

6/25/98 - 7/15/98

MS

NW

1 - NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

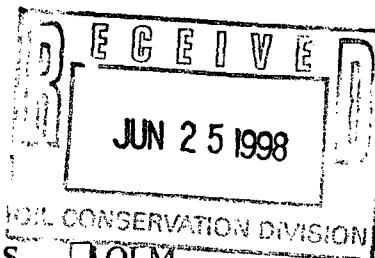
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply[A] ☐ Working, Royalty or Overriding Royalty Interest Owners[B] ☒ Offset Operators, Leaseholders or Surface Owner[C] ☐ Application is One Which Requires Published Legal Notice[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

Print or Type Name

Signature

Title

Date

6/26/98

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

June 26, 1998

Case 12025

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Mallon Oil Company ("Mallon") applies for administrative approval of an unorthodox gas well location for the following well:

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
S½ S19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

The well will be drilled to an approximate depth of 13,800 feet to test the Morrow formation (Undesignated Quail Ridge-Morrow Gas Pool). The pool is spaced on statewide rules,¹ with wells to be located no closer than 1650 feet to the end line of the unit, 660 feet to the side line of a unit, and 330 feet to a quarter-quarter section line. Attached as Exhibit A is a Form C-102 for the well.

The proposed location is based upon geological reasons. Attached as Exhibit B is a gross sand isopach of the Morrow B7 Channel, the primary zone of interest in this area. The Morrow trends northwest-southeast across the map area, and reaches a maximum thickness of approximately 30 feet. The proposed location is necessary in order to (a) remain in the center of the channel, and (b) encounter approximately 30 feet of gross sand in the Morrow B7 channel, which Mallon believes is necessary for a commercial well. This belief is based on the Pennzoil Mescalero 30 Fed. Well No. 1 (in the SE¼ of Section 30) and the Fasken Ling Fed. Well No. 1 (in the NE¼ of Section 31), both of which encountered about 30 feet of

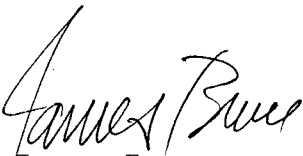
¹The pool is spaced on 320 acres under Order No. R-3890.

gross sand, and both of which are commercial wells. In addition, the results of the Mallon Mescalero Ridge Unit 30 Well No. 4, in the NE¼ of Section 30, drilled in 1997, indicates the heart of the channel is located to the west of that well. The proposed location will reduce the risk involved in drilling the well.

Submitted as Exhibit C is a land plat which (a) outlines the proposed well unit, (b) marks the proposed well location, and (c) identifies offset operators. Exhibit D is a copy of the notice letter to the offsets.

This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for Mallon
Oil Company

JUN-24-98 WED 12:49 PM

MALLON OIL COMPANY

FAX NO. 15058850022

P. 02

505 393 3450

P. 2

DISTRICT I

P.O. Box 1999, Hobbs, NM 88241-1999

DISTRICT II

P.O. Drawer 110, Artesia, NM 88201-0110

DISTRICT III

1900 Elia Dregoe Rd., Azusa, NM 87410

DISTRICT IV

P.O. Box 2000, Santa Fe, NM 87504-2000

State of New Mexico

Energy, Minerals and Natural Resources Department

Form G-102

Revised February 10, 1994

Submit to Appropriate District Office

State Issues - 1 Copies

Fee Issues - 2 Copies

OIL CONSERVATION DIVISION

P.O. Box 2000

Santa Fe, New Mexico 87504-2000

(1) AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name MESCALERO RIDGE "19"	Well Number 1
OWNER No.	Operator Name MALLON OIL COMPANY	Wellbore 3679


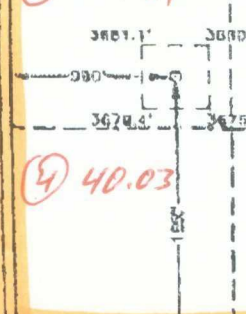

Surface Location

UL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
L	19	19 S	34 E		1650	SOUTH	990	WEST	LEA

Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

① 39.61						OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Terry Lindeman District Superintendent Date June 4, 1998 Date
② 39.75						
③ 39.89						
④ 40.03						
						SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual survey made by me or under my supervision, and that the same is true and correct to the best of my belief. MAY 27, 1998 Date Surveyed Signature of Surveyor Professionally Surveyed  P.O. Box 98-660840 State, No. RONALD S. EDSON, 2230 GARY S. EDSON, 12049 OIL PROTECTORS, DONALD D. 12446

79.92

8

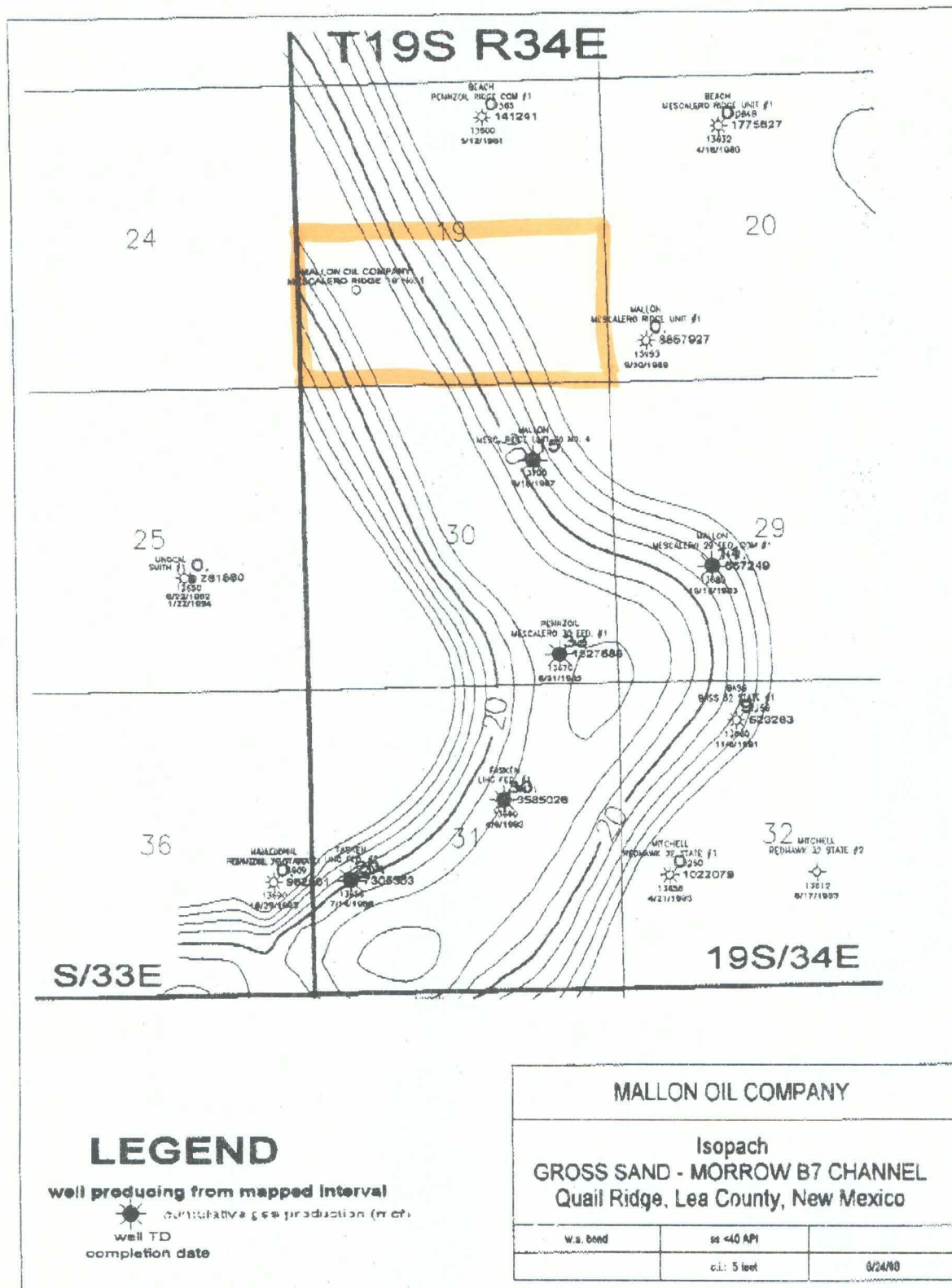
159.92

16

319.92

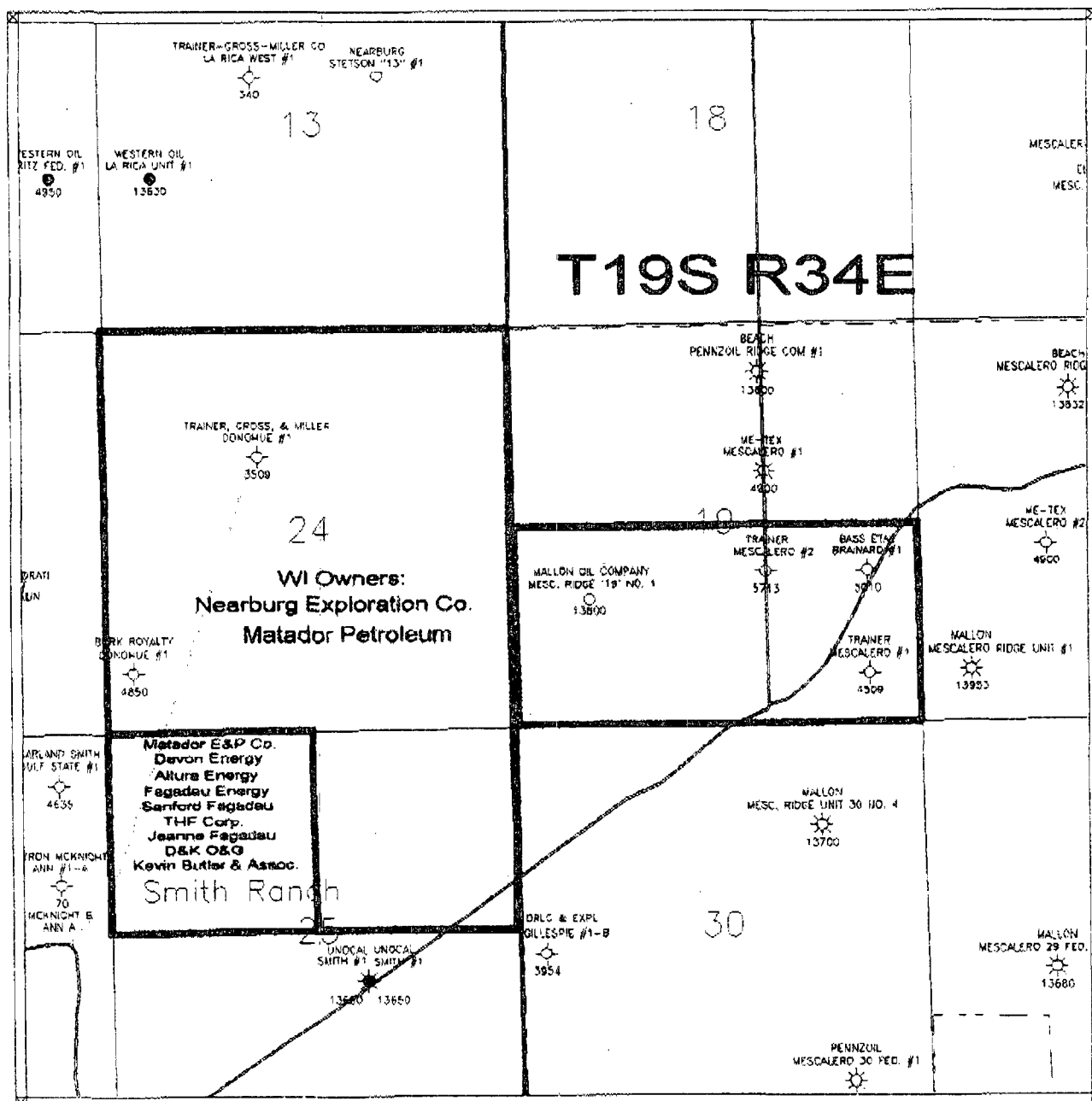
EXHIBIT

A



EXHIBIT

B



Scale 1:24000.

0.1 0.2 0.3 0.4 0.5 miles

MALLON OIL COMPANY

Mescalero Ridge 19 No. 1
Land Plat
Lea County, New Mexico

T19S R34E		
1650 fsl 990 fm		6/24/98



JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

June 26, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Re: Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
S½ S19-19 South-34 East
Lea County, New Mexico

Operator: Mallon Oil Company

Dear Sirs:

Mallon Oil Company has filed an administrative application for approval of the above unorthodox gas well location with the New Mexico Oil Conservation Division. A copy of the application is enclosed. If you object to the well location, you must notify the Division in writing no later than Thursday, July 16, 1998. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner).

Very truly yours,



James Bruce
Attorney for Mallon Oil Company



EXHIBIT A

Matador E&P Company, Inc.
c/o Matador Petroleum Corporation
Suite 158
8340 Meadow Road
Dallas, Texas 75231

Devon Energy Corporation (Nevada)
Suite 1500
20 North Broadway
Oklahoma City, Oklahoma 73102
Attention: Ken Gray

Altura Energy Ltd.
P.O. Box 4294
Houston, Texas 77210-4294
Attention: Donnie B. Champlin

Fagadu Energy Corporation
Sanford P. Fagadu
THF Corporation
Jeanne M. Fagadu
D&K Oil & Gas
Suite 1770
2323 Bryan Street
Dallas, Texas 75201

D&K Oil & Gas
3003 North Mesa Street
El Paso, Texas 79902

Kevin O. Butler & Associates, Inc.
P.O. Box 1171
Midland, Texas 79702

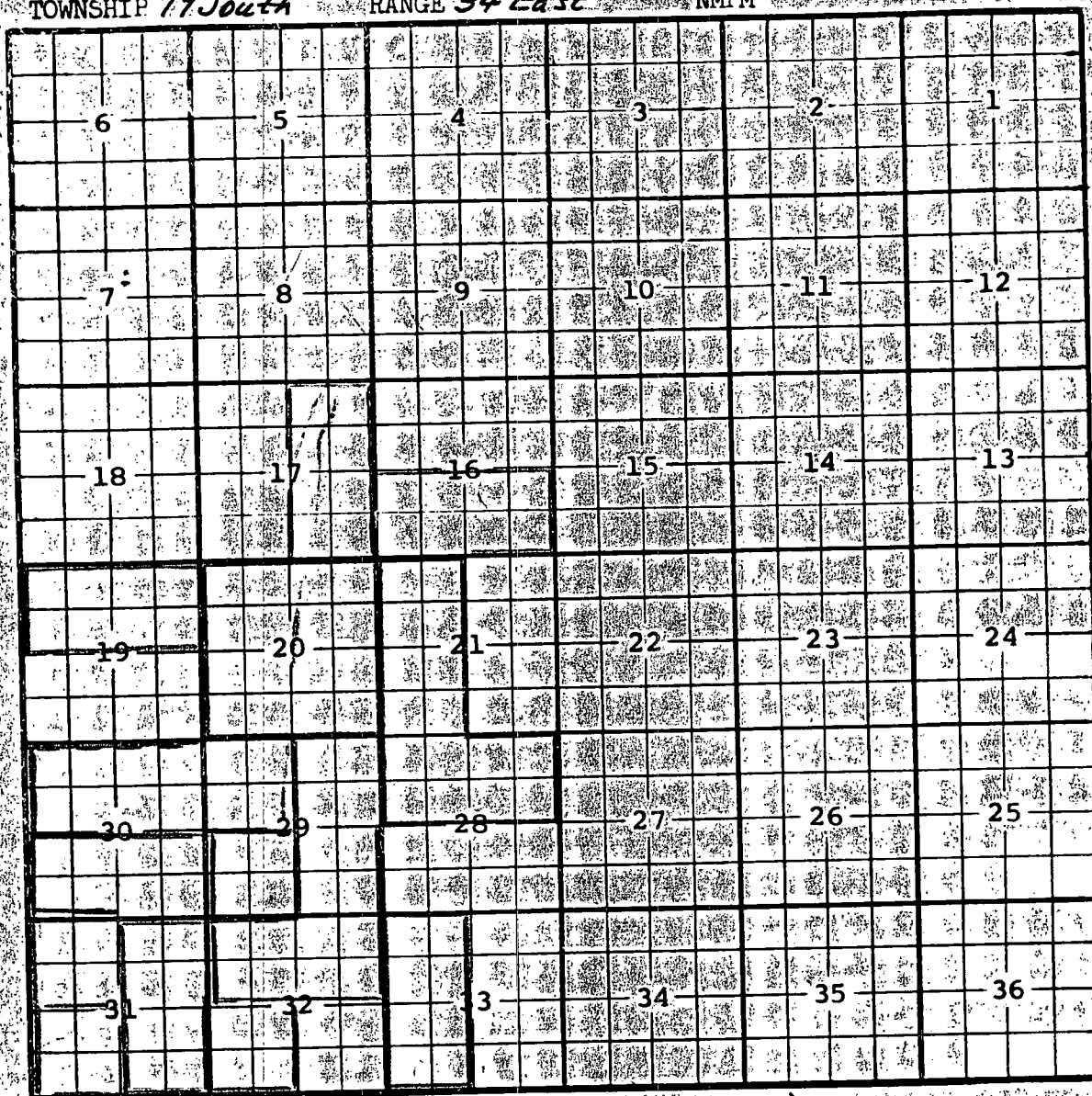
Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

COUNTY Lea

POOL

Quail Ridge - Morrow GasTOWNSHIP 19 SouthRANGE 34 East

NMPM



Description: $\frac{W}{2}$ Sec. 21; $\frac{N}{2}$ Sec. 28 (R-2241, 6-1-62)

Ext: All Sec. 20 (R-3948, 5-1-70) Ext: $\frac{E}{2}$ Sec. 17 (R-4782, 6-1-74)

Ext: $\frac{S}{2}$ Sec. 16 (R-5838, 11-1-78) Ext: $\frac{S}{2}$ Sec. 15 (R-6169, 11-1-78)

Ext: $\frac{N}{2}$ Sec. 19 (R-6724, 7-16-81) Ext: $\frac{E}{2}$ Sec. 29, $\frac{N}{2}$ Sec. 32 (R-7131, 11-30-82)

Ext: $\frac{E}{2}$ Sec. 31 (R-7307, 6-14-83) Ext: $\frac{SW}{4}$ Sec. 29 (R-7667, 9-21-84)

Ext: $\frac{S}{2}$ Sec. 30 (R-8214, 5-1-86) Ext: $\frac{NW}{4}$ Sec. 31 (R-8626, 4-1-88)

Ext: $\frac{W}{2}$ Sec. 33 (R-8901, 4-1-89) Ext: $\frac{SW}{4}$ Sec. 31 (R-8772, 11-1-88)

Ext: $\frac{SW}{4}$ Sec. 32 (R-9937, 8-12-93) Ext: $\frac{NW}{4}$ Sec. 29, $\frac{N}{2}$ Sec. 30 (R-10972, 4-13-98)

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/02/98 12:04:34
OGOIV -EMD3
PAGE NO: 2

Sec : 19 Twp : 19S Rng : 34E Section Type : NORMAL

3 39.89	K 40.00	J 40.00	I 40.00
Federal owned	Federal owned A	Federal owned	Federal owned U
4 40.03	N 40.00	O 40.00	P 40.00
Federal owned	Federal owned	Federal owned	Federal owned U

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD :
OG6C101

ONGARD
C101-APPLICATION FOR PERMIT TO DRILL

07/02/98 12:04:48
OGOIV -EMD3

OGRID Idn : 13925 API Well No: 30 25 33812 APD Status(A/C/P): A
Opr Name, Addr: MALLON OIL CO Aprvl/Cncl Date : 01-13-1997
999 18TH ST
STE 1700
DENVER,CO 80202
Prop Idn: 20359 MESCALERO 19 FEDERAL Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
	---	---	-----	-----	-----	-----	-----	-----
Surface Locn : K	19	19S	34E				FTG 1980 F S	FTG 1980 F W
OCD U/L : K		API	County	: 25				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : R
Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 3681

State Lease No: Multiple Comp (Y/N) : S
Prpsd Depth : 13800 Prpsd Frmtn : MORROW

E7024: Only view is allowed

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/02/98 12:06:42
OGOIV -EMD3
PAGE NO: 1

Sec : 19 Twp : 19S Rng : 34E Section Type : NORMAL

1 39.61	C 40.00	B 40.00	A 40.00
Federal owned	Federal owned	Federal owned A	Federal owned U
2 39.75	F 40.00	G 40.00	H 40.00
Federal owned	Federal owned	Federal owned	Federal owned U

M0002: This is the first page

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12

QUAIL RIDGE - MORROW GAS POOL
Lea County, New Mexico

Order No. R-3890, Adopting Operating Rules for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, December 3, 1969.

Application of Pennzoil United, Inc., for Special Pool Rules and Unorthodox Gas Well Location, Lea County, New Mexico.

CASE NO. 4261
Order No. R-3890

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 25, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of December, 1969, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Pennzoil United, Inc., seeks the promulgation of special rules and regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, including a provision for 320-acre spacing units.

(3) That the applicant further seeks an exception to the proposed well location requirements for said Quail Ridge-Morrow Gas Pool for its Mescalero Ridge Well No. 1 located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 320-acre spacing units should be promulgated for the Quail Ridge-Morrow Gas Pool.

(5) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That approval of the non-standard location in the subject pool for the aforesaid Mescalero Ridge Well No. 1 will prevent the drilling of unnecessary wells, will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
QUAIL RIDGE-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental section and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the Pennzoil United, Inc., Mescalero Ridge Well No. 1, located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, is hereby granted an exception to the well location requirements contained herein.

(2) That the operator of the aforesaid Mescalero Ridge Well No. 1 shall file a new Form C-102 outlining thereon the acreage dedicated to said well within 15 days after receipt of this order.

(3) That the locations of all wells presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the

(QUAIL RIDGE-MORROW GAS POOL - Cont'd.)

Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before December 15, 1969.

(4) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Quail Ridge-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

PINON-GALLUP POOL
San Juan County, New Mexico

Order No. R-3103, Creating and Adopting Operating Rules for the Pinon-Gallup Pool, San Juan County, New Mexico, August 11, 1966.

Application of Pan American Petroleum Corporation for Creation of a New Pool, Special Pool Rules and Four Non-Standard Proration Units, San Juan County, New Mexico.

CASE NO. 3422
Order No. R-3103

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m., on June 29, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 11th day of August, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Pan American Petroleum Corporation, seeks the creation of a new oil pool for Gallup production in San Juan County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 160-acre spacing units and specified well locations.

(3) That the applicant further seeks approval of the following non-standard oil proration units in Township 28 North, Range 12 West, NMPM, San Juan County, New Mexico:

A 164.44-acre unit comprising Lots 2, 3, and 4 and the S/2 SW/4 of Section 9;

A 176.14-acre unit comprising Lot 1 and the S/2 SE/4 of Section 9 and Lot 4 and the SW/4 SW/4 of Section 10;

A 163.29-acre unit comprising Lots 1, 2, and 3 and the SW/4 SE/4 and SE/4 SW/4 of Section 10; and

A 175.14-acre unit comprising the SE/4 SE/4 of Section 10 and the S/2 SW/4 and Lots 3 and 4 of Section 11.

(4) That the evidence fails to establish that one well in the proposed pool can efficiently and economically drain and develop 160 acres.

(5) That the evidence does indicate that one well in the proposed pool can efficiently and economically drain and develop 80 acres.

(6) That the horizontal limits, as requested by the applicant for the subject pool, have not been adequately established by wells producing from the Gallup formation in the subject area.

(7) That the application for 160-acre spacing and pool limits, as defined by the applicant, should be denied.

(8) That inasmuch as the Commission finds that the application for 160-acre spacing should be denied, it becomes unnecessary at this time for the Commission to rule upon the applicant's request for approval of the above-described four non-standard proration units.

(9) That the Pan American Petroleum Corporation Gallegos Canyon Unit Well No. 250, located in Unit N of Section 14, Township 28 North, Range 12 West, NMPM, San Juan County, New Mexico, has discovered a separate common source of supply which should be designated the Pinon-Gallup Oil Pool; that the vertical limits of said pool should be the Gallup formation; and that the horizontal limits of said pool should consist of:

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM
Section 14: SW/4 NE/4, S/2 NW/4, SW/4,
and W/2 SE/4
Section 15: SE/4 NE/4 and E/2 SE/4
Section 23: N/2 NW/4 and NW/4 NE/4



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 18, 1997

Mallon Oil Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

#12025

RE: *Administrative application of Mallon Oil Company to drill its Mescalero Ridge "19" Well No. 1 at an unorthodox Morrow gas well location 1650' FSL & 990' FWL (Lot 3/Unit L) of Section 19, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, in which the S/2 equivalent of said Section 19 is to be dedicated in order to form a standard 319.92-acre gas spacing and proration unit.*

Dear Mr. Bruce:

On July 9, 1998 the Division received an objection from Kevin O. Butler & Associates, Inc. to the subject application, see copy of a letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for August 6, 1998. Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's General Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
Kevin O. Butler & Associates, Inc. (Attn. Kevin O. Butler) - Midland, TX
Rand Carroll, General Counsel - OCD, Santa Fe
Kathy Valdes - OCD, Santa Fe

KEVIN O. BUTLER & ASSOCIATES, INC.

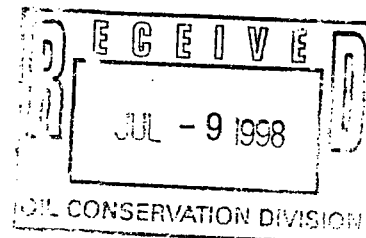
500 W. Texas, Suite 955, Midland, TX 79701 (915) 682-1178 / FAX (915) 687-5725

July 7, 1998

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

Attn.: Mike Stogner

RE: Protest
Unorthodox gas well location
Mescalero "19" Fed. Well #1
1650 FSL & 990 FWL
Lea County, NM



Case 12025

Dear Mr. Stogner:

This letter is to serve as our formal protest to the location of the above-mentioned well. This well offsets the Laguna Deep Federal Unit of which we are a working interest partner. If you need further information, please give me a call.

Sincerely,

KEVIN O. BUTLER & ASSOCIATES, INC.

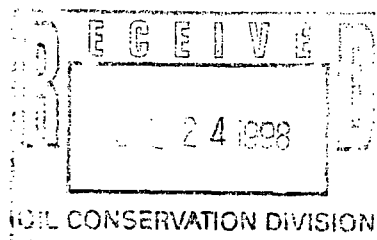
A handwritten signature in black ink, appearing to read "Kevin Butler".

Kevin Butler, President

cc: James Bruce

July 22, 1998

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
New Mexico Energy, Mineral & Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505



RE: Administrative application of Mallon Oil Company to drill its Mescalero Ridge "19" Well No. 1 at an unorthodox Morrow gas well location 1650' FWL (Lot 2/Unit L) of Section 19, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, in the S/2 equivalent of said Section 19 is to be dedicated in order to form a standard 319.92 acre gas spacing and proration unit.

Dear Mr. Stogner,

As per our telephone conversation of today and your letter dated 11/18/97, I will be unable to attend the meeting set for August 6, 1998. I will be out of the country from August 6 to August 16. If at all possible can we try to move the August 6, 1998 to early September, 1998.

Again, thank you for your help and assistance.

Sincerely,

KEVIN O. BUTLER & ASSOCIATES, INC.

A handwritten signature in black ink, appearing to read "Kevin O. Butler".

Kevin O. Butler, President

KOB/gc

cc: James Bruce - Mallon Oil Company



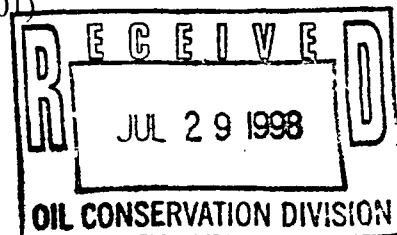
Spencer Reid
Attorney at Law
Direct Dial: 505-346-9114

July 27, 1998

(07858-001)

TELECOPIED (505) 827-1389

Michael Stogner, Esq.
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505



**RE: *Unorthodox Gas Well Location
Mallon Oil Company
Mescalero Ridge "19" Fed. Well No. 1
1650 Feet FSL & 990 FWL
S1/2 §19-19 South-34 East
Lea County, New Mexico***

Dear Mr. Stogner:

This law firm represents Fagadu Energy Corporation, THF Corporation and D&K Oil & Gas with respect to Mallon Oil Company's application for administrative approval of the unorthodox well location described above. Please be advised that the aforementioned entities hereby join the objection on file from Kevin O. Butler & Associates, Inc., dated July 7, 1998.

Because of our firm's recent entry into this matter, we respectfully request that the hearing currently scheduled for August 6, 1998, be vacated so that we may participate fully in the hearing. We have attempted to obtain concurrence of applicant's counsel, James Bruce, but we have not heard back from him with his client's response. We do not believe his client would suffer prejudice if the hearing date were delayed until your next available docket.

Gary Van Luchien

Please call with any questions or concerns.

Very truly yours,

KELEHER & McLEOD, P.A.

BY


Spencer Reid

SR/GVL/bjt
cc: Exhibit A

W. A. Keleher (1886 -1972)
A.H. McLeod (1902 -1976)

Mailing Address
PO Drawer AA
Albuquerque NM 87103

Main Phone
505-346-4646

Street Address
Albuquerque Plaza
201 Third NW, 12th floor
Albuquerque NM 87102
Fax: 505-346-1370

414 Silver SW, 12th floor
Albuquerque NM 87102
Fax: 505-346-1345

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affiliation of independent law firms

Running Horses © Gray Mercer 1989,
provided for the City of Albuquerque
Public Art Collection in 1991.

Mallon Oil Company
C/o James G. Bruce, Esq.
P.O. Box 1056
Santa Fe, New Mexico 87504-1056

Matador E & P Company, Inc.
C/o Matador Petroleum Corporation
Suite 158
8340 Meadow Road
Dallas, Texas 75231

Devon Energy Corporation (Nevada)
Attention: Mr. Ken Gray
Suite 1500
20 North Broadway
Oklahoma City, Oklahoma 73102

Altura Energy Ltd.
Attention: Mr. Donnie B. Champlin
PO Box 4294
Houston, Texas 77210-4294

D&K Oil & Gas
3003 North Mesa Street
El Paso, Texas 79902

Kevin O. Butler & Associates, Inc.
P.O. Box 1171
Midland, Texas 79702

Nearburg Exploration Company, L.L.C.
330 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

EXHIBIT A

AOB

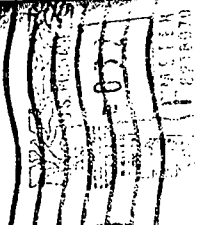
THE LAW FIRM OF
**KELEHER
& McLEOD**
A PROFESSIONAL ASSOCIATION

PO Drawer AA
Albuquerque NM 87103

|||||
MICHAEL STOGNER ESQ
OIL CONSERVATION DIVISION
2040 SOUTH PACHECO ST
SANTA FE NM 87505

47555+5472

|||||





Spencer Reid
Attorney at Law
Direct Dial: 505-346-8114

July 27, 1998

(07858-001)

TELECOPIED (505) 827-1389

Michael Stogner, Esq.
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Unorthodox Gas Well Location
Mallon Oil Company
Mescalero Ridge "19" Fed. Well No. 1
1650 Feet FSL & 990 FWL
S1/2 §19-19 South-34 East
Lea County, New Mexico

Dear Mr. Stogner:

This law firm represents Fagadu Energy Corporation, THF Corporation and D&K Oil & Gas with respect to Mallon Oil Company's application for administrative approval of the unorthodox well location described above. Please be advised that the aforementioned entities hereby join the objection on file from Kevin O. Butler & Associates, Inc., dated July 7, 1998.

Because of our firm's recent entry into this matter, we respectfully request that the hearing currently scheduled for August 6, 1998, be vacated so that we may participate fully in the hearing. We have attempted to obtain concurrence of applicant's counsel, James Bruce, but we have not heard back from him with his client's response. We do not believe his client would suffer prejudice if the hearing date were delayed until your next available docket.

Please call with any questions or concerns.

Very truly yours,

KELEHER & McLEOD, P.A.

BY

Spencer Reid

SR/GVL/bjt
cc: Exhibit A

W. A. Keleher (1886-1972)
A.H. McLeod (1902-1976)

Mailing Address
PO Drawer AA
Albuquerque NM 87103

Main Phone
505-346-4646

Street Address
Albuquerque Plaza
201 Third NW, 12th floor
Albuquerque NM 87102
Fax: 505-346-1370

414 Silver SW, 12th floor
Albuquerque NM 87102
Fax: 505-346-1345

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Affiliates*, the world's largest
affiliation of independent law firms

Running Horses © Grey Matter 1989.
provided for the City of Albuquerque
Public Art Collection in 1991.

Facsimile Cover Sheet

KELEHER & McLEOD, P.A.

Mailing Address: P.O. Drawer AA
Albuquerque, New Mexico 87103

Date: July 28, 1998

Client No: 0858-001

To: Michael Stogner, Esq.

From: Spence Reid, Esq.
Gary J. Van Luchene, Esq.

Phone:

Company: Keleher & McLeod, P.A.

Phone: (505) 346-4646

Fax: (505) 827-1389

Fax: (505) 346-1370

Pages including this cover page: 2

Originals will follow by mail: ☒ Yes ☐ No

Comments:

CAUTION: THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS CONFIDENTIAL AND INTENDED SOLELY FOR THE USE OF THE INDIVIDUAL OR ENTITY NAMED ABOVE. IF THE RECIPIENT OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT, OR THE EMPLOYEE OR AGENT RESPONSIBLE FOR DELIVERING IT TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION, COPYING OR UNAUTHORIZED USE OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS FACSIMILE IN ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE AND RETURN THE FACSIMILE TO THE SENDER AT THE ABOVE ADDRESS VIA THE U.S. POSTAL SERVICE. THANK YOU.



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07/29/1998 09:51 5855822151 JAMES BRUCE

JAMES BRUCE
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504
Telephone: (505) 982-2043
Fax: (505) 982-2151

FAX COVER SHEET

DELIVER TO: Michael E. Stogner

COMPANY: Oil Conservation Division

CITY: Santa Fe, New Mexico

FAX NUMBER: 827-8177

NUMBER OF PAGES: 4 (Including Cover Sheet)

DATE SENT: 7/29/98

MEMO:

CONFIDENTIALITY NOTICE

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JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 29, 1998

Via Fax

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Mallon Oil Company
Unorthodox location application
S $\frac{1}{2}$ S19-19S-34E
Lea County, New Mexico

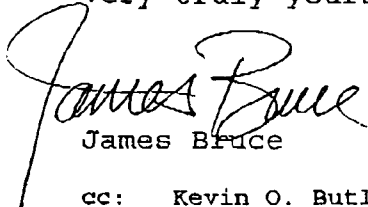
Dear Mr. Stogner:

The above matter is set for hearing on August 6th. Both Kevin O. Butler & Associates, Inc. and Fagadu Energy Corporation, et al. have requested that the hearing be continued. Mallon Oil Company objects to a continuance. The offsets were first notified of the unorthodox location by letter dated June 19th (copy enclosed), and have had sufficient time to object to the location and prepare for hearing. Mallon Oil Company would like to drill this well as soon as possible, and thus objects to a continuance.

In this regard, geology will be presented to Kevin O. Butler & Associates, Inc. today or tomorrow, with the hope of obtaining a withdrawal of its objection, and the applicant also hopes to obtain a similar waiver from the Fagadu interests.

Thank you for your consideration of this request.

Very truly yours,



James Bruce

cc: Kevin O. Butler & Associates, Inc.
Keleher & McLeod (via fax)

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1066
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

June 19, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

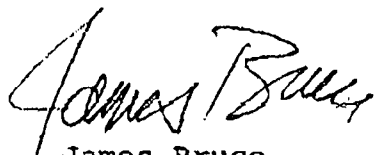
Re: Mescalero "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SW 1/4 S19-19 South-34 East
Lea County, New Mexico

Operator: Mallon Oil Company

Dear Sirs:

Mallon Oil Company has filed an application for administrative approval of the above unorthodox gas well location with the New Mexico Oil Conservation Division. The well will be drilled to test the Morrow formation. If you object to the well location, you must notify the Division in writing no later than Thursday, June 9, 1998. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Mike Stogner).

Very truly yours,



James Bruce

Attorney for Mallon Oil Company

EXHIBIT A

Matador E&P Company, Inc.
c/o Matador Petroleum Corporation
Suite 158
8340 Meadow Road
Dallas, Texas 75231

Devon Energy Corporation (Nevada)
Suite 1500
20 North Broadway
Oklahoma City, Oklahoma 73102
Attention: Ken Gray

Altura Energy Ltd.
P.O. Box 4294
Houston, Texas 77210-4294
Attention: Donnie B. Champlin

Fagadu Energy Corporation
Sanford P. Fagadu
THF Corporation
Jeanne M. Fagadu
D&K Oil & Gas
Suite 1770
2323 Bryan Street
Dallas, Texas 75201

D&K Oil & Gas
3003 North Mesa Street
El Paso, Texas 79902

Kevin O. Butler & Associates, Inc.
P.O. Box 1171
Midland, Texas 79702



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 3, 1998

Keleher & McLeod, P.A.
Attention: Spencer Reid
P. O. Drawer "AA"
Albuquerque, New Mexico 87103

Telefax No. (505) 346-1370

Kevin O. Butler & Associates, Inc.
Attention: Kevin O. Butler, President
500 W. Texas - Suite 955
Midland, Texas 79701

Telefax No. (915) 687-5725

Mallon Oil Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Re: Division Case 12025: *Application of Mallon Oil Company for approval to drill its Mescalero Ridge "19" Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the South line and 990 feet from the West line (Lot3/Unit L) of Section 19, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 19 is to be dedicated to said well in order to form a standard 319.92-acre gas spacing and proration unit in the Undesignated Quail Ridge-Morrow Gas Pool.*

Dear Messrs. Reid, Butler, and Bruce:

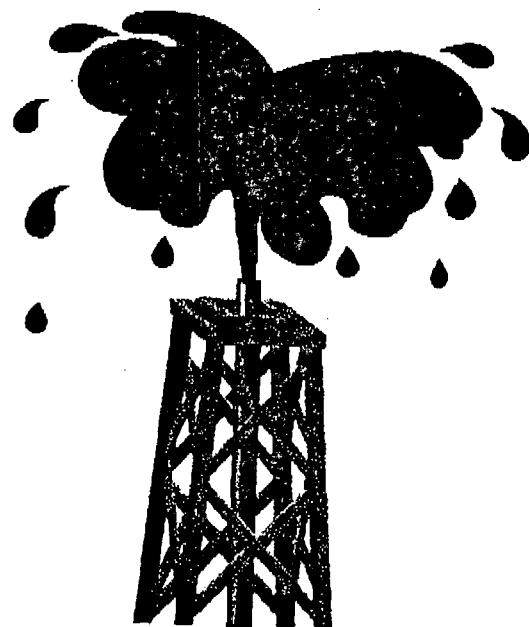
Reference is made to: (i) Mr. Reid's request by letter dated July 27, 1998 on behalf of Fagadu Energy Corporation, THF Corporation, and D & K Oil & Gas Associates, Inc. to continue this case from the August 6, 1998 Division Examiner's hearing; (ii) Mr. Butler's letter dated July 22, 1998 asking that this case be continued to early September; and, (iii) Mr. Bruce's response dated July 29, 1998. To assure that correlative rights are protected, this case will be continued to the September 3, 1998 docket.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Florene Davidson, NMOCD - Santa Fe
File: Case 12025

To: Mr. Michael E. Stogner
Commission Examiner
Company: Oil Conservation Division
From: Thomas H. Fagadau
of Pages: 6 (Including cover sheet)
Date: August 4, 1998
Fax # (505) 827-1389



Remarks:

FAGADAU ENERGY CORPORATION
2323 Bryan Street, Suite 1770
Dallas, TX 75201

FAX

Phone: 214/754-5908
Fax: 214/969-0560

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

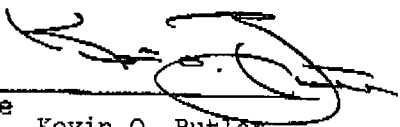
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
S½ S19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Kevin O. Butler & Associates, Inc. previously filed an objection
with the Division regarding the above well location. We now
withdraw our objection to approval of the location.

Very truly yours,


Name Kevin O. Butler

President

Title

8/5/98

Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SW 1/4 S19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Jeanne M. Pagadu previously filed an objection with the Division
regarding the above well location. I now withdraw my objection to
approval of the location.

Very truly yours,



Name Thomas H. Pagadau
for Jeanne M. Pagadau

August 4, 1998

Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

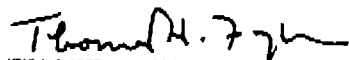
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
S $\frac{1}{2}$ S19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Sanford P. Fagadu previously filed an objection with the Division
regarding the above well location. I now withdraw my objection to
approval of the location.

Very truly yours,



Name Thomas H. Fagadau
for Sanford P. Fagadau

August 4, 1998

Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

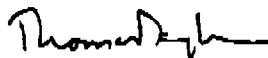
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
S½ S19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

D&K Oil & Gas previously filed an objection with the Division
regarding the above well location. We now withdraw our objection
to approval of the location.

Very truly yours,



Name Thomas H. Fagadau

Agent

Title

August 4, 1998

Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

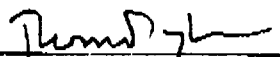
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
S₄ E19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

THP Corporation previously filed an objection with the Division
regarding the above well location. We now withdraw our objection
to approval of the location.

Very truly yours,


Name Thomas H. Fagadau

President
Title

August 4, 1998
Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

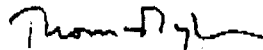
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1550 feet FSL & 990 feet FWL
SM S19, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Fagadu Energy Corporation previously filed an objection with the
Division regarding the above well location. We now withdraw our
objection to approval of the location.

Very truly yours,


Name Thomas H. Fagadau

Vice President
Title

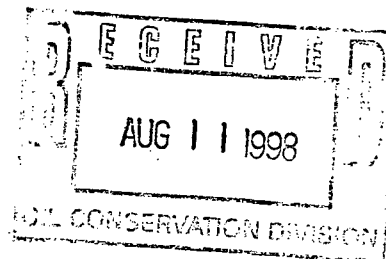
August 4, 1998
Date

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



August 11, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

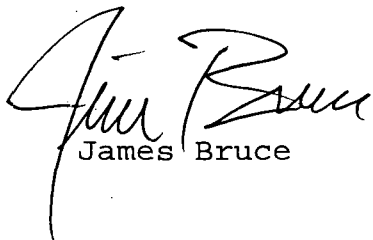
Re: Mallon Oil Company
Unorthodox location application
S½ §19-19S-34E
Lea County, New Mexico

Dear Mr. Stogner:

Enclosed are copies of waivers from the Fagadu interests. I understand that a waiver from Kevin O. Butler & Associates, Inc. has also been submitted to you. Due to the withdrawal of objections, Mallon requests that the application be approved administratively.

Thank you.

Very truly yours,


James Bruce

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

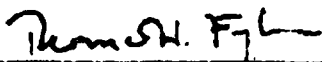
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SW 1/4, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Jeanne M. Pagada previously filed an objection with the Division
regarding the above well location. I now withdraw my objection to
approval of the location.

Very truly yours,


Name Thomas H. Pagadau
for Jeanne M. Pagadau

August 4, 1998
Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

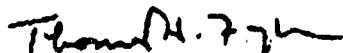
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SW 1/4, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Sanford P. Fagadu previously filed an objection with the Division
regarding the above well location. I now withdraw my objection to
approval of the location.

Very truly yours,



Name Thomas H. Fagadu
for Sanford P. Fagadu

August 4, 1998

Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505


Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SW 1/4, Township 19 South, Range 34 East, NMMN
Lea County, New Mexico

Dear Mr. Stogner:

D&K Oil & Gas previously filed an objection with the Division
regarding the above well location. We now withdraw our objection
to approval of the location.

Very truly yours,



Name Thomas H. Fagadau

Agent
Title

August 4, 1998
Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SX §19, Township 19 South, Range 34 East, NMNM
Lea County, New Mexico

Dear Mr. Stogner:

THF Corporation previously filed an objection with the Division
regarding the above well location. We now withdraw our objection
to approval of the location.

Very truly yours,


Name Thomas H. Pagadau

President
Title

August 4, 1998
Date

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

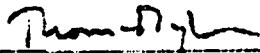
Re: Case 12025; Application of Mallon Oil Company for an
unorthodox gas well location

Mescalero Ridge "19" Fed. Well No. 1
1650 feet FSL & 990 feet FWL
SW 3/4, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Fagadu Energy Corporation previously filed an objection with the
Division regarding the above well location. We now withdraw our
objection to approval of the location.

Very truly yours.



Name Thomas H. Fagadau

Vice President

Title

August 4, 1998

Date



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

MEMORANDUM

To: All Operators and Interested Parties

From: Lori Wrotenbery, Chair *LW*
Oil Conservation Commission

Subject: Oil Conservation Commission Meeting
September 9, 1998 - 10:00 am

Place: Pecos Inn Meeting Room, Artesia, New Mexico

The New Mexico Oil Conservation Commission has set Wednesday, September 9, 1998, as the date for a meeting with the oil and gas industry and other interested parties. This meeting is an opportunity for you to give the Commission your recommendations for the Oil Conservation Division's operations and programs. This forum has been successful the past three years with many of your recommendations being implemented by the Division and the Commission.

This year, the Commission is particularly interested in hearing your suggestions on actions the state could take to assist the industry at this time of low oil prices. The Governor has asked us to report back to him on this issue.

If you would like to make a presentation at this meeting, please send me a brief request setting forth the subject matter of your comments and the time requested for your presentation. Written statements and letters will be incorporated in the record, and there will be time scheduled for oral statements. The meeting will be informal with discussion evolving from key issues that you bring up. It's your agenda and your participation is critical to a successful meeting.

Please note the meeting will be held at the **Pecos Inn Meeting Room in Artesia, New Mexico.**

cc: Bill LeMay, Commissioner
Jami Bailey, Commissioner

DOCKET: SPECIAL COMMISSION HEARING - THURSDAY - JULY 30, 1998

9:00 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

The Land Commissioner's designee for the hearing will be Jami Bailey or Gary Carlson

FINAL ACTION WILL BE TAKEN IN THE FOLLOWING CASE:

CASE 11925: (De Novo)

Application of KCS Medallion Resources, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval of an unorthodox gas well location within the Turkey Track-Morrow Gas Pool for its PDM Well No. 1 to be drilled 860 feet from the South line and 600 feet from the West line (Unit M) of Section 16, Township 19 South, Range 29 East, being approximately 12.5 miles southwest of Loco Hills, New Mexico. The S/2 of said Section 16 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said pool. Upon application of KCS Medallion Resources, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 6, 1998

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 23-98 and 24-98 are tentatively set for August 20 and September 3, 1998. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11988: (Continued from July 9, 1998, Examiner Hearing.)

Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. The applicant seeks an order pooling all mineral interests in the Basin-Dakota Pool underlying Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 5, Township 29 North, Range 11 West, thereby forming a standard 293.68-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its proposed Fifield Com Well No. 1-E (API No. 30-045-29517) to be drilled at a standard gas well location in the NW/4 equivalent of said Section 5. 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 unit and a charge for risk involved in drilling said well. Said unit area is located approximately 4 miles south of Aztec, New Mexico.

CASE 11981: (Readvertised)

Application of Devon Energy Corporation (Nevada) for lease commingling, Eddy County, New Mexico. Applicant seeks an exception to Division Rule 309 to permit lease commingling of Red Lake Queen-Grayburg-San Andres Pool production from 32 wells drilled or to be drilled on its Federal Leases LC 069274, LC 026874-B, LC 060894, LC 0026874-F, LC 049648-A, and LC 049648-B, covering parts of Section 31, Township 17 South, Range 27 East, and Sections 5 and 6, Township 18 South, Range 27 East, without separately metering production from each well or lease. The leases are located approximately 6.5 miles southeast of Artesia, New Mexico.

CASE 12011: (Continued from July 23, 1998, Examiner Hearing.)

Application of Strata Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing in the W/2 of Section 22, Township 22 South, Range 32 East. Applicant proposes to dedicate this spacing and proration unit to its Hill Federal Well No. 1 to be drilled at a standard location 1980 feet from the South and West lines (Unit K) of Section 22 to a depth sufficient to test any and all formations down to the base of the Morrow Formation. Also to be considered will be the cost of drilling and completing the 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 the well. Said units are located approximately 9

CASE 12020: **Application of OXY USA INC. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 3,000 feet below the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 17 South, Range 27 East, and in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, which presently may include but is not necessarily limited to the Logan Draw-Morrow Gas Pool; the Logan Draw-Atoka Gas Pool and the Logan Draw-Cisco/Canyon Gas Pool. The unit is to be dedicated to its Chopsticks Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit G of Section 24. Also to be considered will be the costs of drilling and completing the 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 the well. The unit is located approximately 9 1/2 miles east of Artesia, New Mexico.

CASE 12021: **Application of Southwest Royalties, Inc. for a waterflood project, Lea County, New Mexico.** Applicant seeks authority to institute a waterflood project on its Gonzales "31" Federal lease comprising the N/2 of Section 34, Township 17 South, Range 33 East, by the injection of water into the San Andres formation, Flying M San Andres Pool, through the perforated interval from 4,239 feet to 4,282 feet in its Gonzales "31" Federal Well No. 6Y located 1980 feet from the South line and 860 feet from the East line (Unit I) of Section 31. This project is located approximately 9 miles northwest of Caprock, New Mexico.

CASE 12022: **Application of Southwest Royalties, Inc. for a waterflood project, Lea County, New Mexico.** Applicant seeks authority to institute a waterflood project on its Eilliams and Wyatt Phillips Federal lease comprising the N/2 of Section 34, Township 17 South, Range 33 East, by the injection of water into the Grayburg/San Andres formation, Maljamar Grayburg-San Andres Pool, through the perforated interval from 4,325 feet to 4,833 feet in its Eilliams Federal Well No. 14 located 1650 feet from the North line and 1980 feet from the East line (Unit G) of Section 34. This project is located approximately 7 miles southeast of Maljamar, New Mexico.

CASE 11986: (Continued from July 9, 1998, Examiner Hearing.)

Application of Saba Energy of Texas, Incorporated for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks the creation of a new pool for the production of hydrocarbons from the Upper Pennsylvanian formation that is comprised of the E/2 NE/4 and the E/2 SE/4 of Section 7, Township 13 South, Range 36 East, as the result of the discovery of oil in its Saba State Well No. 1 located in Unit I of said Section 7 and the promulgation of Special Pool Rules for this new pool including provisions for 80-acre spacing and special well location requirements. Said area is located approximately 2 miles south-southwest of Tatum, New Mexico.

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CASE 11993: (Readvertised)

Application of John H. Hendrix Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations from 7000 feet (the approximate top of the Abo formation) to the base of the Strawn formation for all formations developed on 80-acre spacing including the Cass-Pennsylvanian Pool in the E/2 NW/4 and in all formations developed on 40-acre spacing including the Southeast Monument-Abo Pool in the NE/4 NW/4 of Section 16, Township 20 South, Range 37 East. The unit is to be dedicated to either the Wood State Well No. 4 to be drilled at a location 660 feet from the North line and 2310 feet from the West line of Section 16 or, in the alternative, to the Conoco State CC-16 Well No. 1 located at a location 330 feet from the North line and 2080 feet from the West line of Section 16. Also to be considered will be the cost of drilling and completing the 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 the well. This area is located approximately 3 miles southeast of Monument, New Mexico.

CASE 12003: (Continued from July 9, 1998, Examiner Hearing.)

Application of Manzano Oil Corporation for special pool rules, Lea County, New Mexico. Applicant seeks the promulgation of special pool rules and regulations for the Featherstone - Bone Spring Pool comprised of portions of Sections 20 and 21 of Township 20 South, Range 35 East, including provisions for 80-acre spacing and special well location requirements. The area is located approximately 9 miles west-southwest of Monument, New Mexico.

CASE 12023: **Application of Hanagan Petroleum Corporation for amendment of Division Order No. R-8611 to authorize a 40-acre five spot injection pattern in its Twin Lakes San Andres Unit Waterflood Project Area, and to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Chaves County, New Mexico.** Applicant seeks approval to institute a 40-acre five spot injection pattern in its Twin Lakes San Andres Unit Waterflood Project Acre by the injection of water into the San Andres formation in the Twin Lakes-San Andres Associated Pool. The Twin Lakes San Andres Unit Waterflood Project encompasses portions of Townships 8 and 9 South, Ranges 28 and 29 East. Applicant also seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The unit is located approximately 31 miles east of Roswell, New Mexico.

CASE 12024: **Application of Yates Petroleum Corporation for an unorthodox well location and simultaneous dedication, Eddy County, New Mexico.** Applicant seeks an exception to Division Rule 104.C.(2) to permit it to drill its proposed Little Box Canyon AOX Federal Well No. 2 at an unorthodox location 1980 feet from the North line and 1190 feet from the West line as a second well in the W/2 of Section 7, Township 21 South, Range 22 East, and simultaneously dedicate the W/2 of Section 7 to the Little Box Canyon AOX Federal Well Nos. 1 and 2 in the Little Box Canyon-Morrow Gas Pool. The wells are located approximately 30 miles west-northwest of Carlsbad, New Mexico.

CASE 11991: (Continued from July 23, 1998, Examiner Hearing.)

Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant seeks authority to downhole commingle Undesignated Kennedy Farms-Upper Pennsylvanian, Undesignated Kennedy Farms-Atoka and Kennedy Farms-Morrow Pool production within its Martin "ARH" Well No. 1 located 1980 feet from the South and East lines (Unit J) of Section 27, Township 17 South, Range 26 East. This well is located approximately 3 miles southeast of Artesia, New.

CASE 11976: (Continued from July 9, 1998, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in Lots 1, 2, 7, 8, 9, 10, 15 and 16, containing 319.97 acres, more or less, for all formations developed on 320-acre spacing, including but not limited to the Hat Mesa-Morrow Gas Pool; in Lots 9, 10, 15, and 16 for all formations developed on 160-acre spacing; in Lots 15 and 16 for all formations developed on 80-acre spacing; and in Lot 16 for all formations developed on 40-acre spacing, of Section 2, Township 21 South, Range 32 East. Said units are to be dedicated to its Minis "2" Federal Well No. 1 to be drilled to the Morrow formation at an unorthodox location 3630 feet from the South line (990 feet from the South line of the dedicated stand-up spacing unit) and 660 feet from the East line of said Section 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 5 miles southeast of Halfway, New Mexico.

CASE 12025: **Application of Mallon Oil Company for an unorthodox gas well location, Lea County, New Mexico.** Applicant seeks approval to drill its Mescalero Ridge "19" Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the South line and 990 feet from the West line (Lot 3/Unit L) of Section 19, Township 19 South, Range 34 East, located approximately 7 miles east of the junction of U.S. Highway 62/180 and New Mexico State Road 176. Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 19 is to be dedicated to said well in order to form a standard 319.92-acre gas spacing and proration unit in the Undesignated Quail Ridge-Morrow Gas Pool.

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CASE 12015: (Continued from July 23, 1998, Examiner Hearing.)

Application of Gruy Petroleum Management for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to Oil Conservation Division Rule 104.C.(2) to authorize an unorthodox gas well location for the Rhodes Federal Unit Well No. 43 at a point 2310 feet from the South line and 990 feet from the West line (Unit L) of Section 4, Township 26 South, Range 37 East, and authorization to simultaneously dedicate this well and its Rhodes Federal Unit Wells 43 and 415 to a standard gas spacing unit comprised of the SW/4 of Section 4 in the Rhodes-Yates-Seven Rivers Gas Pool. Said wells are located approximately 3 miles south-southeast of Jal, New Mexico.

CASE 12017: (Continued from July 23, 1998, Examiner Hearing.)

Application of Gruy Petroleum Management for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to Oil Conservation Division Rule 104.C.(2) to authorize an unorthodox gas well location for the Rhodes State Com. Well No. 5 at a point 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 16, Township 26 South, Range 37 East, and authorization to simultaneously dedicate that well and its Rhodes State Com. Wells 18 and 19 to a standard gas spacing unit comprised of the NW/4 of Section 16 in the Rhodes-Yates-Seven Rivers Gas Pool. These wells are located approximately 5 miles south-southeast of Jal, New Mexico.

CASE 11811: (Continued from May 14, 1998, Examiner Hearing.)

Application of the Oil Conservation Division for an order requiring Hanson Energy to plug seventeen (17) wells in Eddy County, New Mexico. In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Hanson Energy, Gulf Insurance Company, and all other interested parties to appear and show cause why seventeen (17) wells located in Township 18 South, Range 28 East and Township 17 South, Ranges 27 and 28 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 10 miles south-southeast of Artesia, New Mexico.