Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

2004 SEP 30 PM 10 44
RECEIVED
070 FARMINGTON NM

5. Lease Serial No.
CONTRACT 457

6. If Indian, Allottee or Tribe Name
JICARILLA APACHE

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
JIC 457-03 3

2. Name of Operator
MALLON OIL COMPANY

Contact: CHUCK MAYBEE
E-Mail: cmaybee@bhep.com

9. API Well No.
30-039-25779

3a. Address
350 INDIANA STREET, SUITE 400
GOLDEN, CO 80401

3b. Phone No. (include area code)
Ph: 720.210.3100

10. Field and Pool, or Exploratory
EAST BLANCO PICTURED CLIFFS

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 3 T30N R3W NWSW 1805FSL 865FWL

11. County or Parish, and State
RIO ARRIBA COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Change to Original A PD
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please find attached in an Adobe file: Revised Drilling Program, BOP Diagram, Horizontal Drilling Plan.

The location was permitted for Mallon Oil Company with an APD submitted to the Bureau of Land Management (BLM) in Rio Puerco, New Mexico and New Mexico Oil Conservation Division (NMOCD) on 01/12/98, and was approved by the BLM on 02/13/98. First production was in May 1999. Mallon Oil Company proposes to re-enter and horizontally drill this location with a southeast lateral bore. End of lateral bore is anticipated to be 660'FSL 660'FEL (SE/4SE/4) of Section 3 T30N R3W.

Please contact David Banko or Kathy Schneebeck at 303-820-4480, or at david@banko1.com or kathys@banko1.com, respectively, if you have any questions.
Thank you.

HOLD C104 FOR Directional survey and Plat

DEC 2004

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #36203 verified by the BLM Well Information System
For MALLON OIL COMPANY, sent to the Rio Puerco
Committed to AFMSS for processing by ANGIE MEDINA-JONES on 09/27/2004 ()

Name *(Printed/Typed)* KATHY L. SCHNEEBECK (AGENT) | Title AGENT

Signature (Electronic Submission) | Date 09/23/2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By | Title Division of Multi-Resources | Date DEC 10 2004

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. | Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

OPERATOR

BANKO
PETROLEUM
MANAGEMENT INC.

Via Electronic Submission #36203

Ms. Angie Medina-Jones
Bureau of Land Management
Albuquerque Field Office
435 Montaño Road NE
Albuquerque, NM 87107-4935

September 22, 2004

RE: Sundry Notice – **Horizontal Re-entry**
Mallon Oil Company
CONFIDENTIAL
Jicarilla 457-03 3
API #30-039-25779
Surface: 1,805' FSL 865' FWL (NW/4 SW/4)
End of Horizontal Hole: 660' FSL 660' FEL (SE/4 SE/4)
Sec. 3 T30N R3W
Rio Arriba County, New Mexico
Lease: Contract 457

Dear Ms. Medina-Jones:

Per CFR 3162.3-2 for further well operations please find originals of the Sundry Notice for the above-referenced well filed on behalf of Mallon Oil Company (Mallon). Courtesy copies were sent directly to the Jicarilla Oil and Gas Administration (JOGA), and the Bureau of Indian Affairs (BIA).

Mallon respectfully requests that all information regarding this well be kept confidential.

Mallon understands that this location should qualify for Categorical Exclusion and that an Assessment will not be required.

We are sending this Sundry Notice electronically to the Bureau of Land Management (BLM). This filing also contained the following attachments: the drilling program, horizontal drilling plan, BOP diagram, and hydrogen sulfide plan.

Your early attention to this application is greatly appreciated. Thank you for your concern.

Very truly yours,

/S/ Kathy L. Schneebeck

Kathy L. Schneebeck
Agent for Mallon Oil Company
KLS:agc
Enclosures
cc: Jicarilla Oil and Gas Administration (JOGA) (Courtesy copy)
Bureau of Indian Affairs (Courtesy copy)
Mallon Oil Company

385 Inverness Parkway, Suite 420 - Englewood, CO 801124-5849 • USA • 303-820-4480 • Fax 303-820-4124
E-mail: david@banko1.com • Home site: www.banko1.com

Mallon Oil Company
Jicarilla 457-03 3
API #30-039-25779
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Rio Arriba County, New Mexico
Lease: Contract 457

CONFIDENTIAL

DRILLING PROGRAM
(Per Rule 320)

This Sundry Notice is submitted per CFR 3162.3-2. The existing well pad and reserve pit will be utilized "as is."

This is a horizontal entry into and a deepening of the existing well Jicarilla 457-03 3 to the Pictured Cliffs Formation. See also the attached Horizontal Re-completion Plan.

MALLON RESPECTFULLY REQUESTS THAT ALL INFORMATION REGARDING THIS WELL BE KEPT CONFIDENTIAL.

SURFACE FORMATION – San Jose
Surface water protection plan: Surface casing previously cemented to surface – 05/17/99.

GROUND ELEVATION – 7,143' GL

ESTIMATED FORMATION TOPS (Water, oil, gas and/or other mineral-bearing formations).
All Depths are True Vertical Depth (TVD)

San Jose	Surface	Sandstone, shales and siltstones
Naimiento	2,022'	Sandstone, shales and siltstones
Ojo Alamo	3,135'	Sandstone, shales and siltstones
Kirtland	3,352'	Sandstone, shales and siltstones
Pictured Cliffs	3,683'	Sandstone, shales and siltstones
Lewis	3,804	Sandstone, shales and siltstones

TOTAL DEPTH 3,690' TVD (end of horizontal hole) 3,925.75' (anticipated horizontal section)
7,674.00' MD

Estimated depths of anticipated fresh water, oil, or gas:
Tertiary
Pictured Cliffs 3,692' Gas

RE-ENTRY – HORIZONTAL DRILLING PROGRAM
A) A 2,000-psi WP double-gated BOP will be installed on the tubing head with blind rams on bottom and pipe rams on top controlled by an accumulator placed within easy access to drill and other crew members.
B) No annular preventor with a 2,500-psi WP will be placed above BOP stack.
C) Retrievable whipstock to be set at ±3,710'.

D) Window to be milled out of 5-1/2" csg at ±3,700'.

CASING PROGRAM

True Vertical Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0' – 500'	12-1/4"	8-5/8"	K-55 24# ST&C **Existing** *	To surface (140 sxs Type "III"
0' – 4,500'	7-7/8"	5-1/2"	K-55 15.5# ST&C **Existing** *	To surface (1,550 sxs "50:50 Poz)
3,690' – 7,674' (MD)	4-3/4"	Open hole	None	None

* Existing casing set in 1998.
** New casing to be set in 2004.

All fresh water and prospectively valuable minerals encountered during drilling, will be recorded by depth and protected.

PRESSURE CONTROL

BOPs and choke manifold will be installed and pressure tested before drilling out under surface casing (subsequent pressure test will be performed whenever pressure seals are broken), and then will be checked daily as to mechanical operating condition. BOP's will be pressure tested at least once every 30 days. Ram type preventors and related pressure control equipment will be pressure tested to 1,000 psi. Annular type preventor will be pressure tested to 50% of the rated working pressure, not to exceed 1,000 psi. All casing strings will be pressure tested to 0.22 psi/ft. or 1,000 psi, whichever is greater, not to exceed 70% of internal yield.

BOP to be either double gate rams or an annular preventor as per Onshore Order No. 2.

Statement on Accumulator System and Location of Hydraulic Controls

The drilling rig has not yet been selected for this well. Selection will take place after approval of this application. Manual and/or hydraulic controls will be in compliance with Onshore Order No. 2 for 2M systems.

A remote accumulator will be used. Pressures, capacities, location of remote hydraulic and manual controls will be identified at the time of the BLM supervised BOP test.

MUD PROGRAM

3,690' - 7,674' MD	Low solids non-dispersed
	M.W. 8.5 – 9.2 ppg
	Vis – 28 – 50 sec
	W.L. 15cc or less

Sufficient mud materials to maintain mud properties, control lost circulation and to contain "kick" will be available at wellsite.

AUXILIARY EQUIPMENT

A) A Kelly cock will be kept in the drill string at all times
B) Inside BOP or stab-in valve (available on rig floor)
C) Mud monitoring will be visually observed

LOGGING, CORING, TESTING PROGRAM

A) Logging: None
B) Coring: None
C) Testing: None anticipated.

ABNORMAL CONDITIONS

A) Pressures: No abnormal conditions are anticipated
Bottom hole pressure gradient – 0.31 psi/ft
B) Temperatures: No abnormal conditions are anticipated
C) H_2S: See H_2S plan from originally submitted APD if H_2S is encountered.
D) Estimated bottomhole pressure: 1,060 psi

ANTICIPATED START DATE

October 10, 2004

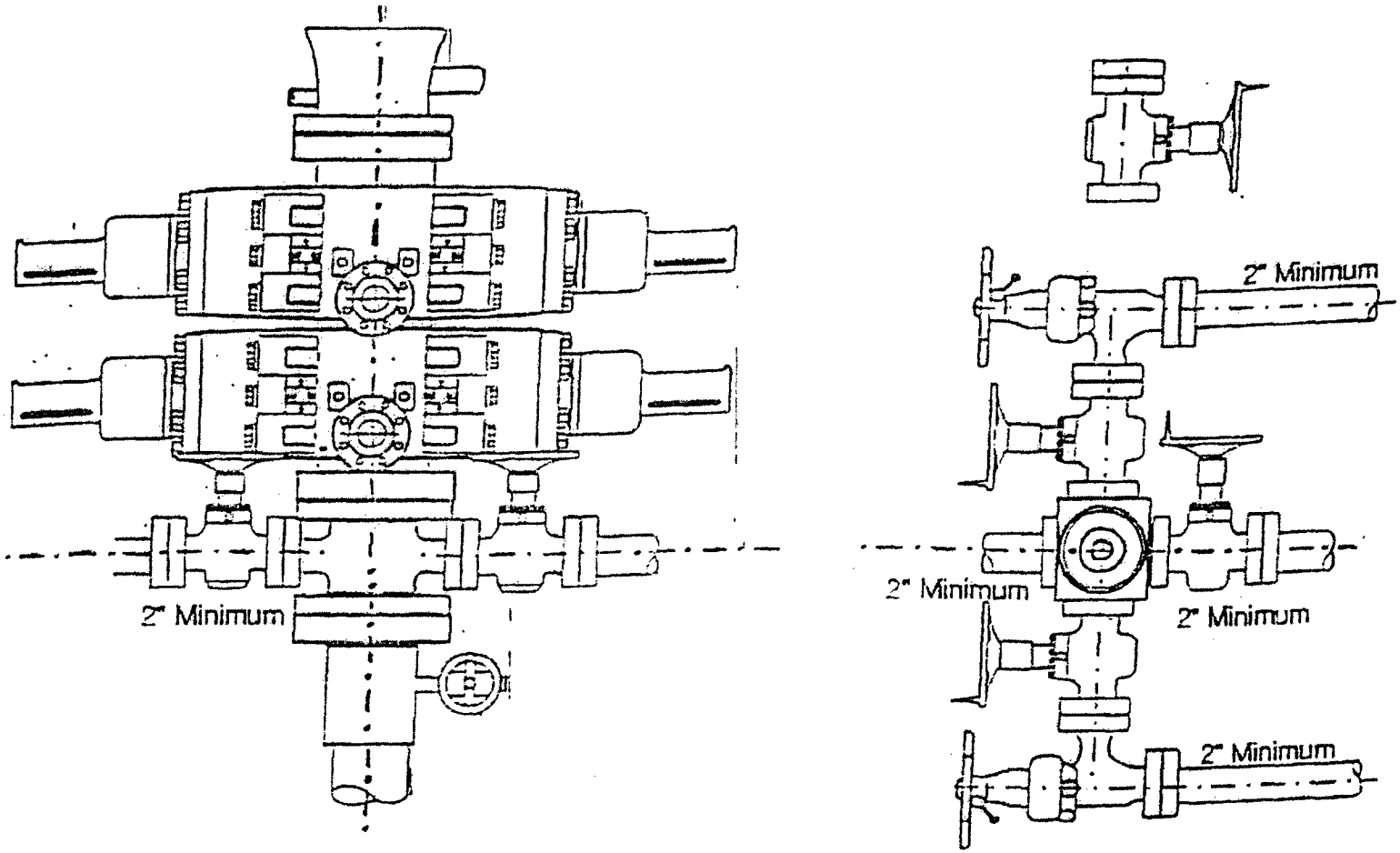
COMPLETION

The location pad will be of sufficient size to accommodate all completion activities and equipment. A string of 2-3/8" J-55 4.7#/ft tubing will be run for a flowing string. A Sundry Notice will be submitted with a revised completion program if warranted.

2-M SYSTEM

MALLON OIL COMPANY

ANNULAR PREVENTOR MAY BE SUBSTITUTED FOR DOUBLE GATE PREVENTORS
BOP PRESSURE TEST TO 1,000 PSI



BOP PLAT

Hydrogen Sulfide Drilling Operations Plan

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H_2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H_2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H_2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H_2S Safety Equipment and Systems

Note: All H_2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above or three days prior to penetrating the first zone containing or reasonably expected to contain H_2S.

A. Well control equipment:

1. Choke manifold with a minimum of one remote choke.
2. Blind rams and pipe rams to accomodate all pipe sizes with properly sized closing unit.

B. Protective equipment for essential personnel:

1. Mark II Surviveair 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

C. H_2S detection and monitoring equipment:

1. Two portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 10 ppm are reached.

D. Visual warning systems:

1. Wind direction indicators as shown on well site diagram.

2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

E. Mud program:

1. The mud program has been designed to minimize the volume of H_2S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H_2S scavengers will minimize hazards when penetrating H_2S bearing zones.

F. Metallurgy:

1. All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H_2S service.

2. All elastomers used for packing and seals shall be H_2S trim.

G. Communication:

1. Cellular telephone communications in company vehicles.

H. Well testing:

1. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill stem testing operations conducted in an H_2S environment will use the closed chamber method of testing.