

HINKLE, COX, EATON, COFFIELD & HENSLEY,  
L.L.P.

*Case 11701*

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January 7, 1997

Hand Delivered

Florene Davidson  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

*[Handwritten notes and stamps]*

Dear Florene:

Enclosed are an original and two copies of Pre-Hearing Statements in each of the following Mallon Oil Company cases:

- No. 11697;
- No. 11698;
- Nos. 11699-11701 (consolidated); and
- No. 11702.

Very truly yours,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY, L.L.P.

*[Handwritten signature]*  
James Bruce

Attorneys for Mallon Oil  
Company

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:

APPLICATIONS OF MALLON OIL COMPANY  
FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.

CASE NOS. 11699, 11700, &  
11701

PRE-HEARING STATEMENT

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

APPEARANCES

APPLICANT

Mallon Oil Company  
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Denver, Colorado 80202  
Attn: Randy Stalcup  
(303) 293-2333 (ext. 490)

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(505) 982-4554

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all mineral interests in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  §27 (Case 11699), SE $\frac{1}{4}$ SE $\frac{1}{4}$  §27 (Case 11700), and SE $\frac{1}{4}$ SW $\frac{1}{4}$  §27 (Case 11701), in Township 19 South, Range 34 East, from the surface to the base of the Delaware formation.

OPPONENT

**PROPOSED EVIDENCE**

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Randy Stalcup (Landman)	10 min.	1. Land plat 2. Correspondence 3. Notice letters
Ray Jones (Engineer)	10 min.	1. Structure map 2. Isopach 3. AFE

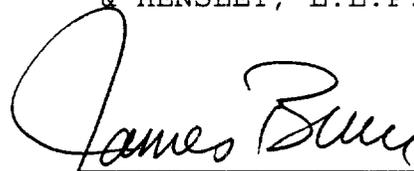
OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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**PROCEDURAL MATTERS**

Applicant requests that these three cases be consolidated for hearing, since the same interest owners are involved in each case.

HINKLE, COX, EATON, COFFIELD  
& HENSLEY, L.L.P.

  
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Attorneys for Mallon Oil  
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**CASE 11676:** (Continued from December 5, 1996, Examiner Hearing.)

**Application of Manzano Oil Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Wolfcamp formation in the N/2 SW/4 of Section 11, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Chipshot Well No. 1 which has been drilled at a previously approved unorthodox well location 2164 feet from the South line and 1362 feet from the West line (Unit K) of said Section 11. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile southeast from Lovington, New Mexico.

**CASE 11692:** **Application of InterCoast Oil and Gas Company for compulsory pooling and unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 29, Township 22 South, Range 26 East, and in the following manner: the W/2 of Section 29 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Happy Valley-Morrow Gas Pool, Undesignated South Happy Valley-Atoka Gas Pool, Undesignated Sheep Draw-Strawn Gas Pool, and Undesignated Southeast Carlsbad-Wolfcamp Gas Pool; and the NW/4 of Section 29 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools spaced on 160 acre spacing within said vertical extent. Said unit will be dedicated to applicant's McKittrick 29 Well No. 1, to be drilled at an unorthodox location 1650 feet from the North line and 510 feet from the West line (Unit E) of said Section 29. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles southwest of Carlsbad, New Mexico.

**CASE 11659:** (Continued from December 5, 1996, Examiner Hearing.)

**Application of Santa Fe Energy Resources, Inc. for compulsory pooling and an unorthodox oil well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the SE/4 SE/4 of Section 27, Township 15 South, Range 34 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Grassland "27" Well No. 1, to be drilled at an unorthodox oil well location 1243 feet from the South line and 353 feet from the East line (Unit P) of said Section 27. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles west by north of McDonald, New Mexico.

**CASE 11693:** **Application of Devon Energy Corporation (Nevada) surface commingling, Eddy County, New Mexico.** Applicant seeks an exception to Division Rule 303.A to permit surface commingling of Red Lake Queen-Grayburg-San Andres Pool production from 22 wells drilled or to be drilled on its Eagle "33" Federal, Eagle "34" Federal, and Eagle "35" Federal Leases, covering all or parts of Sections 33, 34, and 35, Township 17 South, Range 27 East. Said leases are located approximately 8 miles southeast of Artesia, New Mexico.

**CASE 11694:** **Application of Devon Energy Corporation (Nevada) for waterflood expansion and authorization to inject, Eddy County, New Mexico.** Applicant seeks authority to expand its Keel-West-Waterflood Project, Grayburg-Jackson Pool, located in Sections 3, 5, 6 and 10, Township 17 South, Range 31 East, authorized by Division Order No. R-2268, as amended, by converting four producing wells to water injection wells. Said area is located approximately 6 miles northeast of Loco Hills, New Mexico.

**CASE 11695:** **Application of Devon Energy Corporation (Nevada) to qualify a waterflood expansion project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Eddy County, New Mexico.** Applicant seeks to qualify an expansion of its East Shugart Unit Waterflood Project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The project encompasses the Shugart Pool underlying all or parts of Sections 27, 34, and 35 of Township 18 South, Range 31 East, and Section 3 of Township 19 South, Range 31 East. Said project is located approximately 11 miles southeast of Loco Hills, New Mexico.

**CASE 11696:** Application of Devon Energy Corporation (Nevada) to qualify six waterflood expansion projects for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Eddy County, New Mexico. Applicant seeks to qualify expansions of the following waterflood projects for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5):

Keel-West Waterflood Project  
C. A. Russell Waterflood Project  
Hudson Federal Waterflood Project  
Turner "A" Waterflood Project  
Turner "B" Waterflood Project  
Friess-Fren Waterflood Project

The foregoing projects collectively encompass the Grayburg-Jackson Pool underlying all or parts of Sections 3 through 10, 17 through 20, 29, and 30, Township 17 South, Range 31 East. Said projects are located approximately 5 miles northeast of Loco Hills, New Mexico.

**CASE 11697:** Application of Mallon Oil Company for the establishment of a downhole commingling reference case pursuant to Division Rule 303.E and the adoption of administrative rules therefor, Sandoval County, New Mexico. Applicant seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules, on an area-wide basis, for downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations in the wellbores of future wells drilled within Sections 4 through 10, Township 22 North, Range 4 West. Said area is centered approximately at the intersection of State Highways 44 and 537.

**CASE 11698:** Application of Mallon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Brushy Canyon Member of the Delaware Mountain Group underlying the SE/4 NE/4 of Section 28, Township 26 South, Range 29 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Brushy Draw-Delaware Pool. Said unit will be dedicated to its Pecos River 28 Well No. 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located 15 1/2 miles south-southeast of Malaga, New Mexico.

**CASE 11699:** Application of Mallon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Brushy Canyon Member of the Delaware Mountain Group underlying the SW/4 SE/4 of Section 27, Township 19 South, Range 34 East, to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated Northeast Lea-Delaware Pool. Said unit will be dedicated to its Mallon 27 Well No. 4. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located 1/4 mile west of U.S. Highway 62/180 mile marker 80.

**CASE 11700:** Application of Mallon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Brushy Canyon Member of the Delaware Mountain Group underlying the SE/4 SE/4 of Section 27, Township 19 South, Range 34 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated Northeast Lea-Delaware Pool. Said unit will be dedicated to its Mallon 27 Well No. 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located at U. S. Highway 62/180 mile marker 80.

**CASE 11701:** Application of Mallon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Brushy Canyon Member of the Delaware Mountain Group underlying the SE/4 SW/4 of Section 27, Township 19 South, Range 34 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated Northeast Lea-Delaware Pool. Said unit will be dedicated to its Mallon 27 Well No. 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1/2 mile west of U.S. Highway 62/180 mile marker 80.