



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 23, 1999

Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302
Attention: Christy Serrano

Administrative Order NSL-2831-B

Dear Ms. Serrano:

Reference is made to the following: (i) your application dated April 9, 1999; and (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"): all concerning Mallon Oil Company's ("Mallon") request for a non-standard gas well location within the San Jose formation for the existing Jicarilla 459-20 Well No. 8 (API No. 30-039-25787) located 2205 feet from the South line and 1530 feet from the West line (Unit K) of Section 20, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

By Division Administrative Order NSL-2831, dated July 27, 1990, Robert L. Bayless ("Bayless") was authorized to drill its proposed Jicarilla "459" Well No. 6 at an unorthodox gas well location 2205 feet from the South line and 1530 feet from the West line (Unit K) of Section 20 in order to test the East Blanco-Pictured Cliffs Pool. A standard 160-acre gas spacing and proration unit comprising the SW/4 of Section 20 was to have been dedicated to the well.

Apparently Bayless never drilled its proposed Jicarilla "459" Well No. 6. On March 8, 1998 Mallon spudded the subject Jicarilla 459-20 Well No. 8 under the authority of Division Administrative Order NSL-2831 at the above-described unorthodox Pictured Cliffs gas well location. On March 16, 1998 the well was TD-ed at 4,090 feet and on March 20, 1998 Mallon completed this well in the Cabresto Canyon-Ojo Alamo Pool with perforations from 3277 feet to 3326 feet.

By Division Administrative Order NSL-2831-A, dated October 22, 1998, Mallon received authorization to complete this well into the Cabresto Canyon-Ojo Alamo Pool at the above-described unorthodox gas well location within the SW/4 equivalent of Section 20.

It is our understanding that Mallon intends to dually complete this well in both the Cabresto Canyon-Ojo Alamo Pool and the San Jose formation. Pursuant to Division Rule 104.C(3)(a), this location is also unorthodox. The SW/4 of Section 20 is to be dedicated to the well in order to form a standard 160-acre gas spacing and proration unit for San Jose gas production.

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The application has been duly filed under the provisions of Division Rule 104.F.

Further all provisions of Orders NSL-2831 and NSL-2831-A shall remain in full force and affect until further notice.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque
File: NSL-2831
NSL-2831-A