

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. 11697
ORDER NO. R-10794

APPLICATION OF MALLON OIL COMPANY FOR THE ESTABLISHMENT OF
A DOWNHOLE COMMINGLING REFERENCE CASE PURSUANT TO DIVISION
RULE 303.E AND THE ADOPTION OF ADMINISTRATIVE RULES THEREFOR,
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 9, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of April, 1997, 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) The applicant, Mallon Oil Company, seeks to establish a downhole commingling reference case pursuant to Division General Rule 303.E to provide for: (i) marginal economic criteria; (ii) pressure criteria; (iii) allocation formulas; and, (iv) modification of notification rules, on an area-wide basis, for the downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations within the wellbores of all future wells to be drilled within Sections 4 through 10, Township 22 North, Range 4 West, NMPM, Sandoval County, New Mexico.

(3) The absence of reservoir data for all five zones within the subject area does not justify a reference case pursuant to Division General Rule 303.E.

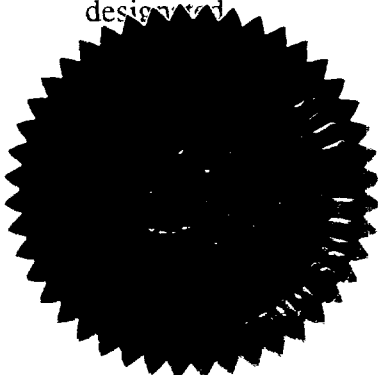
- (4) The subject application should be denied at this time.

IT IS THEREFORE ORDERED THAT:

(1) The application of Mallon Oil Company to establish a reference case, pursuant to Division General Rule 303.E to provide for the downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations within all future wells to be drilled in Sections 4 through 10, Township 22 North, Range 4 West, NMPM, Sandoval County, New Mexico, is hereby denied.

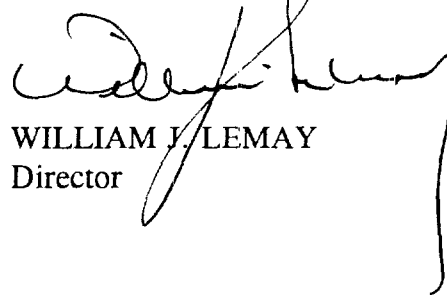
(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director