

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9073
Order No. R-8411

APPLICATION OF MALLON OIL COMPANY FOR
THE REINSTATEMENT OF OIL PRODUCTION
ALLOWABLES AND AN EXCEPTION TO THE
PROVISIONS OF DIVISION GENERAL RULE
502 FOR CERTAIN WELLS LOCATED IN THE
GAVILAN-MANCOS OIL POOL, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18,
1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of March, 1987, 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, seeks an order
reinstating the oil allowables which should have been assigned to
the following described wells, all in Township 25 North, Range 2
West, Gavilan-Mancos Oil Pool, NMPM, Rio Arriba County, New
Mexico, for the months of January, February, March, and April,
1986.

Howard Federal "1" Well No. 8 located in Unit H of
Section 1;

Howard Federal "1" Well No. 11 located in Unit K of
Section 1;

Fisher Federal "2" Well No. 1 located in Unit A of
Section 2;

Ribeyowids Federal "2" Well No. 16 located in Unit F of Section 2; and,

Johnson Federal "12" Well No. 5 located in Unit E of Section 12.

(3) The applicant further seeks an exemption to the provisions of Division General Rule 502 which limit the period of time an operator is given to make up any overproduction of oil and casinghead gas.

(4) Jerome P. McHugh, Benson-Montin-Greer Drilling Corporation, Dugan Production Corporation, and Sun Exploration and Production Company, all offset operators or interest owners in the area, appeared at the hearing in opposition to the application.

(5) The subject wells described in Finding No. (2) above, were originally drilled and completed during 1985 as Undesignated Gallup producers and, as such, were assigned 40-acre oil proration units by the applicant as per the Division's General Statewide Spacing Rules.

(6) By Order No. R-8063, issued in Case No. 8713, to which the applicant was a party, the Division extended the horizontal limits of the Gavilan-Mancos Oil Pool to include, in part, the area encompassed by the subject wells, being Sections 1, 2, and 12 of Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(7) On January 1, 1986, which was the effective date of said Order No. R-8063, the applicant's wells became subject to the Special Rules and Regulations for the Gavilan-Mancos Oil Pool, which require standard oil proration units consisting of 320 acres.

(8) The applicant testified that the subject wells should have been assigned a 320-acre oil allowable beginning January 1, 1986, at which time said wells were placed in the Gavilan-Mancos Oil Pool.

(9) The applicant seeks to utilize said back allowable which amounts to approximately 187,065 barrels of oil to balance the subject wells' current overproduced status which came about as a result of overproduction during the months of September through December, 1986.

(10) At the time the subject wells were placed in the Gavilan-Mancos Oil Pool, the applicant was required by Division Rules and Regulations to submit Form C-102, Acreage Dedication

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Plat, and Form C-116, Gas-Oil Ratio Tests, for each of the subject wells.

(11) Current Division policy regarding assignment of allowables to wells is summarized in Rule No. 1104 (3) of the Division Rules and Regulations which states that " No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the owner, or a non-standard unit has been approved by the Division, or a standard unit has been communitized or pooled and dedicated to the well."

(12) Evidence presented at the hearing indicates that the applicant did not file with the Division's Aztec Office, Form C-102, Acreage Dedication Plat, dedicating 320 acres to each of the subject wells until February 14, 1986.

(13) Evidence further shows that although C-102's were filed for the Howard Federal "1" Well Nos. 8 and 11 on February 14, 1986, the 320 acres to be dedicated to each of these wells was not actually communitized until April 28, 1986.

(14) The applicant's Johnson Federal "12" Well No. 5 also did not have the dedicated 320 acres communitized until Division Order No. R-8262, effective August 7, 1986, was entered in a compulsory pooling case heard before the Division on May 20, 1986.

(15) According to Division rules and policies, the applicant is not entitled to receive the 320-acre oil allowable for the Howard Federal "1" Well Nos. 8 and 11, and the Johnson Federal "12" Well No. 5, for the period of time in question since the acreage for these wells was not communitized during the months of January through April, 1986.

(16) Evidence further shows that the acreage which was dedicated to the ~~and~~ Ribeyowids Federal "2" Well No. 16, and the Fisher Federal "2" Well No. 1 was consolidated at the time the applicant filed the C-102's for said wells on February 14, 1986.

(17) Testimony by the Division's Aztec District Supervisor at the time of the hearing indicates that an adjusted allowable was assigned to the Ribeyowids Federal "2" Well No. 16 and the Fisher Federal "2" Well No. 1 on February 14, 1986, according to the latest gas-oil ratio tests the Division had on file for these wells.

(18) The applicant failed to file new Division Form C-116's, Gas-Oil Ratio Tests, for the two wells described above subsequent

to January 1, 1986, and as a result, did not receive the substantial increase in allowable that they could have had.

(19) Inasmuch as the applicant failed to comply with Division Rules and Regulations regarding the timely filing of C-102's and C-116's for all of the subject wells, under Division Rules and Regulations, no back allowable should be reinstated to these wells.

(20) The applicant presented no testimony or evidence that would indicate that its correlative rights would be violated if the back allowable is not reinstated by the Division.

(21) The applicant failed to demonstrate that the allowable which should have been produced during January through April from these wells would not be able to be produced at a future time.

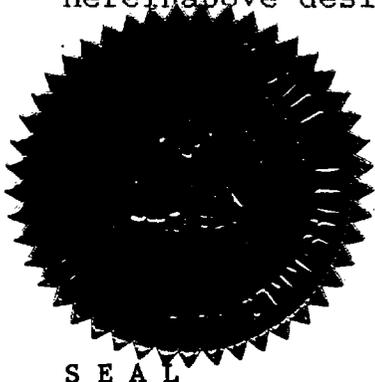
(22) The applicant's request for reinstatement of allowable for the months of January through April, 1986, for the subject wells should be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Mallon Oil Company for the reinstatement of oil allowables for the wells described in Finding No. (2) above, for the months of January through April, 1986, and for an exception to Division General Rule No. 502 is hereby denied.

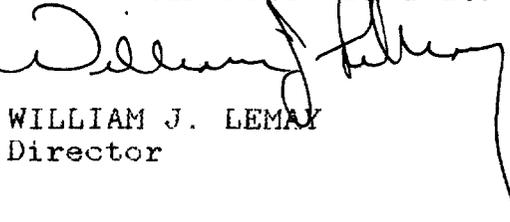
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director