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January 30, 1987

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

Re: **Application of Mallon Oil Company For  
Reinstatement of Oil Allowable  
OCD Case No. 9073**

Dear Mr. LeMay:

I have in this mornings mail received a copy of Mr. Carr's letter to you dated January 27, 1987, relating to this case. I believe it is fair to say that the request contained in Mr. Carr's letter, rhetoric aside, is that Mallon's Application in Case 9703 be continued until the Commission hearing, to be held sometime in March, to consider Pool Rules for the Gavilan-Mancos Oil Pool.

Since I am concerned that time may be critical to this matter I will not attempt to respond to the side issues or non-issues raised in Mr. Carr's letter.

At the present time Mallon Oil Company has oil wells which are shut-in due to clerical oversights. Mr. Carr's request, if granted, would require that those wells remain shut-in and subject to possible drainage until a full Commission hearing later this year. This request is unfair and unreasonable in view of the fact that current loss is being suffered by Mallon.

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JAN 30 1987

OIL CONSERVATION DIVISION

Mr. William J. LeMay  
January 30, 1987  
Page 2

We therefore request that this matter not be continued and that it be heard by the Division's Hearing Examiner on ~~April 4,~~<sup>February</sup> 1987 at which time Mallon expects to request that the Examiner give expedited consideration to this matter so that the wells may be brought back into production to renew the legitimate revenue stream from these wells and to prevent the possibility of drainage.

Obviously if other parties object to this application I would expect that they would appear at that hearing and present their position on that matter for full consideration by the Examiner. And if they are dissatisfied with the order which results from that Examiner Hearing they will of course be entitled under New Mexico statute and regulation to request a de novo hearing of this matter. In view of such statutory and regulatory procedures Mallon does not believe it is appropriate for Benson and Montin and Greer to request that Mallon continue to suffer this damage.

Thank you for your consideration of this matter.

Sincerely,



W. Perry Pearce

WPP:ds  
cc: George Mallon  
William Carr (Hand Delivered)

*2/24/87 to write letter  
all oil wells shut-in  
Frank ...*

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE HEARING CALLED  
UPON THE MOTION OF BENSON-MONTIN-GREER  
DRILLING CORP., DUGAN PRODUCTION COMPANY,  
JEROME P. MCHUGH & ASSOCIATES AND SUN  
EXPLORATION AND PRODUCTION COMPANY TO  
PERMIT MALLON OIL COMPANY TO APPEAR AND  
SHOW CAUSE WHY IT SHOULD NOT BE REQUIRED  
TO COMPLY WITH THE PROVISIONS OF ORDER  
R-7407-D; WHY ITS WELLS IN THE GAVILAN-  
MANCOS OIL POOL SHOULD NOT BE SHUT-IN;  
AND WHY ITS PRODUCTION IN EXCESS OF ITS  
ALLOWABLES SHOULD NOT BE DECLARED TO BE  
ILLEGAL OIL PRODUCED IN VIOLATION OF THE  
OIL AND GAS ACT, GAVILAN-MANCOS OIL POOL,  
RIO ARRIBA COUNTY, NEW MEXICO.

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FEB 13 1987

OIL CONSERVATION DIVISION

9073

CASE NO. \_\_\_\_\_

APPLICATION

COME NOW BENSON-MONTIN-GREER DRILLING CORP., DUGAN PRODUCTION COMPANY, JEROME P. MCHUGH & ASSOCIATES AND SUN EXPLORATION AND PRODUCTION COMPANY, by and through their respective counsel, and move that the Oil Conservation Division enter an order against MALLON OIL COMPANY to enforce the provisions of Division Order R-7407-D; to shut-in the production of MALLON OIL COMPANY's Howard Federal "1" Well No. 8, Howard Federal "1" Well No. 11, Fisher Federal "2" Well No. 1, Ribeyowids Federal "2" Well No. 16 and Johnson Federal "12" Well No. 5, and to impose fines and penalties for the violation of the Oil and Gas Act, and state:

1. Applicants, JEROME P. MCHUGH & ASSOCIATES, DUGAN PRODUCTION COMPANY and SUN EXPLORATION AND PRODUCTION COMPANY, are operators in the Gavilan-Mancos Oil Pool.

2. Applicant, BENSON-MONTIN-GREER DRILLING CORP., is an operator in the West Puerto Chiquito-Mancos Oil Pool which is adjacent to and in communication with the Gavilan-Mancos Oil Pool.

3. Respondent, MALLON OIL COMPANY, is an operator in the Gavilan-Mancos Oil Pool operating the following wells:

- (1) Howard Federal "1" Well No. 8 located in Unit H of Section 1, Township 25 North, Range 2 West, Rio Arriba County, New Mexico;
- (2) Howard Federal "1" Well No. 11 located in Unit K of Section 1, Township 25 North, Range 2 West, Rio Arriba County, New Mexico;
- (3) Fisher Federal "2" Well No. 1 located in Unit A of Section 2, Township 25 North, Range 2 West, Rio Arriba County, New Mexico;
- (4) Ribeyowids Federal "2" Well No. 16 located in Unit P of Section 2, Township 25 North, Range 2 West, Rio Arriba County, New Mexico; and
- (5) Johnson Federal "12" Well No. 5 located in Unit E of Section 12, Township 25 North, Range 2 West, Rio Arriba County, New Mexico.

4. Effective September 1, 1986, the Oil Conservation Commission entered Order R-7407-D limiting production in all Gavilan-Mancos Oil Pool wells to a maximum 400 barrels of oil per day at a gas-oil ratio of 600 standard cubic feet of gas per barrel of oil.

5. Gavilan-Mancos oil pool wells, including those of MALLON OIL COMPANY, produce at GOR's in excess of 600 scf/bbl and their production rates are therefore limited to a maximum of 240 mcf of gas per day and the accompanying oil.

6. By Memorandum 3-86-82, dated September 26, 1986, the Oil Conservation Division District III Supervisor notified all Gavilan-Mancos oil pool operators, including MALLON OIL COMPANY, that in complying with Order R-7407-D "affected wells ... be monitored very closely to not exceed ... 240 mcf of gas per day..."

7. MALLON OIL COMPANY has filed with the Oil Conservation Division, Forms C-115 dated for the months of September through December, 1986, for its Gavilan-Mancos wells showing over-production of a minimum of 54,813 barrels of oil and 133,550 mcf of gas, in violation of Division Order R-7407-D. (As of December 31, 1986, MALLON OIL COMPANY's Howard Federal "1" Well No. 8 is approximately eight months overproduced and the Howard Federal "1" Well No. 11 is approximately twelve months overproduced.)

8. MALLON OIL COMPANY through its owners, employees and agents have actual notice of the existence and application of Order R-7407-D, Rule 501 and all the rules and regulations promulgated under the Oil and Gas Act.

9. Notwithstanding actual notice, MALLON OIL COMPANY knowingly and willfully violated the provisions of Order R-7407-D, Rule 501 and the Oil and Gas Act.

10. The MALLON OIL COMPANY wells are currently being allowed to produce up to a maximum gas production rate of 100 mcfd.

11. This reduced allowable granted to MALLON OIL COMPANY for the offending wells will result in a balancing period, if no additional overproduction occurs, of thirteen months for the Howard Federal "1" Well No. 8 and twenty-two months for the Howard Federal "1" Well No. 11.

12. The continued reduced allowable production is in violation of Order R-7407-D and Rule 501.

WHEREFORE, Applicants request that this matter be set for hearing before a Division hearing examiner on March 18, 1987, and that after notice and hearing, an order be entered that:

1. Declares all MALLON OIL COMPANY production in the Gavilan-Mancos Oil Pool in excess of that authorized by Order R-7407-D and Rule 501 to be illegal oil;

2. Immediately shuts in all MALLON OIL COMPANY Gavilan-Mancos Oil wells until said overproduction has been balanced.

3. Suspends the effect of any order entered in Case 9073 until after the effective date of a final, non-appealable order entered by the Commission establishing permanent Special Pool Rules for this Mancos oil reservoir, including spacing and production rates.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

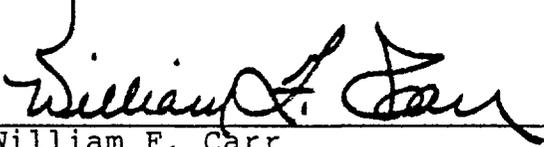
By 

W. Thomas Kellahin  
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ATTORNEYS FOR DUGAN PRODUCTION  
COMPANY, JEROME P. MCHUGH &  
ASSOCIATES and SUN EXPLORATION AND  
PRODUCTION COMPANY

CAMPBELL & BLACK, P.A.

By

  
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DRILLING CORP.

CAMPBELL & BLACK, P.A.

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MAY 5 1987

OIL CONSERVATION DIVISION

May 5, 1987

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HAND DELIVERED

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

Re: Oil Conservation Commission hearings May 21, 1987

Dear Mr. LeMay:

We have learned that on May 21, 1987, the Commission has set for hearing the three remaining cases involving the Gavilan-West Puerto Chiquito dispute (Cases 8951, 9073 and 9111). The purpose of this letter is to request that each of these three cases be continued and rescheduled before the Commission at the first available Commission hearing date following June 15, 1987. *June 18*

We have reviewed this request for continuance with the attorneys for Mesa Grande, Mallon, Dugan, McHugh, and Sun and all attorneys concur in this request.

We believe that before we can properly prepare for these hearings, it is essential to receive orders in the cases that were heard in March and April, 1987. Once orders in those cases are received, we are optimistic that we will be able to more clearly define, and perhaps resolve, certain issues between us. We therefore believe that a continuance until after June 15 will enable us not only to better prepare, but may result in the resolution, without Commission involvement, of certain of the outstanding issues between the parties.

Your attention to this request is appreciated.

Very truly yours,

*William F. Carr*  
WILLIAM F. CARR

WFC/ab

cc: W. Perry Pearce  
W. Thomas Kellahin  
Owen Lopez



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

April 5, 1989

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Mr. W. Perry Pearce  
Montgomery & Andrews  
Attorneys at Law  
Post Office Box 2307  
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Dear Mr. Pearce:

The following two cases in which you appeared as attorney of record have been continued indefinitely for over a year. Would you please check into the status of these cases and let me know if they can be scheduled for another hearing and dismissed or if they should be continued for an additional period of time.

Case 9282 - Examiner Hearing - January 8, 1988

Application of Mobil Producing Texas and New Mexico, Inc. for the Expansion of the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico

Case 9073 - Commission De Novo Hearing - March 17, 1988

Application of Mallon Oil Company for Reinstatement of Oil Production Allowables and an Exception to the Provisions of Division General Rule 502 for Certain Wells Located in the Gavilan-Mancos Oil Pool, Rio Arriba County, New Mexico

Thank you for your attention to this matter.

Sincerely,

*Florene Davidson*

Florene Davidson  
OC Staff Specialist

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May 9, 1989

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MAY 11 1989

OIL CONSERVATION DIV.  
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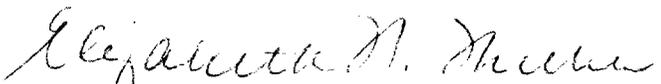
In Re: Application of Mallon Oil Company for Reinstatement of  
Oil Allowable Case No. 9073

Dear Sirs:

We understand that there is still pending before the Oil Conservation Division Mallon Oil Company's 1988 application for a de novo hearing on the reinstatement of oil allowable in the above-captioned matter. Please be advised that Mallon no longer desires to pursue its appeal or a de novo hearing. Therefore, the Division may drop this matter from its schedule of cases.

If you have any questions, please do not hesitate to contact me.

Sincerely yours,

  
Elizabeth N. Miller

ENM9:30.ltr:dr  
cc: Kevin Fitzgerald

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS  
GOVERNOR

June 30, 1989

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Mr. W. Perry Pearce  
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P. O. Box 2307  
Santa Fe, New Mexico

Re: CASE NO. 9073 (De Novo)  
ORDER NO. R-8411-A

Applicant:

Mallon Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission 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