

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MALLON OIL COMPANY
FOR THE ESTABLISHMENT OF A DOWNHOLE
COMMINGLING REFERENCE CASE PURSUANT
TO DIVISION RULE 303.E AND THE ADOPTION
OF SPECIAL ADMINISTRATIVE RULES
THEREFOR, SANDOVAL COUNTY, NEW MEXICO.

CASE NO. 11697

APPLICATION

Mallon Oil Company hereby makes application for an order establishing a downhole commingling reference case for downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations underlying projected Sections 4 through 10, Township 22 North, Range 4 West, N.M.P.M., Sandoval County, New Mexico, and in support thereof states:

1. Applicant is the operator of Jicarilla Apache Tribal Contract No. 434, covering Sections 4, 5, and 6, and Jicarilla Apache Tribal Contract No. 435, covering Sections 7, 8, 9, and 10, within the aforesaid township and range, and has the right to drill a well or wells thereon.

2. Division Rule 303.C requires that administrative applications for downhole commingling be submitted on a well-by-well basis.

3. Sufficient data is available from existing wells in the subject area to support downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations on an area-wide basis, rather than on a well-by-well basis. As a result, applicant requests the establishment of a reference case, pursuant to Division Rule 303.E, under which all administrative applications for downhole commingling within the

subject area submitted subsequent to the filing of this application refer to the order entered in this case, and need not contain data on (a) marginal economic criteria, (b) pressures, (c) allocation formulas, and (d) notice to any owners of production within well spacing units.

4. Production from the each separate formation in the subject area is marginal. Thus, wells cannot be drilled unless production therefrom can be downhole commingled.

5. The processing of downhole commingling applications in the subject area on a well-by-well basis will be an administrative burden to the Division and the applicant.

6. Ownership in said Sections 3 through 10 is common among the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations, for which downhole commingling is sought.

7. Approval of a downhole commingling reference case on an area-wide basis is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

(a) Approving a reference case for Sections 4 through 10, Township 22 North, Range 4 West, establishing (i) marginal economic criteria, (ii) pressure criteria, (iii) allocation formulas, and (iv) a modification of notice rules, for downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations; and

(b) Granting such other relief as the Division deems proper.

Respectfully submitted,

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



James Bruce
Post Office Box 2068
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Attorneys for Mallon Oil Company

PROPOSED ADVERTISEMENT

Case 16-97: Application of Mallon Oil Company for the establishment of a downhole commingling reference case pursuant to Division Rule 303.E, and the adoption of administrative rules therefor, Sandoval County, New Mexico. Applicant, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules, on an area-wide basis, for downhole commingling of production from the Fruitland Coal, Pictured Cliffs, Mesaverde, Mancos, and Dakota formations in the wellbores of future wells drilled within Sections 4 through 10, Township 22 North, Range 4 West, NMPM. Said area is centered approximately at the intersection of State Highways 44 and 537.

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

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*NOT LICENSED IN NEW MEXICO

December 17, 1996

11697

Hand Delivered

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

Dear Florene:

Enclosed are an original and two copies of an application for downhole commingling, together with a proposed advertisement, filed on behalf of Mallon Oil Company.

Please set this case for the January 9, 1997 Examiner hearing. Thank you.

Very truly yours,

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


James Bruce

Attorneys for Mallon Oil
Company