

9/15/97

10/6/97

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NV

NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

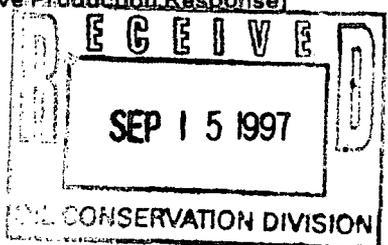
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
Signature

Attorney for Applicant
Title

9/12/97
Date

Print or Type Name

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)

September 12, 1997

Hand Delivered

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

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Mallon Oil Company ("Mallon") applies for administrative approval of an unorthodox oil well location for the following well:

Mescalero 30 Fed. Well No. 4
1330 feet FNL & FEL
SW $\frac{1}{4}$ NE $\frac{1}{4}$ S30, Township 19 South, Range 34 East, NMPM
Lea County, New Mexico

The well was drilled to an approximate depth of 13,800 feet to test the Morrow formation (Quail Ridge-Morrow Gas Pool), and has been completed as a producing Morrow gas well in the interval between 13227-13374 subsurface. An unorthodox location in the Morrow formation was approved by Division Administrative Order NSL-3827.

The well is also productive in the Strawn formation (Undesignated East Gem-Strawn Pool), in the interval between 12214-12224 subsurface. Mallon is seeking Division and Bureau of Land Management ("BLM") approval for downhole commingling of the Strawn and Morrow, and thus seeks an amendment of Order NSL-3827 to include the uphole Strawn interval.

Enclosed are: (a) a Sundry Notice (Form 3160-5) regarding the proposed downhole commingling (Exhibit A); (b) a Form C-102 outlining the well unit (Exhibit B); and (c) a portion of the Form C-107-A, submitted separately to the Division (Exhibit C).

Attached as Exhibit D is a plat of the area. I have examined BLM records, and all of Section 30 is subject to a single federal oil and gas lease (NM 056376). There is no difference in ownership

between the well unit and all offsetting 40 acre tracts. Therefore, notice of this application has not been given to any interest owner.

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

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the typed name.

James Bruce

Attorney for Mallon
Oil Company

mal-aal.uol

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or re-entry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals.

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. NM-056376
2. Name of Operator Mallon Oil Company	6. If Indian, Allottee or Tribe Name N/A
3. Address and Telephone No P.O. Box 3256, Carlsbad, NM 88220 505-885-4596	7. If Unit or CA, Agreement Designation N/A
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1330' FNL and 1330' FEL (SWNE), Unit G Section 30-T19S-R34E	8. Well Name and No. Mescalero 30 Federal No. 4
	9. API Well No. 30-025-33813
	10. Field and Pool, or Exploratory Area Quail Ridge, Morrow
	11. County or Parish, State Lea County, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other <u>Multiple Completion</u>
	<input type="checkbox"/> Dispose Water <small>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</small>

13. Described Proposed or Completed Operations (Clearly state all pertinent details and give pertinent dates including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Mallon Oil Company intends to complete the Strawn interval and downhole commingle Strawn and Morrow production. An application has been made, copy attached, to the State of New Mexico Oil Conservation Division for approval to downhole commingle the Strawn and Morrow zones.

14. I hereby certify that the foregoing is true and correct.

Signed Ray E. Jones Title Vice President - Engineering Date September 2, 1997
Ray E. Jones

(This space for Federal or State office use)

Approved By _____ Title _____ Date _____
Condition of Approval, If any: _____

Title 18 U.S.C. Section 1001, makes it a crime for any person knowing any false, fictitious or fraudulent statement or representations as to any r _____ ment or agency of the United States



Submit to Appropriate District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

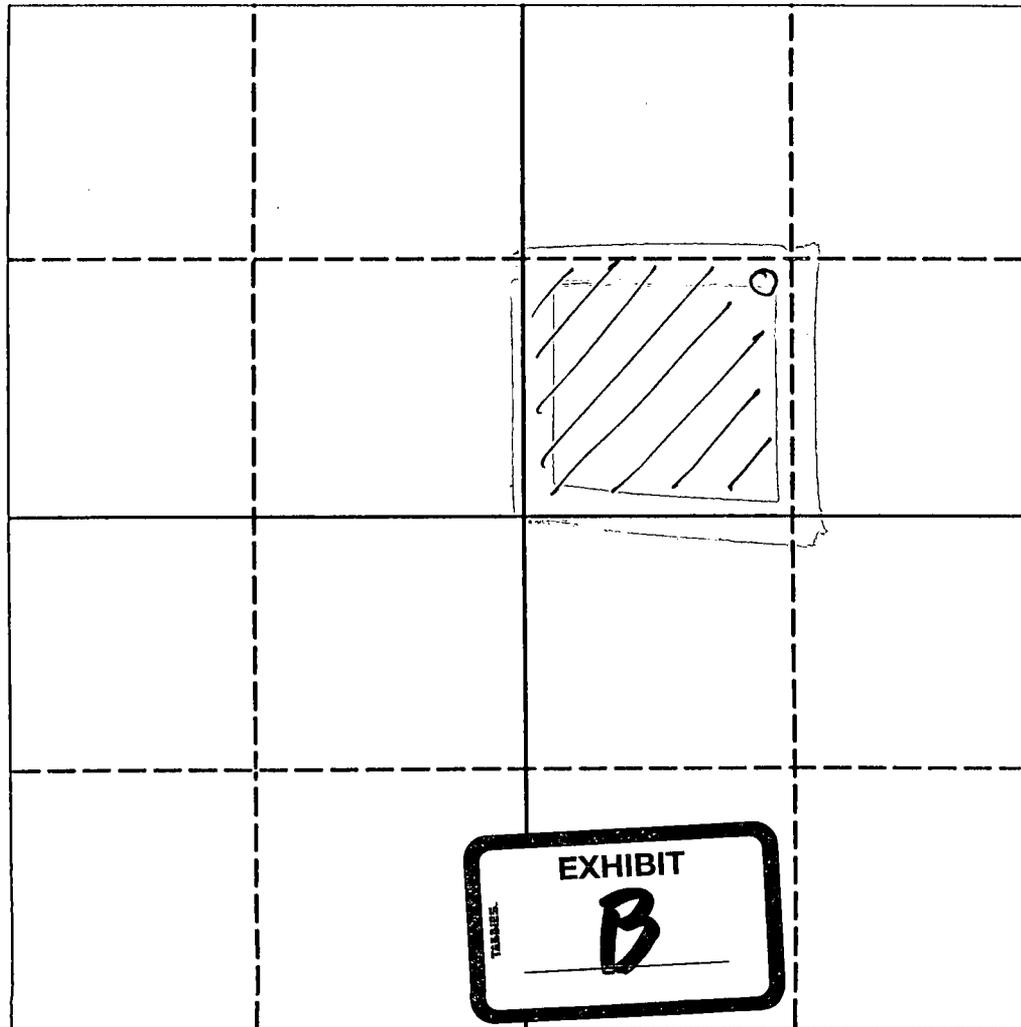
Operator Mallon Oil Company			Lease Mescalero 30 Federal		Well No. 4
Unit Letter G	Section 30	Township 19S	Range 34E	County Lea	
Actual Footage Location of Well: 1330 feet from the North line and 1330 feet from the East line					
Ground level Elev. 3667'	Producing Formation Strawn		Pool	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *[Handwritten Signature]*

Printed Name: RAY E. JONES

Position: VP ENGR.

Company: MALLON OIL CO.

Date: 30 AUG 97

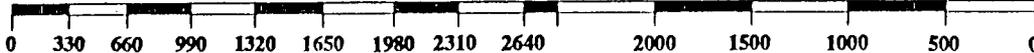
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: _____

Signature & Seal of Professional Surveyor: _____

Certificate No.: _____



DISTRICT I

P.O. Box 1989, Hobbs, NM 88241-1989

DISTRICT II

1 South First St., Artes, NM 88210-2938

DISTRICT III

1000 Rio Blanco Rd, Artes, NM 87410-1693

State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco Santa Fe, New Mexico 87505-6429

Form C-107-A New 3-12-98

APPROVAL PROCESS:

X Administrative Hearing

EXISTING WELLBORE

X YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator: Mallon Oil Company Address: 999 - 18th Street, Suite 1700, Denver, CO 80202

Lease: Mescalero 30 Federal Well No. 4 Unit ID: G-30-19S-34E Sec: Top: Aps: Lea County

GRID NO. 009171 Property Code 16285 API NO. 3002533813 Spacing Unit Lease Types: (check 1 or more) Federal X State (order) Fee

Table with 4 columns: Zone, Top Zone, Intermediate, Bottom Zone. Rows include Pool Name and Pool Code, Top and Bottom of Pay Section, Type of production, Method of Production, Bottomhole Pressure, Oil Gravity, Producing or Shut-in?, Production Marginal?, and Fixed Percentage Allocation.

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? X Yes No If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will cross-flow occur? Yes X No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? X Yes No

13. Will the value of production be decreased by commingling? Yes X No (If Yes, attach explanation)

14. If this well is on, or communitized with the United States Bureau of Land Management or the Commissioner of Public Lands or the filing of this application. X Yes No

15. NMOCD Reference Cases for Rule 30- ER NO(S).

16. ATTACHMENTS:

- C-102 for each zone to be commingled.
Production curve for each zone.
For zones with no production history, attach production rates and supporting data.
Data to support allocation method or formula.



4/18/1980

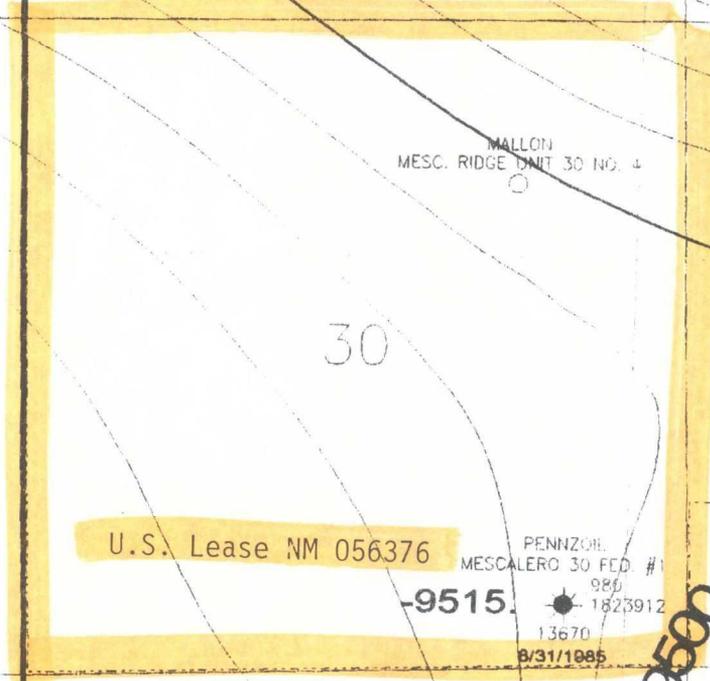
24

19

20

-945

MALLON
MESCALERO RIDGE UNIT #1
-9457. 8278200
13353
9/30/1989



MALLON
MESCALERO RIDGE UNIT 30 NO. 4

25

UNOCAL
SMITH #1
-9552. 683
281880
13650
#72216824

30

MALLON
MESCALERO 29 FED. COM #1
-9500. 442
507036
13680
10/18/1983

29

U.S. Lease NM 056376

PENNZON
MESCALERO 30 FED. #1
-9515. 989
1823912
13670
8/31/1985

-9500

BASS
BASS 32 STATE #1
-9466. 2158
523233
13660
11/6/1991

36

MALLON
PENNZON 36 STATE #1
-9543. 660
94048
13690
8/13/1987

FASKEN
LING FED. #1
-9536. 9471
3560503
13690
4/8/1983

31

FASKEN
LING FED. #2
-9531. 2098
6633028
13656
7/14/1988

MITCHELL
REDHAWK 32 STATE #1
-9465. 3250
650898
13658
4/21/1993

32

MITCHELL
REDHAWK 32 STATE #2
-9473. 13612
8/17/1993

LEGEND

- * cumulative prod. (mcf)
- well TD
- well completion date



MALLON OIL COMPANY

Structure
MORROW B
Quail Ridge, Lea County, New Mexico

w.a bond	c.i. 10 feet	1997
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CMD :
OG6IWCM

ONGARD
INQUIRE WELL COMPLETIONS

10/10/97 14:36:27
OGOMES -EMD0

API Well No : 30 25 33813 Eff Date : 02-24-1997 WC Status : A
Pool Idn : 83280 QUAIL RIDGE;MORROW (GAS)
OGRID Idn : 13925 MALLON OIL CO
Prop Idn : 16285 MESCALERO 30 FEDERAL

Well No : 004
GL Elevation: 3667

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
B.H. Locn	: G	30	19S	34E	FTG 1330 F N	FTG 1330 F E	A

Lot Identifier:
Dedicated Acre: 320.55
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01	HELP	PF02	PF03	EXIT	PF04	GoTo	PF05	PF06		
PF07		PF08	PF09		PF10	NEXT-WC	PF11	HISTORY	PF12	NXTREC