



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