



Mallon Oil Company

Denver/Colorado ♦ Durango/Colorado ♦ Carlsbad/New Mexico

a Mallon Resources Subsidiary

June 27, 2000

Mr. Charlie Perrin
New Mexico Oil & Gas Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

I Re: Jicarilla 451-3 #4 Packer Leakage Test.
NE SE Sec. 3, T30N, R3W
API Number 30-039-26012
East Blanco Field
Rio Arriba County, NM

Dear Mr. Perrin,

In accordance with our conversation please accept this letter as a written request to postpone the required packer leakage test for 60 days until Mallon Oil can further evaluate the potential of the Ojo Alamo Formation. This well was completed in February 2000 in the San Jose and Ojo Alamo Formations and was set up as a dual completion. The well was shut in waiting on pipeline. The pipeline and battery was installed and it was attempted to produce the well on June 13, 2000. The San Jose Formation came online without any problems, however the Ojo Alamo was logged off. A swab unit was moved in and the Ojo Alamo Formation was swabbed for several days. The Ojo Alamo Formation would not kick off and on June 24, 2000 the swabbing operations were abandoned. With the Ojo Alamo logged off, the packer test cannot be performed. Therefore, Mallon Oil is requesting permission to continue to produce the San Jose Formation for 60 days without the required packer leakage test until the Ojo Alamo Formation can be further evaluated. The Ojo Alamo Formation will either be re-stimulated and produced or plugged back to eliminate the dual completion.

Sincerely,



John Zellitti
District Petroleum Engineer
(970-382-9100)

F. If, in the conduct of operations, paleontological materials (fossils) are observed, lessee shall immediately contact the Surface Managing Agency. Lessee shall cease any operations that would result in the destruction of such objects. The results of further investigation will dictate site specific stipulations for avoidance or salvage of any potentially significant paleontological resources.

G. No gravel or other related minerals from new or existing pits on Federal land will be used in construction of roads, well sites, etc., without prior approval from the Surface Managing Agency.

H. Prior to crossing, using, or paralleling any improvement on public lands, the operator shall contact the owner of the improvement to obtain mitigating measures to prevent damage to the improvements.

I. Fencing/Cattleguards:

All cut fences are to be tied to the braces prior to cutting. The opening will be protected as necessary during construction to prevent the escape of livestock. A temporary closure will be installed on all cut fences within one day of cutting the fence.

A 12 foot gate must be installed between the cattleguard and brace assemblies on whichever side of the cattleguard is most convenient. If the gate is made of wire, it must have at least four horizontal strands of barbed wire with at least four 3 inch diameter vertical wood stays evenly spaced. When the gate is closed, the wires must be taut.

Cattleguards must be at least 8 feet wide. The length is left to the discretion of the operator. The Cattleguard must be set on concrete or pressure treated wood bases. All cattleguards must have wings installed on both ends. (If you install the bases at least 12 inches above the surrounding contour, and provide drainage through the open area under the cattleguard, you will not have to clean them so often).

All cattleguards must have clearly visible identification marks welded into them indicating the ownership, well name and number associated with the cattleguard.

J. Berms or firewalls will be constructed around all storage facilities sufficient in size to contain the storage capacity of the tanks, or combined capacity of tanks if a rupture could drain more than one tank.

K. A proposed use of pesticide, herbicide or other possible hazardous chemical on Federal or Tribal land shall be cleared for use prior to application.

III. Cultural Resources (Archaeology)

A. EMERGENCY DISCOVERY IN THE ABSENCE OF MONITORING: This stipulation applies in emergency discovery situations where monitoring for cultural resources was not being performed because the presence of cultural resources could not have been anticipated. If, in its operations, the operator