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February 6, 1987

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FEB 6 1987

OIL CONSERVATION DIVISION

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Oil Commission Division
State Land Office
Santa Fe, New Mexico 87501

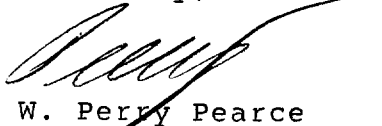
Re: Application of Mallon Oil Company

Dear Florene:

Attached are three copies of the Application of Mallon Oil Company, Gavilan-Mancos Pool, Rio Arriba County, New Mexico. I would appreciate your setting this Application for hearing on the next available examiner docket.

Thank you for your help with this matter.

Sincerely,



W. Perry Pearce

WPP:ds:134

Enclosure

cc: Mallon Oil Company
William F. Carr
W. Thomas Kellahin

Case 9685

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

FEB 6 1987

OIL CONSERVATION DIVISION

IN THE MATTER OF
THE APPLICATION OF
MALLON OIL COMPANY
FOR AMENDMENT OF
DIVISION ORDERS
R-3401 AS AMENDED
AND R-6469
AS AMENDED

Case No. 9085

APPLICATION

COMES NOW Mallon Oil Company, by its attorneys Montgomery & Andrews, P.A. and applies to the New Mexico Oil Conservation Division for amendment to Division Orders R-3401 and R-2565 as amended. In support of its Application applicant would show:

1. That applicant is the operator of certain producing wells in the Gavilan-Mancos Oil Pool located in portions of Township 24 N., Range 2 W. and Township 25 N., Range 2 W., N.M.P.M. Rio Arriba County, New Mexico.
2. That the Gavilan-Mancos Oil Pool is a direct westerly offset to portions of the West Puerto Chiquito Mancos Pool and the Canada Ojitos Unit operated by Benson Montin and Greer.
3. That Division Order R-6469B as amended established a "Buffer Zone" in the West Puerto Chiquito Mancos Oil Pool comprised of:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

Rio Arriba County, New Mexico.

4. That current geological and engineering data suggests that the most westerly row of sections in the West Puerto Chiquito Mancos Pool are not in close communication with those wells in the easterly portion of that pool in which gas injection for pressure maintenance is occurring.

5. That despite this lack of close communication the wells in the westerly portion of the West Puerto Chiquito Mancos Pool are receiving credit for gas injected for pressure maintenance purposes in the easterly portion of the West Puerto Chiquito Mancos Pool and therefore the wells offsetting the Gavilan-Mancos Oil Pool are granted higher oil allowables BY Division Order R-3401 as amended.

6. That the result of these higher oil allowables for the wells in the western portion of the West Puerto Chiquito Mancos Pool is likely to cause drainage due to unfair advantage in production as compared to those wells in the Gavilan-Mancos Oil Pool.

7. That therefore in order to prevent waste and to protect correlative rights it is necessary that the wells drilled in the

"Buffer Zone" described in Division Order R-6469B, as amended, not be given credit for gas injection in computation of their allowable.

WHEREFORE applicant prays that the Division enter its Order restricting the gas injection credit authorized in Division Order R-3401 as amended be restricted and not be applied to the wells with the "Buffer Zone" as described in Division Order R-6469B, as amended, after notice and hearing.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: _____

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