JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

SUITE B 612 OLD SANTA FE TRAIL SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

February 14, 1997



FEB 1 4 1997 Cil Zonservation Division

Hand Delivered

Michael E. Stogner New Mexico Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104. Mallon Oil Company hereby applies for administrative apploval of an unorthodox gas well location for the following well:

Mescalero Ridge Unit "30" Well No. 4 1330 feet FNL & FEL N½ §30, Township 19 South, Range 34 East, NMPM Lea County, New Mexico

The well will be drilled to an approximate depth of 13,800 feet to test the Morrow formation.

The proposed location is based upon geological reasons. Attached as Exhibit A is a gross sand isopach of the Morrow B7 channel, the primary target zone, which shows a narrow northwest-southeast trending channel sand. The direction of this channel is based on regional trends, and the wells to the northeast and north which had zero gross sand in the Morrow B7 channel. The proposed location is necessary in order to (a) remain in the center of the channel and (b) to encounter approximately 30 feet of gross sand in the Morrow B7 channel, which Mallon believes is necessary for a commercial well. This belief is based on the two commercial wells to the south, the Pennzoil Mescalero 30 Fed. No. 1 (in the SE¼ of Section 30) and the Fasken Ling Fed. No. 1 (in the NE¼ of Section 31).¹ In addition, the proposed location maximizes the distance from the Mallon Mescalero Ridge Unit No. 1 (in the SW¼ of Section 20), which was dry in the Morrow B7 channel, and minimizes the distance from

¹Morrow production data is also set forth on Exhibit A.

established production, while allowing the well to remain in the center of the channel.

Submitted as Exhibit B is a land plat, which shows (a) the proposed well unit outlined in red, (b) the proposed well location marked red, (c) acreage in which Mallon owns an interest highlighted in yellow, and (d) other wells in the area which have tested the Morrow. Ownership in the NE¼ is common, and thus the proposed location will have no adverse effect upon interest owners in the NE¼ in the event a well is completed in a shallower zone spaced on 40 or 160 acres.

Attached as Exhibit C is a listing of offset operators or lessees. Notice of the proposed unorthodox location has been given to all affected parties.

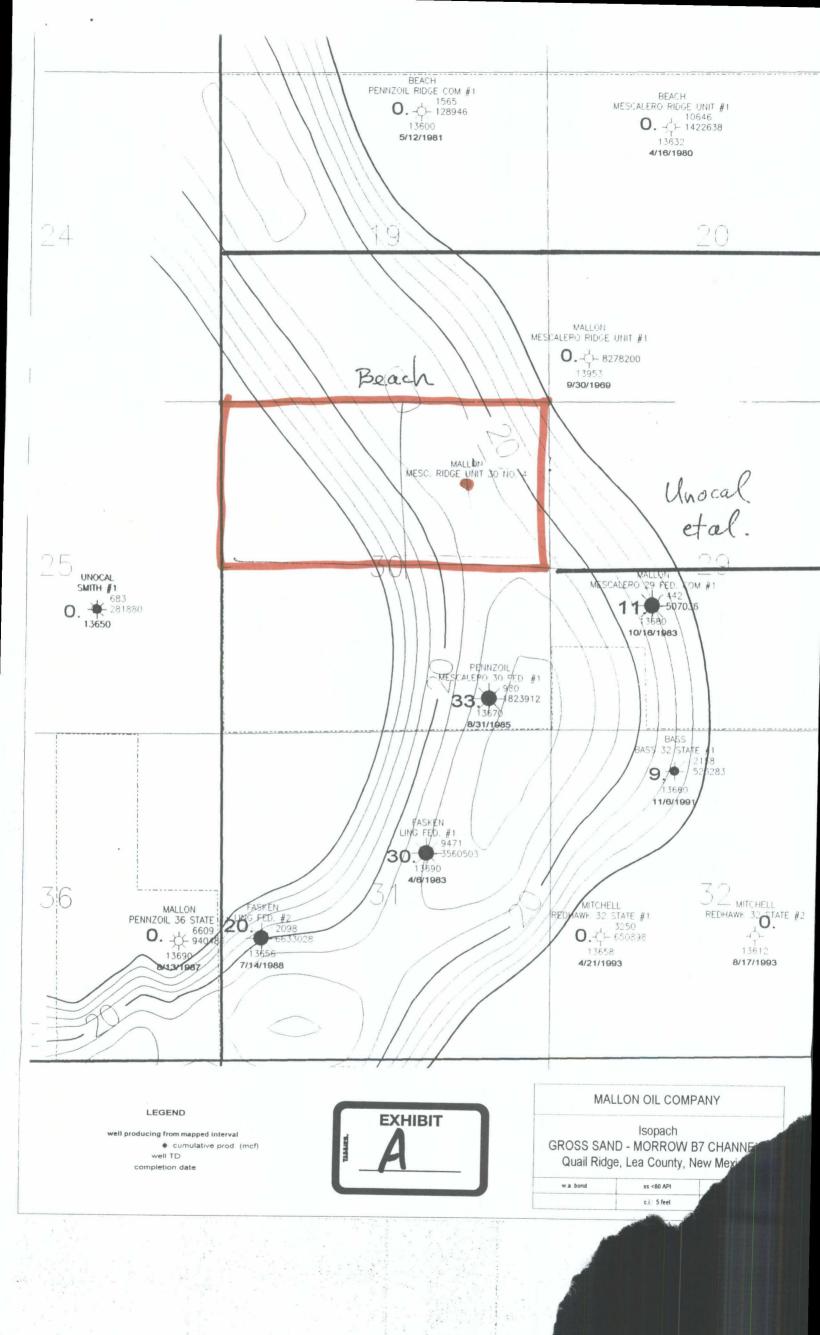
This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

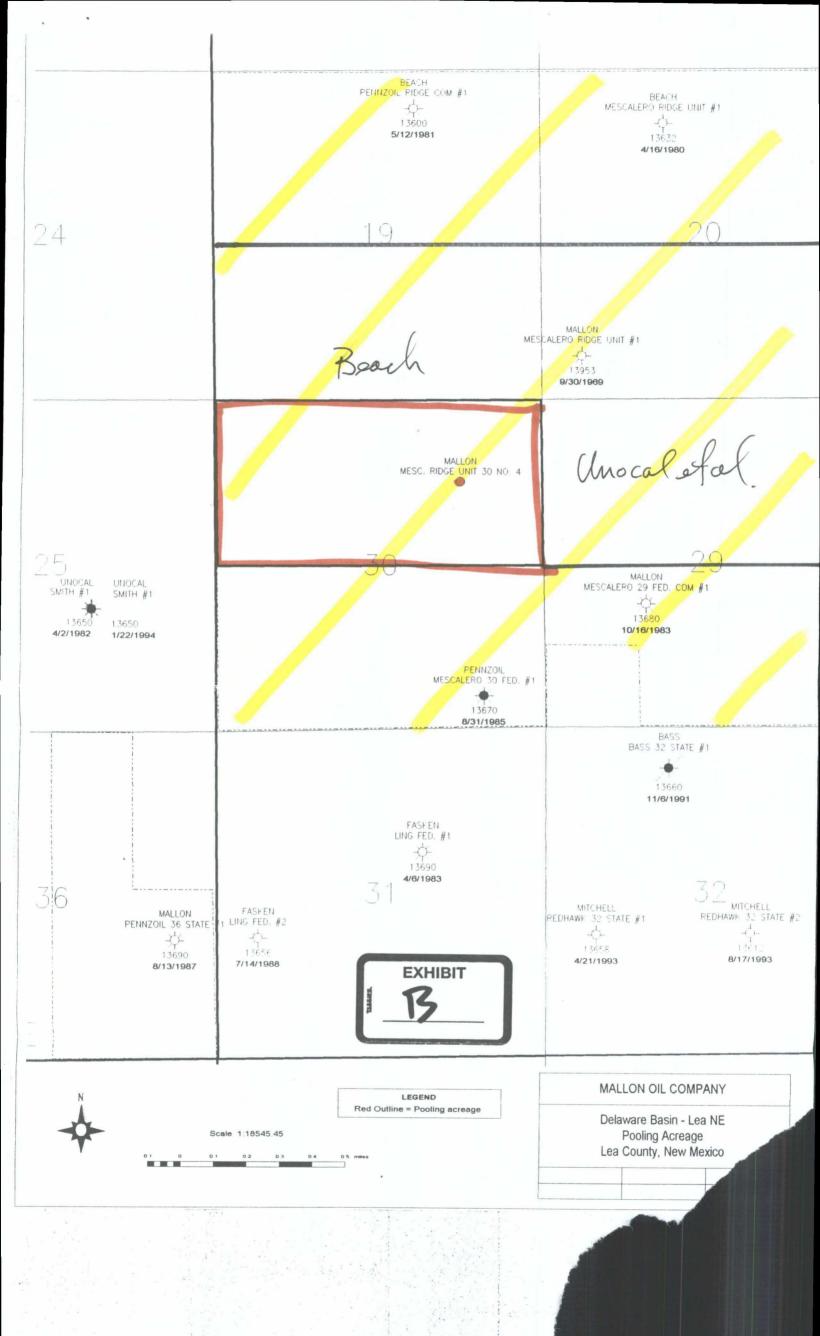
Very truly yours,

James Bruce

Attorney for Mallon Oil Company

mal-aap.uol





OFFSET OPERATORS OR LESSEES

S½ Section 19:

Beach Exploration, Inc. Suite 200 800 North Marienfeld Midland, Texas 79701

S% Section 20 and S% Section 29:

Mallon Oil Company

N½ Section 29:

Union Oil Company of California Suite 300 1004 North Big Spring Midland, Texas 79701

Ted W. McVay 703 East Clinton Hobbs, New Mexico 88240

Headington Minerals, Inc. 7557 Rambler Road Dallas, Texas 75231

Ray Westall P.O. Box 4 Loco Hills, New Mexico 88255

Mitchell Energy Corp. P.O. Box 4000 The Woodlands, Texas 77380

Laurelind Corporation P.O. Box 2143 Roswell, New Mexico 88202

Yates Energy Corporation 1010 Sunwest Center Roswell, New Mexico 88201

Heyco Employees Ltd. P.O. Box 1933 Roswell, New Mexico 88202

Chevron U.S.A. Inc. P.O. Box 1635 Midland, Texas 79702

