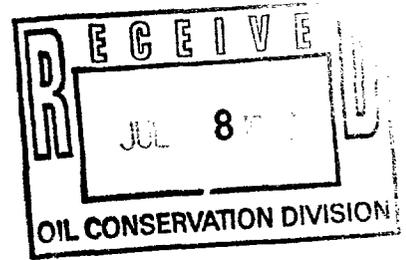


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



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

APPLICATION OF NEARBURG EXPLORATION  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION, EDDY COUNTY, NEW MEXICO

CASE NO. 11564

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mallon Oil Company as required by the Oil Conservation Division.

APPEARANCES

APPLICANT'S ATTORNEY

W. Thomas Kellahin

OPPONENT'S ATTORNEY

James Bruce  
Hinkle, Cox, Eaton, Coffield  
& Hensley, L.L.P.  
P.O. Box 2068  
Santa Fe, New Mexico 87504  
(505) 982-4554

APPLICANT

Nearburg Exploration  
Company

OPPONENT

Mallon Oil Company  
Suite 1700  
999 18th Street  
Denver, CO 80202  
(303) 293-2333  
Attn: Randy Stalcup

STATEMENT OF THE CASE

APPLICANT

OPPONENT

Applicant seeks approval to drill a well to test the Morrow formation at an unorthodox location 1330 feet FSL and 1650 feet FWL of §3-T24S-R26E, with the W½ of §3 dedicated to the well. Mallon is an offset interest owner, and the proposed location will impair Mallon's correlative rights. The application should be denied, or in the alternative granted only with a substantial penalty imposed on production.

