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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. 9790
ORDER NO. R-9066

APPLICATION OF MALLON OIL COMPANY
FOR POOL CREATION AND SPECIAL POOL
RULES, RIO ARriba COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 18, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of December, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Mallon Oil Company, is owner and operator of the Davis Federal Com 3 Well No. 15 located 795 feet from the South line and 2145 feet from the East line (Unit O) of Section 3, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(3) The applicant seeks the creation of a new pool for the production of gas from the Mesaverde formation comprising all of Sections 1 through 3, 10 through 15 and 22 through 24; all in Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, and the promulgation of special rules and regulations therefor, including provisions for 320-acre spacing and proration units and designated well location requirements.

(4) The Blanco-Mesaverde Pool, which is a prorated gas pool in the Mesaverde formation and is spaced on 320 acres with an infill-well provision, is located two miles to the north and east of the proposed pool.

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(5) The applicant presented engineering testimony and evidence on approximately 15 wells which have penetrated the Mesaverde formation either in the Blanco-Mesaverde Pool or the proposed new Mesaverde Pool or in the area between said pools.

(6) The applicant's geologic testimony indicates that the Mesaverde interval in the immediate area is continuous and that there are no geologic differences between wells in the proposed pool and the Blanco-Mesaverde Pool.

(7) The geologic testimony was insufficient to adequately show the existence of a geologic barrier between the proposed pool and the existing Blanco-Mesaverde Pool.

(8) The pressure difference between wells in the proposed pool and the existing Blanco-Mesaverde Pool does not vary any more than new wells in the existing Blanco-Mesaverde Pool.

(9) The only significant difference between the rules proposed by the applicant for the new pool and the existing Blanco-Mesaverde Pool are:

- a) The Blanco-Mesaverde Pool rules allow for the drilling of a second well on a standard 320-acre gas spacing and proration unit; and
- b) The Blanco-Mesaverde Pool is prorated pursuant to Division Order No. R-8170, as amended.

(10) At this time, all indications show that the Mesaverde formation in those wells in the proposed new pool should be included in the Blanco-Mesaverde Pool and should be subject to these rules governing said Blanco-Mesaverde Pool.

(11) Approval of this application would only result in the existence of two pools in the same general area, both having essentially the same rules governing each.

(12) This application should therefore be denied, and any wells presently completed in the Mesaverde formation but that are outside of the existing Blanco-Mesaverde Pool boundary should be included in said pool and the Blanco-Mesaverde Pool boundaries should be extended at the next available regular nomenclature hearing for the New Mexico Oil Conservation Division District III.

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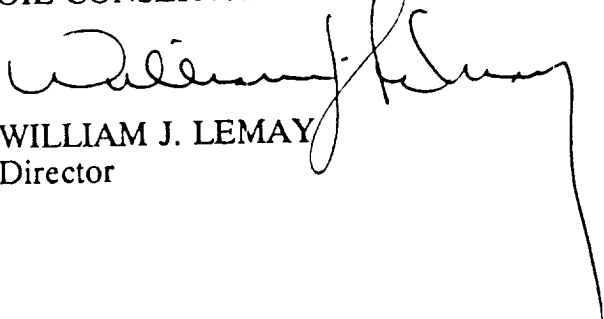
IT IS THEREFORE ORDERED THAT:

(1) The application of Mallon Oil Company for the creation of a new pool for the production of gas from the Mesaverde formation comprising all of Sections 1 through 3, 10 through 15, and 22 through 24, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, and the promulgation of special rules therefor, is hereby denied.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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