

CONFIDENTIAL*Confidential*Form 3160-3
(July 1992)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT IN TRIPLICATE
(Other instructions on
reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires February 28, 1995**APPLICATION FOR PERMIT TO DRILL OR DEEPEN**

1a. TYPE OF WORK Drill <input checked="" type="checkbox"/> Deepen <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. JIC 462	
b. TYPE OF WELL Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME Jicarilla Apache	
2. NAME OF OPERATOR Mallon Oil Company		7. UNIT AGREEMENT NAME N/A	
3. ADDRESS AND TELEPHONE NO. P.O. Box 3256 Carlsbad, NM 88220 (505) 885-4596		8. FARM OR LEASE NAME, WELL NO. Jicarilla 462-23 No. 6	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) At surface 1150' FSL and 1000' FWL (SW/SW) Unit M At proposed prod. zone 1150' FSL and 1000' FWL (SW/SW) Unit M		9. API WELL NO. 30-039-26026	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE 53 miles east of Bloomfield, New Mexico		10. FIELD AND POOL, OR WILDCAT E. Blanco, Pictured Cliffs	
15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 1510'		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 23, T30N-R03W	
16. NO. OF ACRES IN LEASE 1920		12. COUNTY OR PARISH Rio Arriba	
17. NO. OF ACRES ASSIGNED TO THIS WELL 160		13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 3200'		20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, Etc.) 7211' GR		22. APPROX DATE WORK WILL START 08/25/98	
23. PROPOSED CASING AND CEMENTING PROGRAM			
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH
12-1/4"	8-5/8"	24#	500'
7-7/8"	5-1/2"	15.5#	4500'

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Mallon Oil Company proposes to drill to a depth sufficient to test the Pictured Cliffs formation. If productive, 5-1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal regulations. Specific programs as per on-shore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program

Exhibit 1: Blow Out Preventor Equipment/Plan
Exhibit A: Location and Elevation Plat
Exhibit B: Roads and Pipelines
Exhibit C: One Mile Radius Map

Exhibit D: Drilling Site Layout
Exhibit E: Production Facilities
Exhibit F: H2S Contingency Plan
Exhibit G: Environmental Assessment

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM. If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED: Ferry LindemanTITLE: Operations SuperintendentDATE: 08/11/98

(This space for Federal or State office use)

PERMIT NO. _____

APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

(Original Signed) NECTOR A. VILLALOBOS

APPROVED BY _____

TITLE Asst Field Mgr

DATE _____

NOV 10 1998

*See Instructions On Reverse Side

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.

*OK @**Confidential*

DRILLING PROGRAM

Attached to Form 3160-3

Mallon Oil Company

Jicarilla 462-23 No. 6

1150' FSL and 1000' FWL (SW/SW) Unit M

Sec. 23, T30N-R3W

Rio Arriba County, New Mexico

LEASE NUMBER: JIC462

1. Geologic name of surface formation: San Jose

2. Estimated tops of important geologic markers:

San Jose	Surface
Nacimiento	2600'
Ojo Alamo	3230'
Kirtland	3458'
Fruitland	3478'
Pictured Cliffs	3468'
Lower P.C.	4017'
Total Depth	4500'

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

San Jose	1500'	Gas
Nacimiento	2600'	Gas
Ojo Alamo	3230'	Gas
Fruitland	3478'	Gas
Pictured Cliffs	3768'	Gas

No other formations are expected to give up oil, gas, or fresh water in measurable quantities.

The surface fresh water sands will be protected by setting 8-5/8" casing at 500' and circulating cement back to surface.

4. Proposed casing program:

<u>Hole Size</u>	<u>Interval</u>	<u>Casing OD</u>	<u>Casing weight, grade, thread</u>
12-1/4"	0-500'	8-5/8"	24 lb/ft, K55, ST&C
7-7/8"	0-4500'	5-1/2"	15.5 lb/ft, K55, LT&C

Cement program:

8-5/8" surface casing: Cemented to surface with 350 sks Class B containing 2% CaCl₂, 0.25 lb/sk Cello Seal, slurry to be mixed at 15.6 lb/gal, yield 1.18 cu ft/sk. Circulate cement to surface.

5-1/2" production casing: Lead slurry 300 sks 65/35 mixed at 13.4 lb/gal, 1.62 cu ft/sk, 30% excess. Tail with 270 sks 50/50 POZ, containing 1/4 lb/sk Cello Seal mixed at 14.15 lb/gal, 1.26 cu ft/sk, 30% excess.

MALLON OIL COMPANY

JICARILLA 462-23 #6

SW/4 SEC. 23 T-30-N, R-3-W, N.M.P.M.,

RIO ARRIBA COUNTY, NEW MEXICO

1150 FSL, 1000 FWL

