

**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:**

CASE NO. 12892

**APPLICATION OF MALLON OIL COMPANY FOR
APPROVAL OF A PILOT PROJECT INCLUDING
UNORTHODOX WELL LOCATIONS AND EXCEPTIONS
TO DIVISION RULE 104.C(3) FOR THE PURPOSE OF
ESTABLISHING A PILOT PROGRAM IN THE
PICTURED CLIFFS AND TERTIARY FORMATIONS TO
DETERMINE PROPER WELL DENSITY
REQUIREMENTS FOR PICTURED CLIFFS AND
TERTIARY FORMATION WELLS, RIO ARRIBA
COUNTY, NEW MEXICO.**

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PRE-HEARING STATEMENT

Holland & Hart LLP submits this Pre-Hearing Statement as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Mallon Oil Company
Attention: Robert Blaylock
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ATTORNEY

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STATEMENT OF CASE

APPLICANT

Pursuant to Division Rule 104.D(3) applicant seeks approval for a 25 well pilot program in the Pictured Cliffs formation, East Blanco-Pictured Cliffs Pool, and the overlying Tertiary formation, Cabresto Canyon-Tertiary Pool, to gather data to determine the appropriate well density in the Pictured Cliffs and Tertiary formations for wells in pools governed by Division Rule 104.C(3) which currently limits well density to one well per 160-acre gas spacing unit. Applicant further seeks approval of 25 pilot project wells to be drilled within the project area at orthodox and unorthodox well locations. The pilot project area encompasses all or a portion of the following acreage in Rio Arriba County, New Mexico:

Township 30 North, Range 3 West, NMPM

Sections: 6, 8, 17, 18, 19, 20,
29, 30, 33, 34 and 35

Township 29 North, Range 2 WEST, NMPM

Sections: 4, 5, 8 and 9

The project area is located approximately 4 miles to 6 miles SW of Burns, New Mexico.

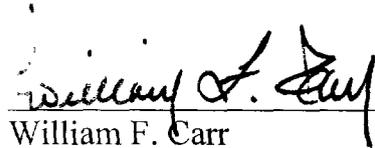
PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and Expertise)	ESTIMATED TIME	EXHIBITS
George Coryell (Geologist)	Approx. 30 Minutes	8
Reed Ferrill (Petroleum Engineer)	Approx. 30 Minutes	6

PROCEDURAL MATTERS

Mallon Oil Company has none at this time.



William F. Carr
Attorney for Mallon Oil Company