

**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2050 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 4, 1999

Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302
Attention: Christy Serrano

Telefax No. (970) 382-7650

Administrative Order NSL-3994-A

Dear Ms. Serrano:

Reference is made to the following: (i) an application dated August 12, 1998 by Duane C. Winkler of Mallon Oil Company's ("Mallon") Carlsbad office; and (ii) the records of the New Mexico Oil Conservation Division's office in Santa Fe ("Division"): all concerning Mallon's request for an unorthodox gas well location in the Cabresto Canyon-Ojo Alamo Pool for the existing Jicarilla 457-4 Well No. 2 (API No. 30-039-25780) located 1510 feet from the South line and 2400 feet from the West line (Unit K) of Section 4, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

By Division Administrative Order NSL-3994, dated April 9, 1998, Mallon received authorization to drill to and complete the Jicarilla 457-4 Well No. 2 in the Mancos formation within a standard 160-acre gas spacing and proration unit comprising the SW/4 of Section 4 at the above-described unorthodox gas well location.

It is our understanding that Mallon drilled this well to a total depth of 3980 feet in March/April, 1998 and on April 12, 1998 completed it in the Cabresto Canyon-Ojo Alamo Pool with perforations from 3129 feet to 3156 feet, which pursuant to Division General Rule 104.C.(3)(a), is also unorthodox. Further, the SW/4 of Section 4 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 Division Rule 104.F.

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

Further, all provisions of original Order NSL-3994 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-3994

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DIST. 8