Mallon Oil Company

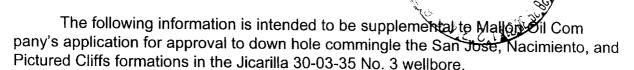
Denver/Colorado ◆ Durango/Colorado ◆ Carlsbad/New Mexico

August 14, 2000

B-35-30N-3W

Mr. David Catanach
OCD Engineering Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Dear Mr. Catanach



In regards to the recent changes of Rule 303.C, the commingling of the Nacimiento, Ojo Alamo, and the Pictured Cliffs meet the criteria of section C. The San Jose should also qualify based on the high fracture pressure that has been noted field wide.

The field average bottom hole pressures are:

- 1. San Jose Formation **Average Bottom hole Pressure** @ 5600' sea level elevation is **305 psia** and the average BTU content of the gas is 1065.
- 2. Nacimiento Formation **Average Bottom hole Pressure** @ 4600 sea level elevation is **640 psia** and the average BTU content of the gas is 1063.
- 3. Pictured Cliffs Formation Average Bottom hole Pressure @ 3500 sea level elevation is **1250 psia** and the average BTU content of the gas is 1136.

Based on data obtained form the acid breakdowns performed on the zones in question, in the wellbore of the Jicarilla 30-03-35 No. 3, the following information will show the fracture pressures to be adequate for safely commingling all three zones.

The **Pictured Cliffs Formation** was perforated from 3738' to 3802' with a total of 36' of perforations. Following the acid breakdown the **fracturing pressure at mid-perf** calculated to be 2058psi. (0.55 psi / ft).

The Nacimiento Formation was perforated at 2433' - 2437', 2526' - 2531', 2538' - 2540', 2545' - 2547' with the mid-perf being 2490'. Following the acid breakdown the fracturing pressure at mid-perf calculated to be 1795 psi. (0.72 psi / ft).

The San Jose Formation was perforated at 1330' – 1352', 1359' – 1368', 1642' – 1650', 1670' – 1678', 1798' – 1806', 1828' – 1836', Mid-pef: 1583', Following the acid breakdown the lowest fracturing pressure was found at the perforations 1798' – 1836' at mid-perf calculated to be 1391 psi. (0.76 psi / ft).

Flow tests on each zone were conducted for a period of time as to allow for stabilization. These results are:

Pictured Cliffs Formation: 626 mcfd, 72 BWPD
Nacimiento Formation: 469 mcfd, 84 BWPD
San Jose Formation; 560 mcfd, 12 BWPD

Total 1,655 mcfd, 168 BWPD

The allocation method that was agreed upon between Mallon Oil Company and the Jicarilla Apache Tribe is to use a percentage based on the initial test.

Pictured Cliffs Formation: 626 / 1655 = .3782 (37.82%)
Nacimiento Formation: 469 / 1655 = .2834 (28.34%)
San Jose Formation; 560 / 1655 = .3384 (33.84%)

I hope this information will help expedite the administrative approval for the commingling of the above referenced well. If you should require any additional information concerning this matter please contact me at (907) 382-9100. I appreciate the help and attention you have shown on this matter.

Sincerely,

Terry Lindernan

Operations Superintendent

STRICT II O. Drawer DD, Artesia, N.M. 88211-0719

ISTRICT III 100 Rio Brezos Rd., Azteo, H.M. 87410

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☐ AMENDED REPORT

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DISTRICT III : 1.000 Rio Brazos Rd., Azteo, N.M. 87410

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