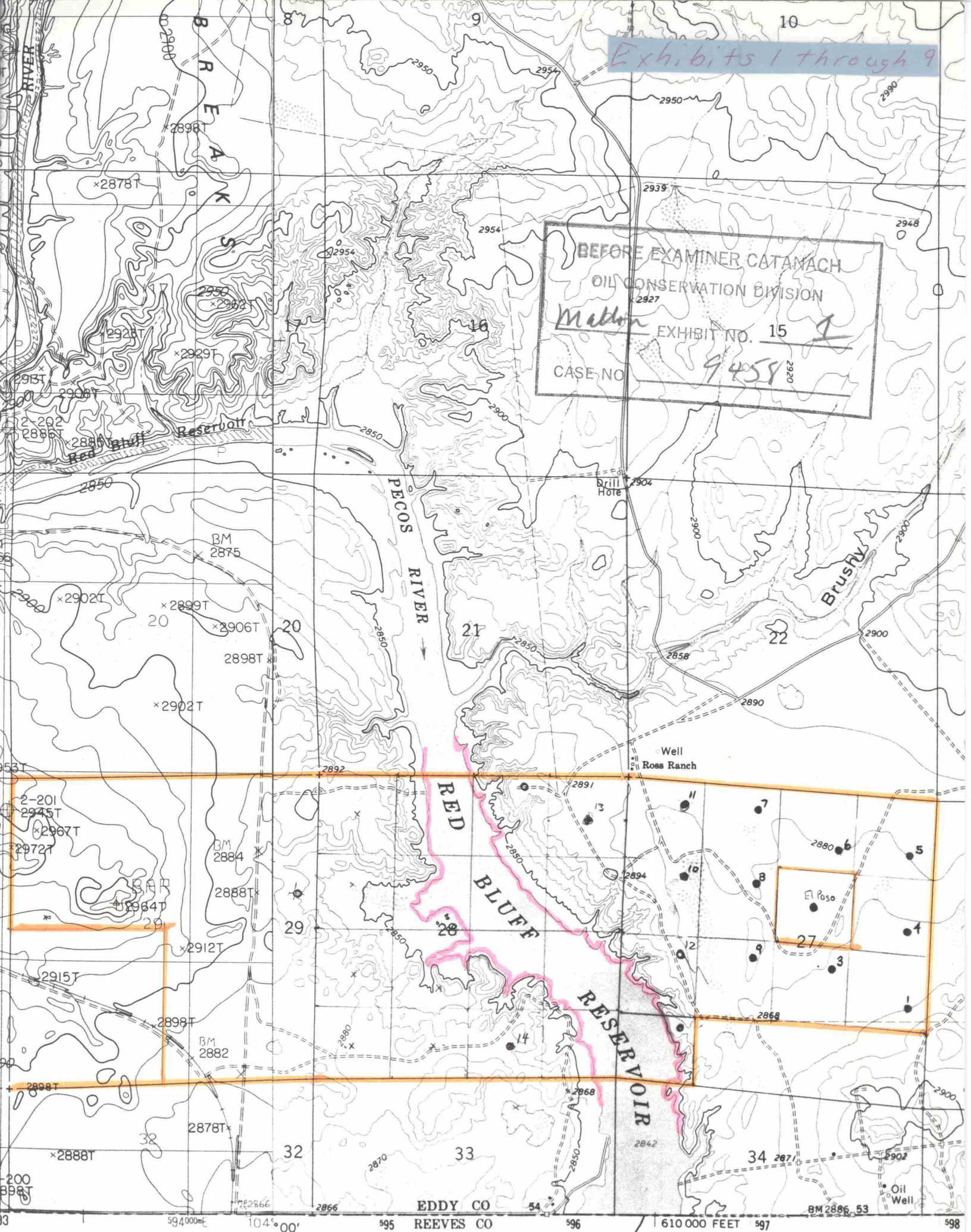


Exhibits 1 through 9



BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION  
*Mallon* EXHIBIT NO. 15 *I*  
CASE NO. *9458*

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial No. NM NM 71544  
3109 (943C-2d)

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (reverse) offers to lease all or any of the lands in item 2 that are available for lease pursuant to the Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1941 (40 Op. Att. Gen. 41). Signatory certifies compliance with qualifications concerning Federal coal lease holdings provided in Sec. 2(a)(2)(A) of the Mineral Leasing Act.

Read Instructions Before Completing

1 Name Red Bluff Water Power Control District  
Street c/o Jennings, Losee and Carson  
Box 1180  
City, State, Zip Code Roswell, NM 88202-1180

RECEIVED  
BUR. OF LAND MGMT.  
N.M.S.O. SANTA FE  
MAR 23 1988 PM  
7:18, 9:11, 12:12, 3:45, 6

2 This offer/lease is for: (Check Only One) ☒ PUBLIC DOMAIN LANDS ☐ ACQUIRED LANDS (percentage U.S. interest \_\_\_\_\_)

Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project \_\_\_\_\_

Legal description of land requested:

T. \_\_\_\_\_ R. \_\_\_\_\_ Meridian \_\_\_\_\_ State \_\_\_\_\_ County \_\_\_\_\_

BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION  
Malon EXHIBIT NO. ✓  
CASE NO. 9458

Amount remitted: Filing fee \$ \_\_\_\_\_ Rental fee \$ \_\_\_\_\_ Total \$ \_\_\_\_\_

Total acres applied for \_\_\_\_\_

3 Land included in lease:

DO NOT WRITE BELOW THIS LINE

T. 26 S., R. 29 E., Meridian NMP State New Mexico County Eddy

Parcel 2 - 38.50 acres  
Parcel 3 - 220.50 acres

(see description by courses and distances attached)

DESCRIPTION  
AMENDED  
TO include parcel 1  
(SEE DISCUSSION OF  
5/30/88)

\*TERM: For a period not to exceed twenty (20) years;  
Subject to any unit agreement heretofore or hereafter  
approved by the Secretary of the Interior the provisions  
of said agreement to govern the lands subject thereto where  
inconsistencies with the terms of this lease occur.

365.90  
Total acres in lease ~~259.00~~  
Rental retained \$ 259.00

In accordance with the above offer, or the previously submitted simultaneous oil and gas lease application or competitive bid, this lease is issued granting the nonexclusive right to conduct oil and gas geophysical exploration, and the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

Type and primary term of lease:

☐ Simultaneous noncompetitive lease (ten years)

☐ Regular noncompetitive lease (ten years)

☐ Competitive lease (five years)

☒ Other Right-of-Way Lease (20 years)

THE UNITED STATES OF AMERICA

by Martha A. Rivera (Signing Officer)

Chief, Mineral Leasing Unit 1 3-29-88  
(Title) (Date)

EFFECTIVE DATE OF LEASE April 1, 1988



NM NM 71599  
3109 (943C-2d)

ATTACHMENT

The royalty rate to be applied to this lease is at the rate of 14.0%

The following description was prepared by M. R. Estes, surveyor for the Red Bluff Water Power Control District, and certified as to being true and correct as to boundaries, corners and lines of the Red Bluff Water Power Control District Reservoir in the State of New Mexico on May 20, 1936, and further approved by the Bureau of Land Management on August 4, 1937.

#### FIELD NOTES

##### Red Bluff Reservoir

##### Parcel I (portion)

Sec. 33, Tsp. 26 South, Range 29 East, Eddy County, New Mexico.

Beginning at a point in the South line of Sec. 33, Tsp. 26 South, Range 29 East, Eddy County, New Mexico, said South line being the boundary line between Texas and New Mexico, which point is 941.5' West from the Southeast corner of said sec. 33;

Thence North  $32^{\circ} 16'$  East 173.7' to a point;

Thence North  $0^{\circ} 48.5'$  West 215.4' to a point;

Thence North  $9^{\circ} 02\frac{1}{2}'$  West 194.1' to a point;

Thence North  $29^{\circ} 11\frac{1}{2}'$  East 190.8' to a point;

Thence North  $17^{\circ} 35'$  East 200.3' to a point;

Thence North  $12^{\circ} 53\frac{1}{2}'$  East 469.8' to a point;

Thence North  $2^{\circ} 03\frac{1}{2}'$  West 294.2' to a point;

Thence North  $1^{\circ} 36'$  East 484.4' to a point;

Thence North  $7^{\circ} 47\frac{1}{2}'$  West 237.4' to a point in the North line of sec. 33.;

Thence East along said North line of sec. 33 a distance of 643.3' to the Northeast corner of said sec. 33;

Thence South along the East line of sec. 33 a distance of 2382.9' to a point in the boundary line between Texas and New Mexico, which point is the Southeast corner of said sec. 33;

Thence West along said boundary line a distance of 941.5' to the point of beginning.

The above described tract containing 38.8 acres, more or less.

1065-110

The following description was prepared by M. R. Estes, surveyor for the Red Bluff Water Power Control District, and certified as to being true and correct as to boundaries, corners and lines of the Red Bluff Water Power Control District Reservoir in the State of New Mexico on May 20, 1936, and further approved by the Bureau of Land Management on August 4, 1937.

FIELD NOTES

Red Bluff Reservoir

Parcel I (portion)

Sec 34, Tsp. 26 South, Range 29 East, Eddy County, New Mexico.

Beginning at a point in the South line of sec. 34, tsp. 26 South, Range 29 East, Eddy County, New Mexico; said south line being the boundary line between Texas and New Mexico, which point is East 1239.6' from the Southwest corner of said sec. 34;

Thence North  $30^{\circ} 01'$  East 203.3' to a point;

Thence North  $37^{\circ} 55'$  West 244.0' to a point;

Thence North  $3^{\circ} 53'$  West 167.3' to a point;

Thence North  $22^{\circ} 39'$  East 230.2' to a point;

Thence North  $40^{\circ} 40'$  East 524.7' to a point;

Thence North  $6^{\circ} 55'$  West 143.5' to a point;

Thence North  $28^{\circ} 17\frac{1}{2}'$  West 310.9' to a point;

Thence South  $10^{\circ} 03\frac{1}{2}'$  West 332.5' to a point;

Thence South  $45^{\circ} 43\frac{1}{2}'$  West 196.2' to a point;

Thence North  $41^{\circ} 14\frac{1}{2}'$  East 94.5' to a point;

Thence North  $6^{\circ} 04\frac{1}{2}'$  West 731.8' to a point;

Thence North  $4^{\circ} 49\frac{1}{2}'$  East 279.4' to a point;

Thence North  $26^{\circ} 24\frac{1}{2}'$  East 229.0' to a point in the North line of said sec. 34;

Thence West along the North line of sec. 34 a distance of 1228.1' to the Northwest corner of sec. 34;

Thence South along the West line of said sec. 34 a distance of 2382.9' to a point in the boundary line between Texas and New Mexico; which point is the Southwest corner of sec. 34;

Thence East along the South line of sec. 34 and the boundary line between Texas and New Mexico a distance of 1239.6' to the point of beginning.

The above described tract containing 68.1 acres, more or less.

*N.  $41^{\circ} 14' 30''$  E, probably S  $41^{\circ} 14' 30''$  E*



The following description was prepared by M. R. Estes, surveyor for the Red Bluff Water Power Control District, and certified as to being true and correct as to boundaries, corners and lines of the Red Bluff Water Power Control District Reservoir in the State of New Mexico on May 20, 1936, and further approved by the Bureau of Land Management on August 4, 1937.

FIELD NOTES

Red Bluff Reservoir

Parcel II

Sec. 27; Tsp. 26 South, Range 29 East, Eddy County, New Mexico.

Beginning at a point in the South line of sec. 27, tsp. 26 South, Range 29 East, Eddy County, New Mexico, which point is East along said South line of sec. 27, a distance of 1228.1' from the Southwest corner of said Sec. 27;

Thence North  $26^{\circ} 24\frac{1}{2}'$  East 70.9' to a point;

Thence North  $68^{\circ} 54'$  West 186.2' to a point;

Thence North  $8^{\circ} 46'$  West 279.0' to a point;

Thence North  $31^{\circ} 17'$  West 223.9' to a point;

Thence North  $48^{\circ} 30'$  West 330.0' to a point;

Thence North  $23^{\circ} 36'$  West 263.1' to a point;

Thence North  $28^{\circ} 13'$  West 251.4' to a point;

Thence North  $72^{\circ} 45'$  East 249.2' to a point;

Thence North  $60^{\circ} 17'$  West 422.0' to a point;

Thence North  $57^{\circ} 49\frac{1}{2}'$  West 259.4' to a point;

Thence North  $2^{\circ} 35\frac{1}{2}'$  West 304.6' to a point;

Thence North  $19^{\circ} 16\frac{1}{2}'$  East 126.6' to a point;

Thence North  $2^{\circ} 45\frac{1}{2}'$  East 75.5' to a point;

Thence South  $54^{\circ} 15\frac{1}{2}'$  West 189.1' to a point;

Thence North  $78^{\circ} 27\frac{1}{2}'$  West 176.1' to a point;

Thence North  $45^{\circ} 47\frac{1}{2}'$  West  $47\frac{1}{2}'$  to a point in the West line of said sec. 27;

Thence South along the West line of sec. 27 a distance of 2149.8' to the Southwest corner of said sec. 27;

Thence East along the south line of sec. 27 a distance of 1228.1' to the point of beginning.

The above described tract containing 38.5 acres, more or less.

The following description was prepared by M. R. Estes, surveyor for the Red Bluff Water Power Control District, and certified as to being true and correct as to boundaries, corners and lines of the Red Bluff Water Power Control District Reservoir in the State of New Mexico on May 20, 1936, and further approved by the Bureau of Land Management on August 4, 1937.

FIELD NOTES

Red Bluff Reservoir

Parcel III

Sec. 28, Tsp. 26 South, Range 29 East, Eddy County, New Mexico.

Beginning at a point in the South line of sec. 28, tsp. 26 South, Range 29 East, Eddy County, New Mexico, which point in west along said South line a distance of 643.3' from the southeast corner of sec. 28;

Thence North 7° 47½' West 318.9' to a point;  
Thence North 31° 50½' West 323.0' to a point;  
Thence North 19° 23½' East 142.1' to a point;  
Thence South 76° 31½' East 95.5' to a point;  
Thence North 11° 53½' West 322.7' to a point;  
Thence North 41° 00½' West 290.3' to a point;  
Thence North 72° 34½' West 205.8' to a point;  
Thence North 9° 43' West 366.4' to a point;  
Thence North 45° 08' West 83.3' to a point;  
Thence South 67° 01' West 236.7' to a point;  
Thence North 21° 04' East 195.7' to a point;  
Thence South 82° 19' West 148.3' to a point;  
Thence South 62° 14' West 225.5' to a point;  
Thence South 38° 46' West 114.7' to a point;  
Thence South 23° 23' West 294.5' to a point;  
Thence North 6° 39' West 192.9' to a point;  
Thence North 15° 04' East 128.4' to a point;  
Thence North 6° 42' West 142.0' to a point;  
Thence North 52° 08' West 187.7' to a point;  
Thence North 34° 20' West 213.3' to a point;  
Thence North 51° 37' West 103.0' to a point;  
Thence North 72° 43' West 85.3' to a point;  
Thence South 65° 56' West 86.6' to a point;  
Thence North 69° 58' West 91.3' to a point;  
Thence South 44° 00' West 453.7' to a point;  
Thence North 58° 13' West 270.1' to a point;  
Thence North 70° 55' West 254.6' to a point;  
Thence North 19° 23' West 186.4' to a point;  
Thence North 35° 08' West 432.8' to a point;  
Thence North 50° 24' West 392.2' to a point;  
Thence North 41° 16' West 369.7' to a point;  
Thence North 26° 42' West 191.4' to a point;  
Thence North 86° 28' East 319.2' to a point;



Parcel III (continued)

Sec. 28, Twp. 26 South, Range 29 East, Eddy County, New Mexico

Thence North 76° 44' East 478.5' to a point;  
Thence North 45° 15' East 250.7' to a point;  
Thence North 15° 13' East 60.8' to a point;  
Thence North 48° 47' West 265.5' to a point;  
Thence North 24° 16' West 143.0' to a point;  
Thence North 15° 03½' West 134.4' to a point;  
Thence North 29° 27½' East 172.0' to a point;  
Thence North 20° 03' West 499.4' to a point;  
Thence North 0° 56' West 274.0' to a point;  
Thence North 1° 44' West 272.5' to a point in the North line of sec. 28;  
Thence East along the said North line a distance of 1036.8' to a point in said North line;  
Thence South 35° 37½' East 279.7' to a point;  
Thence South 14° 26½' East 226.2' to a point;  
Thence South 19° 12' East 217.5' to a point;  
Thence South 24° 43' East 307.5' to a point;  
Thence South 28° 55' East 155.7' to a point;  
Thence South 20° 28' East 289.2' to a point;  
Thence South 43° 08' East 314.5' to a point;  
Thence South 39° 22' East 270.5' to a point;  
Thence South 46° 13½' East 387.1' to a point;  
Thence South 48° 20½' East 291.2' to a point;  
Thence South 57° 44½' East 247.7' to a point;  
Thence South 62° 05½' East 355.9' to a point;  
Thence South 33° 23½' East 170.9' to a point;  
Thence South 55° 49½' East 180.2' to a point;  
Thence North 78° 38½' East 182.2' to a point;  
Thence South 14° 55½' West 220.6' to a point;  
Thence South 45° 47½' East 195.6' to a point in the East line of said sec. 28;  
Thence South along the East line of sec. 28 a distance of 2149.8' to the Southeast corner of sec. 28;  
Thence West along the South line of sec. 28 a distance of 643.3' to the point of beginning;  
The above described tract containing 220.5 acres, more or less.

L. E. OPPERMANN  
500 W. Wall, Suite 312  
Midland, Texas 79701  
(915) 685-0593

June 7, 1988

Mr. John Hayes  
Red Bluff Water Power Control District  
111 W. 2nd Street  
Pecos, Texas 79772

Re: NW/4 SW/4 of Section 27  
and SE/4 SE/4 of Section  
28, T-26-S, R-29-E, Eddy  
County, New Mexico

Dear John:

In accordance with our recent visit and telephone conversations, we wish to enclose copies of production plat and copies of the gauge reports on the Mallon Amoco Federal No. 14 Well, located in the SW/4 SE/4 of Section 28, and being the last well drilled in this area. As you can see from the production reports, the production is falling off rapidly and will soon be a typical Delaware well producing 10 to 15 barrels of oil with a large amount of water.

As I pointed out at the recent meeting with you and Dub, Mallon will have additional costs in drilling wells west of the lake. The additional costs are \$50,000.00 per well for additional pad, different rig and no earthen pits; trucking of water; additional liability with the BLM; additional building of roads; and possible directional drilling of some wells.

Therefore, we wish the board would consider our offer whereby Mallon would drill the long proposed well in the NW/4 SW/4 of Section 27 (location has already been built) and an additional well in the SE/4 SE/4 of Section 28 in which Red Bluff would own a 50% or more interest. After Mallon completes each well, Red Bluff will assign to Mallon the Operating Rights in that quarter-quarter section reserving a 5% override on the acreage contributed to the proration unit. We would then deal with Red Bluff on any additional wells to be drilled on an individual basis taking into consideration current production, oil prices and other unseen factors that may rise in the meantime.

We again wish to point out that Amoco reserved a 5% override in the trade with us in 1983 when oil was \$27.00 to \$28.00 per barrel and that Mallon would only have a 76% net revenue interest in the Red Bluff acreage after honoring their commitments and the 5% Red Bluff override.

BEFORE EXAMINER CAYANACH  
OIL CONSERVATION DIVISION

Mallon EXHIBIT NO. 3  
CASE NO. 41458

John Hayes - Red Bluff  
June 7, 1988  
Page Two

Please advise if you have any questions. Thank you again for your cooperation in this matter and hopefully working together we can make this venture profitable for all parties.

Yours truly,

L. E. Oppermann

LEO/db  
Enclosures

CC: Ms. Karen McClintock  
Mallon Oil Company  
1099 18th street, Suite 2750  
Denver, Colorado 80202

L. E. OPPERMANN  
500 W. Wall, Suite 312  
Midland, Texas 79701  
(915) 685-0593

April 22, 1987

Mr. John Hayes  
Red Bluff Water Power Control District  
111 W. 2nd Street  
Pecos, Texas 79772

Re: W/2 SW/4 of Section 27,  
and W/2 NE/4, SE/4 NE/4,  
E/2 NW/4, SW/4 NW/4,  
N/2 SE/4, SE/4 SE/4 and  
NE/4 SW/4 of Section 28,  
all in T-26-S, R-29-E,  
Eddy County, New Mexico

Dear John:

In accordance with our most recent telephone conversation, we wish to put in writing our agreement on the captioned acreage.

By Application to Lease for Oil and Gas on Non-Competitive Right - of - Way Lands dated April 15, 1985, Red Bluff filed said application to lease on some 1,729.25 acres in Eddy County. Amoco Oil Company acquired a Federal Lease dated February 1, 1980 which covered Sections 27 and 28 except for the 38.08 acres in Section 27 and the 203.09 acres in Section 28 which are lying within the Red Bluff Reservoir. We acquired a Farmout from Amoco on February 1, 1983 and have caused to be drilled 9 wells on Section 27. Our next proposed location is the NW/4 of SW/4 of Section 27 and contains Red Bluff Reservoir acreage. Since the wells do not produce the allowable, we propose to form a restricted proration unit excluding the Red Bluff acreage until you are issued the above applied for lease.

Therefore, we request that Red Bluff agree to farmout only the captioned acreage on a well by well basis when and if Red Bluff acquires the proposed lease. Red Bluff would assign to us a 80% net revenue interest in said lease on its acreage included in future proration units.

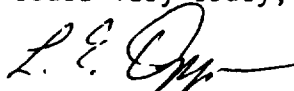
John Hayes - Red Bluff

April 22, 1987

Page Two

If Red Bluff agrees to the terms of this proposed trade, please execute one copy of this letter and return same to the undersigned. Thank you for your cooperation in this matter.

Yours very truly,

  
L. E. Oppermann

LEO/db

AGREED TO AND ACCEPTED  
this \_\_\_\_\_ day of  
\_\_\_\_\_, 1987.

By: \_\_\_\_\_  
RED BLUFF WATER POWER CONTROL DISTRICT

# MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202  
(303) 293-2333

September 6, 1988

Mr. John Hayes  
Red Bluff Water Power Control Dist.  
111 W. 2nd Street  
Pecos, TX 79772

Dear Mr. Hayes:

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<u>Mallon</u>	EXHIBIT NO. <u>4</u>
CASE NO.	<u>9458</u>

In response to the request by your attorney, Mr. Jim Jennings, we have postponed the hearing date for the pooling of the acreage in the NW/4 of the SW/4 of Section 27, Township 26 South, Range 29 East, Eddy County, New Mexico. The new date is September 14, 1988 at the same time and location described in the previous letters. I am enclosing a copy of our August 16, 1988 letter for your reference regarding the purpose and location of the hearing.

From our August 31, 1988 phone conversation I was left with the impression that with further information to you, regarding the economics of drilling the locations that would involve the Red Bluff acreage we might be able to go back to negotiating a Farmout Agreement. I hope the following will help.

Since becoming operator of the Amoco-Federal lease in October 1988 Mallon has drilled four wells, all on the extreme western edge of the Brushy Draw field development.

The wells in their order of drilling are as follows:

Amoco-Federal #11, ~~NNW~~, Section 27, T26S, R29E;  
Amoco-Federal #10, ~~SNW~~, Section 27, T26S, R29E;  
Amoco-Federal #13, ~~NENE~~, Section 28, T26S, R29E;  
Amoco-Federal #14, ~~SWSE~~, Section 28, T26S, R29E;

These wells have all substantiated the trend of westwardly thinning within the Williamson sand interval (the field pay), which had been previously observed across the Amoco lease. The thinning of the sand, typically indicates that the boundary of the channel is being approached. Outside of the Delaware channels in the basin, rocks have been non-productive or mostly water productive and non-commercial.

Mr. John Hayes  
Red Bluff Water Power Control Dist.  
September 6, 1988  
Page two.

In addition to the thinning, net porosities, the percentage of void spaces within the Williamson sand reservoir rock have diminished as drilling has progressed to the west. Correlatable to a decrease in porosity in the Delaware sands is a decrease in the permeability or the degree to which fluids can flow through the rock. As the overall permeability of a rock decreases the relative permeability to the flow of oil decreases at a much greater rate than the relative permeability to water. The result of this change in rock properties is a lower percentage of oil production (and a proportional increase in the percentage of water produced) and an overall decrease in the total volumes producible from the lower permeability and porosity or "tighter" wells.

The Amoco #13 well did include a thin (five foot) layer of higher porosity rock which has helped improve the production rates from that well, and the Amoco #14 well benefited from its distance from previous production by encountering less pressure depletion and thus having higher initial rates. Production rates from the #14 well have since declined dramatically however and are now more in line with the lower than average porosities logged in that well at about 28 BOPD and 75 BWPD.

In addition to the higher risks Mallon feels they are facing on future wells as a result of the decreasing reservoir quality, future well locations will be burdened with additional costs stemming from the building of locations along the rough terrain bordering the lake and the necessity of directionally drilling from a number of the sites. The BLM has already let us know that they have concerns about locations any closer to the lake than those presently developed and will have to order additional protection against such hazards as spills, wildlife habitat endangerment, erosion etc. All of these measures can add greatly to the cost and possibly even exclude some sites from being drilled. On top of that, as I mentioned to you, the Bureau of Reclamation also claims jurisdiction to the surface. A Mr. Tom Chapman with Bureau of Reclamation in Carlsbad has asked that plans be submitted to him as well as the BLM for lake bounding sites.

It is estimated that \$80,000 could be added to the cost of an individual well for location building and directional drilling this does not include any additional environmental protection measures or legal and administrative costs that could be encountered.

Of the four wells drilled by Mallon during the past two years it is doubtful that one will pay out, and two others are marginal. The upshot of all of the above discussion is that the economics for drilling the prospective locations around the lake at present oil



Mr. John Hayes  
Red Bluff Water Power Control Dist.  
September 6, 1988  
Page three.

prices are quite marginal. This is due in part to the high royalty burden that Mallon inherited with the lease. Steps are being taken to get relief from part of that burden but there is no certainty of getting any portion of the royalties removed and the process will almost certainly be time consuming since it involves making an appeal through the Secretary of the Interior.

The farmout terms from Amoco require the drilling of a development well within 90 days after reaching TD on the previous well. Mallon has been successful in receiving two time extensions on the next well but Amoco showed some reluctance when granting the latest 60 day extension and may balk at future requests.

As we have discussed the Amoco-Red Bluff-Federal #1 NW SW 27, 26S, 29E is by far the lowest risk site, sitting on what may be a channel trend and being adjacent to two producing wells. All other sites would be further removed from proven producing acreage and/or facing the additional lake bounding well costs mentioned above.

From my discussion with Mr. Jennings on September 2, 1988 it sounds as if we may not be close enough to settle upon a general lease farmout or an agreeable pooling of drill site acreage before the October 24 drilling deadline. To buy more time I would like to suggest that we go back to the earlier proposed farmout of the Red Bluff acreage under one or two sites with a 5% ORRI going proportionately to Red Bluff. This would allow time for further negotiations between Mallon and Red Bluff without compromising the present development program. It would possibly also allow time for a response from the Secretary of the Interior on the appeal for relief from the excess royalty burden on the Amoco lease.

As I have mentioned before, time is of the essence in this matter as our alternative would be the drilling of a higher risk well, probably the Amoco-Federal #15 in the SW SE 28, which, if it turned out to be a poor well or dry hole, could serve to condemn much of the prospective Amoco and Red Bluff acreage.

Mallon's efforts at being a prudent operator are largely responsible for the continuation of drilling on the prospect during the last two years. Costs have been reduced by careful control of drilling, completion and operating expenses and by the overall economy of operating several wells. These efforts will continue and should insure the best chance of successfully developing the acreage fully. This of course benefits Mallon and Red Bluff.

Mr. John Hayes  
Red Bluff Water Power Control Dist.  
September 6, 1988  
Page four.

Your earliest response of this matter will be appreciated. Please call if you have any questions.

Sincerely,

MALLON OIL COMPANY

A handwritten signature in black ink, appearing to read "Joe H. Cox, Jr.", with a stylized flourish at the end.

Joe H. Cox, Jr.  
Engineer

JHC:er

Enclosures

cc: Jim Jennings  
Ernest Padilla

# MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202  
(303) 293-2333

August 16, 1988

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

Attention: Mr. John Hayes

RE: Change of Pooling  
Hearing Date

Dear Mr. Hayes:

In a July 26, 1988 letter, Mallon Oil Company notified you of a hearing before the New Mexico Oil Conservation Division scheduled for August 17, 1988. The item discussed in that letter, the pooling of acreage in a 40 acre proration unit for the proposed Amoco-Red Bluff-Federal #1, has now been scheduled for presentation to the Division at their August 31, 1988 hearing. The re-scheduling is due to the Divisions office receiving the application too late to allow the matter to be included on the August 17 docket.

As explained in the July 26 letter, Mallon will be seeking the pooling of all mineral interests (to the base of the Brushy Canyon Formation) underlying the NW/4 of the SW/4 of Section 27, T26S, R29E in Eddy County, New Mexico. In addition, Mallon will seek to be named operator of the proposed well to be drilled at a standard location within the above described 40 acre spacing and proration unit; will ask the commission to establish reasonable costs for the drilling and operation of said well; and ask to be allowed to collect the maximum authorized penalty of 200% plus proportionate costs from the drilling and operation of the well from revenue from said well against any interest owner which does not participate in the drilling of the well.

The hearing is now scheduled for 8:15 a.m. in the New Mexico Oil Conservation Division conference room, Santa Fe, New Mexico.

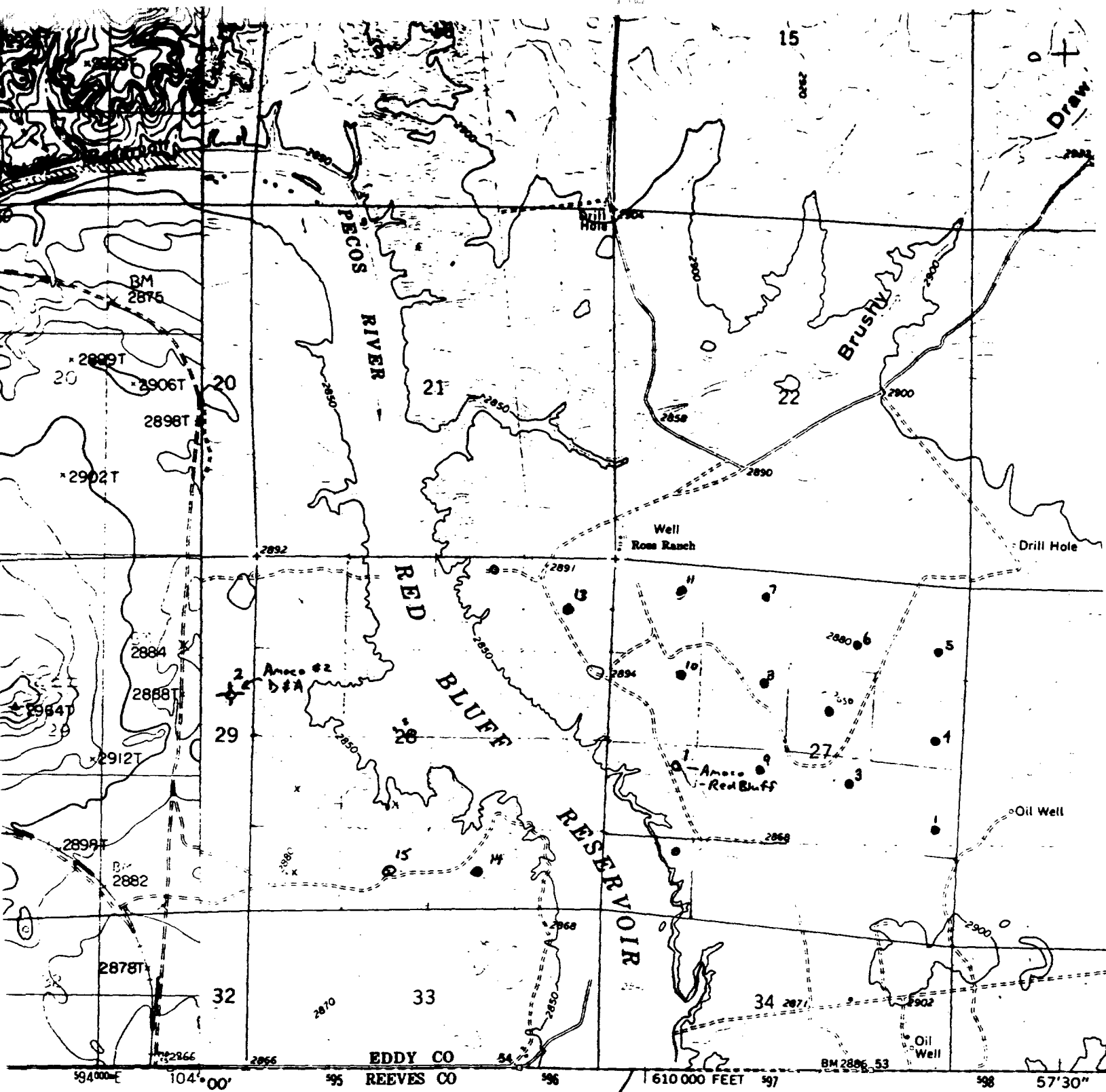
Sincerely,

MALLON OIL COMPANY



Joe H. Cox, Jr.  
Engineer

JHC:sss



Mapped, edited, and published by the Geological Survey

Control by USGS and USC&GS

Topography by photogrammetric methods from aerial  
photographs taken 1967. Field checked 1968

Polyconic projection. 1927 North American datum  
10,000-foot grid based on New Mexico coordinate system,  
east zone

1000-meter Universal Transverse Mercator grid ticks,  
zone 13, shown in blue

Fine red dashed lines indicate selected fence lines

★  
MN  
GN 1  
0°34' 13 1/2"  
10 MILS 204 MILS

MAGNETIC NORTH  
DECLINATION AT CENTER OF SHEET

FF, NEW MEXICO  
NAL EDITION 1985

304-AI-TF-024

# MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202  
(303) 293-2333

August 16, 1988

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

Attention: Mr. John Hayes

RE: Change of Pooling  
Hearing Date

Dear Mr. Hayes:

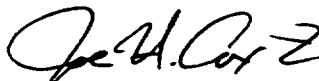
In a July 26, 1988 letter, Mallon Oil Company notified you of a hearing before the New Mexico Oil Conservation Division scheduled for August 17, 1988. The item discussed in that letter, the pooling of acreage in a 40 acre proration unit for the proposed Amoco-Red Bluff-Federal #1, has now been scheduled for presentation to the Division at their August 31, 1988 hearing. The re-scheduling is due to the Divisions office receiving the application too late to allow the matter to be included on the August 17 docket.

As explained in the July 26 letter, Mallon will be seeking the pooling of all mineral interests (to the base of the Brushy Canyon Formation) underlying the NW/4 of the SW/4 of Section 27, T26S, R29E in Eddy County, New Mexico. In addition, Mallon will seek to be named operator of the proposed well to be drilled at a standard location within the above described 40 acre spacing and proration unit; will ask the commission to establish reasonable costs for the drilling and operation of said well; and ask to be allowed to collect the maximum authorized penalty of 200% plus proportionate costs from the drilling and operation of the well from revenue from said well against any interest owner which does not participate in the drilling of the well.

The hearing is now scheduled for 8:15 a.m. in the New Mexico Oil Conservation Division conference room, Santa Fe, New Mexico.

Sincerely,

MALLON OIL COMPANY



Joe H. Cox, Jr.  
Engineer

JHC:sss

# MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202  
(303) 293-2333

July 26, 1988

Mr. John Hayes  
Red Bluff Water Power Control District  
111 W. 2nd Street  
Pecos, TX 79772

Dear Mr. Hayes:

Making the assumption that Red Bluff will not elect to participate as a working interest partner in the Amoco-Red Bluff-Federal #1, this letter will serve as notice that Mallon has scheduled a hearing for the forced pooling of the spacing unit acreage. Should Red Bluff choose to participate the motion for hearing will be withdrawn upon receipt of your signed AFE.

The hearing is scheduled for August 17, 1988 at 8:15 a.m., in the New Mexico Oil Conservation Division Conference Room, Santa Fe, New Mexico.

At the hearing Mallon Oil Company will seek the pooling of all mineral interests in the NW/4 of the SW/4 of section 27, T26S, R29E, Eddy County, New Mexico. Mallon will seek to be named operator of the spacing unit, to determine a reasonable cost for the drilling and completion of the Amoco-Red Bluff-Federal #1, the well proposed to occupy the unit, and to establish reasonable costs for administrative overhead and operating expenses for the well during the drilling, completion and production of the well.

Mallon will seek a risk penalty equal to costs incurred in the drilling, completion and operation of the well, plus 200% of that cost for the Red Bluff portion of the spacing unit.

If you have any questions regarding the forced pooling of the above described acreage, please feel free to call.

Sincerely,

MALLON OIL COMPANY



Joe H. Cox, Jr.  
Engineer

JHC:sss

# MALLON OIL COMPANY

1099 18th Street, Suite 2750, Denver, Colorado 80202  
(303) 293-2333

July 26, 1988

Mr. John Hayes  
Red Bluff Water Power Control District  
111 W. 2nd Street  
Pecos, TX 79772

Dear Mr. Hayes:

During the past three months Mallon Oil Company through its agent, Mr. Les Oppermann, has negotiated with Red Bluff Water Power Control District attempting to secure a Farmout Agreement for the portion of Red Bluffs' Federal mineral lease #NM NM-71599 in sections 27 and 28, Township 26 South, Range 29 East, Eddy County, New Mexico. Because it has not been possible for both parties to agree upon the amount of royalty to be reserved by Red Bluff, Mallon has decided to offer Red Bluff the opportunity to voluntarily participate for their proportionate share in the drilling of a well. The well is to be located in the northwest quarter of the southwest quarter of section 27, Township 26 South, Range 29 East, Eddy County, New Mexico.

Attached please find the Authority for Expenditure for the proposed well to be named the Amoco-Red Bluff-Federal #1 (formerly permitted as the Amoco-Federal #12). Please review the AFE and if Red Bluff elects to participate, return the approved copy within 14 days of your receipt of the document.

As you are aware the exact proportion of acreage within the two Federal leases involved with this spacing unit will be determined by the 1936, BLM, Metes and Bounds Survey which you have sent to John West Engineering. I encourage you to have Mr. West begin work on the plats from that data as soon as possible so it will be available for your information as well as ours for the purpose of this proposed well.

If any questions come up please feel free to call me.

Sincerely,

MALLON OIL COMPANY



Joe H. Cox, Jr.  
Engineer

JHC:sss  
Enclosure(s)



FIELD/PROSPECT Brushy Draw/Pecos River Prospect

WELL NAME Amoco-Red Bluff-Federal #1 (Formerly Amoco Federal #12)

LOCATION 2281' FSL, 990' FWL (NE, NW, SW) Sec. 27, T26S-R29E

COUNTY, STATE Eddy County, New Mexico

CONTRACTOR (TENTATIVE) Capstar Drilling

LEASE NUMBER  
1269 & Red Bluff #1638

PROPERTY NO.

NM- 01-12

PREPARED BY: Joe H. Cox, Jr. DATE: 7-18-88

APPROVED BY: Kevin M. Fitzgerald DATE:

APPROVED BY: DATE:

ANTICIPATED START/STOP DATES

## COST ESTIMATE

	TANGIBLE EXPENSE	INTANGIBLE EXPENSE	TOTAL
DRILLING-CASING POINT	\$ 4,000	\$ 104,400	\$ 108,400
DRILLING-COMPLETION	\$ 120,400	\$ 84,800	\$ 205,200
WORKOVER	\$	\$	\$
OTHER (SPECIFY)	\$	\$	\$
TOTAL COSTS	\$ 124,400	\$ 189,200	\$ 313,600

## PROJECT DESCRIPTION

Under the terms of the Operating Agreement, Mallon Oil Company, proposes drilling the above captioned well into the Brushy Canyon formation (Delaware Mtn. Group), to approximately 6,200'. Costs include the completion of two zones and the building of a tank battery to serve this well plus any further wells drilled on acreage shared by the Amoco and Red Bluff farmouts east of the lake.

## ATTACH PROGNOSIS AND COST BREAKDOWN

## COST SHARING

BCP

ACP

\$ \$

\$ \$

## PARTNER APPROVAL

COMPANY:

SIGNATURE:

DATE:

MALLON OIL COMPANY

AUTHORIZATION FOR EXPENDITURE

Well Name and Number Amoco-Red Bluff-Federal #1 AFE NO. \_\_\_\_\_  
 County Eddy State New Mexico Prospect Name Pecos River  
 Section 27 TWP 26S RGE 29E Well Location 2281' FSL, 990' FWL (NE, NW, SW)  
 Field Brushy Draw Objective Formation Brushy Canyon Depth 6,200'

DETAILS OF COST ESTIMATE

<u>910 &amp; 920 INTANGIBLE COSTS</u>		<u>DRY HOLE</u>	<u>PRODUCER</u>
101	Damages <u>1500</u> Losses _____	\$ 1,500	\$ 1,500
102	Roads & Location _____	1,800	1,800
103.1	Mobilization/Demobilization _____	---	---
103.2	Drilling-Footage <u>6,200</u> ft. @ <u>\$8.40</u> /ft	52,100	52,100
103.3	Daywork <u>1</u> days WDP. @ <u>\$3200</u> /day:	3,200	3,200
103.4	Turnkey Contract _____	---	---
201	Completion Unit <u>12</u> days @ <u>\$1100/Day</u>	---	13,200
106	Mud <u>2,500</u> Chemicals _____	2,500	2,500
107	Power, Water & Fuel _____	7,000	11,000
108	Equipment Rental <u>Pkr &amp; RBP \$1700, Reverse Unit \$1500, BOP \$800.</u>	---	4,000
109	Coring _____ Testing _____	10,000	10,000
140	Logging _____	7,500	7,500
111	Cementing Services <u>Surface \$5,000, Production \$12,000</u>	5,000	17,000
112	Consultants _____	1,300	4,300
115	Trucking & Hauling <u>and Forklift</u>	1,500	3,000
117	Other Costs <u>Contingency 2.5%</u>	2,500	4,600
118	Administrative Overhead _____	1,000	3,500
125	Bits _____	---	---
130	Mud Logging _____	4,500	4,500
202	Well Stimulation <u>Frac 35,000 Perforation 5,000 Acid 5,500</u>	---	45,500
165	Abandonment Costs _____	3,000	---
TOTAL INTANGIBLE DRILLING COSTS		<u>\$104,400</u>	<u>\$189,200</u>
<u>930 TANGIBLE EQUIPMENT COSTS</u>			
299	Surface Casing <u>400</u> ft <u>8 5/8"</u> size @ <u>\$ 8.50</u> /ft	\$ 3,400	\$ 3,400
300	Intermediate Csg. _____ ft _____ size @ \$ _____ /ft	---	---
301	Production Csg. <u>6200</u> ft <u>5 1/2"</u> size @ <u>\$ 6.50</u> /ft	---	40,300
302	Tubing & Attachments <u>6200' 2 7/8"</u> @ <u>\$1.45/ft.</u>	---	9,000
303	Rods & Pumps _____	---	8,500
304	Well Head Equipment _____	600	1,500
305	Flowlines <u>Included in battery cost</u>	---	---
306	Installation <u>Pumping unit \$2,200, flowlines \$1,300</u>	---	3,500
307	Pumping Unit & Engines _____	---	21,000
308	Tank Battery & Fittings <u>Including labor</u>	---	23,000
309	Non-Controllable Equipment _____	---	---
310	Treaters-separators _____	---	11,200
311	Buildings _____	---	---
312	Other Equipment <u>2.5% Contingency</u>	---	3,000
TOTAL TANGIBLE EQUIPMENT COSTS		<u>\$ 4,000</u>	<u>\$124,400</u>
TOTAL COST		<u>\$108,400</u>	<u>\$313,600</u>

AFE Date: \_\_\_\_\_

## DEFOULD MANTON

## OIL CONSERVATION DIVISION

PF:CLXPF  
EVAL #: 15

DATE: 09/23/88

TIME: 14:24:13

PAGE: 1

Mallon EXHIBIT NO. 5 RESERVES AND ECONOMICS  
AS OF OCT 1, 1988

ID CODE : NM-01-UNDEV CASE NO 9458

NAME : AMOCO-RED BLUFF-FED DEV. WELL PRESENT ROYALTY RATE  
FIELD : BRUSHY DRAW (DELAWARE)  
CNTY, STATE: EDDY, NM  
FORMATION :  
OPERATOR : MALLON OIL CO

## PROFITABILITY INDICATORS

PAYOUT : 3.6 YRS BTAX  
DCFROR : 11.2% BTAX  
RI-BTAX: 1.2 TO 1 UNDISC 1.0 TO 1 DISC  
NPV 5.0% 26.924 BTAX  
NPV 10.0% 4.835 BTAX  
NPV 15.0% -13.292 BTAX  
NPV 25.0% -41.177 BTAX  
NPV 30.0% -52.104 BTAX

WI	ORI	GRI	DATE	WELL COUNT		BEG-PRICES	END-PRICES	AVG-PRICES	GROSS RESERVES	
100.00000	70.00000	70.00000	OCT 1988	GROSS	NET	OIL 15.00	15.00	15.00	CUMULATIVE	REMAINING
				O	1	1.00				
				G	0	0.00				

	GROSS PROD OIL + COND	GROSS GAS PRODUCTION	NET PROD OIL + COND	NET GAS PRODUCTION	EFFECTIVE OIL PRICE	EFFECTIVE GAS PRICE	NET TOTAL REVENUE	NET LEASE OPER EXP	NET ADVAL TAXES	NET SEV TAXES
	---MMBLS---	---MMCF---	---MMBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	---M\$---	---M\$---	---M\$---	---M\$---
( 3MO)1988	6.808	30.636	4.766	21.445	15.000	0.900	90.786	6.615	0.908	9.788
1989	13.416	60.370	9.391	42.259	15.000	0.900	178.897	26.460	1.789	19.287
1990	7.523	33.855	5.266	23.699	15.000	0.900	100.325	26.460	1.003	10.816
1991	5.468	24.607	3.828	17.225	15.000	0.900	72.920	26.460	0.729	7.861
1992	4.373	19.677	3.061	13.774	15.000	0.900	58.309	26.460	0.583	6.286
1993	3.679	16.557	2.575	11.590	15.000	0.900	49.063	26.460	0.491	5.289
1994	3.196	14.383	2.237	10.068	15.000	0.900	42.621	26.460	0.426	4.595
1995	2.838	12.771	1.987	8.940	15.000	0.900	37.845	26.460	0.378	4.080
1996	2.561	11.522	1.792	8.066	15.000	0.900	34.145	26.460	0.341	3.681
1997	2.338	10.523	1.637	7.366	15.000	0.900	31.184	26.460	0.312	3.362
1998										
1999										
2000										
2001										
2002										
SUB TOTAL	52.201	234.902	36.540	164.432	15.000	0.900	696.094	244.755	6.961	75.046
REMAINDER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOT 9.3 YR	52.201	234.902	36.540	164.432	15.000	0.900	696.094	244.755	6.961	75.046

	WINDFALL PROFITS TAX	NET OPER REVENUE	NET TOTAL INVESTMENT	BTAX CASHFLOW	BTAX CF DISC 15.00%	TAX DEPLETION	TAX DEPREC	INCOME TAXES PAID	ATAX CASHFLOW	ATAX CF DISC 15.00%
	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
( 3MO)1988	0.000	73.475	315.000	-241.525	-239.461	0.000	0.000	0.000	-241.525	-239.461
1989	0.000	131.361	0.000	131.361	119.043	0.000	0.000	0.000	131.361	119.043
1990	0.000	62.046	0.000	62.046	48.652	0.000	0.000	0.000	62.046	48.652
1991	0.000	37.869	0.000	37.869	25.786	0.000	0.000	0.000	37.869	25.786
1992	0.000	24.980	0.000	24.980	14.784	0.000	0.000	0.000	24.980	14.784
1993	0.000	16.823	0.000	16.823	8.658	0.000	0.000	0.000	16.823	8.658
1994	0.000	11.140	0.000	11.140	4.987	0.000	0.000	0.000	11.140	4.987
1995	0.000	6.926	0.000	6.926	2.699	0.000	0.000	0.000	6.926	2.699
1996	0.000	3.662	0.000	3.662	1.245	0.000	0.000	0.000	3.662	1.245
1997	0.000	1.050	0.000	1.050	0.316	0.000	0.000	0.000	1.050	0.316
1998										
1999										
2000										
2001										
2002										
SUB TOTAL	0.000	369.333	315.000	54.333	-13.292	0.000	0.000	0.000	54.333	-13.292
REMAINDER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOT 9.3 YR	0.000	369.333	315.000	54.333	-13.292	0.000	0.000	0.000	54.333	-13.292

EVALUATION #15 IN PROJECT FILE "COXPF " 09/23/88 14:24:04

10 IDENT "NM-01-UNDEV  
20 DATES OCT 1988 OCT 1988  
30 NAME "AMOCO-RED BLUFF-FED DEV. WELL "  
40 FIELD "BRUSHY DRAW (DELAWARE) "  
50 CNTYSTATE "EDDY, NM "  
60 OPERATOR "MALLON OIL CO "  
70 TITLE1 "PRESENT ROYALTY RATE "  
90 OWNERSHIP 1. 0.7  
100 ECONOMICS ELIM  
110 WELLCOUNT 1 0 0  
120 OPROD OCT 1988 HYP:1.3 3000. \* \* 70.48  
130 GOR \* CON 4.5  
140 PROIL \* CON 15.  
150 LSEVPS \* CON 7.9  
160 GSEVPS \* CON 3.34  
170 GSEVDM \* CON 0.163  
180 AVALPS \* CON 1.  
190 LOEDW \* CON 2205.  
200 PRGAS \* CON 0.9  
220 INTAN \* MON 315000.

PF:CGXPF  
EVAL #: 16

DATE: 09/23/88

TIME: 14:24:24

PAGE: 2

RESERVES AND ECONOMICS  
AS OF OCT 1, 1988

PROFITABILITY INDICATORS

ID CODE : NM-01-UDEV

NAME : AMOCO-RED BLUFF-FEDERAL WELL WITHOUT EXCESS ROYALTY  
FIELD : BRUSHY DRAW (DELAWARE)  
CNTY, STATE: EDDY, NM  
FORMATION :  
OPERATOR : MALLON OIL CO

PAYOUT : 2.1 YRS BTAX  
DCFROR : 33.8% BTAX  
RI-BTAX: 1.5 TO 1 UNDISC 1.2 TO 1 DISC  
NPV 5.0% 125.802 BTAX  
NPV 10.0% 92.285 BTAX  
NPV 15.0% 65.506 BTAX  
NPV 25.0% 25.517 BTAX  
NPV 30.0% 10.216 BTAX

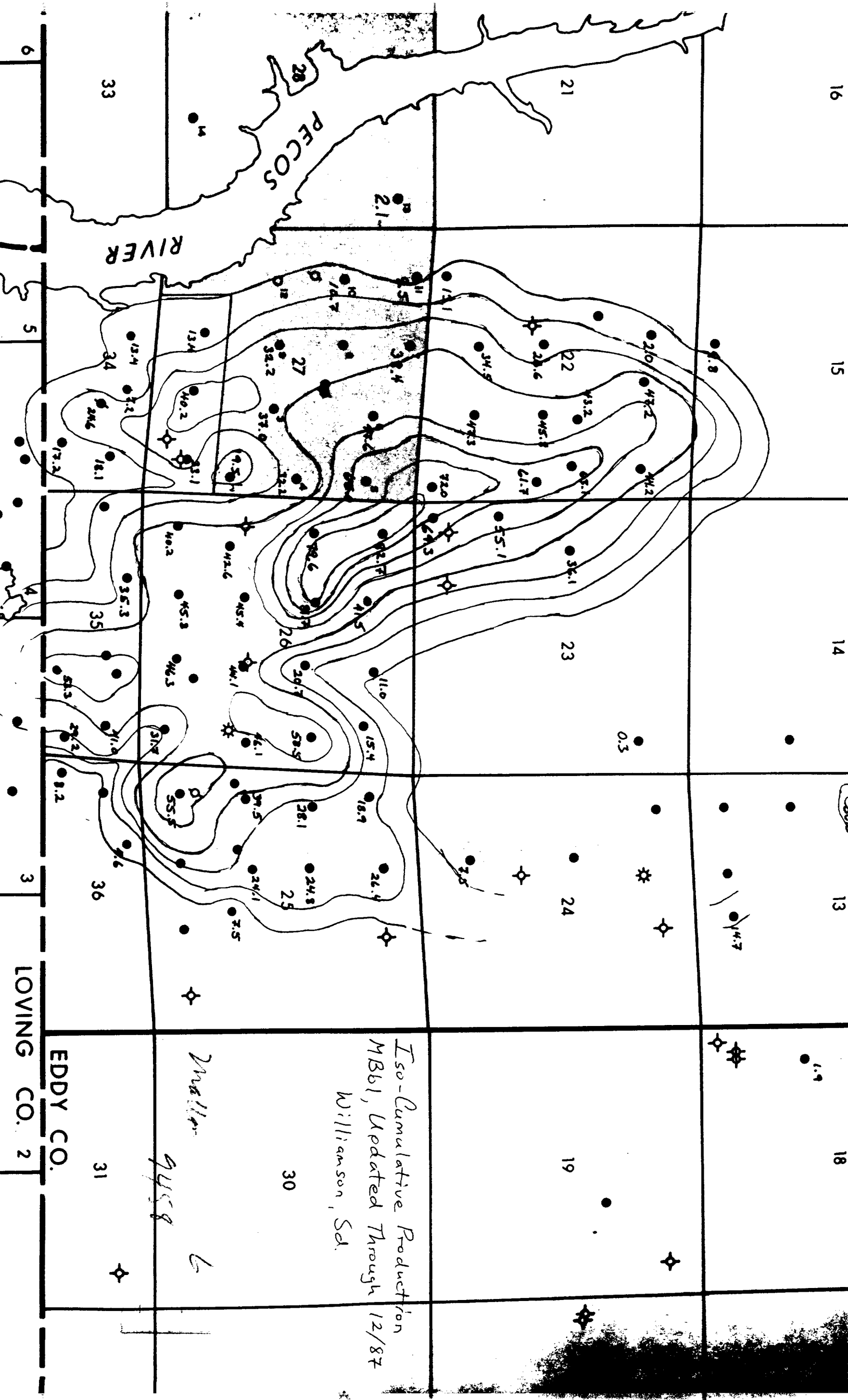
WI	ORI	GRI	DATE	WELL COUNT	BEG-PRICES	END-PRICES	AVG-PRICES	GROSS RESERVES
100.00000	82.50000	82.50000	OCT 1988	GROSS NET	OIL 15.00	15.00	15.00	CUMULATIVE REMAINING
				O 1 1.00	GAS 0.90	0.90	0.90	OIL (MBBLS) 0.000 56.840
				G 0 0.00				GAS (MMCF) 0.000 255.782

	GROSS PROD OIL + COND	GROSS GAS PRODUCTION	NET PROD OIL + COND	NET GAS PRODUCTION	EFFECTIVE OIL PRICE	EFFECTIVE GAS PRICE	NET TOTAL REVENUE	NET LEASE OPER EXP	NET ADVAL TAXES	NET SEV TAXES
	---MBBLS---	---MMCF---	---MBBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	---M\$---	---M\$---	---M\$---	---M\$---
( 3MO)1988	6.808	30.636	5.617	25.275	15.000	0.900	106.998	6.615	1.070	11.535
1989	13.416	60.370	11.068	49.805	15.000	0.900	210.842	26.460	2.108	22.731
1990	7.523	33.855	6.207	27.931	15.000	0.900	118.240	26.460	1.182	12.747
1991	5.468	24.607	4.511	20.301	15.000	0.900	85.942	26.460	0.859	9.265
1992	4.373	19.677	3.607	16.233	15.000	0.900	68.721	26.460	0.687	7.409
1993	3.679	16.557	3.035	13.659	15.000	0.900	57.824	26.460	0.578	6.234
1994	3.196	14.383	2.637	11.866	15.000	0.900	50.232	26.460	0.502	5.416
1995	2.838	12.771	2.341	10.536	15.000	0.900	44.603	26.460	0.446	4.809
1996	2.561	11.522	2.112	9.506	15.000	0.900	40.242	26.460	0.402	4.338
1997	2.338	10.523	1.929	8.682	15.000	0.900	36.752	26.460	0.368	3.962
1998	2.156	9.703	1.779	8.005	15.000	0.900	33.889	26.460	0.339	3.654
1999	2.004	9.017	1.653	7.439	15.000	0.900	31.492	26.460	0.315	3.395
( 3MO)2000	0.480	2.160	0.396	1.782	15.000	0.900	7.542	6.615	0.075	0.813
2001										
2002										
SUB TOTAL	56.840	255.782	46.893	211.020	15.000	0.900	893.320	304.290	8.933	96.308
REMAINDER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOT 11.5 YR	56.840	255.782	46.893	211.020	15.000	0.900	893.320	304.290	8.933	96.308

	WINDFALL PROFITS TAX	NET OPER REVENUE	NET TOTAL INVESTMENT	BTAX CASHFLOW	BTAX CF DISC 15.00%	TAX DEPLETION	TAX DEPREC	INCOME TAXES PAID	ATAX CASHFLOW	ATAX CF DISC 15.00%
	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
( 3MO)1988	0.000	87.777	315.000	-227.223	-225.469	0.000	0.000	0.000	-227.223	-225.469
1989	0.000	159.543	0.000	159.543	144.534	0.000	0.000	0.000	159.543	144.534
1990	0.000	77.850	0.000	77.850	61.021	0.000	0.000	0.000	77.850	61.021
1991	0.000	49.357	0.000	49.357	33.592	0.000	0.000	0.000	49.357	33.592
1992	0.000	34.165	0.000	34.165	20.207	0.000	0.000	0.000	34.165	20.207
1993	0.000	24.552	0.000	24.552	12.624	0.000	0.000	0.000	24.552	12.624
1994	0.000	17.854	0.000	17.854	7.983	0.000	0.000	0.000	17.854	7.983
1995	0.000	12.888	0.000	12.888	5.012	0.000	0.000	0.000	12.888	5.012
1996	0.000	9.041	0.000	9.041	3.059	0.000	0.000	0.000	9.041	3.059
1997	0.000	5.963	0.000	5.963	1.756	0.000	0.000	0.000	5.963	1.756
1998	0.000	3.436	0.000	3.436	0.882	0.000	0.000	0.000	3.436	0.882
1999	0.000	1.322	0.000	1.322	0.298	0.000	0.000	0.000	1.322	0.298
( 3MO)2000	0.000	0.039	0.000	0.039	0.008	0.000	0.000	0.000	0.039	0.008
2001										
2002										
SUB TOTAL	0.000	483.788	315.000	168.788	65.506	0.000	0.000	0.000	168.788	65.506
REMAINDER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOT 11.5 YR	0.000	483.788	315.000	168.788	65.506	0.000	0.000	0.000	168.788	65.506

EVALUATION #16 IN PROJECT FILE "COXPF " 09/23/88 14:24:15

10 IDENT "NM-01-UDEV  
20 DATES OCT 1988 OCT 1988  
30 NAME "AMOCO-RED BLUFF-FEDERAL WELL "  
40 FIELD "BRUSHY DRAW (DELAWARE) "  
50 CNTYSTATE "EDDY, NM "  
60 OPERATOR "MALLON OIL CO "  
70 TITLE1 "WITHOUT EXCESS ROYALTY "  
90 OWNERSHIP 1. 0.825  
100 ECONOMICS ELIM  
110 WELLCOUNT 1 0 0  
120 OPROD OCT 1988 HYP:1.3 3000. \* \* 70.48  
130 GOR \* CON 4.5  
140 PROIL \* CON 15.  
150 LSEVPS \* CON 7.9  
160 GSEVPS \* CON 3.34  
170 GSEVDM \* CON 0.163  
180 AVALPS \* CON 1.  
190 LOEDW \* CON 2205.  
200 PRGAS \* CON 0.9  
220 INTAN \* MON 315000.



Iso-Cumulative Production  
MB61, Updated Through 12/87

Williamson, Sd.

30

William

9458

6

EDDY CO.

LOVING CO. 2

31



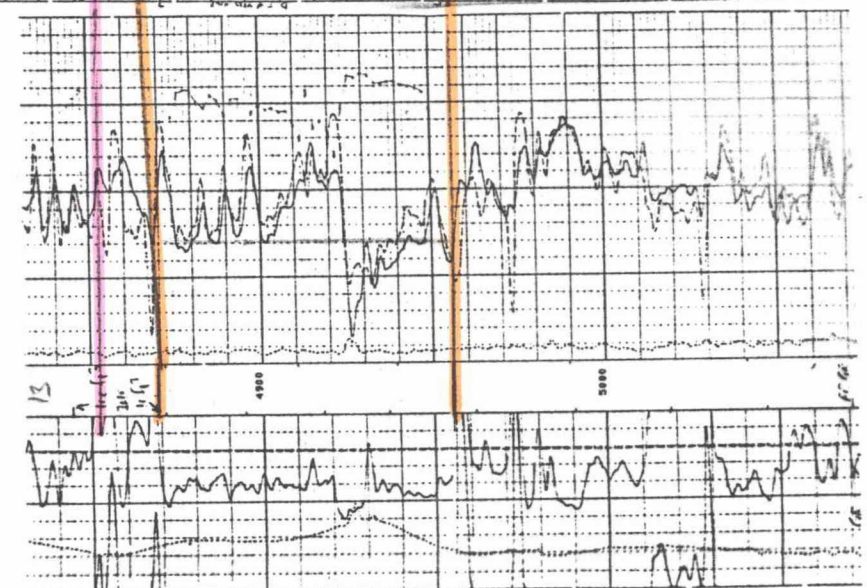
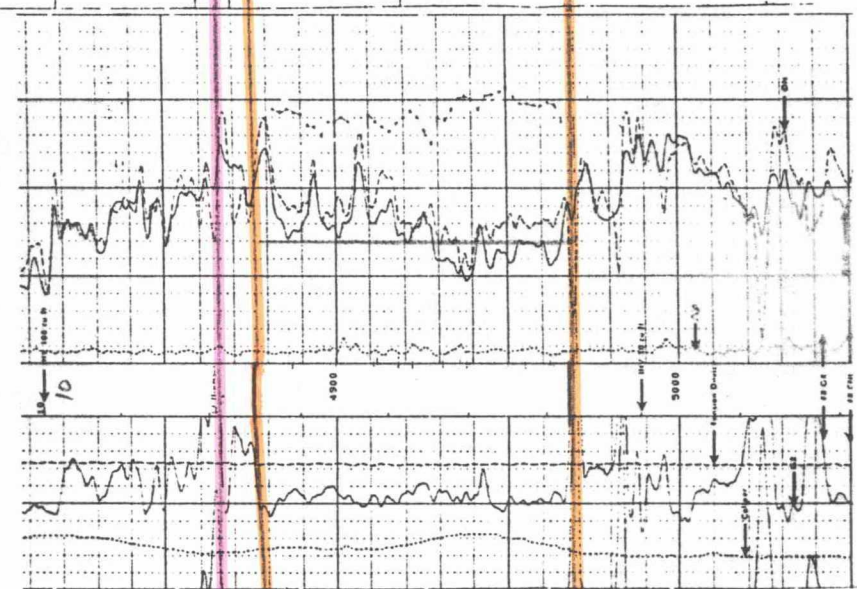
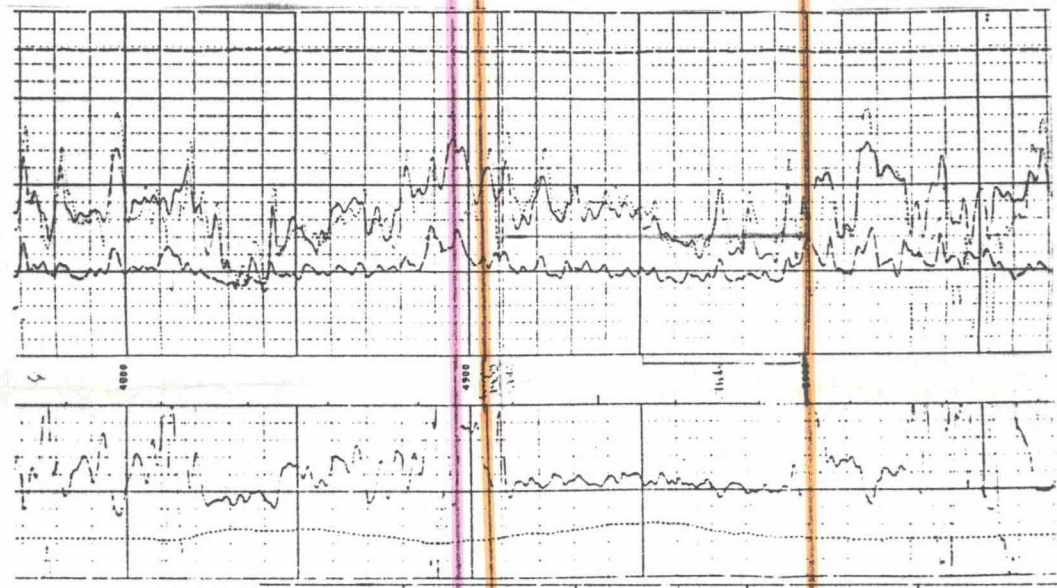
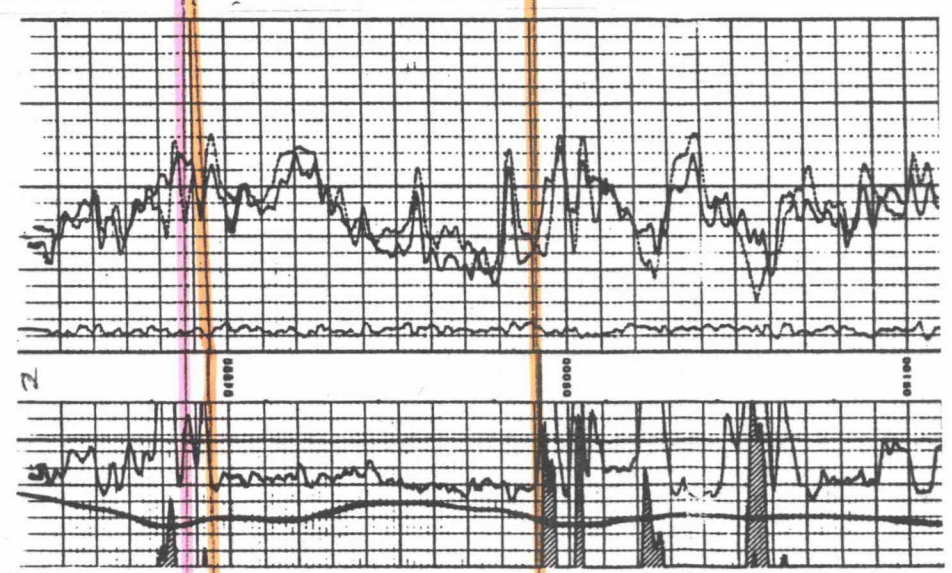
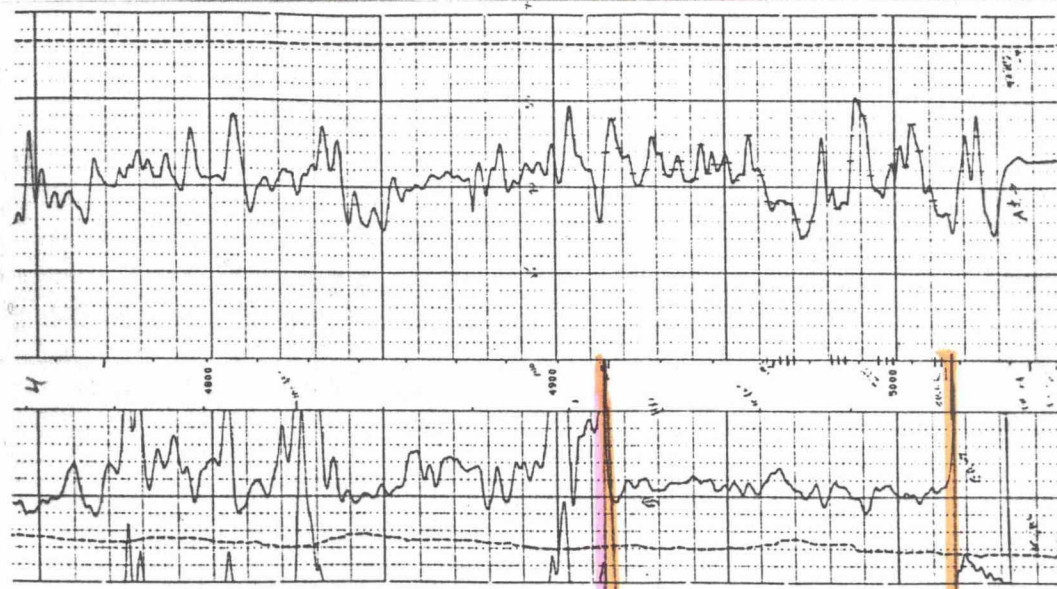
Amoco - Federal # 4

Pecos - Federal #2

Amoco - Federal # 8

Amoco - Federal # 10

Amoco - Federal #13



BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION  
EXHIBIT NO. 7  
CASE NO. 9458





# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT NEW MEXICO STATE OFFICE

Post Office and Federal Building

P.O. Box 1449

Santa Fe, New Mexico 87504-1449

IN REPLY REFER TO:

NM NM 62575, et al.  
3100 (943B)

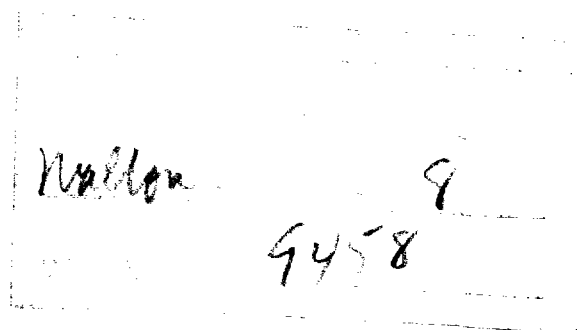
1988

Mr. Ernest L. Padilla  
Attorney at Law  
P. O. Box 2523  
Santa Fe, New Mexico 87504-2523

Dear Mr. Padilla:

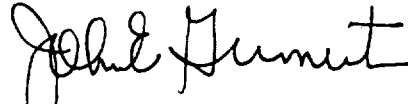
We have checked the two plats which were prepared by the John W. West Engineering Company dated August 1, 1988 and August 25, 1988. The plat of August 1, 1988, was prepared from the written description to a tract described in the 1937 right-of-way application. This survey was made at the direction of the Bureau of Reclamation for the purpose of separating the right-of-way area from the surrounding public domain. This survey is faulty and does not close or align with the official survey of Section 27. Our calculation agrees with this plat. The plat dated August 25, 1988, is a surveyor's adjustment of the description in the same 1937 survey. This adjustment was made in order to try and force the description to conform to the boundaries of the official government survey. These calculations are mathematically correct but are not the measurements contained in the right-of-way survey. This plat is a "reasonable interpretation" and was made to portray boundaries of the tract as it should have been if done correctly. Neither of these plats nor the 1937 Reclamation survey are official surveys of the Federal Government.

The basic problem with this area is that the Bureau of Reclamation surveys of the boundary of the Red Bluff right-of-way were inaccurate and failed to conform with the officially surveyed Section lines. When one plots the boundaries of the Bureau of Reclamation surveys they do not close or meet, thereby creating a hiatus or overlap. The Reclamation survey of the right-of-way segregated this land from the surrounding public domain. The public domain was leased for oil and gas under the terms of the 1920 Mineral Leasing Act. These leases contain wording that the area of the lease is "SW $\frac{1}{4}$  less Red Bluff right-of-way containing 100 acres, more or less." The acreage within the surveyed right-of-way was subsequently leased under the provisions of the Act of 1930 to "only the holder of the right-of-way." These leases



were issued based upon the acreage in the survey of the right-of-way, which in this particular case was a bad survey which does not close. I hope that this explanation provides the information you required for the hearing before the Oil Conservation Commission. If we can provide any other information please contact us at any time.

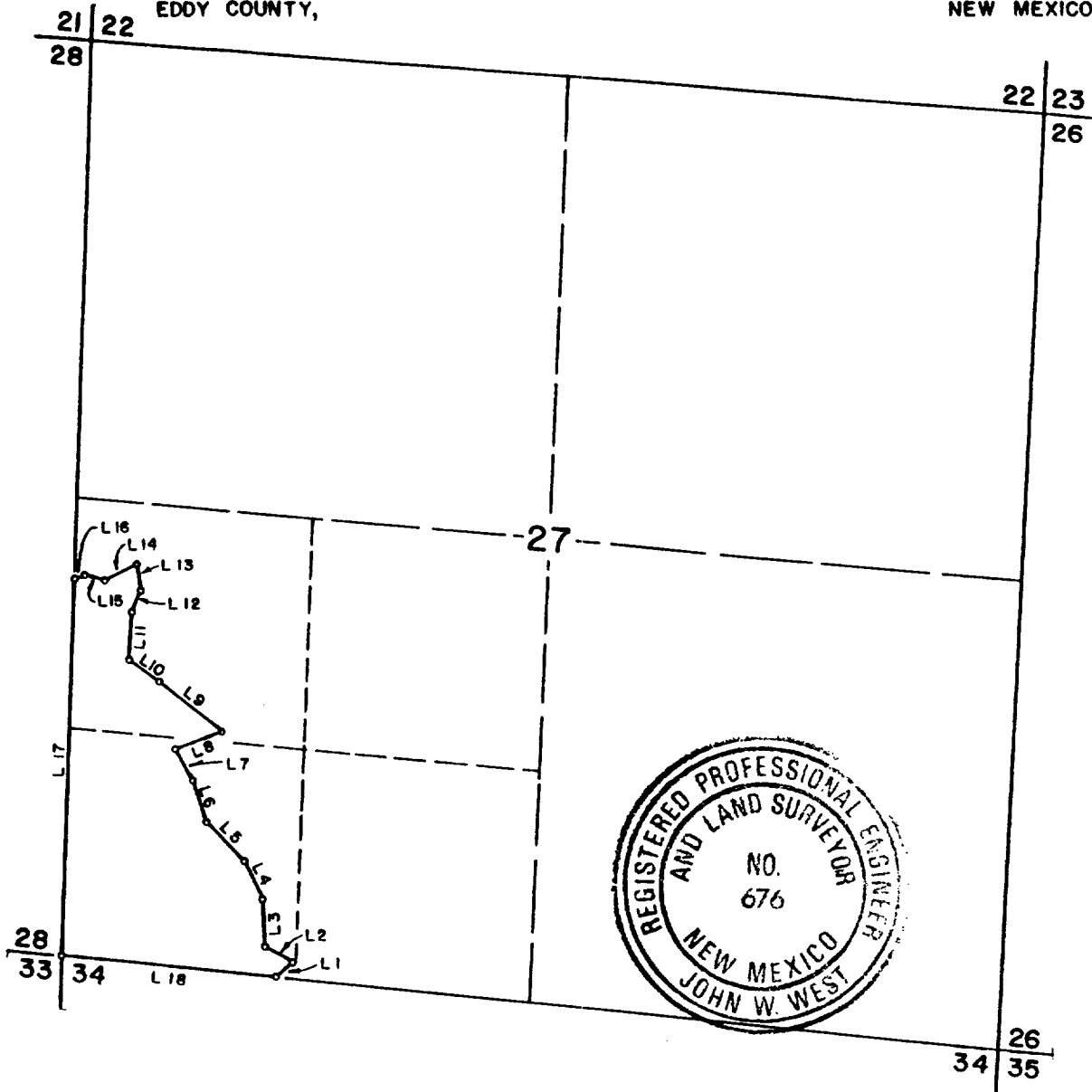
Sincerely

A handwritten signature in dark ink, appearing to read "John E. Gumert". The signature is fluid and cursive, with the first name "John" and last name "Gumert" clearly distinguishable.

John E. Gumert  
Chief, Automated Records and  
Public Assistance Section

cc:  
NM (943C)

SECTION 27, TOWNSHIP 26 SOUTH, RANGE 29 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO



SUBDIVISION ACREAGE

SW $\frac{1}{4}$ SW $\frac{1}{4}$  28.767 Ac.  
NW $\frac{1}{4}$ SW $\frac{1}{4}$  9.727 Ac.

LINE NO.	BEARING	DISTANCE
1	N 49°28'08" E	131.84'
2	N 61°28'18" W	188.84'
3	N 01°56'40" W	264.60'
4	N 25°52'50" W	243.64'
5	N 43°46'00" W	312.36'
6	N 17°55'54" W	251.09'
7	N 28°54'27" W	204.51'
8	N 69°19'40" E	283.26'
9	N 51°18'46" W	457.09'
10	N 55°24'10" W	213.51'
11	N 03°41'25" E	271.93'
12	N 23°20'17" E	131.48'
13	N 07°34'18" W	153.25'
14	S 62°05'51" W	206.90'
15	N 73°35'41" W	114.31'
16	S 71°56'31" W	67.92'
17	S 01°58'00" W	2149.80'
18	S 84°24'00" E	1228.10'

NOTE: A drawing was prepared for a tract in Section 27, Township 26 South, Range 29 East, by platting the field notes furnished by Red Bluff Water Power Control District on a section plat made by U.S. General Land Office. The notes were prepared by Mr. M.R. Estes and were approved by the U.S. Bureau of Land Management. Due to an error or errors in the survey or the typed description of the survey, the tract with 18 sides did not close by an error of 320.26 feet. A copy of the plat labeled Exhibit "A" is attached.

The drawing shown on this page is an office attempt to graphically portray what was intended in those original field notes. We have made the last two calls in the description fall on the section lines and have attempted to force a closure that will contain the 38.5 acres. Obviously, we cannot certify that the drawing is correct.

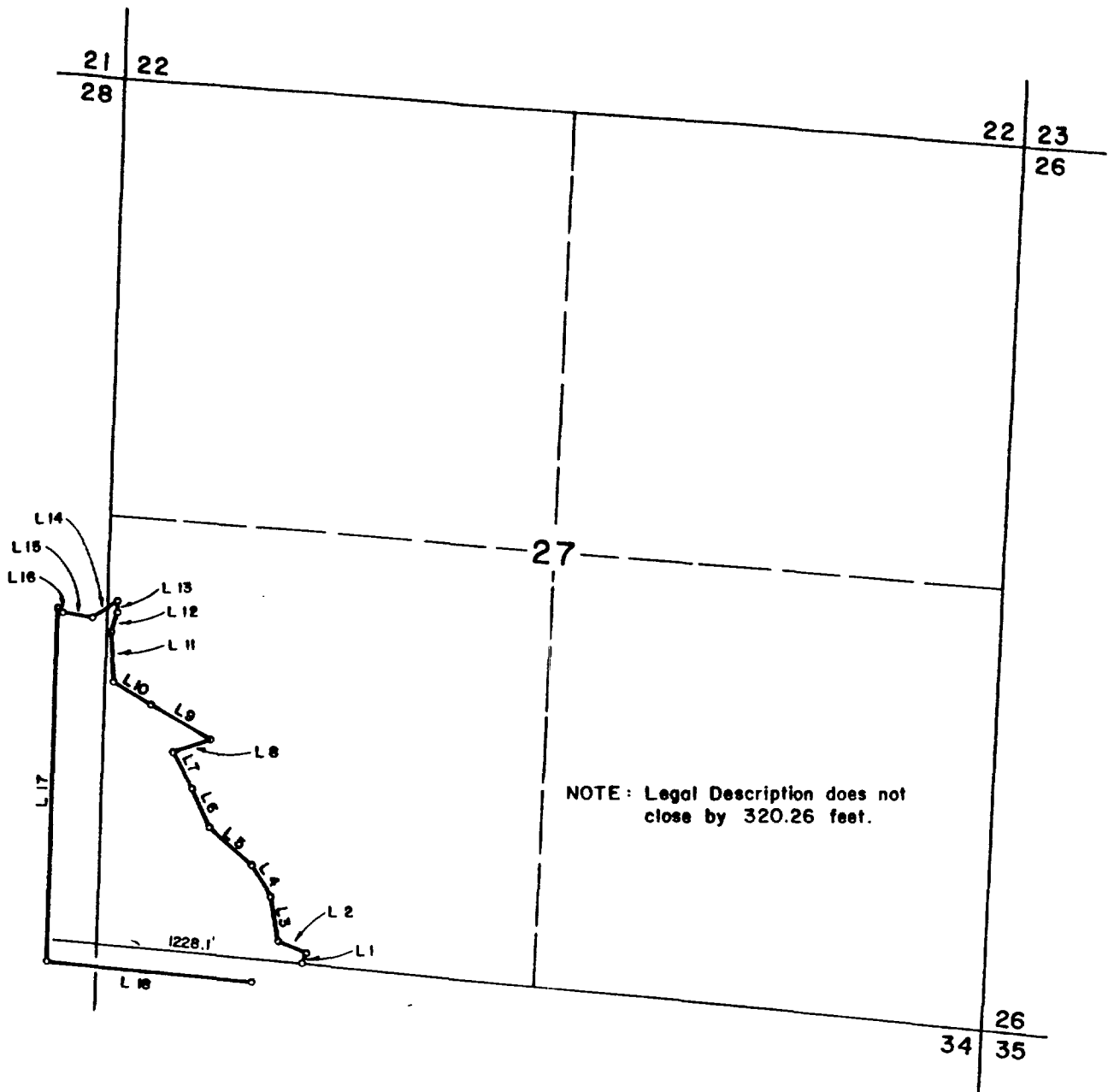
John W. West, N.M. P.E. & L.S. No. 676  
Texas R.P.S. No. 1138

MALLON OIL CO.

Plat showing land leased by B.L.M. to Red Bluff Power Water Control District in Section 27, Township 26 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

JOHN W. WEST ENGINEERING COMPANY  
CONSULTING ENGINEERS HOBBS, NEW MEXICO  
Scale: 1" = 1000' Drawn By: M. Mitchell  
Date: 8/25/88 Ck. Sheet 1 of 1 Sheets

SECTION 27, TOWNSHIP 26 SOUTH, RANGE 29 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO



LINE NO.	BEARING	DISTANCE
1	N 26°24'30" E	70.90'
2	N 68°54'00" W	186.20'
3	N 08°46'00" W	279.00'
4	N 31°17'00" W	223.90'
5	N 48°30'00" W	330.00'
6	N 23°36'00" W	263.10'
7	N 28°13'00" W	251.40'
8	N 72°45'00" E	249.20'
9	N 60°17'00" W	422.00'
10	N 57°49'30" W	259.40'
11	N 02°35'30" W	304.60'
12	N 19°16'30" E	126.60'
13	N 02°45'30" E	75.50'
14	S 54°15'30" W	189.10'
15	N 78°27'30" W	176.10'
16	N 45°47'30" W	47.50'
17	S 01°58'00" W	2149.80'
18	S 84°24'00" E	1228.10'

*Exhibit A*

I, do hereby certify that this map represents a true and accurate plot of a legal description prepared by M. R. Estes, surveyor for the Red Bluff Water Power Control District. No field work was performed in the preparation of this plat.

*John W. West*  
John W. West, N.M. P.E. & L.S. No. 676  
Texas R.P.S. No. 1138

RED BLUFF WATER POWER CONTROL DISTRICT

Plot of B.L.M. legal description within  
Section 27, Township 26 South, Range 29  
East, N.M.P.M., Eddy County, New Mexico.

JOHN W. WEST ENGINEERING COMPANY  
CONSULTING ENGINEERS HOBBS, NEW MEXICO

Scale: 1" = 1000'

Drawn By: M. Mitchell

Date: 8/01/88

Ch.

Sheet 1 of 1 Sheets