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	Durango, C	O 8130	02	(970) 382-9100			2001 EIVED	لف	10 FIELD AND		WILDCAT
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o to nearest drlg un											
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lallon Oil Com	npany propo	ises to o	drill to a d	lepth sufficient	to test the	Pictur	ed Cliffs fo	rmatio	n. If produ	ctive,	01
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Title 18 U.S.C. Section 1001, makes 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.

(D) All cosing strongs will be commented

(E) Increase surface Coment to 175 sixs for new more

(B) Attended HOLDCICAFOR NSL

DISTRICT | P.O. Box 1980, Hobbs, H.M. 88241-1980

State of New Mexico Energy, Minerals & Natural Resources Department

Form C-102 Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease — 4 Copies
Fee Lease — 3 Copies

DISTRICT H P.O. Drawer DD, Artesia, H.M. 80211-0719

1000 Rio Brazos Rd., Axteo, H.M. 87410

OIL CONSERVATION DIVISION

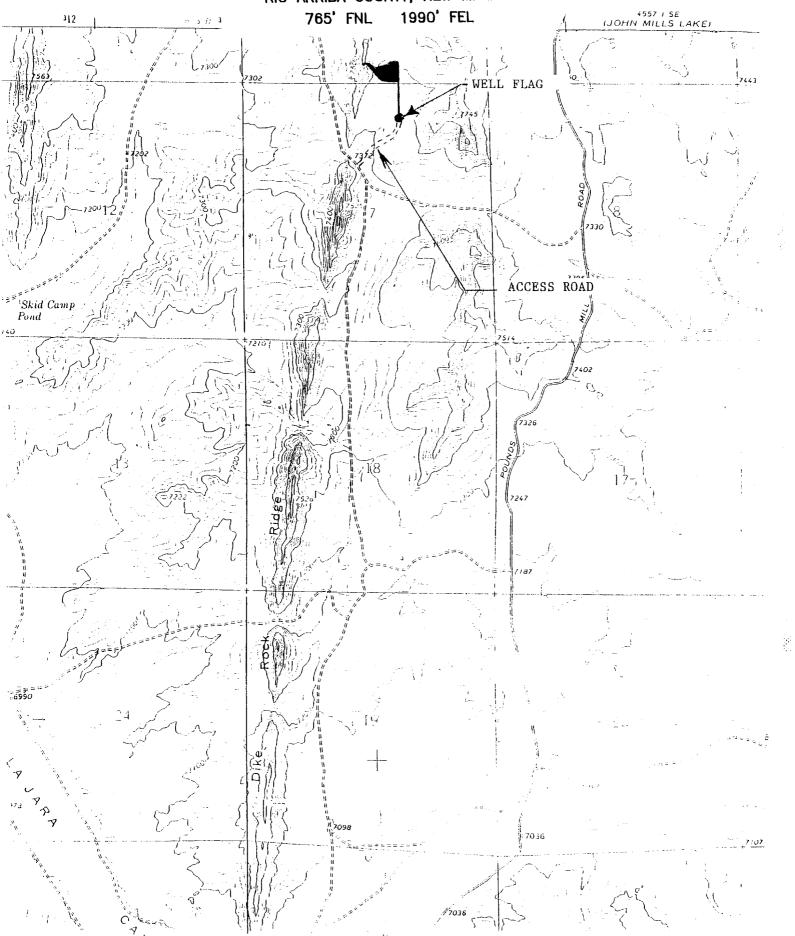
P.O. Box 2088 Santa Fe, NM 87504-2088

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JICARILLA 29-02-07 #4

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NE/4 SEC. 7, T-29-N, R-2-W, N.M.P.M.
RIO ARRIBA COUNTY, NEW MEXICO



DRILLING PROGRAM

Attached to Form 3160-3
Mallon Oil Company
Jicarilla 29-02-07 No. 4
765' FNL and 1990' FEL (NW/NE) Unit B
Sec. 7, T29N- R02W
Rio Arriba County, New Mexico

LEASE NUMBER: MDA 701-98-0013

1. Geologic name of surface formation: San Jose

2. Estimated tops of important geologic markers:

San Jose	Surface
Nacimiento	2600'
Ojo Alamo	3030,
Kirtland	3358'
Fruitland	3468'
Pictured Cliffs	3660'
Lewis	3800°
Total Depth	4000°

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

San Jose	1300'	Gas
Nacimiento	2600'	Gas
Ojo Alamo	3030°	Gas
Fruitland	3468'	Gas
Pictured Cliffs	3660'	Gas

No other formations are expected to produce oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 8-5/8" casing at 250' and circulating cement back to surface.

4. Proposed casing program:

Hole Size	<u>Interval</u>	<u>Casing OD</u>	Casing weight, grade, and thread
12-1/4"	0-250°	8-5/8"	24 lb/ft, K55, ST&C
7-7/8"	0-4000°	5-1/2"	15.5 lb/ft, K55, LT&C

Cement program:

8-5/8" surface casing: Cemented to surface with 110 sx Class B, or Type III cement containing 2% CaCl₂, 1/4 lb/sk Celloflake, slurry to be mixed at 15.6 lb/gal, yield 1.18 cu ft/sk. Circulate cement to surface.

5-1/2" production casing: 900 sks 50/50 POZ 2% Gel, with 6-1/4 lb/sk Gilsonite, 3% KCl, mixed at 13.7 lb/gal, 1.26 cu ft/sk, 30% excess. Circulate cement to surface.

5. Minimum specifications for pressure control (2M System):

The blowout preventor equipment (BOP) shown in Exhibit 1 will consist of a double ram-type (2000 psi WP) preventor. The unit will be hydraulically operated and the ram-type preventor will be equipped with blind rams on top and drill pipe rams on bottom. The BOP will be nippled up on the 8-5/8" surface casing and used continuously until TD is reached. BOP and accessory equipment will be tested to 1000 psi before drilling out of surface casing. Pipe rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 2" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve, and choke lines and choke manifold with 2000 psi WP rating.

6. Types and characteristics of the proposed mud system:

The well will be drilled to TD with a combination of fresh water and fresh water polymer mud system. The applicable depths and properties of this system are as follows:

<u>Depth</u>	Type	<u>Weight</u> (ppg)	Viscosity (sec)	Water loss (cc)
0-250'	FW	± 8.5	30-33	NC
250' - TD	FW (Gel po	dymer) ± 9.0	32-35	10 - 20 cc

7. Auxiliary well control and monitoring equipment:

- A. A kelly cock will be kept in the drill string at all times.
- B. A full-opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.
- C. The drilling fluids systems will be visually monitored at all times.

8. Testing, logging, and coring program:

Drill stem tests: None anticipated

Logging: TD to surface casing, Open Hole GR, SP, Neutron, Density, Induction

Coring: None planned

9. Abnormal conditions, pressures, temperatures, and potential hazards:

No abnormal pressures or temperatures are anticipated. The proposed mud program will be modified to control excess pressure if abnormal pressures are encountered. The estimated bottom-hole pressure (BHP) is 1200 psig. Hydrogen sulfide gas is potentially present in the San Jose and Ojo Alamo formation and an H₂S drilling plan is attached.

10. Anticipated starting date: July 1, 2001

Anticipated completion of drilling operations: Expected duration of 6 days

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).
- The proper use and maintenance of personal protective equipment and life support systems.
- 3. The proper use of $\rm H_2S$ 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:

- The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
- 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 $\rm H_2S$ Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable $\rm H_2S$ zone (within 3 days or 500 feet) and weekly $\rm H_2S$ and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific $\rm H_2S$ 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. H₂S 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 accommodate all pipe sizes with properly sized closing unit.
- B. Protective equipment for essential personnel:
 - Mark II Surviveair 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

C. H₂S 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 20 ppm are reached.

D. Visual warning systems:

- 1. Wind direction indicators as shown on well site diagram.
- 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 $\rm H_2S$ trim.

G. Communication:

1. Cellular telephone communications in company vehicles.

H. Well testing:

 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 H₂S environment will use the closed chamber method of testing.