

OIL CONSERVATION DIVISION
ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT
STATE OF NEW MEXICO

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION

APR 11 1989

CASE 9650 OIL CONSERVATION DIVISION

REQUEST FOR CONTINUANCE

COMES NOW Mallon Oil Company, by and through its attorneys Montgomery & Andrews, P.A., and requests the Division to continue that portion of this case which relates to the extension of the Blanco-Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico which is shown as Item (d) on the hearing docket. In support of this request, Mallon states:

1. That it has drilled and is the operator of the Davis-Federal #3-15 well which has been recompleted in the Mesaverde formation located in Section 3, Township 25N, Range 2W.
2. That since the recompletion of this well in the Mesaverde formation, Mallon has been unable to produce this well to develop production information in order to adequately access the zone of completion of this well due to a delay in pipeline connection.
3. Without a period of full production sufficient evidence is not available to reasonably determine reservoir continuity within the Mesaverde from existing production to the subject acreage. The nearest commercial

Blanco-Mesaverde pool production is about four miles from the Davis-Federal #3-15.

4. Wells completed in the Mesaverde between commercially productive Blanco-Mesaverde pool wells and the subject acreage have been essentially non-productive.

5. The Menefee member appears from log data to be the most important constituent to production in the Davis-Federal #3-15. Menefee in the closest commercial Blanco-Mesaverde wells has reportedly either not been completed or has been of only minor importance.

6. Early production from the Davis-Federal #3-15 from about 14 days flow during clean-up and testing indicates that gas-oil ratios are consistently lower than in the closest Blanco-Mesaverde wells. Oil gravity from the Davis was measured at 29.9° API also well below the pool norm. The structurally higher position of the Mallon well relative to most of the Blanco-Mesaverde pool, along with the existing Menefee oil production from certain basin flank wells indicates a transition interval exists somewhere in the vicinity.

7. Structural closure across the "Gavilan Dome" or perhaps more correctly the "Gavilan Nose" has apparently influenced a somewhat isolated accumulation in the Pictured Cliffs Formation which lead to a separate pool designation for that zone at this location. (The Gavilan P-C pool has since developed away from the structure). Apparently

successful, recent Mesaverde completions on this feature in Mallon's Davis-Federal #3-15 and Mesa Grande Resources #1 North Lindrith 23, may indicate that the same mechanism is influencing the Mesaverde accumulation of hydrocarbons which, as mentioned, appears to be isolated by non-commercial wells from the main Blanco-Mesaverde pool.

8. Mallon's Davis-Federal #3-15 well has become somewhat of a hardship well with accumulative costs now well in excess of \$1,000,000 through the several Mancos and Dakota completion attempts and the latest recompletion in the Mesaverde. With other Gavilan area operators experiencing high cost Mancos wells with recent severe losses in productivity, and given the demonstrated discontinuity of commercially productive Mesaverde in the area, the risk of drilling or recompleting for Mesaverde objectives may be too high to encourage exploration and development efforts under the Blanco pool rules. Proration of gas sales would have a definitely negative impact on Mallon's future planning for Mesaverde development.

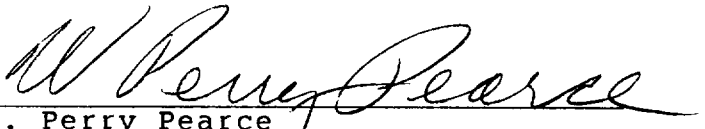
9. Mallon anticipates that the Davis-Federal #3-15 will be hooked up for gas sales this month and feel that it would be reasonable to have a period of non-pool production from the well to determine its similarity or dissimilarity in production characteristics to the existing Blanco-Mesaverde wells. This information, given the above

points, may prove important in determining whether or not the pool extension is warranted.

WHEREFORE, Mallon Oil Company requests that this Commission continue subpart (d) of Case 9650 and reschedule that portion of this nomenclature hearing to a date not less than one hundred eighty (180) days following connection of the Davis-Federal #3-15 well and production of that well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By 
W. Perry Pearce
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

Attorneys for Mallon Oil Company

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

Garrey Carruthers
Governor

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

M-E-M-O-R-A-N-D-U-M (3-89-9)

TO: Operators of Wells in the Mesaverde Formation in the
25N-26N-2W Area, Rio Arriba County

FROM: Ernie Busch, District 3 Geologist *E'*

SUBJECT: Extension of the Blanco-Mesaverde Pool

DATE: April 18, 1989

At the Nomenclature Hearing on April 12 the Oil Conservation Division received a request for continuance of Case #9650. The continuance was petitioned by Mallon Oil Company to give them time to produce their well to obtain sufficient production information to adequately access the Mesaverde. The Division has dismissed Paragraph D (extension of the Blanco-Mesaverde) and will give the operators one hundred eighty days (180) to create a new pool. If at the end of that time a new pool is not created, the Blanco-Mesaverde will be extended as set forth in Paragraph D. If during that interval of time, any wells are completed within one mile of the Blanco-Mesaverde, the pool will be extended to include those wells.

In order to continue developing the greater than one mile area from the Blanco-Mesaverde Pool boundary without interruption, it will be necessary to treat these wells as Undesignated Mesaverde requiring 160 acres and reverting to statewide rules.

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