

Mallon Oil Company

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

a Mallon Resources Subsidiary

May 30, 2001

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



Re: Simms Federal #1 SWD-665
East Blanco Field
Rio Arriba County, NM

30-039-22756
13-30N-04W J

Dear Mr. Perrin,

In accordance with your conditions of approval for the proposed workover on the Simms Federal #1 SWD well, I have received verbal approval from David Catanach with the Santa Fe OCD office to perforate the proposed interval (8,674' – 8,750' gross) which falls within the Burro Canyon Formation. The original picked top of the Morrison Formation at 8,600' is incorrect according to Steve Hayden and includes a portion of the Burro Canyon. In accordance with Steve's request, David Catanach will amend the administrative order SWD-665 to allow water injection in the Burro Canyon. The permitted interval will not change, just the nomenclature.

Sincerely,

A handwritten signature in cursive script that reads "John Zellitti".

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

Cc: Steve Hayden
David Catanach