

MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202
(303) 293-2333

92 JUN 14 AM 9 12

June 12, 1990

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

Case No. 9867

Attention: Mr. William LeMay

Certified: # P 297 360 106

Re: Order Number R-9124
Compulsory Pooling

Dear Mr. LeMay:

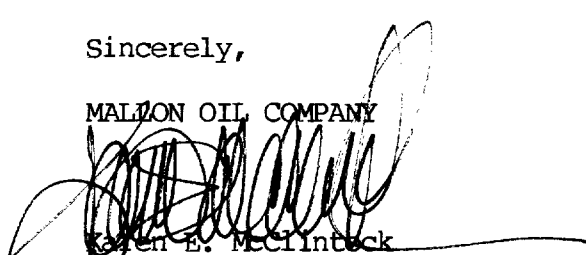
Pursuant to Order Number R-9124, Mallon Oil Company as operator, must furnish the Division with an itemized schedule of actual costs within 90 days following completion of the Amoco-Red Bluff #3 well.

Enclosed please find our AFE Comparison Report, which would satisfy the requirement set out in Order Number R-9124. For your information, the completion date was March 31, 1990.

Should you have any questions, please advise.

Sincerely,

MALLON OIL COMPANY


Karen E. McClintock
Landman

KEM/lkh
Enclosure

AFE # 279
DESC AMOCO RED BLUFF FEMER #3
WELL NO: 17 AMOCO RED BLUFF FEMER #3

DATE: 11/27/89
DIST COST CENTER
STATUS: ACTIVE
APPROVAL DATE:

COST TYPE	ACCOUNT DESCRIPTION	---	ACTUALS	---	REMAINING AFE	---
		CURRENT	TD DATE	TOTAL AFE	AMOUNT	%
ICC INTANGIBLE COMPLETION COST						
	920.102 LOCATION & ROAD COSTS		459	1,000	312	31
	920.107.1 POWER COSTS			1,500	1,500	100
	920.107.2 FUEL COSTS			1,000	1,000	100
	920.107.3 WATER COSTS			1,000	1,000	100
	920.108 EQUIPMENT RENTALS	70-	4,316	3,000	1,316	44-
	920.109 CORING, TESTING & LOGGING		5,352		5,352	
	920.111 CEMENT & CEMENTING SERVICES		14,677	9,500	5,177	54
	920.112 ENG. & GEOL. SUPERVISION		2,051	2,400	349	15
	920.114 OTHER CONTRACT SERVICES		5,227		5,227	
	920.115 TRANSPORTATION & TRUCKING		2,790	1,000	1,790	179-
	920.160 LEGAL FEES		359		359	
	920.201 COMPLETION UNIT COSTS		8,106	7,800	306	4-
	920.202 STIMULATION & PENETRATION		32,961	41,000	8,039	20
	920.204 ADMINISTRATIVE OVERHEAD		1,100	2,500	1,400	56
	920.205 MISCELLANEOUS COMPLETION COSTS	19-	1,453	3,300	1,847	56
TOTAL	INTANGIBLE COMPLETION COST	89-	79,090	75,000	4,090	5-
IDG INTANGIBLE DRILLING COST						
	910.102 LOCATION & ROAD COSTS		8,442	5,000	3,442	69-
	910.103.2 FOOTAGE DRILLING CONTRACT		46,755	40,820	5,935	15-
	910.103.3 DAYMARK DRILLING CONTRACT		7,010	3,200	3,810	182-
	910.106 KUD & CHEMICALS		2,841	2,500	341	14-
	910.107.1 POWER COSTS			1,000	1,000	100
	910.107.2 FUEL COSTS			1,000	1,000	100
	910.107.3 WATER COSTS			1,000	1,000	100
	910.108 EQUIPMENT RENTAL		135		1,000	100
	910.111 CEMENT & CEMENTING SERVICES		7,759	5,000	2,865	95
	910.112 ENG. & GEOL. SUPERVISION		2,451	2,000	451	55-
	910.114 OTHER CONTRACT SERVICES		670		670	
	910.115 TRANSPORTATION & TRUCKING		8,503	500	8,003	1601-
	910.117 OTHER DRILLING COSTS		125	3,900	3,774	97
	910.118 ADMINISTRATIVE OVERHEAD		1,500	2,000	500	25
	910.130 HWD LOGGING		2,305	4,500	2,196	49
	910.140 ELECTRICAL COSTS		5,946	7,000	1,055	15
	910.160 LFICAL EXPENSES	288	7,263		7,263	
	910.175 MISCELLANEOUS DRILLING COSTS		189		189	
TOTAL	INTANGIBLE DRILLING COST	288	103,894	82,420	21,473	26-

26-

APC #	279	HEI	AMOCO RED BLUF-FEDERAL #3	DATE:	11/27/89
DESC	AMOCO RED BLUF-FEDERAL #3	DIST	COST CENTER	STATUS:	ACTIVE
				APPROVAL DATE:	
COST TYPE	ACCOUNT DESCRIPTION	CURRENT	ACTUALS	TOTAL APC	REMAINING APC
					%
	TE TANGIBLE EQUIPMENT				
	930-102 LOGGATION & ROAD COSTS		187	187	
	930-299 SURFACE CASINO		3,208	4,050	21
	930-301 PRODUCTION CASINO		20,147	31,200	35
	930-302 PRODUCTION TUBING		2,957	7,869	70
	930-303 SUCKER RODS & DOWNHOLE PUMPS		2,124	8,000	73
	930-303.1 SUCKER RODS		5,832		
	930-304 WELLHEAD EQUIPMENT			1,500	100
	930-304.1 CABINHEAD		528		
	930-304.2 TUBINGHEAD		1,575		
	930-304.4 WELLHEAD EQUIPMENT - OTHER	71-	1,553	1,553	
	930-305 LINE PIPE		4,802	3,375	42-
	930-306 INSTALLATION CHARGES			2,250	100
	930-307 PUMPING EQUIPMENT & ENGINES		26,209	25,000	5-
	930-309 NON-CONTROL LABLE EQUIPMENT		215	4,200	95
	930-312 OTHER EQUIPMENT	24-	124		
	TOTAL TANGIBLE EQUIPMENT	95-	68,831	87,375	18,543 21
APF TOTAL		104	251,805	244,795	7,010- 3-
COMPANY TOTALS		104	251,805	244,795	7,010-

NEW MEXICO OIL CONSERVATION DIVISION
RECEIVED
MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202
(303) 293-2333
190 MAR 5 AM 10 23

March 1, 1990

Case File 9867

Mr. George Mitchell
G.P. II Energy, Inc.
P.O. Box 50682
Midland, TX 79710

SENT EXPRESS MAIL - #B48900276

RE: Amoco-Red Bluff Federal #3
Eddy County, New Mexico

Dear Mr. Mitchell:

Pursuant to New Mexico Oil Conservation Division Order Number R-9124, enclosed please find two copies of the Authority for Expenditure for the above captioned well, evidencing the estimated well costs. If acceptable, please execute the indicated copy and return to Mallon Oil Company, along with a check for your proportionate share of the well costs. Failure to respond within fourteen (14) days from receipt of this AFE, shall result in a "non-consent" participation.

An Operating Agreement for the Amoco-Red Bluff Federal #3 well will be mailed under separate cover.

If you should have any questions, please advise.

Sincerely,

MALLON OIL COMPANY

[Signature]
Katherine MacIntosh
Landman

/sss
Enclosure

cc: New Mexico Oil Conservation Division
Box 2088
Santa Fe, NM 87504-2088

Attention: Mr. David R. Catanach

SENT EXPRESS MAIL - B48900277

FIELD/PROSPECT	Brushy Draw-Delaware/Pecos River	LEASE NUMBER	1269
WELL NAME	Amoco-Red Bluff-Federal #3	PROPERTY NO.	NM-01-17
LOCATION	130' FNL, 1805' FEL, (NW/4 NE/4), Section 28, T26S, R29E	PREPARED BY:	DATE:
COUNTY, STATE	Eddy County, New Mexico	Joe H. Cox, Jr.	11-27-89
CONTRACTOR (TENTATIVE)	CapStar Drilling	APPROVED BY:	DATE:
		Kevin M. Fitzgerald	11-27-89
		APPROVED BY:	DATE:
		ANTICIPATED START/STOP DATES	

COST ESTIMATE	TANGIBLE EXPENSE	INTANGIBLE EXPENSE	TOTAL
DRILLING-CASING POINT	\$ 4,650	\$ 82,420	\$ 87,070
DRILLING-COMPLETION	\$ 82,725	\$ 75,000	\$157,725
WORKOVER	\$	\$	\$
OTHER (SPECIFY)	\$	\$	\$
TOTAL COSTS	\$ 87,375	\$157,420	\$244,795

PROJECT DESCRIPTION

Under the terms of the Operating Agreement Mallon Oil Company proposes the drilling of the above captioned well. The well is to be drilled through the Williamson Sand Member of the Cherry Canyon Formation to a total depth of approximately 5,200'. The estimates of costs are based on actual bids and historical costs, however are estimates only and subject to overruns. Partners will be notified if the cost exceeds authorized amounts by 10% or more.

ATTACH PROGNOSIS AND COST BREAKDOWN

COST SHARING	BCP	ACP
George Mitchell, Jr. d/b/a	28.46 % \$ 24,780	28.46 % \$ 44,889
G.P. II Energy, Inc.		

PARTNER APPROVAL

COMPANY:	SIGNATURE:	DATE:
George Mitchell, Jr. d/b/a		
G.P. II Energy, Inc.		

MALLON OIL COMPANY

AUTHORIZATION FOR EXPENDITURE

Well Name and Number	Amoco-Red Bluff-Federal #3				AFE NO.
County	Eddy	State	New Mexico	Prospect Name	Pecos River
Section	28 TWP	26S	RGE 29E	Well Location	NW/4 NE/4
Field	Brushy Draw		Objective Formation	Cherry Canyon	Depth 5,200'

DETAILS OF COST ESTIMATE

<u>910 & 920 INTANGIBLE COSTS</u>						<u>DRY HOLE</u>	<u>PRODUCER</u>
101	Damages		Losses			\$ --	\$ --
102	Roads & Location					5,000	6,000
103.1	Mobilization/Demobilization		incl.			--	--
103.2	Drilling-Footage	5200	ft. @	\$7.85	/ft	40,820	40,820
103.3	Daywork	1	days WDP. @	3200	/day:	3,200	3,200
103.4	Turnkey Contract		N/A			--	--
201	Completion Unit	6	days @	\$1,300		--	7,800
106	Mud		Chemicals			2,500	2,500
107	Power, Water & Fuel					3,000	6,500
108	Equipment Rental					3,000	6,000
109	Coring		Testing			--	--
140	Logging					7,000	7,000
111	Cementing Services					5,000	14,500
112	Consultants					2,000	4,400
115	Trucking & Hauling					500	1,500
117	Other Costs		Contingency 5%			3,900	7,200
118	Administrative Overhead					2,000	4,500
125	Bits		incl.			--	--
130	Mud Logging					4,500	4,500
202	Well Stimulation	37,000	Perforation	4000			41,000
165	Abandonment Costs					--	--
TOTAL INTANGIBLE DRILLING COSTS						\$ 82,420	\$157,420
<u>930</u>	<u>TANGIBLE EQUIPMENT COSTS</u>						
299	Surface Casing	450	ft	8 5/8"	size @ \$9.00 /ft	\$ 4,050	\$ 4,050
300	Intermediate Csg.	--	ft	--	size @ \$ -- /ft	--	--
301	Production Csg.	5,200'	ft	5 1/2"	size @ \$6.00 /ft		31,200
302	Tubing & Attachments	5,200'		2 7/8"	@ 1.50		7,800
303	Rods & Pumps						8,000
304	Well Head Equipment					600	1,500
305	Flowlines	4,500' x .75					3,375
306	Installation	4,500' x .50					2,250
307	Pumping Unit & Engines						25,000
308	Tank Battery & Fittings						--
309	Non-Controllable Equipment						--
310	Treaters-separators						--
311	Buildings						--
312	Other Equipment				Contingency 5%		4,200
TOTAL TANGIBLE EQUIPMENT COSTS						\$ 4,650	\$ 87,375
TOTAL COST						\$ 87,070	\$244,795

AFE Date: November 27, 1989



Amoco Production Company

501 WestLake Park Boulevard
Post Office Box 3092
Houston, Texas 77253

November 21, 1989

RECEIVED NOV 27 1989

RE: EA 52,689
West Pecos Area
Eddy County, New Mexico

Mallon Oil Company
1099 18th Street, Suite 2750
Denver, Colorado 80202

ATTENTION: Karen McClintock

Gentlemen:

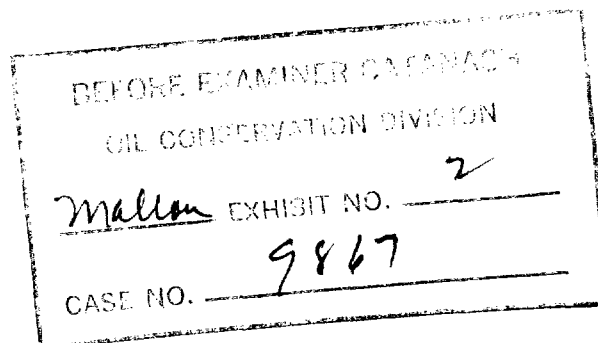
Reference is made to your letter dated November 2, 1989 wherein you requested an extension to March 31, 1990 to drill your next Pecos River Prospect well. After careful consideration, we must deny your request.

Very truly yours,

Emily F. Goodfellow

Emily F. Goodfellow
Landman

EFG/sdc



CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

76 -
can file

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 5, 1990

HAND-DELIVERED

Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

RECEIVED

FEB 5 1990

OIL CONSERVATION DIV.
SANTA FE

Attn: William J. LeMay, Director

Re: Case 9867: Application of Mallon Oil Company for Compulsory Pooling,
Eddy County, New Mexico

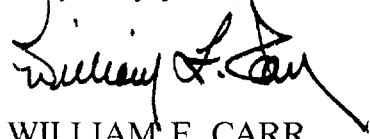
Gentlemen:

Enclosed is a Subpoena Duces Tecum seeking certain information from Mallon Oil Company which is necessary for George Mitchell d/b/a G.P. II Energy, Inc. to prepare its case in opposition to the above-referenced application. We would appreciate your advising us as soon as the Subpoena Duces Tecum is executed by an appropriate Division representative so that we may have it served on Mallon Oil Company.

I have provided on this date, Ernest L. Padilla, attorney for Mallon Oil Company with a copy of the Subpoena Duces Tecum.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc: George Mitchell d/b/a G.P. II Energy, Inc.

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 9867 (De Novo)

SUBPOENA DUCES TECUM

TO: Joe Cox
Mallon Oil Company
1099 18th Street, Suite 2750
Denver, Colorado 80202

RECEIVED

MAY 14 1990

OIL CONSERVATION DIVISION

Pursuant to Section 70-2-8, N.M.S.A. (1978) and New Mexico Oil Conservation Division Rule 1211, YOU ARE HEREBY COMMANDED to appear at the place, day and time specified below and produce for inspection and copying the documents described on the attached Exhibit A.

PLACE

Morgan Hall
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

DAY AND TIME

May 24, 1990
at 8:00 o'clock A. M.
Commission Hearing

This subpoena is issued on the application of George Mitchell d/b/a G.P. II Energy, Inc., through its attorney, William F. Carr, Post Office Box 2208, Santa Fe, New Mexico 87504-2208.

DATED this 22nd day of May, 1990.

NEW MEXICO OIL CONSERVATION DIVISION

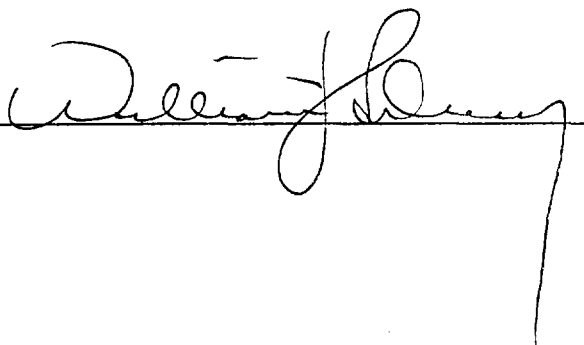
By: 

EXHIBIT "A"

INSTRUCTIONS

"Documents" or "records" mean every writing and record of every type and description in the possession, custody or control of Mallon Oil Company whether prepared by you or otherwise, which is in your possession or control or known by you to exist, including but not limited to, all drafts, correspondence, memoranda, handwritten notes, notes, minutes, entries in books of accounting, computer printouts, tapes and records of all types, minutes of meetings, studies, contracts, agreements, books, pamphlets, schedules, pictures and voice recordings, videotapes and every other device or medium on which, or for which information of any type is transmitted, recorded or preserved and whether or not such documents or records are marked or treated as confidential or proprietary. The term "document" also means a copy where the original is not in possession, custody or control of the company or corporation to whom this request is addressed, and every copy of the document where such copy is not an identical duplicate of the original, all things similar to any of the foregoing however denominated by the parties.

1. For the Mallon Oil Company Amoco Red Bluff Federal Well No. 3, located 130 feet from the North line and 1805 feet from the East line of Section 28, Township 26 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, the following:

- (a) All logs, including but not limited to all porosity logs and all resistivity logs.
- (b) Any and all daily drilling reports and completion reports and production data.

RECEIVED

FEB 6 1990

OIL CONSERVATION DIV.
SANTA FE

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL
RESOURCES

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9867

MOTION TO QUASH SUBPOENA DUCES TECUM

Mallon Oil Company, by its attorneys, hereby moves the Division to quash the Subpoena Duces Tecum issued February 5, 1990, which subpoena commands Kevin Fitzgerald to appear on February 7, 1990, at 8:15 a.m. in the Oil Conservation Division Conference Room.

In support of this motion, movant states:

1. The subject Subpoena Duces Tecum was issued on the application of George Mitchell d/b/a G.P.II Energy (Mitchell). This application is a compulsory pooling application filed in response to the application of Mallon Oil Company (Mallon) for compulsory pooling of the Mitchell interest.

2. Under the Mallon application, Mallon will show that the owners of the Mitchell interest had agreed to

participate in the drilling of the Mallon well and they withdrew their consent at a time when Mallon, under a farmout agreement with Amoco Production Company, almost immediately had to commence diligent drilling operations on the lands covered by both compulsory pooling applications in order to maintain the farmout agreement.

3. Under the circumstances, the subpoena requests information that would disclose information to Mitchell which would eliminate the Mitchell interest's risk in evaluating a decision of whether to participate in the drilling of the well, all to the detriment of Mallon.

4. Mallon Oil Company has recently provided, at Mitchell's request, log information relative to the subject well's east offset. Further, Mitchell has had adequate opportunity to evaluate the risk of drilling the well drilled by Mallon.

5. Under the circumstances, the subpoena is unreasonable and oppressive and constitutes an abuse of process in that its effect is to confiscate a property right owned by Mallon without adequate compensation to Mallon.

Respectfully submitted,

PADILLA & SNYDER

By: 

Ernest L. Padilla
P. O. Box 2523
Santa Fe, New Mexico 87504-2523
(505) 988-7577

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Motion to Quash Subpoena Duces Tecum was hand-delivered to William F. Carr, Esq., Campbell & Black, P. A., 110 North Guadalupe, Suite 1, Santa Fe, New Mexico 87504, this 6th day of February, 1990.



Ernest L. Padilla

173.

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 212

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

RECEIVED

February 16, 1990

FEB 16 1990

OIL CONSERVATION DIV.
SANTA FE

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Application of Mallon Oil Company
For Compulsory Pooling - Case No. 9867

Dear Mr. LeMay:

Enclosed for your consideration is a Motion for Reconsideration and short supporting Memornadum Brief in the above-referenced matter, which Mr. Stovall has asked me to file with the Division.

Mr. Stovall indicated that you would like to meet with me and Mr. Carr sometime next week. In this regard, I have to be in El Paso for depositions sometime in the early afternoon of Tuesday, February 20, 1990, and will probably not be available the remainder of the week. If there is a problem with meeting on Monday or early Tuesday, please let me know.

Very truly yours,


Ernest L. Padilla

ELP:pmc

cc: William F. Carr, Esq. (w/encl.)
Robert G. Stovall, Esq. (w/encl.)
Mallon Oil Company (w/encl.)

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9867

RECEIVED

MOTION TO RECONSIDER DENIAL
OF MOTION OT QUASH
SUBPOENA DUCES TECUM

FEB 16 1990

OIL CONSERVATION DIV.
SANTA FE

COMES NOW Mallon Oil Company, by its attorneys, and hereby moves the Division to reconsider its denial of Mallon's Motion to Quash the Subpoena Duces Tecum issued February 5, 1990, and as grounds therefore states:

1. The information sought in the Subpoena Duces Tecum constitutes either confidential business information or a trade secret and is a form of property that cannot be taken without violating the taking provision of the Fifth Amendment of the United States Constitution.

2. Mallon Oil did not have an adequate opportunity to brief its Motion to Quash and requests this Division to reconsider its denial in light of United States Supreme Court precedent.

3. A memorandum is attached hereto that more fully sets forth Mallon's position and legal basis for granting the requested relief.

WHEREFORE for the foregoing reason, Mallon Oil respectfully requests the Division to reconsider its decision to deny its Motion to Quash the Subpoena Duces Tecum and to Quash the Subpoena Duces Tecum.

Respectfully Submitted,

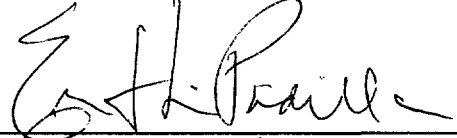
PADILLA & SNYDER

By: 

Ernest L. Padilla
P. O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577
Attorneys for Mallon Oil Company

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Motion To Reconsider Denial Of Motion To Quash Subpoena Duces Tecum was Hand-Delivered to William F. Carr, Esq., Campbell & Black, P.A., 110 North Guadalupe, Santa Fe, New Mexico and Robert G. Stovall, Esq., Oil Conservation Division, 310 Old Santa Fe Trail, Santa Fe, New Mexico on this 16th day of February, 1990.


Ernest L. Padilla

RECEIVED

FEB 16 1990

OIL CONSERVATION DIV.
SANTA FE

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9867

MEMORANDUM IN SUPPORT OF MOTION
TO RECONSIDER DENIAL OF MOTION
TO QUASH SUBPOENA DUCES TECUM

A Subpoena Duces Tecum was issued on February 5, 1990 which commanded Kevin Fitzgerald to appear on February 7, 1990, at the Oil Conservation Division Conference Room to produce inter alia:

For the Mallon Oil Company Amoco Red Bluff Federal No. 3, located 130 feet from the North line and 1805 feet from the East line of Section 28, Township 26 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, the following:

- (a) All logs, including but not limited to porosity logs and all resistivity logs.
- (b) Any and all daily drilling reports and completion reports and production data.

A Motion to Quash Subpoena Duces Tecum was filed and a hearing was held on February 7th and 8th, 1990. This hearing was held to resolve issues with respect to the issue of force pooling. Argument was heard concerning the Motion

to Quash Subpoena Duces Tecum and the Motion was denied. Counsel for Mallon Oil Company did not have sufficient opportunity to brief the issue and to inform the Division of the caselaw supporting his argument that the subpoena would result in a taking of property without just compensation contrary to the Fifth Amendment to the United States Constitution. He respectfully asks the Division to consider the legal authorities cited herein and to reconsider the denial of his Motion to Quash.

Mallon does not contest the Oil Conservation Division's jurisdiction to require production of documents pursuant to its subpoena powers as set forth in Section 70-2-8, N.M.S.A. 1978. Mallon has, in fact, previously produced extensive geological data, logs and information relative to the subject well's offsetting production. Mallon further continues to be willing to submit the data to the Division with the condition that such information be held strictly confidential and not be divulged to George Mitchell or his agents.

Mallon objects to producing documentation which constitutes confidential business information and the trade secrets of its business. The Subpoena requests information that would disclose information to Mitchell which would eliminate the Mitchell interests' risk in evaluating a decision of whether to participate in the drilling of the well.

The United States Supreme Court in Carpenter v. U.S., 108 S.Ct. 316 (1987), recently held inter alia that a newspaper had a property right in keeping information confidential prior to publication. In reaching this holding the Supreme Court reviewed the longstanding rule of law that confidential business information is property. The Court explained:

Confidential business information has long been recognized as property. See Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1001-1004, 104 S.Ct. 2962, 2874, 81 L.Ed.2d 815 (1984); Dirks v. S.E.C., 463 U.S. 646, 653, n.10, 103 S.Ct. 3255, 3260, n. 10, 77 L.Ed. 2d 911 (1983); Board of Trade of Chicago v. Christie Grain & Stock Co., 198 U.S. 236, 250-251, 25 S.Ct. 637, 639-40, 49 L.Ed. 1031 (1905); cf. 5 U.S.C. Sec. 552(b) (4). 'Confidential information acquired or compiled by a corporation in the course of its business is a species of property to which the corporation has the exclusive right and benefit, and which a court of equity will protect through the injunctive process or other appropriate remedy.' 3 W. Fletcher, Cyclopedia of Law of Private Corporations Sec. 857.1, p.260 (rev. ed. 1986) (footnote omitted).

Id. at 320.

Property rights are not created by the Constitution; rather they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law. Ruckelshaus v. Monsanto Co., 467 U.S. 986, 104 S.Ct. 2962, 81 L.Ed.2d 815 (1984).

In New Mexico "property" has been defined as "every interest a person may have in a thing that can be the subject of ownership, including the right to enjoy, use, freely possess and transfer that interest." Muckleroy v. Muckleroy, 84 N.M. 14 (1972). A trade secret fits within the definition of property. It is defined as:

information, including a formula, pattern, compilation, program, device, method, technique or process that:
(1) derives independent value, actual or potential from not being generally known to and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and
(2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Section 57-3A-2(D), N.M.S.A. 1989.

The Restatement of Torts defines a trade secret as:

any formula, pattern, device or compilation of information which is used in one's business and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.

Sec. 757, comment b.

The analysis of the Restatement of Torts has been cited with approval in numerous New Mexico cases including: Proctor v. Waxler, 83 N.M. 58, 487 P.2d 1356(1971); Jellison v. Gleason, 77 N.M. 445, 423 P.2d 876 (1967); Mozert v. Noeding, 76 N.M. 396, 415 P.2d 364 (1966); Bogart v. Hester, 66 N.M. 311, 347 P2d 327 (1959).

By enacting legislation concerning trade secrets the New Mexico legislature is indicating its recognition of the fact that this type of information is entitled to certain protection. The logs in question contain information which have an economic value and the effort to keep them secret is reasonable under the circumstances. These logs are a compilation of information which gives Mallon an opportunity or advantage over its competitors who do not possess it.

In Ruckelhaus, supra, the United States Supreme Court considered a case where an applicant for registration of pesticide brought suit seeking injunctive and declaratory relief from the operation of the data consideration and data disclosure provisions of the Federal Insecticide Fungicide and Rodenticide Act that would have had the effect of making registration information available to competitors to the detriment of the applicant. The Supreme Court held inter alia that to the extent the applicant had an interest in its data which was cognizable as a trade secret under Missouri law that this created a property right which was protected by the taking clause of the Fifth Amendment.

In the instant case, Mallon Oil has logs which constitute trade secrets under New Mexico law. As trade secrets they constitute property that is protected by the taking clause of the Fifth Amendment. Even if the Division should determine that they are not trade secrets, they contain confidential business information which are the

property of Mallon and are similarly protected by the taking clause of the Fifth Amendment. As such, it would be improper for the Oil Conservation Division to require their production.

For the foregoing reasons, Mallon Oil Company respectfully requests the Oil Conservation Division to reconsider its denial of Mallon's Motion to Quash the Subpoena Duces Tecum.

Respectfully Submitted,

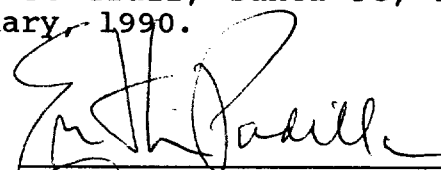
PADILLA & SNYDER

By: 

Ernest L. Padilla
P. O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577
Attorneys for Mallon Oil
Company

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Memorandum In Support Of Motion To Reconsider Denial Of Motion To Quash Subpoena Duces Tecum was Hand-Delivered to William F. Carr, Esq., Campbell & Black, P.A., 110 North Guadalupe, Santa Fe, New Mexico and Robert G. Stovall, Esq., Oil Conservation Division, 310 Old Santa Fe Trail, Santa Fe, New Mexico on this 16th day of February, 1990.


Ernest L. Padilla

173.18

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 9867

**RESPONSE TO MOTION TO RECONSIDER DENIAL OF
MOTION TO QUASH SUBPOENA DUCES TECUM**

Background:

GEORGE MITCHELL d/b/a/ G.P. II ENERGY, INC. ("Mitchell") acquired certain mineral interests in Section 28, Township 26 South, Range 29 East, Eddy County, New Mexico in Mid-1989. During the last half of that year there were various communications between Mitchell and Mallon Oil Company ("Mallon") concerning the development of a 40-acre tract (NW/4 NE/4) in Section 28 by drilling a well to test the Brushy Draw-Delaware Pool. At no time during these discussions was an agreement reached as to the cost of the well and, at all times, Mitchell was and is prepared to operate this tract and the well located thereon. (Testimony of Mr. Lewis, Case 9867 and 9868 Consolidated).

Mitchell advised Mallon on December 5, 1989, by telephone and in writing, that he "... decided not to join Mallon in this well...." (Mitchell Exhibit 3, Case 9867 and 9868 Consolidated). Even though Mallon had a farmout expiring on December 31, 1989, Mallon waited until December 26, 1989 to pursue a drilling rig and was only able to drill 30 feet with a cable tool before the end of the year to perpetuate the farmout. Mallon drilled the well to total depth with a rotary rig between January 3, and January 19, 1990.

No pooling application was filed by Mallon until after drilling had commenced. (Testimony of Mr. Cox, Case 9867 and 9868 Consolidated). A pooling application was also filed by Mitchell in which he sought to be named operator of a well to be drilled on this tract.

Mitchell sought and obtained a subpoena duces tecum from the Division requiring Mallon to produce certain data on the well it had drilled and to which it proposed to dedicate Mitchell's interest. A Motion to Quash Subpoena Duces Tecum was presented to the Division at the February 7, 1990 hearing and denied by the Examiner. Mitchell moved for enforcement of the subpoena by either requiring production of the subpoenaed data or by dismissing Mallon's pooling application. The Examiner deferred ruling on this motion to permit Mallon to seek judicial intervention.

The Division has apparently asked Mallon to seek reconsideration of its ruling (See letter of E.L. Padilla dated February 16, 1990). In support of its Motion to Reconsider, Mallon raises new and different arguments from those raised in its Motion to Quash.¹ This Memorandum is filed in Opposition to Mallon's Motion to Reconsider.

¹In its Motion to Quash, Mallon asserts that Mitchell withdrew his consent to this well at a time when Mallon had to "immediately" commence drilling. Therefore Mallon could not comply with the New Mexico Oil and Gas Act and proceed with force pooling prior to drilling the well. This argument has apparently been abandoned by Mallon since the testimony at the February 7, 1990 Examiner hearing demonstrated that Mitchell advised Mallon of its decision not to participate in ample time for a pooling application to have been advertised and heard by the Division at its December 27, 1989 Examiner hearings.

Argument:

Mallon drilled the Red Bluff Federal No. 3 Well outside the provisions of the Oil and Gas Act. He now asks the Division to reconsider quashing its subpoena again going outside the Act and citing authority which is erroneous and inconsistent with the Division's clear statutory mandate. Mallon must do this for, in unambiguous terms, the Oil and Gas Act resolves against him all issues raised in his Motion to Reconsider.

As stated by the New Mexico Supreme Court the Oil Conservation Division ".. is a creature of statute, expressly defined, limited and empowered by the laws creating it." **Continental Oil Co. v. Oil Conservation Comm'n**, 70 N.M. 310, 373 P.2d 809, 814 (1962). Therefore, in ruling on this Motion, the Division must look to the Oil and Gas Act. nI N.M.Stat.Ann. § 70-2-8 (1978) the Division's authority to subpoena data is set forth as follows:

The Commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained

shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination.... (Emphasis added).

In this case there is no dispute that the director has authority to require production of the data covered by the February 5, 1990 subpoena for it is data relative to matters within the Division's jurisdiction.

The clear language of this statute provides that the only ground for quashing a Division subpoena is that the data sought is not pertinent to a question lawfully before the division. Mallon has not raised this argument for the subpoenaed data is clearly pertinent to the issues raised in this pooling case. Mallon, however, asserts that the data he acquired by jumping the gun and drilling outside the Oil and Gas Act should be protected by the Division as proprietary information or a trade secret.² He further asserts that to produce the subpoenaed material would take from him "... information which gives Mallon an opportunity or advantage over its competitors who do not possess it." (Mallon Memorandum at p. 5).

This argument is in direct contravention of the Oil and Gas Act. The New Mexico legislature recognized that compliance with a Division subpoena could require a person

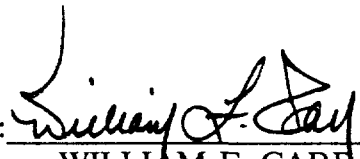
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Mallon is simply asking the Division to protect the advantage he gained over Mitchell by ignoring provisions of the Oil and Gas Act and drilling before he had obtained the joinder of the other interest owners in this spacing unit or a pooling order. His arguments in support of his Motion to Reconsider are in direct conflict with the Oil and Gas Act and the Motion must therefore be denied.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

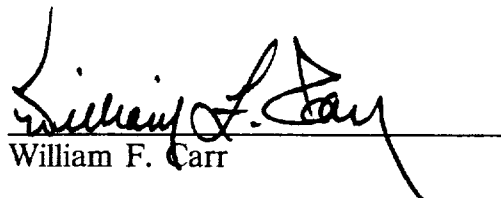
By: 
WILLIAM F. CARR

Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR GEORGE
MITCHELL d/b/a G.P. II
ENERGY, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be hand-delivered a true and correct copy of Response to Motion to Reconsider Denial of Motion to Quash Subpoena Duces Tecum to Ernest L. Padilla, Esq., 200 West Marcy Street, Santa Fe, New Mexico 87501 and to Robert E. Stovall, Esq., 310 Old Santa Fe Trail, State Land Office Building, Santa Fe, New Mexico 87501 on this 19th day of February, 1990.


William F. Carr

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 19, 1990

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

RECEIVED

FEB 19 1990

OIL CONSERVATION DIV
SANTA FE

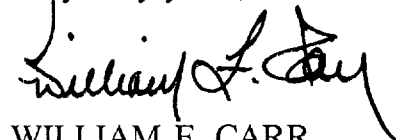
Re: Case 9867: Application of Mallon Oil Company for Compulsory Pooling,
Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed is the Response of G.P. II Energy, Inc. to Mallon's Motion for Reconsideration of the Division's Denial to Quash the Subpoena you issued on February 5, 1990 in the above-referenced case. By copy of this letter I am providing copies of our Memorandum in Opposition to Reconsideration to Ernest L. Padilla, Robert G. Stovall and David R. Catanach.

It is my understanding that you will receive oral argument on this matter on Tuesday, February 20, 1990 at 9:00 o'clock a.m.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enc: Ernest L. Padilla, Esq.
Robert G. Stovall, Esq.
Mr. David R. Catanach
George Mitchell d/b/a G.P. II Energy, Inc.

RECEIVED

FEB 19 1990

OIL CONSERVATION DIV.
SANTA FE

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 9867

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MOTION TO QUASH SUBPOENA DUCES TECUM**

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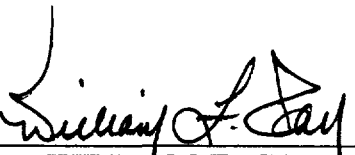
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Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 
WILLIAM F. CARR

Post Office Box 2208

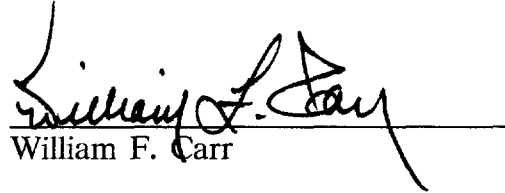
Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR GEORGE
MITCHELL d/b/a G.P. II
ENERGY, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be hand-delivered a true and correct copy of Response to Motion to Reconsider Denial of Motion to Quash Subpoena Duces Tecum to Ernest L. Padilla, Esq., 200 West Marcy Street, Santa Fe, New Mexico 87501 and to Robert E. Stovall, Esq., 310 Old Santa Fe Trail, State Land Office Building, Santa Fe, New Mexico 87501 on this 19th day of February, 1990.


William F. Carr

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 9867

SUBPOENA DUCES TECUM

RECEIVED

TO: Kevin M. Fitzgerald
Mallon Oil Company
1099 18th Street, Suite 2750
Denver, Colorado 80202

FEB 5 1990
OIL CONSERVATION DIV.
SANTA FE

Pursuant to Section 70-2-8, N.M.S.A. (1978) and New Mexico Oil Conservation Division Rule 1211, YOU ARE HEREBY COMMANDED to appear at the place, day and time specified below and produce for inspection and copying the documents described on the attached Exhibit A.

PLACE

Oil Conservation Division Conference Room
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

DAY AND TIME

February 7, 1990
at 8:15 o'clock A. M.
Examiner Hearing

This subpoena is issued on the application of George Mitchell d/b/a G.P. II Energy, Inc., through its attorney, William F. Carr, Post Office Box 2208, Santa Fe, New Mexico 87504-2208.

DATED this _____ day of February, 1990.

NEW MEXICO OIL CONSERVATION DIVISION

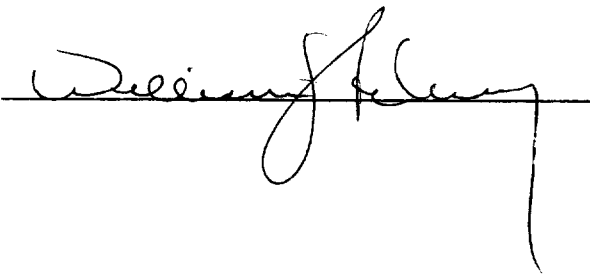
By: 

EXHIBIT "A"

INSTRUCTIONS

"Documents" or "records" mean every writing and record of every type and description in the possession, custody or control of Mallon Oil Company whether prepared by you or otherwise, which is in your possession or control or known by you to exist, including but not limited to, all drafts, correspondence, memoranda, handwritten notes, notes, minutes, entries in books of accounting, computer printouts, tapes and records of all types, minutes of meetings, studies, contracts, agreements, books, pamphlets, schedules, pictures and voice recordings, videotapes and every other device or medium on which, or for which information of any type is transmitted, recorded or preserved and whether or not such documents or records are marked or treated as confidential or proprietary. The term "document" also means a copy where the original is not in possession, custody or control of the company or corporation to whom this request is addressed, and every copy of the document where such copy is not an identical duplicate of the original, all things similar to any of the foregoing however denominated by the parties.

1. For the Mallon Oil Company Amoco Red Bluff Federal West No. 3, located 130 feet from the North line and 1805 feet from the East line of Section 28, Township 26 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, the following:

- (a) All logs, including but not limited to all porosity logs and all resistivity logs.
- (b) Any and all daily drilling reports and completion reports and production data.

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 212

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

February 13, 1990

HAND DELIVERED

Robert G. Stovall, Esq.
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

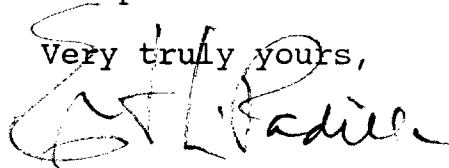
Re: Case No. 9867

Dear Mr. Stovall:

Enclosed is a proposed order denying our motion to quash and granting leave to seek judicial intervention in the above referenced OCD case.

If the order meets with your approval, please sign it and return it to me so that I can present it to Bill LeMay.

Very truly yours,



Ernest L. Padilla

ELP:pmc
Enclosure as stated

173.18

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9867
ORDER NO. _____

ORDER

The Division, having considered the Motion of Mallon Oil Company to Quash the Subpoena Duces Tecum issued by the Division on February 5, 1990,

It is HEREBY ORDERED THAT the motion is hereby denied.

It is FURTHER ORDERED THAT Mallon Oil Company's request for leave to seek judicial intervention is hereby granted.

Dated _____.

William J. LeMay, Director
Oil Conservation Division

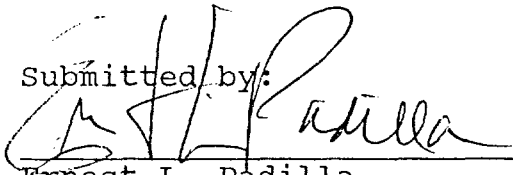
Approved:



William F. Carr, Esq.
CAMPBELL & BLACK P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501
Attorneys for George Mitchell d/b/a G.P.II Energy, Inc.

Robert G. Stovall, Esq.
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501
Attorney for Oil Conservation Division

Submitted by:

A handwritten signature in dark ink, appearing to read 'E. L. Padilla', is written over a horizontal line.

Ernest L. Padilla

PADILLA & SNYDER

P. O. Box 2523

Santa Fe, New Mexico 87504-2523

Attorneys for Mallon Oil Company

173.18

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

IN THE MATTER OF THE APPLICATION OF
MALLON OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9867
ORDER NO. _____

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Oil Conservation Division

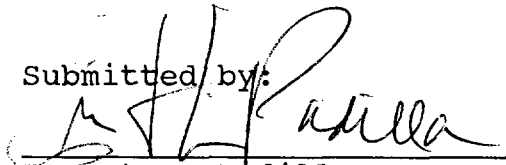
Approved:



William F. Carr, Esq.
CAMPBELL & BLACK P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501
Attorneys for George Mitchell d/b/a G.P.II Energy, Inc.

Robert G. Stovall, Esq.
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501
Attorney for Oil Conservation Division

Submitted by:

A handwritten signature in black ink, appearing to read "E. L. Padilla", written over a horizontal line.

Ernest L. Padilla

PADILLA & SNYDER

P. O. Box 2523

Santa Fe, New Mexico 87504-2523

Attorneys for Mallon Oil Company

173.18

OIL CONSERVATION DIVISION
RECEIVED
'90 FEB 16 AM 8 47

MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202
(303) 293-2333

February 12, 1990

New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Room 206 S.
Santa Fe, New Mexico 87503
Attn: Mr. David Catanach

RE: Case number 9867
Case number 9868
Eddy County, NM

Dear Mr. Catanach:

Pursuant to the discussion in the compulsory pooling hearings for cases 9867 and 9868 on February 8, 1990 I am enclosing further data regarding typical Monthly Overhead charges and Drilling and Completion costs.

The only way that I knew to obtain these figures was to directly contact operators in the field and request the data since it is not of record anywhere. To this end I contacted J.C. Williamson at Midland, Texas; Richard Dillon, an engineer for Oryx Energy in Midland; and Mike Moylett a geologist for Exxon in Midland all on February 9, 1990. Mr. Moylett could not release the information due to company policy but the Williamson and Oryx Figures are as follows.

<u>Operator</u>	<u>Monthly Overhead</u>	<u>Drilling & Completion</u>
J.C. Williamson	"Approx.\$400/well/month"	"Approx. \$3000,000 for Williamson Sd. TD" (Not including battery)
Oryx	"350-400/well/month"	Actual cost on the only well they drilled (9-88) was \$460,000. This well was drilled to 6200'. AFE for Williamson Sd. depth well is \$390,000 (5300') (Both costs are exclusive of battery.)
Mallon	\$334.88/well/month	\$244,795 (Does not include battery)

I might add also that the operating expenses quoted by Mr. Lewis representing George P. Mitchell II seem totally unrealistic. I have had several phone conversations with the father, George H. Mitchell, who, incidentally has never mentioned that his son is involved with operating the Littlefield "BO" lease in Brushy Draw Field. The latest call was around October, 1989 when Mr. Mitchell (George H.) called to ask whether we would be willing to take disposal water from his lease when we got our disposal well going. He complained in that call that his present cost for disposal was a burden to the well economics and said he was paying 40¢/Bbl for disposal to the commercial disposal operation in the Field.

The two active producers on the lease (two of the four wells on the Littlefield "BO" lease are shown as being shut-in since 5-86 and 3-87) produced a total of 129,886 Bbl water during 1988 for an average 5,412 Bbl/well/mo. At 40¢/Bbl that alone would total \$2,165/well/month in lease operating expense. During October 1989, the latest month for which I have data, the lease produced 5,248 BW or 2,624 BW/well, which is still \$1050/well/month in disposal cost. As I recall from Mr. Lewis' testimony this is about what they estimated the wells could be operated for, giving little or no room for pulling, maintenance, chemicals and labor all of which are substantial costs in the Brushy Draw Field area.

I realize this is a little more than you asked for but I thought it might be enlightening as to how well versed George P. Mitchell, II is in operating in the area.

Please feel free to call with any additional questions you may have.

Sincerely,

MALLON OIL COMPANY

A handwritten signature in cursive script, appearing to read "Joe H. Cox, Jr.", written in dark ink.

Joe H. Cox, Jr.
Production Manager

JC/lkh
cc: Ernie Padilla
Bill Carr



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

June 8, 1990

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Re: CASE NO. 9867 and 9868 De Novo
ORDER NO. R-9124-A

Applicant:
Mallon Oil Company and
George Mitchell d/b/a G.P. II
Energy, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other William F. Carr