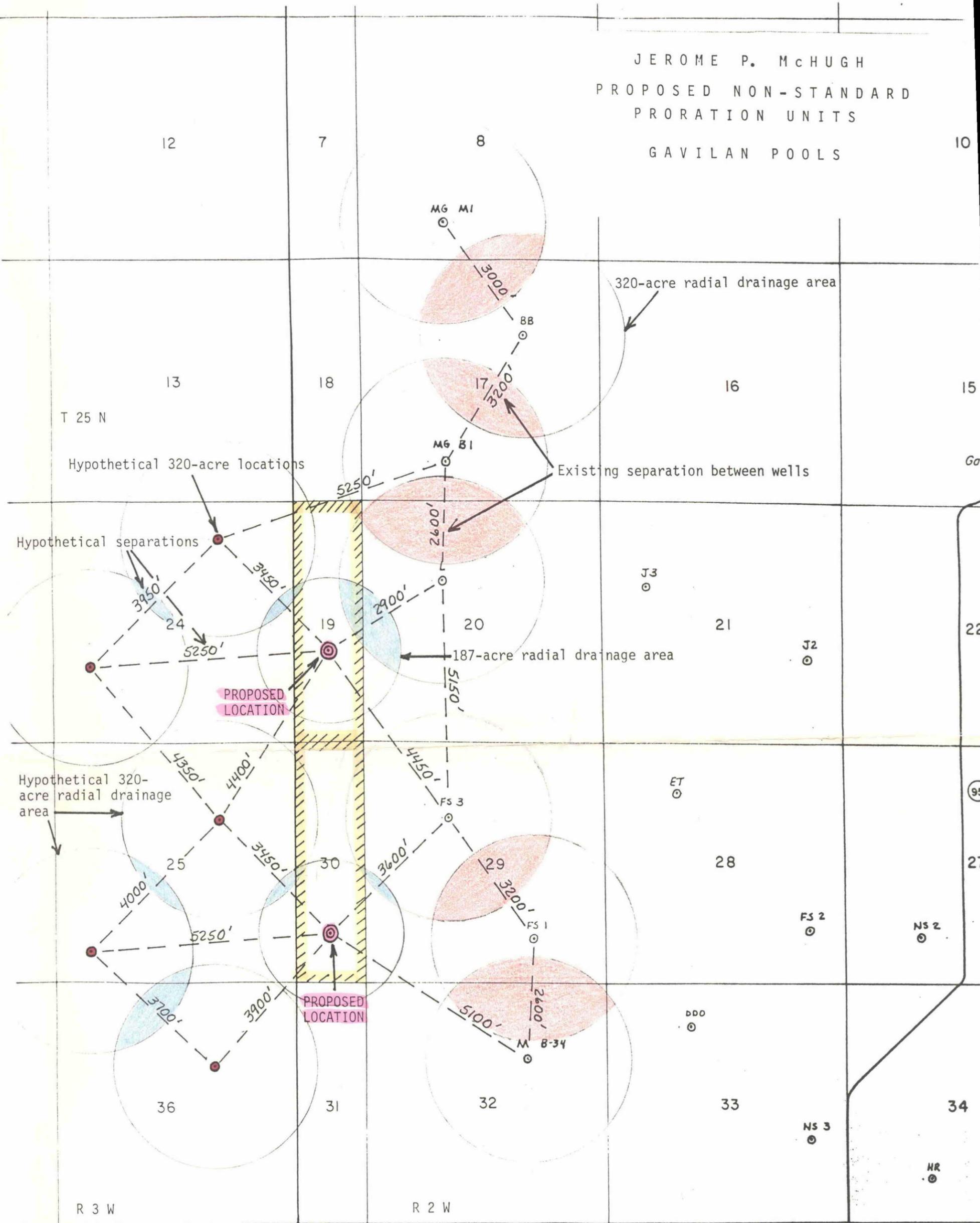
PROPOSED NON-STANDARD PRORATION UNITS
GAVILAN POOLS



Proposed Non-Standard Proration Units:
 Total overlap: 28 acres
 Total overlap not contributing to compensatory drainage: 14 acres
 Average non-contributory acreage per non-standard well: 7 acres (4%)
 Net uncompensated acreage per proration unit:
 Sec. 19: 13 acs. (7%)
 Sec. 30: 1 ac. (1%)

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 11
 CASE NO.

JEROME P. MCHUGH
 PROPOSED NON-STANDARD
 PRORATION UNITS
 GAVILAN POOLS



T 24 N



SCALE: 1" = 2000'

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
 EXHIBIT NO: 12
 CASE NO. _____

M B37

M B38

ML 2