



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

October 23, 1998

Mallon Oil Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

18029

RE: Administrative application: (i) for an unorthodox gas well location within the Nacimiento and San Jose formations for Mallon Oil Company's Jicarilla 464-30 Well No. 10 (API No. 30-039-25788) located 1700' FNL & 800' FWL (Lot 2/Unit F) of irregular Section 30, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico; and, (ii) to establish a 246.46-acre non-standard gas spacing and proration unit for both intervals comprising Lots 1 and 2 and the NE/4 of Section NE/4 (N/2 equivalent) of Section 30.

Dear Mr. Winkler:

Reference is made to the following: (i) the original application filed by Mr. Duane C. Winkler of Mallon Oil Company ("Mallon") requesting approval of this well as an unorthodox gas well location in the Nacimiento and San Jose formations; (ii) my letter to him dated August 13, 1998; (iii) your application dated August 25, 1998 augmenting Mallon's original filing to include the above-described 246.46-acre unit; and, (iii) the records of the Division in Santa Fe.

Mallon's application, as requested, cannot be approved administratively. As you know, gas wells in both of these formations in Northwest New Mexico are to be spaced on drilling tracts consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Lands survey, this pursuant to Division General Rule 104.B(2)(a). Rule 104.D(2)(b)(I), which is also applicable in this matter, provides for the formation and administrative approval of non-standard units provided they consists of contiguous quarter-quarter sections or lots and lay wholly within a single governmental quarter section. Since your proposed 246.46-acre unit crosses a quarter section line, this application can only be considered after notice and hearing.

I have therefore caused this matter to be set on the docket for the next available Division Examiners hearing scheduled for November 19, 1998.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Aztec
Duane C. Winkler, Mallon Oil Company - Durango, Colorado
James Bruce - Santa Fe