

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. 11702
ORDER NO. R-10765

**APPLICATION OF MALLON OIL COMPANY FOR COMPULSORY POOLING
AND AN UNORTHODOX WELL LOCATION, LEA 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 14th day of February, 1997, the Division Director, having considered the testimony, 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 ("Mallon"), seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 30, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, and in the following manner:

(a) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) to form a 320.55-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Atoka Gas Pool, Undesignated Quail Ridge-Morrow Gas Pool, and Undesignated East Gem-Morrow Gas Pool;

(b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Yates Gas Pool; and,

(c) the SW/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Pearl-Queen Pool, Undesignated Apache Ridge-Bone Spring Pool, and Undesignated East Gem-Strawn Pool.

(3) Said units are to be dedicated to its Mescalero Ridge Unit "30" Well No. 4 to be drilled at an unorthodox location for any of the three sized spacing and proration units 1330 feet from the North and East lines (Unit G) of said Section 30.

(4) The applicant owns mineral interests within the N/2 equivalent of said Section 30 and as such has the right to drill for and develop the minerals underlying the proposed spacing units.

(5) There are owners of mineral interest within these proposed proration units who have not agreed to pool their interests.

(6) Mallon failed to show that it acted in a prudent manner in obtaining voluntary agreement of all working interests within said acreage in the drilling of the proposed well; therefore, this case should be denied at this time.

IT IS THEREFORE ORDERED THAT:

(1) The application of Mallon Oil Company for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 30, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, and in the following manner:

(a) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) to form a 320.55-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently

includes but is not necessarily limited to the Undesignated Quail Ridge-Atoka Gas Pool, Undesignated Quail Ridge-Morrow Gas Pool, and Undesignated East Gem-Morrow Gas Pool;

(b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Yates Gas Pool; and,

(c) the SW/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Pearl-Queen Pool, Undesignated Apache Ridge-Bone Spring Pool, and Undesignated East Gem-Strawn Pool;

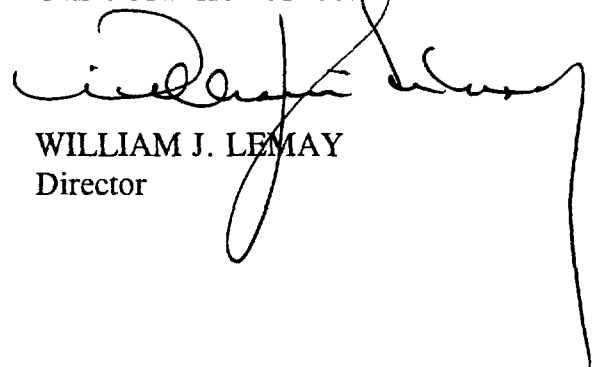
said units to be dedicated to the Mescalero Ridge Unit "30" Well No. 4 to be drilled at an unorthodox location for any of the three sized spacing and proration units 1330 feet from the North and East lines (Unit G) of said Section 30, is hereby denied.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director