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December 2, 1985

State Corporation Commission  
Corporation & Franchise Tax Department  
P. O. Drawer 1269  
Santa Fe, New Mexico 87504

Re: Mountain States Natural Gas Corporation  
Resignation of Statutory Agent

Dear Sir:

Please be advised that I have resigned as statutory agent for Mountain States Natural Gas Corporation effective November 20, 1985.

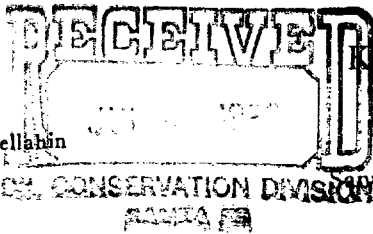
Very truly yours,

Original signed by  
W. THOMAS KELLAHIN  
W. Thomas Kellahin

WTK:ca

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

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey



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July 3, 1986

William F. Carr, Esq.  
Campbell & Black  
P. O. Box 2208  
Santa Fe, New Mexico 87504

*Case 8948*

Re: Application of Mesa Grande Resources, Inc.  
for Compulsory Pooling, Rio Arriba County  
New Mexico

Dear Mr. Carr:

We have received your letter dated July 1, 1986, in which you have attempted to service us as statutory agent for Albert J. Blair.

Please be advised that effective November 20, 1985, I resigned as statutory agent for Mountain States Natural Gas Corporation. See copy of my enclosed letter dated December 2, 1985, to the Corporation Commission. In addition, you are further advised that I never was statutory agent for Albert J. Blair, who is an individual and not a corporation.

Your attempt to serve me as statutory agent for Albert J. Blair is obviously defective.

Very truly yours,

Original signed by  
W. THOMAS KELLAHIN

W. Thomas Kellahin

WTK:ca  
Enc.

cc: Mountain States Natural Gas  
Oil Conservation Division

CAMPBELL & BLACK, P.A.  
LAWYERS

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July 17, 1986

RECEIVED

JUL 17 1986

HAND DELIVERED

R. L. Stamets, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
State Land Office Building  
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION

*Stamets*

Re: Case 8948: Application of Mesa Grande Resources, Inc.  
for Compulsory Pooling, Rio Arriba County, New Mexico.

Dear Mr. Stamets:

Mesa Grande Resources Inc., hereby requests that the above-referenced case scheduled for hearing on July 23, 1986, be continued to the Examiner hearings scheduled for August 6, 1986.

Thank you for your attention to this request.

Very truly yours,

*William F. Carr/@*

William F. Carr

WFC/cv



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

TONEY ANAYA  
GOVERNOR

August 14, 1986

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

Mr. William F. Carr  
Campbell & Black  
Attorneys at Law  
Post Office Box 2203  
Santa Fe, New Mexico

Re: CASE NO. 8948  
ORDER NO. R-9275

Applicant:  
Mesa Grande Resources, Inc.

Dear Sir:

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

Sincerely,

R. L. STAMETS  
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD ☒  
Artesia OCD ☒  
Aztec OCD ☒

Other \_\_\_\_\_  
\_\_\_\_\_

**(NORTH CHAVEROO PERMO-PENNSYLVANIAN POOL - Cont'd.)**

registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators affecting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

**RULE 6.** Top unit allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 427 barrels per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

**IT IS FURTHER ORDERED:**

(3) That the locations of all wells presently drilling to or completed in the North Chaveroo Permo-Pennsylvanian Pool or in the Wolfcamp and/or Cisco formations within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before October 15, 1984.

(4) That, pursuant to Paragraph A. of Section 70-2-18 NMSA 1978, existing wells in the North Chaveroo Permo-Pennsylvanian Pool shall have dedicated thereto 160 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.

Failure to file new Forms C-102 with the Division dedicating 160 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 this case shall be reopened at an examiner hearing in September, 1986, at which time the operators in the subject pool may appear and show cause why the North Chaveroo Permo-Pennsylvanian Pool should not be developed on 40-acre spacing units.

(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.

**GAVILAN GREENHORN-GRANEROS-DAKOTA POOL**  
Rio Arriba County, New Mexico

Order No. R-7745. Creating and Adopting Temporary Operating Rules for the Gavilan Greenhorn-Graneros-Dakota Pool, Rio Arriba County, New Mexico, December 1, 1984.

Application of Jerome P. McHugh for the Creation of a New Oil Pool and Special Pool Rules, Rio Arriba County, New Mexico.

CASE NO. 8350  
Order No. R-7745

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:** This cause came on for hearing at 9 a.m. on September 20, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 30th day of November, 1984, 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) The applicant, Jerome P. McHugh, seeks an order creating a new oil pool, with vertical limits to be from the base of the Gavilan-Mancos Oil Pool to the base of the Dakota formation, with special pool rules including a provision for temporary 320-acre spacing and proration units, Rio Arriba County, New Mexico.

(3) The main pay interval in said proposed pool is the Dakota formation with the Greenhorn and Graneros zones being non-continuous potential secondary zones of production in individual wells.

(4) In a companion Case 8286, Mesa Grande Resources, Inc., seeks an order creating a new oil pool for a similar area with similar vertical limits and the promulgation of special pool rules, including a provision for 160-acre spacing, Rio Arriba County, New Mexico.

(5) Cases 8286 and 8350 were consolidated for the purposes of obtaining testimony.

(6) Jerome P. McHugh either individually or jointly with Dugan Production Corporation has leasehold interest in 4397.89 acres representing approximately 37% of the acreage within the proposed pool boundaries.

(7) Jerome P. McHugh is the operator of 6 of the 12 completion attempts in the proposed pool and either individually or jointly with Dugan Production Corporation has a working interest in all 12 completion attempts in the proposed pool.

**(GAVILAN GREENHORN-GRANEROS-DAKOTA POOL -  
Cont'd.)**

(8) To date, 12 completion attempts have been made within the Gavilan Area (11 within the proposed pool boundary), all located within the boundaries of the Basin Dakota Gas Pool and based upon completion testing and early production performance it is indicated that the Dakota formation within the pool boundary is productive primarily of oil, thereby necessitating deletion from the Basin Dakota Gas Pool and the creation of special pool rules.

(9) Available geological data indicates that the proposed Dakota pool has structural features similar to the Gavilan Mancos Pool.

(10) While the relative permeability of the Dakota zone is nearly non-existent because the matrix permeability is very low and the primary reservoir fluid is oil, productivity of the Dakota formation is enhanced by natural fracturing.

(11) Carlsle, Greenhorn, Graneros and Dakota formations are correlative well to well within the pool boundary.

(12) Average development well cost in the Gavilan area for 19 wells is \$607,984.00.

(13) Mesa Grande Resources, Inc. presented computer reservoir model results which incorporated data from the West Lindrith Dakota Pool which were used to predict performance of a Dakota completion in the Gavilan area utilizing short term tests during the completion on 2 wells.

(14) Based upon available data, the Mesa Grande Resources, Inc.'s evidence is not representative of a typical Dakota, Greenhorn, Graneros completion in the proposed pool and is inconclusive in determining if one well can economically and efficiently drain 160 acres or 320 acres.

(15) Engineering information and production data including bottomhole pressure tests indicated that the average well in the proposed pool should be capable of producing only marginal quantities of oil and gas.

(16) Engineering information and production data from the Greenhorn-Graneros and Dakota formations indicate that these zones are marginal in nature and will not support the drilling of a well to produce these zones only.

(17) Jerome P. McHugh presented evidence designed to demonstrate that the only economic, effective and efficient method of producing the subject pool was downhole commingled with production from the Gavilan-Mancos Oil Pool.

(18) If the production from the proposed pool is downhole commingled with production from the Gavilan-Mancos Oil Pool, the high quality engineering data necessary to establish the proper permanent spacing unit size for each pool cannot be obtained.

(19) Wells in said pools should be completed as single or dual wells during the period of any temporary pool rules.

(20) The Gavilan Mancos oil pool is adjacent to and above the proposed pool and is the pool of primary interest with respect to ultimate recoveries of oil and gas.

(21) The fractured nature of the Mancos makes it susceptible to damage during the drilling and cementing of Dakota pool development wells.

(22) Damage to the Gavilan-Mancos pool may result in a substantial reduction of the ultimate recovery of hydrocarbons from the Mancos.

(23) Limiting the number of wells drilled through the Mancos formation to the proposed pool will serve to protect the Mancos formation from said potential damage.

(24) Any well drilled to the proposed pool should utilize a drilling, casing, and cementing program designed to minimize fluid loss to the Mancos formation.

(25) In order to prevent the economic loss caused by the drilling of unnecessary wells, to prevent reduced recovery of hydrocarbons from the Mancos and to otherwise prevent waste and protect correlative rights, the Gavilan Greenhorn-Graneros-Dakota Oil Pool should be created with temporary Special Rules providing for 320-acre spacing and proration units consistent with the provisions of Commission Order No. R-7407.

(26) The vertical limits of the Gavilan-Greenhorn-Graneros Dakota Oil Pool should be defined as the Greenhorn, Graneros and Dakota formations.

(27) The horizontal limits of the Gavilan-Greenhorn-Graneros-Dakota Oil Pool should be as follows:

TOWNSHIP 24 NORTH, RANGE 2 WEST  
Sections 1 through 3: All

TOWNSHIP 25 NORTH, RANGE 2 WEST  
Sections 17 through 30: All  
Sections 33 through 36: All

(28) To protect the correlative rights of the interested parties in the Gavilan Mancos Oil Pool, it is necessary to adopt a restriction requiring that no more than one well be completed in the Gavilan-Greenhorn-Graneros-Dakota Oil Pool in any 320 acre proration and spacing unit and that said proration and spacing unit be identical with the acreage dedicated to a well drilled to the Gavilan-Mancos Oil Pool.

(29) The said Temporary Special Rules and Regulations should be established for a period ending March 1, 1987, in order to allow the operators in the subject pool to gather information to establish whether the temporary rules should be made permanent.

**GAVILAN GREENHORN-GRANEROS-DAKOTA POOL -**  
(Cont'd.)

(30) An order based on the above findings is in the interest of conservation, will prevent waste and protect correlative rights, and should be entered in this case.

**IT IS THEREFORE ORDERED THAT:**

(1) Effective December 1, 1984, a new oil pool in Rio Arriba County, New Mexico, is hereby created and designated as the Gavilan-Greenhorn-Graneros-Dakota Oil Pool, with vertical limits being from the base of the Gavilan-Mancos Oil Pool, as found at a depth of 7574 feet on the log of the Northwest Exploration Company Gavilan Well No. 1, located in Unit A of Section 26, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, to a point 400 feet below the base of the Greenhorn formation (said base being found at a depth of 7822 feet on the aforesaid log; the horizontal limits of said pool shall comprise the following described lands in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM  
Sections 1 through 3: All

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM  
Sections 17 through 30: All  
Sections 32 through 36: All

(2) Temporary Special Rules and Regulations for the Gavilan-Greenhorn-Graneros-Dakota Oil Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS  
FOR THE  
GAVILAN GREENHORN-GRANEROS-DAKOTA OIL POOL**

**RULE 1.** Each well completed or recompleted in the Gavilan Greenhorn-Graneros-Dakota Oil Pool or in a correlative interval within one mile of its boundary to the North, South and West, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth. The one mile automatic extension does not apply to the Eastern boundary of the proposed pool.

**RULE 2.** No more than one well shall be completed or recompleted on a standard unit containing 320 acres, more or less, consisting of the N/2, E/2, S/2, or W/2 of a governmental section.

**RULE 3.** Wells in the Gavilan Greenhorn-Graneros-Dakota Oil Pool shall have the same proration and spacing units as any well completed or recompleted in the Gavilan-Mancos Oil Pool.

**RULE 4.** Non-standard spacing or proration units shall be authorized only after notice and hearing.

**RULE 5.** Each well shall be located no nearer than 790 feet to the outer boundary of the spacing and proration unit, nor nearer than 330 feet to a governmental quarter-quarter section line and shall be located within the same quarter-quarter section as a well completed or recompleted in the Gavilan-Mancos Oil Pool.

**RULE 6.** No more than one well in the Gavilan Greenhorn-Graneros-Dakota Oil Pool shall be completed in the East one-half of any section that is continuous with the western boundary

of the West Puerto Chiquito-Mancos Oil Pool, with said well being located no closer than 1650 feet to said boundary.

**RULE 7.** The limiting gas-oil ratio for the Gavilan Greenhorn-Graneros-Dakota Oil Pool shall be 2000 cubic feet of gas per barrel of oil produced.

**RULE 8.** Any well drilled with its objective being a formation below the Gavilan Mancos pool shall be required to take special precautions during the drilling and cementing through the Gavilan Mancos Pool interval as follows:

(a) Drilling must be done with a mud system designated to control lost circulation within the fractured Mancos interval.

(b) Cementing of the casing shall be done in a manner and with a slurry designed to minimize losses to natural fractures that may exist within the Mancos interval.

**RULE 9.** Production from any well drilled to the Gavilan Greenhorn-Graneros-Dakota Oil Pool after the effective date of this order shall not be downhole commingled with production from any other pool.

**RULE 10.** A standard proration unit (316 through 324 acres) shall be assigned a depth bracket allowable of 427 barrels, subject to the market demand factor.

**IT IS FURTHER ORDERED THAT:**

(1) The locations of all wells presently drilling to or completed in the Gavilan Greenhorn-Graneros-Dakota Oil Pool or in the Greenhorn-Graneros-Dakota formations within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Aztec District Office of the Division in writing of the name and location of the well on or before February 1, 1985.

(2) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws 1969, Chapter 271, existing oil wells in the Gavilan Greenhorn-Graneros-Dakota Oil Pool shall have dedicated thereto 320 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.

Failure to file new Forms C-102 with the Division dedicating 320 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. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Gavilan Greenhorn-Graneros-Dakota Oil Pool shall receive no more than one-eighth of a standard allowable for the pool.

(3) This case shall be reopened at an examiner hearing in March, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the Gavilan Greenhorn-Graneros-Dakota Oil Pool should not be developed on 40-acre spacing units.

(4) 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.**

**NORTHWESTERN NEW MEXICO (PRORATED GAS POOLS - MARGINAL AND NON-MARGINAL WELLS CLASSIFICATIONS - ORDER NO. R-1670-X AND R-333-F-2-B) - Cont'd)**

10. (As Amended by Order No. R-1670-X(A) and R-333-F-2-B, December 20, 1983): That effective April 1, 1984, all wells in the South Blanco-Pictured Cliffs Pool and the Tapacito-Pictured Cliffs Pool capable of producing 250 MCF per month or more (5 MCF per day) shall be reclassified as non-marginal.

11. That the over and underproduced status of all non-marginal units in said Pictured Cliffs Pools ending the proration period March 31, 1984, shall not be affected by this order.

12. That any unit reclassified from marginal to non-marginal under terms of this order shall be deemed to have entered the proration period in an underproduced status for purposes of Rule 16A of the gas proration rules contained in Division Order No. R-1570, as amended.

13. That Rule 16 A of said General Rules and Regulations should be amended to read in its entirety as follows:

"RULE 16 (A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any well which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during said classification period; provided however, that the operator of any well so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the well is not of marginal character and should not be so classified."

The Director may suspend the reclassification of wells which would take place on July 1, October 1, and January 1 on his own initiative or upon a proper showing by an interested party and it should appear that such suspension is necessary to permit underproduced wells, which would otherwise be reclassified, a proper opportunity to make up such underproduction."

14. That the application for reclassification of wells producing between 250 MCF and 2000 MCF per month in the Mesaverde and Dakota Pools as non-marginal wells is hereby denied.

15. That the application for the amendment of the production level at which exempt marginal wells in the Mesaverde and Dakota Pools are determined is hereby denied.

16. That the effective date of this order shall be January 1, 1984.

17. 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.

**GAVILAN-MANCOS POOL**  
Rio Arriba County, New Mexico

Order No. R-7407, Creating and Adopting Temporary Operating Rules for the Gavilan-Mancos Pool, Rio Arriba County, New Mexico, March 1, 1984.

Application of Jerome P. McHugh for the Creation of a New Oil Pool and Special Pool Rules, Rio Arriba County, New Mexico.

CASE NO. 7980  
Order No. R-7407

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:** This cause came on for hearing at 9 a.m. on November 16, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of December, 1983, 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, Jerome P. McHugh, seeks an order creating a new oil pool, vertical limits to be the Niobrara member of the Mancos formation, with special pool rules including a provision for 320-acre spacing, Rio Arriba County, New Mexico.

(3) That in companion Case 7979, Northwest Pipeline Company seeks an order deleting certain lands from the Basin Dakota Pool, the creation of a new oil pool with vertical limits defined as being from the base of the Mesaverde formation to the base of the Dakota formation, (the Mancos and Dakota formations), and the promulgation of special pool rules including a provision for 160-acre spacing, Rio Arriba County, New Mexico.

(4) That Cases 7979 and 7980 were consolidated for the purpose of obtaining testimony.

(5) That geological information and bottomhole pressure differentials indicate that the Mancos and Dakota Formations are separate and distinct common sources of supply.

(6) That the testimony presented would not support a finding that one well would efficiently drain 320 acres in the Dakota formation.

(7) That the Mancos formation in the area is a fractured reservoir with low porosity and with a matrix permeability characteristic of the Mancos being produced in the West Puerto Chiquito Mancos Pool immediately to the east of the area.

(8) That said West Puerto Chiquito-Mancos Pool is a gravity drainage reservoir spaced at 640 acres to the well.

(9) That the evidence presented in this case established that the gravity drainage in this area will not be as effective as that in said West Puerto Chiquito-Mancos Pool and that smaller proration units should be established therein.



**(GAVILAN-MANCOS POOL - Cont'd.)**

(10) That the currently available information indicates that one well in the Gavilan-Mancos Oil Pool should be capable of effectively and efficiently draining 320 acres.

(11) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to prevent reduced recovery of hydrocarbons which might result from the drilling of too many wells, and to otherwise prevent waste and protect correlative rights, the Gavilan-Mancos Oil Pool should be created with temporary Special Rules providing for 320-acre spacing.

(12) That the vertical limits of the Gavilan-Mancos Pool should be defined as: The Niobrara member of the Mancos formation between the depths of 6590 feet and 7574 feet as found in the Northwest Exploration Company, Gavilan Well No. 1, located in Unit A of Section 25, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(13) That the horizontal limits of the Gavilan-Mancos Oil Pool should be as follows:

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM  
Sections 1 through 3: All

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM  
Sections 19 through 30: All  
Sections 33 through 36: All

(14) That to protect the correlative rights of interested parties in the West Puerto Chiquito-Mancos Oil Pool, it is necessary to adopt a restriction requiring that no more than one well be completed in the Gavilan-Mancos Oil Pool in the E/2 of each section adjoining the western boundary of the West Puerto Chiquito-Mancos Oil Pool, and shall be no closer than 1650 feet to the common boundary line between the two pools.

(15) That in order to gather information pertaining to reservoir characteristics in the Gavilan-Mancos Oil Pool and its potential impact upon the West Puerto Chiquito-Mancos Oil Pool, the Special Rules for the Gavilan-Mancos Oil Pool should provide for the annual testing of the Mancos in any well drilled in the E/2 of a section adjoining the West Puerto Chiquito-Mancos Pool.

(16) That the said Temporary Special Rules and Regulations should be established for a three-year period in order to allow the operators in the Gavilan-Mancos Oil Pool to gather reservoir information to establish whether the temporary rules should be made permanent.

(17) That the effective date of the Special Rules and Regulations promulgated for the Gavilan-Mancos Oil Pool should be more than sixty days from the date of this order in order to allow the operators time to amend their existing proration and spacing units to conform to the new spacing and proration rules.

**IT IS THEREFORE ORDERED:**

(1) That a new pool in Rio Arriba County, New Mexico, classified as an oil pool for Mancos production is hereby created and designated as the Gavilan-Mancos Oil Pool, with the vertical limits comprising the Niobrara member of the Mancos shale as described in Finding No. (12) of this Order and with horizontal limits as follows:

**GAVILAN-MANCOS OIL POOL  
RIO ARRIBA COUNTY, NEW MEXICO**

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM  
Sections 1 through 3: All

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM  
Sections 19 through 30: All  
Sections 33 through 36: All

(2) That temporary Special Rules and Regulations for the Gavilan Mancos Oil Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS  
FOR THE  
GAVILAN-MANCOS OIL POOL**

**RULE 1.** Each well completed or recompleted in the Gavilan-Mancos Oil Pool or in a correlative interval within one mile of its northern, western or southern boundary, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

**RULE 2.** No more than one well shall be completed or recompleted on a standard unit containing 320 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental section.

**RULE 3.** Non-standard spacing or proration units shall be authorized only after proper notice and hearing.

**RULE 4.** Each well shall be located no nearer than 790 feet to the outer boundary of the spacing or proration unit, nor nearer than 330 feet to a governmental quarter-quarter section line.

**RULE 5.** That no more than one well in the Gavilan-Mancos Oil Pool shall be completed in the East one-half of any section that is contiguous with the western boundary of the West Puerto Chiquito-Mancos Oil Pool, with said well being located no closer than 1650 feet to said boundary.

**RULE 6.** That the operator of any Gavilan-Mancos Oil Pool well located in any of the governmental sections contiguous to the West Puerto Chiquito-Mancos Oil Pool the production from which is commingled with production from any other pool or formation and which is capable of producing more than 50 barrels of oil per day or which has a gas-oil ratio greater than 2000 to 1, shall annually, during the month of April or May, conduct a production test of the Mancos formation production in each said well in accordance with testing procedures acceptable to the Aztec district office of the Oil Conservation Division.

**IT IS FURTHER ORDERED:**

(1) That the Special Rules and Regulations for the Gavilan-Mancos Oil Pool shall become effective March 1, 1984.

(2) That any well presently producing from the Gavilan-Mancos Oil Pool which does not have a standard 320-acre proration unit, an approved non-standard proration unit, or which does not have a pending application for a hearing for a standard or non-standard proration unit by March 1, 1984, shall be shut-in until a standard or non-standard unit is assigned the well.

(3) That this case shall be reopened at an examiner hearing in March, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the Gavilan-Mancos Oil Pool should not be developed on 40-acre spacing units.

(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.