

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: DRILL REENTER

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1b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator: MALLON OIL COMPANY
Contact: ART CHILDERS
E-Mail: artchilder@bhep.com

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

3b. Phone No. (include area code)
Ph: 505.382.9100

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface: NWSW 1945FSL 780FWL
At proposed prod. zone

14. Distance in miles and direction from nearest town or post office*
57 MILES EAST OF BLOOMFIELD, NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
9780' - LEASE LINE

16. No. of Acres in Lease
10240.00

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.
3000' - JIC 28-02-05 #1

19. Proposed Depth
4000 MD

21. Elevations (Show whether DF, KB, RT, GL, etc.)
7279 GL

22. Approximate date work will start
07/30/2004

5. Lease Serial No.
MDA 701-98-0013

6. If Indian, Allottee or Tribe Name
JICARILLA APACHE

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

8. Lease Name and Well No.
JIC 28-02-04 31

9. API Well No.
3003929310
10. Field and Pool, or Exploratory
EAST BLANCO/PICTURED CLIFFS

11. Sec., T., R., M., or Blk. and Survey or Area
L Sec 4 T28N R2W Mer NMP

12. County or Parish
RIO ARRIBA ✓

13. State
NM

17. Spacing Unit dedicated to this well
160.00 SW/4

20. BLM/BIA Bond No. on file
1318288

23. Estimated duration
45-60 DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission): KATHY L. SCHNEEBECK Ph: 303.820.4480 Date: 06/30/2004

Title: AGENT

Approved by (Signature): [Signature] Name (Printed/Typed): Date: 1/3/05

Title: AFM Office: FFC

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

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.

Additional Operator Remarks (see next page)

Electronic Submission #32233 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 07/01/2004 ()

AFMSS

Adm	Amj
Engr	
Geol	
Surf	
Appvl	

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

NMOCD

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-19310		*Pool Code 72400	*Pool Name East Blanco; Pictured Cliffs
*Property Code 24245 23929	*Property Name JICARILLA 28-2-4		*Well Number 31
*OGRID No. 013925	*Operator Name MALLON OIL COMPANY		*Elevation 7279

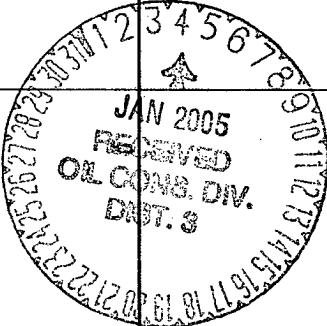
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	4	28-N	2-W		1945	SOUTH	780	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres			*Joint or Infill		*Consolidation Code		*Order No.		

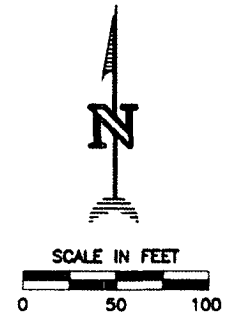
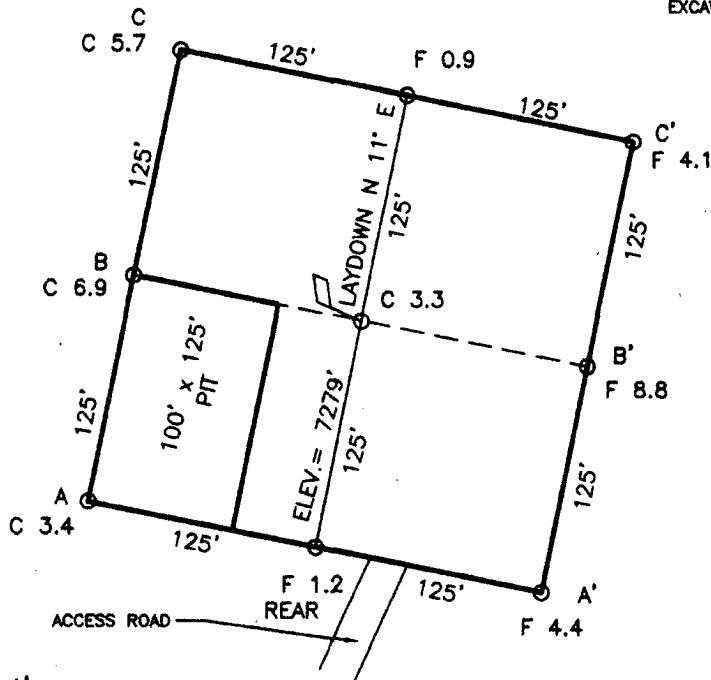
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p> <p>LOT 4 LOT 3 LOT 2 LOT 1</p> <p>LAT. 36°40'00"N (NAD 83) LONG. 107°03'16"W</p> <p>FD. 2 1/2" U.S.G.L.O. BC. 1917</p> <p>780'</p> <p>E N 00-04-08 2640.99' (M)</p> <p>1945'</p> <p>FD. 2 1/2" U.S.G.L.O. S 89-55-04 E BC. 1917 2633.42' (M)</p> <p>FD. 2 1/2" U.S.G.L.O. BC. 1917</p>				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Kathy L. Schneebeck</i> Signature</p> <p>Kathy L. Schneebeck Printed Name</p> <p>Agent for Mallon Oil Company Title</p> <p>June 30, 2004 Date</p>	
				<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>12 DAVID A. JOHNSON 03 Date of Survey</p> <p>Signature and Seal of Professional Surveyor: 14827 REGISTERED PROFESSIONAL SURVEYOR</p> <p>Certificate Number</p>	

COMPANY: MALLON OIL COMPANY
 LEASE: JICARILLA 28-2-4 No. 31
 FOOTAGE: 1945 FSL, 780 FWL
 SEC.: 4, TWN: 28-N, RNG: 2-W, NMPM
 ELEVATION: 7279'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO
 ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO
 EXCAVATION OR CONSTRUCTION.



ELEV. A-A' C/L

7300	-----	-----	-----	-----	-----
7290	-----	-----	-----	-----	-----
7280	-----	-----	-----	-----	-----
7270	-----	-----	-----	-----	-----
7260	-----	-----	-----	-----	-----
7250	-----	-----	-----	-----	-----
7240	-----	-----	-----	-----	-----

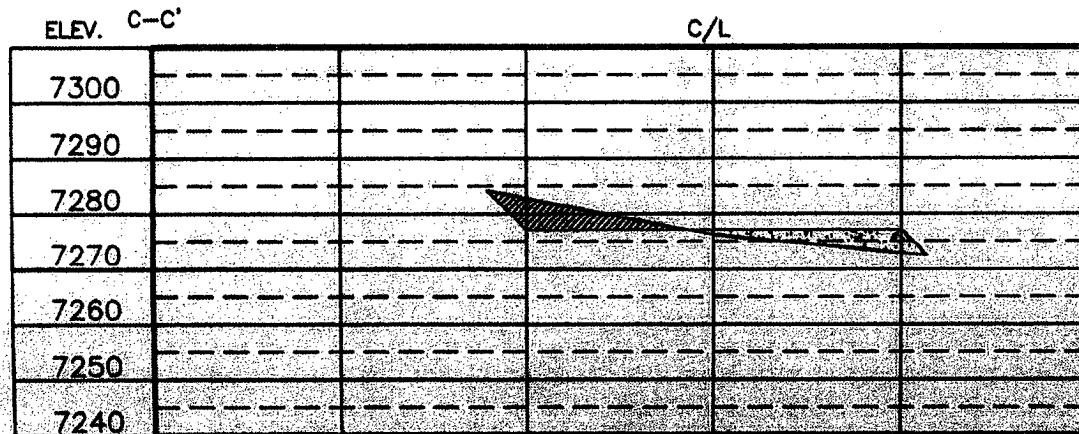
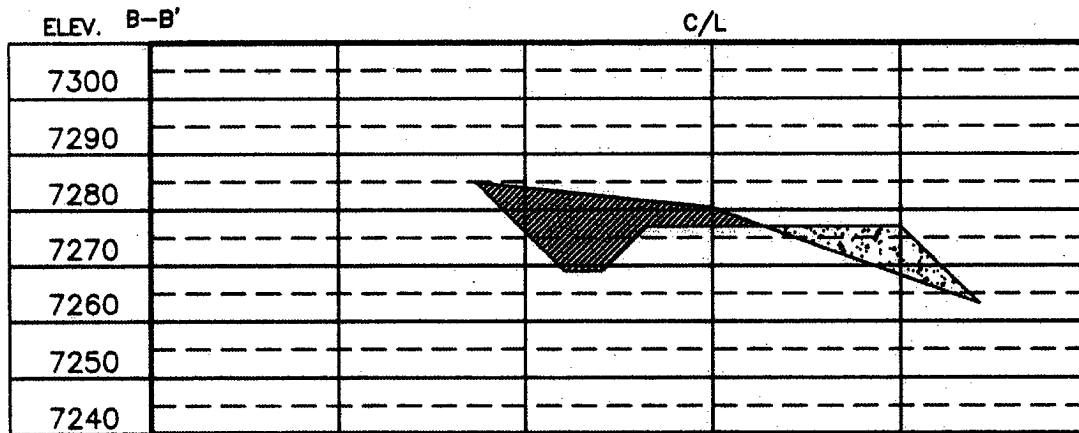
ELEV. B-B' C/L

7300	-----	-----	-----	-----	-----
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COMPANY: MALLON OIL COMPANY
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 SEC.: 4, TWN: 28-N, RNG: 2-W, NMPM
 ELEVATION: 7279'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO
 ONE CALL TO BE CALLED



Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15088, Farmington, NM 87401
 Phone (505) 328-1772 Fax (505) 328-6019



Mallon Oil Company
Jicarilla 28-02-04 31
1,945' FSL 780' FWL (NW/4 SW/4)
Sec. 4 T28N R2W
Rio Arriba County, New Mexico
Lease: MDA 701-98-0013 Tract 2

~~CONFIDENTIAL~~

DRILLING PROGRAM
(Per Rule 320)

This Application for Permit to Drill (APD) was initiated under the NOS process as stated in Onshore Order No. 1 and supporting Bureau of Land Management (BLM) documents. This NOS process includes an onsite meeting which was held on May 27, 2004 as determined by Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA) and Jicarilla Oil & Gas Administration (JOGA), and at which time the specific concerns of Mallon Oil Company (Mallon), BLM, BIA and JOGA were discussed.

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

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,279'

ESTIMATED FORMATION TOPS - (Water, oil, gas and/or other mineral-bearing formations)

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	1,977'	Sandstone, shales & siltstones
Ojo Alamo	3,185'	Sandstone, shales & siltstones
Fruitland	3,611'	Sandstone, shales & siltstones
Pictured Cliffs	3,700'	Sandstone, shales & siltstones
Lewis	3,808'	Sandstone, shales & siltstones
TOTAL DEPTH	4,000'	

Estimated depths of anticipated fresh water, oil, or gas:

Tertiary

San Jose	surface	Gas
Nacimiento	1,977'	Gas
Ojo Alamo	3,185'	Gas
Fruitland	3,611'	Gas
Pictured Cliffs	3,700'	Gas

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0' – 250'	12-1/4"	8-5/8"	J-55 24# ST&C New	To surface (± 175 sxs Class B)
0' – T.D.	7-7/8"	5-1/2"	J-55 15.5# LT&C New	TD to surface (± 630 sxs lite or 65:35 poz and ± 270 sxs 50:50 poz)*

* Actual cement volume to be determined by caliper log.

Yields: Class B yield = 1.18 ft³/sx
65:35 Poz yield = 1.62 ft³/sx
50:50 Poz yield = 1.26 ft³/sx

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

0' - 250' Fresh water – M.W. 8.5 ppg, Vis 30-33
250' - TD Fresh water - 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: DIL- CNL-FDC-GR - TD - BSC (GR to surface)
Sonic (BSC to TD)
- B) Coring: None
- C) Testing: Possible DST – None anticipated. Drill stem tests may be run on shows of interest

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) H₂S: None is anticipated.
- D) Estimated bottomhole pressure: 1,240 psi

ANTICIPATED START DATE

July 30, 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

