

OIL CONSERVATION DIVISION
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DERREL C. MELTON
5495 BELT LINE ROAD, SUITE 353
DALLAS, TEXAS 75240
PHONE (214) 991-4746
FAX (214) 991-3758

September 7, 1995

Mr. Michael Stogner
Chief Hearing Examiner/Engineer
Oil Conservation Division
P. O. Box 6429
Santa Fe, New Mexico 87505

RE: API NO. 30-025-22191
J & G Enterprise Ltd., Co.
#1 Mallard Alves
S/2 of Section 6-T20S-R36E
Lea County, New Mexico

Dear Mr. Stogner,

In response to your letter of August 22, 1995 concerning the previously forwarded application of J & G Enterprise Ltd., Co. covering the above captioned well, please accept the following as explanations to your inquiries.

- Inquiry #1 - The original well was drilled in 7/67 and produced .884 BCF and 36 MBC. The well last produced in 12/74 and was plugged 11/76 (SI for two (2) years prior). The Morrow appears to be completely or partially depleted. We felt the expense for additional acreage was uneconomical and cost prohibitive. Therefore, waste will be prevented.
- Inquiry #2 - Certified notices were mailed to all of the offset owners. We received executed waivers from the owners in the N/2 of Section 6. No protest letters have been received.
- Inquiry #3 - The re-entering (economically) of the well and re-establishing of commercial production from the Morrow or up hole zones could provide potential for additional wells in the N/2 of Section 6.
- Inquiry #4 - We do not beleive the Morrow will drain 640 acres.

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Michael Stogner
Mallard Alves #1
September 7, 1995

Mr. Stogner, there has been no activity on this acreage (Section 6) since the original Alves #1 well was drilled 28 years ago; and there has not been any production since 12/74 (1974 daily average = 22 mcf/d + .4 bcpd), 21 years ago. The closest current producer in North Osuda Morrow Gas Field is located 2 1/2 miles away. The closest production from said field was located in the NE/4 of Section 18 (1 1/2 miles) and was plugged in 1986.

Therefore, it is respectfully requested that administrative approval of our application be granted.

Your earliest consideration to this request will be appreciated and should you have any questions please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in cursive script that reads "Derrel C. Melton".

Derrel C. Melton

cc: J & G Enterprise Ltd., Co.

OIL CONSERVATION DIVISION

August 22, 1995

J & G Enterprises Ltd. Company
 c/o Derrel C. Melton
 Oil and Gas Interests
 5495 Belt Line Road - Suite 353
 Dallas, Texas 75240

Re: *Administrative Application for the creation of a non-standard 318.59-acre gas spacing and proration unit; Mallard Exploration, Inc. Alves Well No. 1 (API No. 30-025-22191) located 660'FSL -990'FEL (Unit P) of Section 6, Township 20 South, Range 36 East, NMPM, North Osudo-Morrow Gas Pool, Lea County, New Mexico.*

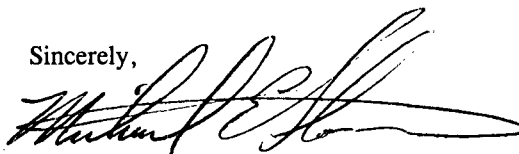
Dear Mr. Melton:

Reference is made to your application of August 1, 1995 for the formation of a non-standard 318.59-acre (S/2 equivalent) gas spacing and proration unit in the unprorated North Osudo-Morrow Gas Pool to be dedicated to the existing Mallard Exploration, Inc. Alves Well No. 1, located 660 feet from the South line and 990 feet from the East line (Unit P) of Section 6, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico. The North Osudo-Morrow Gas Pool is currently spaced on 640-acre spacing, pursuant to the "Special Rules and Regulations for the North Osudo-Morrow Gas Pool", as promulgated by Division Order No. R-3305, as amended, which also takes in effect Division Memorandums dated July 27, 1988 and August 3, 1990 (see copies attached). Sections 70-2-17 and 18, N.M.S.A., 1978 provides for the compulsory pooling of acreage in order to form a standard spacing unit or drilling tract when two or more separately owned tracts of land are embraced within a spacing or proration unit.

Before I may process the subject application, further explanation will be required: (1) why is it necessary to create the proposed 318.59-acre unit instead of forming a standard 640-acre, more or less, unit; (2) what steps have been taken by J & G Enterprises to reach a voluntary agreement to consolidate all of said Section 6 to form a standard 640-acre, more or less, gas spacing and proration unit for this well in the North Osudo-Morrow Gas Pool; (3) how will correlative rights best be served by severing this acreage from a standard 640-acre, more or less, unit; and, (4) how will waste be prevented and the drilling of an unnecessary well be avoided should it be necessary for a well to be drilled in the severed acreage in order to prevent drainage that may be caused by the subject well from this undedicated tract.

Should there be any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,



Michael E. Stogner
 Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Hobbs
 William J. LeMay, Director - OCD, Santa Fe

DERREL C. MELTON
5495 BELT LINE ROAD, SUITE 353
DALLAS, TEXAS 75240
PHONE (214) 991-4746
FAX (214) 991-3758

To: Mr. Michael Stogner

505-827-8177 (fax)
505-827-8185 (tel)

From: Derrel C. Melton

Date: September 27, 1995

Pages: 3

Attached per our telephone conversation is ^{the} letter with the responses to your questions. It is my understanding that you will issue an order per our request.

Thanks!

Derrel C Melton

DERREL C. MELTON
5495 BELT LINE ROAD, SUITE 353
DALLAS, TEXAS 75240
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FAX (214) 991-3758

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Sincerely,



Derrel C. Melton

cc: J & G Enterprise Ltd., Co.