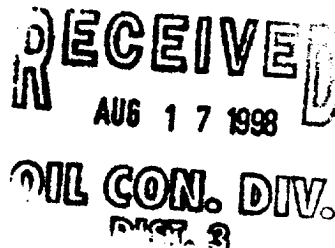




NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

August 12, 1998



Mallon Oil Company
P. O. Box 3256
Carlsbad, New Mexico 88220
Attention: Duane C. Winkler

Administrative Order NSL-3992-A

Dear Mr. Winkler:

Reference is made to your application dated July 13, 1998 for an unorthodox gas well location in the Undesignated Cabresto Canyon-Ojo Alamo Pool for Mallon Oil Company's ("Mallon") existing Jicarilla 459-17 Well No. 9 (API No. 30-039-25763) located 1850 feet from the North line and 2510 feet from the East line (Unit G) of Section 17, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

By Division Administrative Order NSL-3992, dated April 9, 1998, Mallon received authorization to drill to and complete the Jicarilla 459-17 Well No. 9 in the East Blanco-Pictured Cliffs Pool within a standard 160-acre gas spacing and proration unit for this pool comprising the NE/4 of Section 17 at the above-described unorthodox gas well location.

It is our understanding that Mallon drilled this well to a total depth of 3970 feet in February, 1998 and on April 8, 1998 completed it in the Undesignated Cabresto Canyon-Ojo Alamo Pool with perforations from 3190 feet to 3232 feet, which pursuant to Division General Rule 104.C(3)(a), is also unorthodox. Further, the NE/4 of Section 17 shall be dedicated to the well in order to form a standard 160-acre gas spacing and proration unit for this pool.

The application has been duly filed under the provisions of Rule 104.F 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.

Further, all provisions of original Order NSL-3992 shall remain in full force and affect until further notice.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque
File: NSL-3992