

MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202
(303) 293-2333

January 12, 1987

Case 9073

Florene Davidson
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Dear Ms. Davidson:

Mallon Oil Company has applied for reinstatement of allowables for certain wells in the Gavilan Mancos Pool located Rio Arriba County, New Mexico. A copy of the application is attached and it is our understanding that the case is set for hearing February 4, 1987.

We would request that permission be given to the Aztec office to allow us to produce the shut-in wells at a rate of 200 MCFD per well until a decision is rendered in this case. This is below the temporary allowable assigned in Order R-7407-D and allows for significant oil revenue while progressing in making up the over production. Should a decision be rendered in our favor, this would serve to prevent offset drainage. Should a decision be rendered against our application, the wells could then be shut-in and still make up the over production without any adverse effects.

This request is in the best interest of conversation and protection of correlative rights. Please inform us as soon as possible and call if you have any questions.

Sincerely,

MALLON OIL COMPANY



Kevin M. Fitzgerald
Vice President Engineering

KMF:sb

CC: Frank Chavez
Aztec District office

W. Perry Pearce
Montgomery & Andrews

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

January 27, 1987

RECEIVED

JAN 28 1987

OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87503

Re: Enforcement of Oil Conservation Commission Order
R-7407-D Amending the Special Pool Rules and
Regulations of the Gavilan-Mancos Oil Pool.

Dear Mr. LeMay:

In July 1986, an application was filed by Jerome P. McHugh seeking amendment of the Special Pool Rules and Regulations for the Gavilan-Mancos Pool in Rio Arriba County, New Mexico. A similar application was filed by Benson-Montin-Greer Drilling Corp. seeking amendment of the Special Pool Rules and Regulations for the West Puerto Chiquito-Mancos Pool which shares a common boundary with the Gavilan-Mancos Pool. The subject pools are a common reservoir and both applications sought reduced oil allowables and gas/oil ratios in the subject pools. These applications were in response to the excessive withdrawal rates from these pools which, if permitted to continue, would result in permanent reservoir damage and the waste of oil. The applications were consolidated for the purpose of hearing and were opposed by Mallon Oil Company and others. After five days of testimony, the Commission announced its decision on August 27, 1986 (subsequently confirmed by Order R-7407-D entered on September 11, 1986) reducing oil allowables in the Gavilan-Mancos Pool to 400 barrels of oil per day and reducing the limiting gas/oil ratio in the pool to 600 mcf per barrel of oil produced.

Mr. William J. LeMay
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The order became effective on September 1, 1986. A copy of Order R-7407-D is attached as Exhibit A.

At the same time, the Commission entered Order R-2565-E and R-3401-A which amended the rules for West Puerto Chiquito-Mancos Pool and the West Puerto Chiquito Pressure Maintenance Project and imposed restrictions on production similar to those set for the Gavilan-Mancos Pool. A copy of Order R-2565-E and R-3401-A is attached as Exhibit B.

On September 26, 1986, Frank Chavez, District Supervisor, for Oil Conservation Division District III, issued a memorandum to operators in the Gavilan-Mancos Pool which explains procedures to be followed in complying with the provisions of Order R-7407-D. A copy of Mr. Chavez's memorandum is attached as Exhibit C. This memorandum required that the current gas/oil ratios be used in computing production rates for the wells in the affected pools.

Recent review of OCD forms C-115 filed by Mallon Oil Company demonstrates that Mallon either failed to understand Order R-7407-D and the memorandum interpreting it or refused to comply with the provisions of the order. Attached as Exhibit D are copies of Mallon's C-115s and a table which shows the actual overproduced status of certain Mallon wells. These forms show that Mallon has greatly overproduced wells in Section 1, Township 25 North, Range 2 West, which directly offset the Canada Ojitos Unit operated by Benson-Montin-Greer Drilling Corp. Production data through November 1986 demonstrates that these wells are overproduced by many months.

Benson-Montin-Greer has now discovered that Mallon Oil Company has an application pending before the Division on February 4, 1987 (Case 9073) in which it seeks reinstatement of oil allowances for certain wells it operates in the Gavilan-Mancos Pool. It appears that granting this application could have the effect of reducing the underproduced status of certain wells in the Gavilan area that have been producing at rates in excess of those authorized by Order R-7407-D.

In this regard, it should be recalled that in late 1985 and early 1986, Benson-Montin-Greer Drilling Corp. shut-in its E-6 Well in the Canada Ojitos Unit, West Puerto Chiquito-Mancos Oil Pool, as part of an interference test conducted between this well and certain wells in the Gavilan area. The test was approved by OCD Order R-8124 which also provided that while wells were shut-in, they would accumulate underproduction and that this underproduction could be made up within six months of completion of the test.

Mr. William J. LeMay
January 27, 1987
Page 3

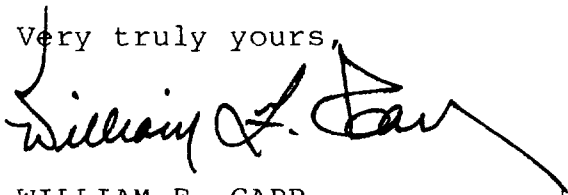
The test showed some surprising results and as a consequence, Benson-Montin-Greer Drilling Corp. voluntarily kept the E-6 Well shut-in beyond the completion of the test to try to determine what caused this unexpected behavior. As a consequence of this, Benson-Montin-Greer did not have an opportunity to make up the accumulated underproduction and sought in Case 8951 an extension of the make-up time.

Benson-Montin-Greer's application was opposed by Mallon Oil Company at the October 24, 1986, Commission hearing on the grounds that, if this application was granted, other operators should be permitted to make up underproduction resulting from reservoir work conducted during the preceding year and this "... would defeat the purpose of the reduction of allowables that was installed in the beginning of September" This case was then continued by the Commission until the Gavilan case is reopened because of its concern "... about supplying additional production in the reservoir at this time."

Benson-Montin-Greer Drilling Corp., therefore, requests that Mallon's application in Case 9073 be continued from the February 4, 1987, Examiner hearing and be set for hearing before the full Commission at the same time as the other cases involving the Gavilan-Mancos Pool and the West Puerto Chiquito-Mancos Pool. This continuance will enable the Commission to consider all questions affecting this reservoir at one time and will enable it to assure that the intent of Order R-7407-D is carried out.

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long, sweeping horizontal line extending to the right.

WILLIAM F. CARR
Attorney for Benson-Montin-Greer Drilling Corp.

WFC/ab
Enclosures

cc w/encls: All counsel of record in the Gavilan case

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8946
Order No. R-7407-D

APPLICATION OF JEROME P. McHUGH
AND ASSOCIATES FOR AN AMENDMENT
TO THE SPECIAL RULES AND REGULATIONS
OF THE GAVILAN-MANCOS OIL POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on August 7, 8, 21, 22, and 27, 1986 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 11th day of September, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearings and being fully advised in the premises,

FINDS THAT:

(1) The applicant has made a good-faith diligent effort to find and notify all operators of wells and each appropriate interested party as required by Division Order No. R-8054.

(2) Due public notice has been given as required by law and the Commission has jurisdiction of this case, the parties, and the subject matter thereof.

(3) The applicant, Jerome P. McHugh and Associates, seeks an order amending the temporary Special Rules and Regulations of the Gavilan-Mancos Oil Pool as promulgated by Division Order No. R-7407 to establish for a period of not less than ninety days a temporary special production allowable limitation of 200 barrels of oil per day for a standard 320-acre spacing and proration unit and a special temporary gas-oil ratio limitation factor of 1,000 cubic feet of gas per barrel of oil produced.

(4) In Companion Case No. 8950, Benson-Montin-Greer Drilling Corporation seeks an order amending the Special Rules and Regulations of the West Puerto Chiquito-Mancos Oil Pool

EXHIBIT

A

promulgated by Division Order No. R-3401 to establish a temporary special production allowable limitation of 400 barrels of oil per day for a standard 640-acre spacing and proration unit and a special temporary gas-oil ratio limitation factor (GOR) of 1,000 cubic feet of gas per barrel of oil produced.

(5) Case No. 8950 and Case No. 8946 have been consolidated for purposes of hearing.

(6) Benson-Montin-Greer Drilling Corporation, Dugan Production Corporation and Meridian Oil Company appeared in support of McHugh's application.

(7) The proponents in this case presented testimony and evidence to show that:

(a) The Gavilan Mancos Oil Pool is a highly fractured reservoir which produces primarily by solution gas drive but has potential for significant additional oil recovery by gravity drainage and reducing the dissipation of natural reservoir energy by wells with relatively high gas-oil ratios;

(b) Based upon measurements of reservoir pressure and interference testing, excellent communication exists between wells and throughout the reservoir;

(c) Based upon bottom hole pressure measurements, the reservoir pressure is declining at rates that provide little time to prepare and develop a plan for improving the future operation and development of the reservoir;

(d) Based upon bottom hole pressure measurements, the daily producing oil rate should be reduced immediately to 200 barrels and the limiting gas-oil ratio should be reduced to 1,000 to slow reservoir depletion rates, allow time to evaluate the reservoir and formulate a plan for future operations and development that will result in increased recoveries of oil and gas; and

(e) Gravity drainage will be a factor in improving ultimate recovery in the Gavilan Mancos Oil Pool.

(8) Mobil Producing Texas and New Mexico Inc. appeared in opposition to McHugh's application and presented evidence to show that the Gavilan-Mancos Pool is a typical solution gas drive reservoir with significant potential for oil recovery from matrix porosity and that, because such a reservoir is not rate sensitive, to continue to produce the wells at the current allowable of 702 barrels per day and 2,000 GOR would not result in the reduction of the ultimate recovery of oil and gas therefrom.

(9) Mallon Oil Company, Mesa Grande Resources Inc. and Koch Exploration appeared and presented evidence to show that the Gavilan-Mancos Oil Pool is an individual well gas cap drive reservoir and that the limiting GOR should be reduced to the solution gas oil ratio in order to most effectively produce the reservoir but opposed the reduction in the maximum daily oil allowable, discounting the potential for significant gravity drainage.

(10) Prior to the application in this case, the operators in the Gavilan-Mancos Oil Pool formed a working interest owners committee, including geologic and engineering technical subcommittees, in order to discuss and address the issue of the most effective and efficient methods to develop and produce the pool.

(11) The applicant presented testimony that despite numerous meetings, the working interest owners have not yet agreed to any method of operations within said pool other than that provided in its special rules and that an emergency exists requiring the Commission to act immediately to reduce the rate of reservoir voidage in the Gavilan-Mancos Oil Pool to prevent waste and preserve reservoir energy until the working interest owners can reach such an agreement or until the Commission finally determines how best the pool might be developed and produced.

(12) The evidence presented at the hearing established that:

(a) the Gavilan Mancos Oil Pool primarily produces from a fractured shale with little or no matrix contribution;

(b) the Gavilan Mancos Pool is primarily a solution gas drive reservoir with potential for substantial additional ultimate oil recovery by gravity drainage;

(c) significant pressure depletion is occurring in wells and areas of the reservoir that have produced very little oil or gas;

(d) pressure interference tests have been conducted in representative areas of the pool, all of which demonstrate almost instantaneous interference over large distances;

(e) the solution GOR is between 480 and 646 cubic feet of gas per barrel of oil and most likely approximates 600 cubic feet of gas per barrel;

(f) wells in some areas of the Pool are producing at GOR rates in excess of the solution gas-oil ratio;

(g) free gas is being liberated reservoir-wide irrespective of structural position;

(h) reduction of the limiting GOR in the Gavilan-Mancos Oil Pool to near the solution GOR will prevent the inefficient dissipation of reservoir energy and will permit the owners in the pool to utilize their share of reservoir energy;

(i) the current 702 barrel per day oil maximum allowable is based upon an extension of Oil Conservation Division (Division) Rule 505 to wells in the Gavilan-Mancos Oil Pool depth range with 320-acre dedication;

(j) such depth bracket allowable could be appropriate for a normal pool with substantial matrix contribution to production but bears no rational relationship to the most efficient rate at which to produce the subject pool;

(k) the proposed 200 barrel per day maximum allowable, if imposed, would appear to result in production from the various tracts in the pool generally in closer proportion to the reserves thereunder than the current 702 barrel maximum allowable;

(l) imposition of such a maximum allowable, at this time, would unfairly penalize the operators of newer generally higher capacity wells as opposed to those operators of older generally declining capacity wells which previously enjoyed high rates of reservoir drainage;

(m) adoption of a temporary 400 barrel of oil per day maximum allowable rather than the 200 barrel limit proposed will, at this time, better permit the operators of the newer high capacity wells to recover their share of the oil in the Gavilan-Mancos Oil Pool; and

(n) a reduction in both the daily oil production rate and the limiting GOR will reduce the rate of reservoir voidage and pressure depletion and afford an improved opportunity for gravity drainage, thereby preventing waste, and permit operators additional time to determine the most effective and efficient method to further develop and produce the Pool.

(13) The adoption of a 600 cubic feet of gas per barrel of oil limiting GOR and reduction of the oil depth bracket allowable to 400 barrels per day in the Gavilan-Mancos Oil Pool on a temporary basis, at this time, is necessary to prevent waste.

(14) The adoption of such limiting GOR and depth bracket allowable will, at this time, more nearly permit each operator to use his share of the reservoir energy and more nearly recover the oil underlying the individual tracts in the pool than the existing limiting GOR and depth bracket allowable and will, therefore, better protect correlative rights.

(15) Such limiting GOR and depth bracket allowable should be adopted effective September 1, 1986, and should be continued until further order of the Commission.

(16) The issues raised in this case should be reconsidered when temporary special pool rules for the Gavilan-Mancos Oil Pool established by Order No. R-7407 are brought up for reconsideration in March, 1987, or upon the recommendation of the pool study committee.

IT IS THEREFORE ORDERED THAT:

(1) The terms and conditions of this order shall apply to all wells completed in the Gavilan-Mancos Oil Pool or wells completed in the Mancos formation within one mile thereof effective September 1, 1986 and shall remain in effect until further order of the Commission.

(2) The limiting gas oil ratio in the Gavilan-Mancos Oil Pool, as heretofore defined and described, Rio Arriba County, New Mexico, shall be 600 cubic feet of gas for each barrel of liquid hydrocarbons produced and that the depth bracket allowable therefor shall be 400 barrels of oil per day.

(3) Both applicants and opponents shall be permitted representatives on the Gavilan Pool Technical Study Committee and this Study Committee shall submit a status report to the Commission on or before November 15, 1986.

(4) Unless reopened by the Commission based upon the report of the Study Committee, this case shall be reopened at a Commission hearing in March, 1987, to be consolidated with the reconsideration of the Temporary Special Rules established by Order No. R-7407 for the Gavilan-Mancos Oil Pool.

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

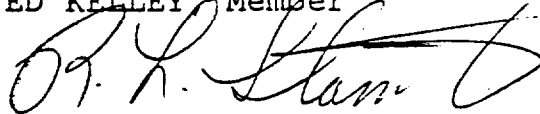
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



R. L. STAMETS, Chairman and
Secretary

S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8950
Order No. R-2565-E
and
Order No. R-3401-A

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR THE AMENDMENT
OF THE SPECIAL RULES AND REGULATIONS OF THE
WEST PUERTO CHIQUITO-MANCOS OIL POOL TO ESTABLISH
TEMPORARY SPECIAL PRODUCTION ALLOWABLE
LIMITATIONS AND GAS-OIL RATIO LIMITATIONS,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on August 7, 8, 21, 22, and 27, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 11th day of September, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing and being fully advised in the premises,

FINDS THAT:

(1) Notice of this application was provided to all operators of wells and each unleased mineral owner within the existing pool boundaries of the West Puerto Chiquito-Mancos Oil Pool as required by Division Rule 1207.

(2) Due public notice has been given as required by law and the Commission has jurisdiction of this case, the parties, and the subject matter thereof.

EXHIBIT

B

(3) The applicant, Benson-Montin-Greer Drilling Corporation (Greer) seeks an order amending the Special Rules and Regulations of the West Puerto Chiquito-Mancos Oil Pool to establish for a period of not less than 90 days a temporary special production allowable limitation of 400 barrels of oil per day for a standard 640-acre spacing and proration unit and a special temporary gas-oil ratio limitation factor of 1,000 cubic feet of gas per barrel of oil produced.

(4) In companion Case 8946, Jerome P. McHugh and Associates, Inc. (McHugh) seeks an order amending the temporary Special Rules and Regulations of the Gavilan-Mancos Oil Pool as promulgated by Division Order No. R-7407 to establish for a period of not less than 90 days a temporary special production allowable limitation of 200 barrels of oil per day for a standard 320-acre spacing and proration unit and a special temporary gas-oil ratio limitation factor of 1,000 cubic feet of gas per barrel of oil produced.

(5) Case 8946 and Case 8950 were consolidated by the Commission for the purposes of hearing.

(6) The Gavilan-Mancos Oil Pool and the West Puerto Chiquito-Mancos Oil Pool share a common boundary and are in pressure communication at least in proximity to such boundary.

(7) Greer operates and has operated the Canada Ojitos Unit in the West Puerto Chiquito-Mancos Oil Pool since 1963 to produce oil from the Mancos formation, and has developed the Mancos formation in the Canada Ojitos Unit with low well density, controlled withdrawal rates and pressure maintenance resulting in a low rate of pressure decline and significant additional oil recovery by gravity drainage.

(8) McHugh, Greer and Meridian Oil Company presented testimony and evidence in these cases as set out in Finding No. (7) in Order No. R-7407-D herein incorporated by reference.

(9) The Commission found that the evidence presented in these cases established those matters and issues contained in Findings Nos. (12) through (16) in Order No. R-7407-D also herein incorporated by reference.

(10) In Case No. 8950, Greer effectively seeks to have a common gas oil ratio limitation and a maximum daily oil allowable established to permit withdrawal rates on each side of the Gavilan/West Puerto Chiquito Oil Pool boundary to be equivalent, thereby protecting correlative rights.

(11) No party to the consolidated hearing objected to the establishment of such common limiting gas-oil ratio or equivalent daily oil allowable.

(12) Order No. R-7407-D, entered in Case No. 8946 effective September 1, 1986, established a limiting gas-oil ratio of 600 cubic feet of gas per barrel and a depth bracket allowable of 400 barrels of oil per day for wells in the Gavilan-Mancos Oil Pool for a temporary period until further order of the Commission and provided for reopening of such case at a hearing in March, 1987, unless otherwise called earlier by the Commission.

(13) Such temporary rules should be adopted for the West Puerto Chiquito-Mancos Oil Pool except that the maximum assignable oil allowable should be 800 barrels per day to account for the variation in spacing unit size between the two pools.

(14) For consistency, both the Special Rules for the West Puerto Chiquito-Mancos Oil Pool contained in Order No. R-2565-B, as amended, and the Special Rules for the West Puerto Chiquito-Mancos Pressure Maintenance Project contained in Order No. R-3401 should be amended to reflect such limiting gas-oil ratio and maximum oil allowable.

IT IS THEREFORE ORDERED THAT:

(1) The limiting gas-oil ratio for the West Puerto Chiquito-Mancos Oil Pool, as heretofore defined and described, Rio Arriba County, New Mexico, shall be 600 cubic feet of gas per barrel of liquid hydrocarbons produced.

(2) Rule 7(a) of the Special Rules for The West Puerto Chiquito-Mancos Oil Pool as established by Order No. R-2565-B, as amended, is hereby amended to read in its entirety as follows:

"Rule 7. (a) Except as otherwise provided for in subparts (b) and (c), below, a standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 648 acres) shall be assigned a top allowable of 800 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned an allowable in the same ratio to 800 as the acreage in the proration unit bears to 640."

(3) Rule 6 and Rule 7 of the Special Rules for the West Puerto Chiquito-Mancos Pressure Maintenance Project established

by Order No. R-3401 are hereby amended to read in their entirety as follows:

"Rule 6. The allowable assigned to any well which is shut-in or curtailed in accordance with Rule 3, shall be determined by a 24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well should be produced in the same manner and at a constant rate. The daily tolerance limitation set forth in Commission Rule 502 I (a) and the limiting gas-oil ratio (600 to 1) for the West Puerto Chiquito-Mancos Oil Pool shall be waived during such tests. The project operator shall notify all operators offsetting the well, as well as the Commission, of the exact time such tests are to be conducted. Tests may be witnessed by representatives of the offsetting operators and the Commission, if they so desire."

"Rule 7. The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or to top unit allowable for the West Puerto Chiquito-Mancos Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the Canada Ojitos Unit Area producing from the same common source of supply shall not produce in excess of top unit allowable for the pool. Production of such well at a ~~higher~~ rate shall be authorized only after notice and hearing. Each producing well shall be subject to the limiting gas-oil ratio (600 to 1) for the West Puerto Chiquito-Mancos Oil Pool except that any well or wells within the project area producing with a gas-oil ratio in excess of 600 cubic feet of gas per barrel of oil may be produced on a "net" gas-oil ratio basis, which net gas-oil ratio shall be determined by applying credit for daily average gas injected, if any, into the West Puerto Chiquito-Mancos Oil Pool within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$\frac{A_{adj} = TUA \times F_a \times 1,000}{\frac{P_g - I_g}{P_o}}$$

where A_{adj} = the well's daily adjusted allowable.

TUA = top unit allowable for the pool.

F_a = the well's acreage factor (1.0 if one well on a 640 acre proration unit or 1/2 each if two wells on a 640 acre unit, and 1/2 for a well in a section along the Gavilan boundary which lies closer than 2310' from the Gavilan boundary).

P_g = average daily volume of gas produced by the well during the preceding month, cubic feet.

I_g = the well's allocated share of the daily average gas injected during the preceding month, cubic feet.

P_o = average daily volume of oil produced by the well during the preceding month, barrels.

In no event shall the amount of injected gas being credited to a well be such as to cause the net gas-oil ratio, $P_g - I_g$ to be less than 600 cubic feet of gas per barrel of oil produced.

P_o (4) The effective date of this order shall be September 1, 1986.

(5) Unless otherwise reopened by the Commission, this case shall be reopened at a Commission hearing in March, 1987, to be consolidated with the reconsideration of the Temporary Special Rules established by Order No. R-7407 for the Gavilan-Mancos Oil Pool.

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

-6-

Case No. 8950

Order No. R-2565-E and Order No. R-3401-A

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLY, Member



R. L. STAMETS, Chairman and
Secretary

S E A L



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

SEP 30 1986

TONY ANAYA
GOVERNOR

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

M-E-M-O-R-A-N-D-U-M (3-86-82) CORRECTED

TO: OPERATORS IN GAVILAN MANCOS POOL
FROM: Frank T. Chavez, Supervisor District III
SUBJECT: Commission Order R-7407-D
DATE: September 26, 1986

3.e

The referenced order changed the top allowable and limiting GOR in the Gavilan Mancos Pool. Oil allowable supplements have been issued to reduce the allowables of the affected wells. Allowable revisions are based on the latest official GOR test submitted to this office. Due to the high productivity of the wells and fluctuations in GOR's, the affected wells will have to be monitored very closely to not exceed 400 barrels of oil per day or 240 MCF of gas per day within the tolerance allowed by Rule 502.

dj



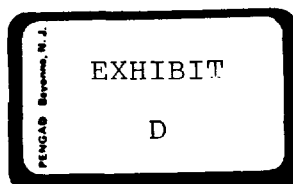
SUMMARY OF OIL ALLOWABLES AND PRODUCTION VOLUMES
FOR MALLON OIL COMPANY #1-8 HOWARD AND #1-11 HOWARD
SECTION 1, T-25N, R-2W, RIO ARriba COUNTY, NEW MEXICO

	Gas Prod. (MCF)	Oil Prod. (Bbl)	Gas Oil Ratio (cf/bbl)	Month's Oil Allowable at Maximum Gas Rate of 240 MCF/Day (bbl)	Over Production (bbl)
<u>Howard Federal 1</u> <u>8-H-1-25N-2W</u>					
September 1986	17956	10214	1758	4096	6118
October 1986	17989	7544	2385	3120	4424
November 1986	17753	8044	2261	3184	<u>4860</u>
Cumulative through November					15402 *

<u>Howard Federal 1</u> <u>11-K-1-25N-2W</u>					
September 1986	23512	9635	2440	2950	6685
October 1986	17968	7087	2535	2934	4153
November 1986	27515	11791	2334	3085	<u>8706</u>
Cumulative through November					19544 *

* At November allowables the Howard 1-8 is approximately 5 months overproduced and the Howard 1-11 is 6-1/2 months overproduced.

Notes: 1) Basic figures are from NMDC Form C-115 filed by Mallon Oil Company.
 2) Allowables determined by NMDC Order R-7407-D.
 3) Figures for December 1986 not available as of January 20, 1987.



Operator: Mallon Oil Company

(Address) 1616 Glenarm Pl., Suite 2850 Denver, CO 80202

(Date) September 1986 Page 1 of 1

POOL NAME (Underline)	LEASE NAME	WELL NO	UNIT	SEC	TWP	RNG	INJECTION		TOTAL LIQUIDS PRODUCED			GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS			DISPOSITION OF OIL		
							VOLUME	PRESS.	MONTHLY OIL ALLOWABLE	ACTUAL BARRELS OF WATER PRODUCED	BARRELS OF WATER PRODUCED			TRANS. PORTER	OTHER	OIL ON HAND AT BEG. OF MONTH	BARRELS TO TRANS. PORTER	TRANS. PORTER	OTHER
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																			
Gavilan-Mancos																			

*LEASE NAME - Include State Lease Number or Federal Lease Number

Gavilan-Mancos

Fisher-Federal 2
1A 2 25N 2W, NM-40646

Howard-Federal 1
8H 1 25N 2W, NM-40644

Howard-Federal 1
11K 1 25N 2W, NM-40644

Johnson-Federal 12
5E 12 25N 2W, NM-43752

Post-Federal 13
6F 13 25N 2W, NM-43753

Ribeyowids-Federal 2
16P 2 25N 2W, NM-40645

Gas is reported from the
25th to the 25th.

DISTRIBUTION
CALCULATED TO OGC SANTA FE
OIL CONSERVATION DIVISION
OIL CONSERVATION DIVISION
OIL CONSERVATION DIVISION

Form C-115
Revised 10-1-78

STATUS CODE
F.....Flowing
P.....Pumping
C.....Casing Lift
S.....Shut in
T.....Temp. Abandoned
I.....Injection
D.....Discontinued
U.....Used on Lease

OTHER GAS DISPOSITION CODE
K.....Used for Lease
L.....Used for Drilling
M.....Lost
N.....Lost (Not Estimated)
O.....Exploration Attached
P.....Repressuring or
Q.....Venting
R.....Used on Lease

OTHER OIL DISPOSITION CODE
C.....Circulating Oil
L.....Lost
M.....Lost (Not Estimated)
N.....Exploration Attached
P.....Repressuring or
Q.....Venting
R.....Used on Lease

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS
TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Roxane I. Seney

Production Assistant

[Signature]
(Signature)

10/24/86
(Date)

RECEIVED
OIL CON. DIV.
DIST. 3
OCT 27 1986

OPERATOR'S MONTHLY REPORT

OIL CONSERVATION DIVISION
P.O. BOX 1000
SANTA FE, NEW MEXICO 87501

Operator: Mallon Oil Company

(Address) 1616 Glenarm Pl., Suite 2850 Denver, CO 80202

For (Month) November 1986

Page 1 of 1

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNS	INJECTION VOLUME PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	ACTUAL BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS			DISPOSITION OF OIL							
						PRODUCED	BARRELS OF WATER PRODUCED	PRODUCED (MCF)	DAYS PROD.	SOLD	TRANS-PO-TER	OTHER	C O D E	OIL ON HAND AT END OF MONTH	BARRELS TO PORTER	TRANS-PO-TER
Gavilan-Mancos Fisher-Federal 2 1A 2 25N 2W, NM-40646	P 0	0	12400	2405	0	1580	24	1220	GJV	360	U	114	1788	Perm		731
Howard-Federal 1 8H 1 25N 2W, NM-40644	P 0	0	12400	8044	0	18188	29	17753	GJV	435	U	299	7619	Perm		724
Howard-Federal 1 11K 1 25N 2W, NM-40644	P 0	0	12400	11791	0	27515	26	27125	GJV	390	U	930	11925	Perm		796
Johnson-Federal 12 5E 12 25N 2W, NM-43752	P 0	0	2759	2211	0	11406	27	11001	GJV	405	U	266	2012	Perm		465
Post-Federal 13 6F 13 25N 2W, NM-43753	P 0	0	5735	3828	0	4193	26	3803	GJV	390	U	224	3609	Perm		443
Libeyowids-Federal 2 6P 2 25N 2W, NM-40645	P 0	0	12400	2936	0	8798	30	8348	GJV	450	U	440	2895	Perm		481

as is reported from the 5th to the 25th.

ATTENTION: ORIGINAL TO OGC SANTA FE AND COPY TO OGC DIST. OFFICE AND COPY TO TRANSFERRED(CS)

Form C-115
Revised 10-1-78

OTHER - GAS DISPOSITION CODE
.....USED OFF LEASE
.....USED FOR DRILLING
.....GAS LIFT
.....STUMP IN
.....STUMP ASSEMBLED
.....INJECTION
.....DISCONTINUED
.....USED ON LEASE

OTHER - OIL DISPOSITION CODE
.....CIRCULATING OIL
.....LOST
.....STIMULATION (Gels)
.....STIMULATION ATTACHED
.....REPRESSURING OR
.....PRESSURE MAINTENANCE
.....VENTED
.....USED ON LEASE

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Roxane L. Seney
Production Assistant

DEC 31 1986
OIL CON. DIV.
DIST. 3

12/21/86

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

March 17, 1987

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. W. Perry Pearce
Montgomery and Andrews
Attorneys at Law
P. O. Box 2307
Santa Fe, New Mexico 87504

Re: CASE NO. 9073
ORDER NO. R-8411

Applicant:

Mallon Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other Thomas Kellahin, William F. Carr, James Bruce

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD A. SIMMS
RICHARD R. WILFONG*
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT*
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*

ALBERT L. PITTS
THOMAS M. HNASKO

FRED W. SCHWENDIMANN
THOMAS D. HAINES, JR.
MICHAEL F. MILLERICK
FRANKLIN H. MCCALLUM*
ALLEN G. HARVEY
GREGORY J. NIBERT
DAVID T. MARKETTE*
JAMES R. MCADAMS*
JAMES M. HUDSON
MACDONNELL GORDON
REBECCA J. NICHOLS
PAUL R. NEWTON
WILLIAM P. JOHNSON
KAREN M. RICHARDSON*
TIANE L. SOMMER
JOSEPH J. MASTROGIOVANNI, JR.*
ELLEN S. CASEY
JAMES C. BROCKMANN
SUSAN L. NIESER*

ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

200 CENTURY PLAZA
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691

1700 TEXAS AMERICAN BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88201
(505) 622-6510

April 21, 1987

OF COUNSEL
ROY C. SNODGRASS, JR.
D. M. CALHOUN
MACK EASLEY
JOE W. WOOD
STEPHEN L. ELLIOTT

CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROBERT A. STONE (1905-1981)

*NOT LICENSED IN NEW MEXICO

William J. LeMay, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 9073, Application of Mallon
Oil Company for reinstatement of
allowables, Gavilan-Mancos Pool,
Rio Arriba County, New Mexico

Dear Mr. LeMay:

At the hearing on this matter I entered an appearance on behalf of Mesa Grande, Ltd., in support of the application of Mallon Oil Company. However, I have been informed that my appearance is not reflected in the hearing transcript. I would appreciate having the record corrected to reflect my appearance.

Thank you.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JGB:jr

cc: Mr. Larry Sweet
W. Perry Pearce
W. Thomas Kellahin
William F. Carr

AS TEC

May thru August, 1985
3091/N

NO. 303174

DATE July 23, 1925

PURPOSE AUTHORIZATION OF ALLOWABLE FOR A NEW WELL (N-S)

Total monthly allowables are assigned as indicated below:

July **2272 bbls.

August **4402 bbls

C-116 Due August 1, 1935

C-129 Due September 14, 1935

Type Land P

2494. Model S

LP 446 BOPD

10 Acres

Top Ref. 6909

OIL CONSERVATION DIVISION

Oil Trans. G R

DISTRICT SUPERVISOR

ILLEGIBLE

OIL CONSERVATION DIVISION

AZTEC

DISTRICT OFFICE

Jan. thru April, 1986
NO. 3137/R

SUPPLEMENT TO THE OIL PRORATION SCHEDULE

DATE May 26, 1986

PURPOSE ALLOWABLE REVISION

Effective April 28, 1986, the allowable of the Mallon Oil Co., Howard Federal 1 #8, H-01-25N-02W, Gavilan Mancos Pool, Rio Arriba County, is hereby increased from 142 BOPD to 702 BOPD.

Total monthly allowables are assigned as indicated below:

January	**4402 bbls
February	**3976 bbls
March	**4402 bbls
April	**5940 bbls

27 Days @ 142 BOPD = 3834 bbls

3 Days @ 702 BOPD = 2106 bbls

C-116 received April 28, 1986

OIL CONSERVATION DIVISION

DISTRICT SUPERVISOR

Oil Trans. MAN

OIL CONSERVATION DIVISION

AZTEC

DISTRICT OFFICE

Sept. thru Dec., 1985
NO. 3020/R

SUPPLEMENT TO THE OIL PRORATION SCHEDULE

DATE October 15, 1985

PURPOSE ALLOWABLE REVISION

Effective Sept. 1, 1985, the allowable of the Mallon Oil Co., Howard 1 #8, H-01-25N-2W, Undesignated Gallup Pool, Rio Arriba County, is hereby increased from Zero BOPD to 142 BOPD.

Total monthly allowables are assigned as indicated below:

September	**4260 bbls
October	**4402 bbls

C-116 Due October 31, 1985

OIL CONSERVATION DIVISION

[Signature]
DISTRICT SUPERVISOR

Oil Trans. G R

ILLEGIBLE

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-83

All distances must be from the outer boundaries of the Section.

Operator MALLON OIL COMPANY			Lease Howard-Federal /		Well No. 1-8
Unit Letter H	Section 1	Township 25N	Range 2W	County Rio Arriba	
Actual Footage Location of Well: <div style="display: flex; justify-content: space-between;"> 1650 feet from the North line and 870 feet from the East line </div>					
Ground Level Elev: 7511	Producing Formation Gallup-Dakota	Pool Gavilan - Gallup - Graceland Gavilan - Gallup - Dakota		Dedicated Acreage 320.28 / 320.28 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Applied for Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

Sec.	1650' 870'
<div style="border: 2px solid black; padding: 10px; display: inline-block;"> RECEIVED FEB 14 1986 OIL CON. DIV. DIST. 3 </div>	

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Roxane L. Seney

Position
Production Assistant

Company
Mallon Oil Company

Date
2-13-86

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
for Gallup & Dakota

Registered Professional Engineer and Land Surveyor

Certificate No.

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-85

All distances must be from the outer boundaries of the Section.

Operator MALLON OIL COMPANY		Lease Howard-Federal 1		Well No. #8
Unit Letter H	Section 1	Township 25N	Range 2W	County Rio Arriba
Actual Footage Location of Well: <div style="display: flex; justify-content: space-between;"> 1650 feet from the North line and 870 feet from the East line </div>				
Ground Level Elev: 7511	Producing Formation Gavilan-Greenhorn-Graneros- Dakota	Pool Gavilan-Mancos	Dedicated Acreage: 320.28 / 320.28 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitized-#NM015P35-86C-511

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

<div style="border: 1px dashed black; width: 80%; margin: 10px auto; padding: 5px;"> <p align="center">Sec.</p> </div>	<p>NM-40644 Sliding Scale Appt. 240.26 acres 75.01561% of appropriate S.S.R.</p>	<p align="center">1650'</p> <p align="center">870'</p> <p>Delia Howard 80.02 acres 24.98439% of 12.5 = 3.12305% Royalty</p>
--	--	---

RECEIVED
APR 28 1986
OIL CON. DIV.
DIST. 3

CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Name	<i>Roxane I. Seney</i>
Position	Production Assistant
Company	Mallon Oil Company
Date	4/25/86
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
Date Surveyed	
Registered Professional Engineer and Land Surveyor	
Certificate No.	