

Docket No. 31-87

October 15, 1987

Case No. 9226 + 9227

STATEMENT ON BEHALF OF MALLON OIL COMPANY

May it please the Commission, my name is Frank Douglass with the Austin-Houston law firm of Scott, Douglass & Luton. I appear on behalf of Mallon Oil Company. Mallon operates seven wells in the Gavilan-Mancos Oil Pool. As you are aware, there has been a series of hearings involving production rates and consolidation issues for the Gavilan-Mancos Pool and the West Puerto Chiquito Mancos Pool, with another hearing scheduled for May of 1988 in this regard.

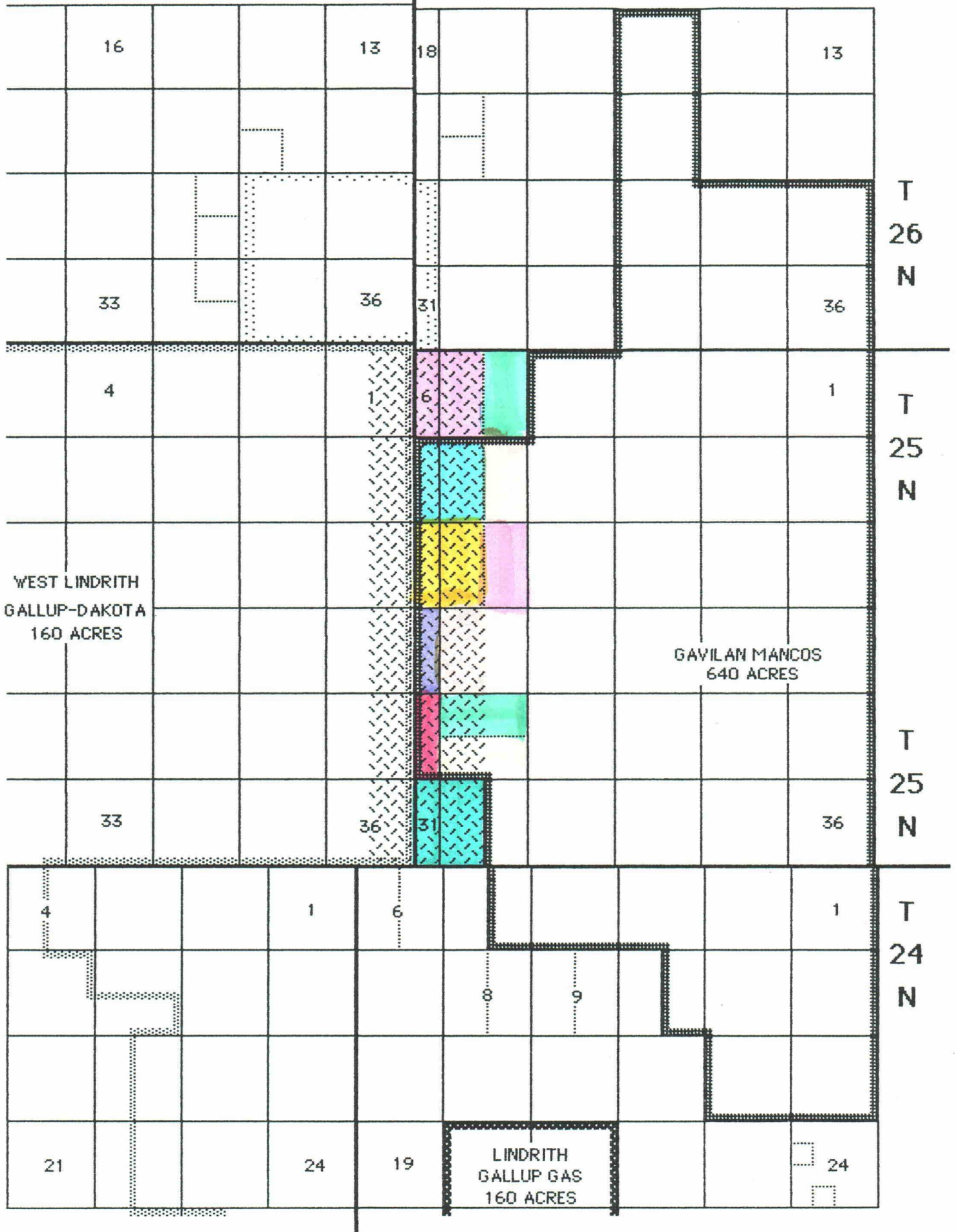
Mallon has no objection to the proposal by Mesa Grande with reference to a buffer zone between the West Lindreth and the Gavilan. However, by not objecting to these proceedings, Mallon in no way waives its rights to request that any future hearing involving the consolidation and production rates of the Gavilan-Mancos Pool with the West Puerto Chiquito Pool also consider the West Lindreth Pool and the corresponding producing rates. As Mesa Grande will show, the gas limits in the West Lindreth are substantially greater than the current Gavilan gas limits. Mallon has been participating in the production tests and pressure surveys being conducted in the Gavilan and the West Puerto Chiquito. However, the reason for agreeing to and the need for restricted production rates for the Gavilan insofar as the test periods are concerned will end in January 1988. There is substantially more evidence for consideration of consolidation between the West Lindreth and the Gavilan than there is between Gavilan and West Puerto Chiquito. As it will stand now, Gavilan

would have its gas production severely curtailed versus the West Lindreth area and versus the statewide allowables. We want the Commission to be aware of this inequitable condition. Mallon wishes to reserve the right to (1) request an advancement of the May, 1988 hearing, (2) the immediate reinstatement of statewide allowables in Gavilan pending a decision in that advanced hearing, and (3) whether the advanced hearing should consider the inclusion of the West Lindreth and other areas, if Gavilan is going to be consolidated with West Puerto Chiquito or if restricted allowables are imposed in Gavilan for any reason.

Let me add, I have always had great respect for the New Mexico conservation laws and this Commission. Texas has had the pleasure of copying several of your statutes and regulations in their effort to update its conservation actions. Guy Buell of our Austin office has had the pleasure of practicing before this Commission for many years, and he sends his regards. Thank you.

R 3 W | R 2 W

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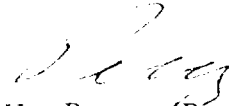
Re: OCD Cases 9226, 9227 and 9228

Dear David:

Please enter the appearance of Mobil Exploration and Producing, U.S. for Mobil Producing Texas-New Mexico, Inc. in the above-referenced cases. Although Mobil does not expect to participate in these hearings, I would appreciate it if you would make this entry of appearance a matter of official record at that hearing.

Thank you for your assistance with this matter.

Sincerely,


W. Perry Pearce

WPP:mp:73