



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 22, 1998

Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302
Attention: Duane C. Winkler

RECEIVED
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OIL CON. DIV.
DIKT. 3

Telefax No. (970) 382-7650

Administrative Order NSL-2377-A

Dear Mr. Winkler:

Reference is made to the following: (i) your application dated August 24, 1998; (ii) a telephone conversation between Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe, and Ms. Christy Serrano in your Durango office on Thursday, October 22, 1998; and, (iii) the records of the Division in Santa Fe: all concerning Mallon Oil Company's ("Mallon") request for a non-standard Ojo Alamo gas well for the existing Jicarilla "458" Well No. 3 (API No. 30-039-24167), located 1815 feet from the North line and 230 feet from the East line (Unit H) of Section 7, Township 30 North, Range 3 West, NMPM, Undesignated Cabresto Canyon-Ojo Alamo Pool, Rio Arriba County, New Mexico.

According to the Division's well records, the Jicarilla "458" Well No. 3 was drilled in 1988 by Robert L. Bayless to a total depth of 4077 feet and completed in the East Blanco-Pictured Cliffs Pool at an unorthodox gas well location within a standard 146.73-acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 7 (approved by Division Administrative Order NSL-2377, dated August 20, 1987). Our records also indicate that Mallon became operator of this well on January 1, 1997.

It is our understanding that on January 7, 1998 Mallon abandoned the Pictured Cliffs interval in this well and recompleted it in the Undesignated Cabresto Canyon-Ojo Alamo Pool with perforations from 3204 feet to 3286 feet. Further, Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 7, being a standard 146.73-acre gas spacing and proration unit in the Undesignated Cabresto Canyon-Ojo Alamo Pool, is to be dedicated to this well.

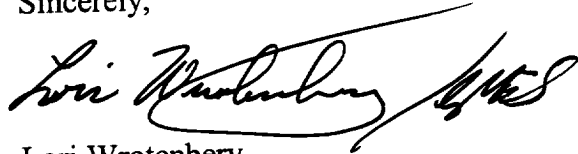
The application has been duly filed under the provisions of Division General Rule 104.F(1) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location within the Undesignated Cabresto Canyon-Ojo Alamo Pool is hereby approved.

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Further, Division Administrative Order NSL-2377 shall be placed in abeyance until further notice.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery" followed by a stylized flourish or set of initials.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec /
U. S. Bureau of Land Management - Farmington
Jim Bruce, Legal Counsel for Mallon - Santa Fe
File: NSL-2377