

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MALLON OIL COMPANY
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

CASE NO. 11700

APPLICATION

Mallon Oil Company hereby makes application for an order pooling all mineral interests from the surface to the base of the Brushy Canyon Member of the Delaware Mountain Group underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 27, and has the right to drill a well thereon.

2. Applicant proposes to drill its Mallon 27 No. 2 Well, at an orthodox location, to a depth sufficient to test the Delaware formation (approximately 8200 feet), and seeks to dedicate the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27 for all pools or formations spaced on 40 acres, including but not limited to the Undesignated Northeast Lea-Delaware Pool.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests to the well. Therefore, Applicant seeks an order pooling all mineral interest owners in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of

Section 27, pursuant to N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pamph.)).

5. The pooling of all interests underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

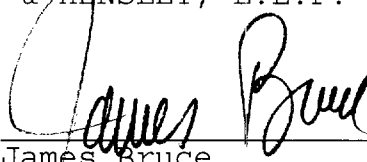
6. Applicant requests that this matter be heard at the January 9, 1997 Examiner hearing.

WHEREFORE, Applicant requests that, after hearing, the Division enter its order:

- (a) Designating Applicant as operator of the well;
- (b) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (c) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates per the COPAS accounting procedure;
- (d) Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and
- (e) Granting such other relief as the Division deems proper.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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PROPOSED ADVERTISEMENT

Case 11700: Application of Mallon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Brushy Canyon Member of the Delaware Mountain Group underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 19 South, Range 34 East, NMPM, to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated Northeast Lea-Delaware Pool. Said unit will be dedicated to applicant's Mallon 27 No. 2 Well. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. Said unit is located at U.S. Highway 62/180 mile marker 80.