



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 10, 1999

Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302
Attention: Christy Serrano

Administrative Order NSL-4109-A

Dear Ms. Serrano:

Reference is made to your application dated January 13, 1999, but was not received until February 10, 1999, for an unorthodox gas well location in the San Jose formation for Mallon Oil Company's ("Mallon") existing Jicarilla 459-20 Well No. 7 (API No. 30-039-25786) located 1535 feet from the North line and 2255 feet from the East line (Unit G) of Section 20, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

By Division Administrative Order NSL-4109, dated August 12, 1998, Mallon received authorization to drill to and complete the Jicarilla 459-20 Well No. 7 in the Undesignated Cabresto Canyon-Ojo Alamo Pool within a standard 160-acre gas spacing and proration unit comprising the NE/4 of Section 20 at the above-described unorthodox gas well location.

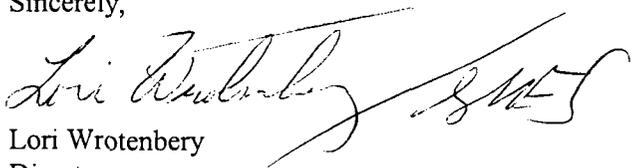
It is our understanding that Mallon intends to dually complete this well in both the Undesignated Cabresto Canyon-Ojo Alamo Pool and the San Jose formation. Pursuant to Division Rule 104.B(2)(a), this location is also unorthodox. The NE/4 of Section 20 is to be dedicated to this well in order to form a standard 160-acre gas spacing and proration unit for San Jose gas production.

The application has been duly filed under the provisions of Rule 104.F of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox gas well location within the San Jose formation is hereby approved.

Further all provisions of Division Administrative Order NSL-4109 shall remain in full force and affect until further notice.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque
File: NSL-4109