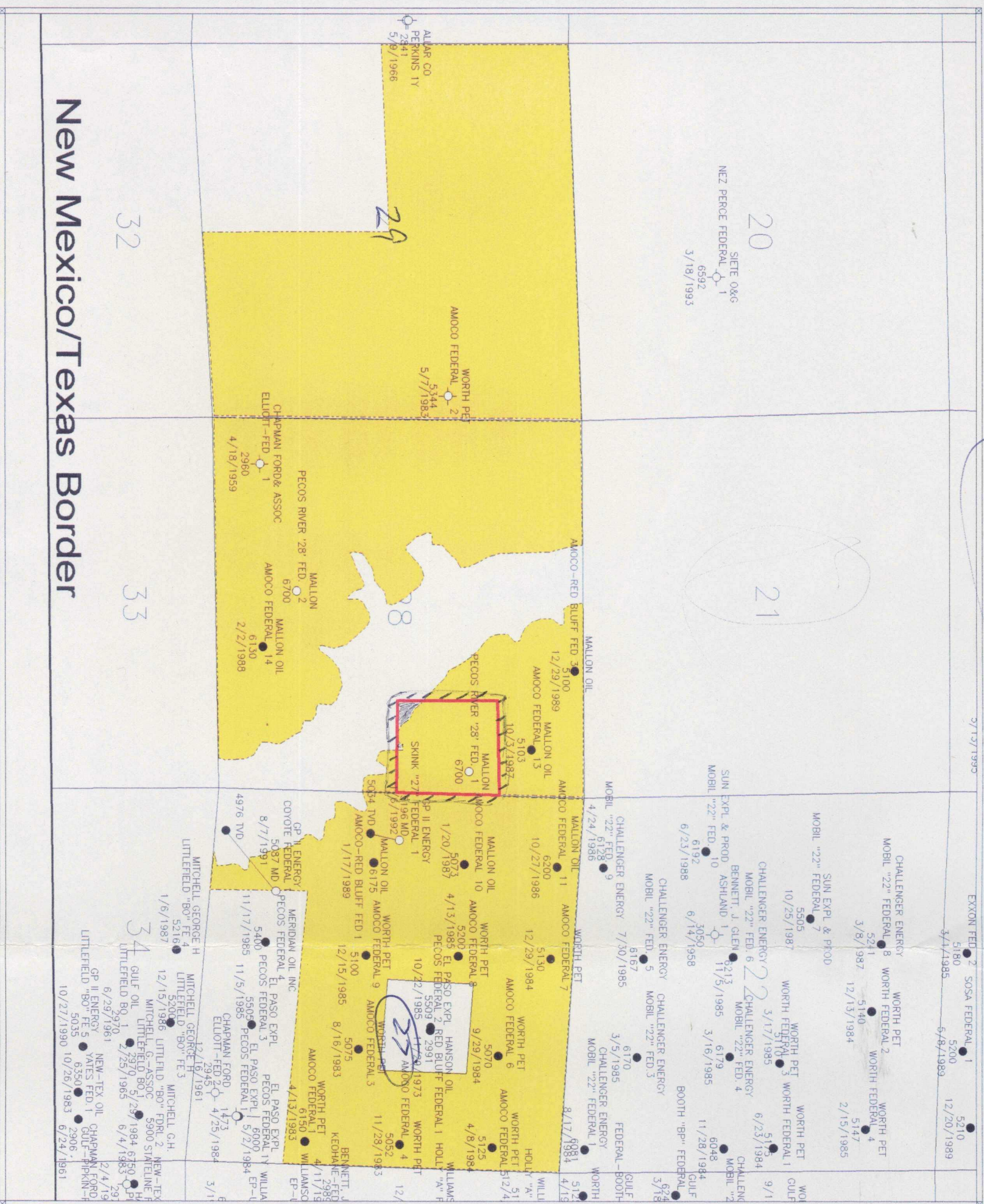


265-29E



NEW MEXICO  
OIL CONSERVATION DIVISION

MALLON EXHIBIT 1

CASE NO. 11698

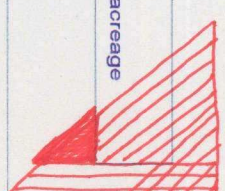


Scale 1:20000



LEGEND

Red outline = pooling acreage



MALLON OIL COMPANY

Delaware Basin-Pecos River  
Pooling Acreage  
Eddy County, New Mexico

1/3/97



# Mallon Oil Company

Denver/Colorado ♦ Carlsbad/New Mexico

a Mallon Resources subsidiary

December 13, 1996

Via Federal Express

~~Red Bluff Water Power Control District~~  
111 W. 2nd St.  
Pecos, TX 79772

Attn: Jim Ed Miller

*Reigning Officer of the  
Irrigation Coop.*

Re: Mallon Pecos River 28 Federal #1  
SENE Section 28 T26S-R29E  
Eddy County, NM

*14.101%*  
*-14%-*

Gentlemen:

Mallon Oil Company hereby proposes the drilling of 6700' Delaware Test Well at the above-captioned location. The spacing unit for said Test Well would be the SENE of Section 28. Enclosed is an AFE for your evaluation. Should you wish to participate in said Test Well, the parties would enter into a mutually acceptable JOA covering the spacing unit. In the event you do not wish to participate in said Test Well, Mallon respectfully requests a farmout of your leasehold interest under the following terms and conditions.

1. Mallon would drill a Test Well to a total depth of 6,700'.
2. Should Mallon complete a productive oil and/or gas well, you would assign Mallon all of your rights, title and interest in the SENE of Section 28 from the surface down to 100' below total depth drilled.
3. You would reserve an overriding royalty in equal to the difference between twenty percent (20%) and current lease burdens.

Mallon desires to spud this well around the first of February. Your prompt attention to this matter is greatly appreciated.

Sincerely,

Mallon Oil Company

*Randy Stalcup*  
Randy Stalcup, CPL  
Vice President, Land

enclosure

NEW MEXICO  
CONSERVATION DIVISION  
*Mallon* EXHIBIT 2  
CASE NO 11698

Date: 12/13/96

AFE No.: 96-0495

**Drill 6,700' Delaware test**

Well Name: Mallon Pecos River 28 Federal No. 1

County: Eddy

Location: SENE Section 28, T26S-R29E

State: New Mexico

Field: Brushy Draw

Proposed Depth: 6,700'

Description	Dry Hole Drilling	Completion & Workover	Total
<b>Intangible Cost:</b>			
Damages, Losses & Legal	0	0	0
Surveys & Archaeological	1,000	0	1,000
Road, Location & Reclamation	5,000	1,000	6,000
Drilling-Footage	90,500	0	90,500
Drilling-Daywork	5,400	0	5,400
Drilling-Turnkey	0	0	0
Completion, Workover & Swab Units	0	13,000	13,000
Bits, Coreheads & B.H.A.	0	300	300
Water & SWD	6,000	3,000	9,000
Mud & Chemicals	5,000	0	5,000
Mud Logging	4,500	0	4,500
Open Hole Logging	15,500	0	15,500
Coring, DST & Wireline Tests	0	0	0
Cased Hole Logging	0	7,500	7,500
Cementing & Pumping Services	7,000	14,500	21,500
Stimulation	0	32,000	32,000
Equipment Rentals	1,500	5,000	6,500
Trucking	2,500	3,500	6,000
Other Contract Services	500	1,000	1,500
Fishing Services & Equipment	0	0	0
Engineering & Geologic Sup.	4,500	3,000	7,500
Administrative Overhead	2,000	1,000	3,000
Company Labor & Expense	0	0	0
Contingencies	4,000	4,000	8,000
<b>Total Intangible Cost</b>	<b>\$154,900</b>	<b>\$88,800</b>	<b>\$243,700</b>

**Tangible Costs:**

Casing-Surface	5,900	0	5,900
Casing-Intermediate	0	0	0
Casing-Production	0	58,700	58,700
Tubing, Pups & Blast Joints	0	25,500	25,500
Wellheads & Equipment	900	3,000	3,900
Pumping Unit & Prime Mover	0	30,000	30,000
Sucker Rods & Downhole Pumps	0	12,300	12,300
Storage Tanks & Fittings	0	5,500	5,500
Heater Treaters & Separators	0	5,000	5,000
Compressor	0	0	0
Flowlines, Valves & Fittings	0	7,500	7,500
Meters & Runs	0	0	0
Power Lines & Electrical Hookup	0	0	0
Noncontrollable Items	0	1,200	1,200
Installation	0	3,500	3,500
<b>Total Tangible Cost</b>	<b>\$6,800</b>	<b>\$152,200</b>	<b>\$159,000</b>

**Total Project Cost****\$181,700****\$241,000****\$402,700**

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MALLON OIL COMPANY  
FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

Case No. 11,698

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO       )  
COUNTY OF SANTA FE       ) ss.

Randy Stalcup, being duly sworn upon his oath, deposes and states:

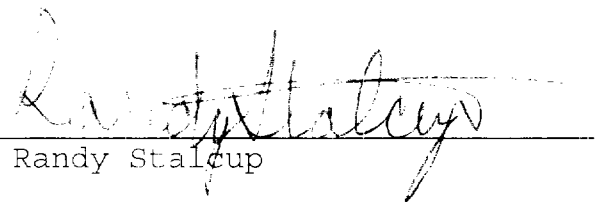
1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am a landman for Applicant.

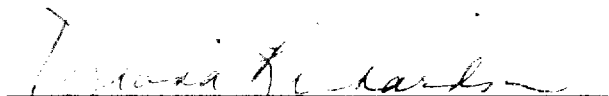
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the application filed herein.

4. Notice of the application and hearing date was provided to the interest owner at its correct address by certified mail. Copies of the notice letter and certified return receipt are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.

  
Randy Stalcup

SUBSCRIBED AND SWORN TO before me this 9<sup>th</sup> day of January, 1997, by Randy Stalcup.

  
Notary Public

My Commission Expires:

Oct 18, 1997

NEW MEXICO  
OIL CONSERVATION DIVISION  
Mallon EXHIBIT 3  
CASE NO 11698

# Mallon Oil Company

Denver/Colorado ♦ Carlsbad/New Mexico

A Mallon Resources subsidiary

December 19, 1996

*Via Certified Mail, Return Receipt*

Red Bluff Water Power Control District  
111 W. 2nd St.  
Pecos, TX 79772

Attn: Jim Ed Miller

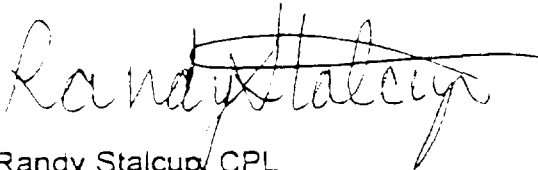
Re Mallon Pecos River 28 Federal #1  
SENE Sec. 28 T26S-R29E  
Eddy County, New Mexico

Dear Sirs:

Enclosed is a copy of application for compulsory pooling filed at the New Mexico Oil Conservation Division by Mallon Oil Company regarding the Mallon Pecos River 28 Federal No. 1 well, located in Section 28, Township 26 South, Range 29 East of Eddy County, New Mexico. These matters will be heard at 8:15 a.m. on Thursday, January 9, 1997 at the Division's offices at 2040 South Pacheco Street, Santa Fe, New Mexico 87505. As an interest owner in the wells, you have the right to appear at the hearing and participate in the cases. Failure to appear at the hearing will preclude you from contesting these matters at a later date.

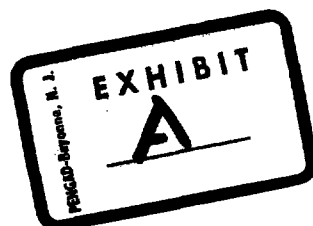
Sincerely,

Mallon Oil Company




Randy Stalcup, CPL  
Vice President, Land

enclosures



375 337 575

 **Receipt for Certified Mail**  
No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

PS Form 3800, March 1993

Sent to: <b>RED BLUFF POWER HED</b>	
Street and No: <b>111 W 2ND ST</b>	
P.O. State and ZIP Code: <b>PECOS TX 79772</b>	
Postage	\$
Certified fee	1.10
Registered Delivery fee	
Restricted or very fine	
Return receipt showing to whom & date delivered	1.10
Return receipt showing to whom date and addressee's address	
TOTAL postage & fees	\$
Postmark date	

*Mallon Pecos River 28*

<p><b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. 2. <input type="checkbox"/> Restricted Delivery <sup>1</sup>(Extra charge)<sup>1</sup></p>	
<p>3. Article Addressed to:</p> <p>RED BLUFF WATER POWER 111 W. 2<sup>ND</sup> ST. PEROS TX 79722 ATTN: JIM MILLER</p>	<p>4. Article Number</p> <p>Z 379 987 575</p>
<p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input type="checkbox"/> Express Mail</p> <p>Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b></p>	
<p>5. Signature - Addressee</p> <p>X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature Agent</p> <p>X</p>	<p>7. Date of Delivery</p> <p>12-24-96</p>

PS Form 3811, Mar. 1987

★ U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEIPT