

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		<b>CONFIDENTIAL</b>		5. Lease Serial No. MDA 701-98-0013
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		2. Name of Operator MALLON OIL COMPANY		6. If Indian, Allottee or Tribe Name JICARILLA
3a. Address 350 INDIANA STREET, SUITE 400 GOLDEN, CO 80401		3b. Phone No. (include area code) Ph: 720.210.1300 Fx: 720.210.1301		7. If Unit or CA Agreement, Name and No.
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface SWSW Lot M 720FSL 640FWL At proposed prod. zone		10. Field and Pool, or Exploratory PICTURED CLIFFS E. Blanco		8. Lease Name and Well No. JIC 30-3-25 #1
14. Distance in miles and direction from nearest town or post office* 57 MILES EAST OF BLOOMFIELD		16. No. of Acres in Lease 9600.00		9. API Well No. 30-039-27827
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 640		17. Spacing Unit dedicated to this well 160.00 SW/4		10. Field and Pool, or Exploratory PICTURED CLIFFS E. Blanco
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 600 FEET		19. Proposed Depth 3814 MD		11. Sec., T., R., M., or Blk. and Survey or Area Sec 25 T30N R3W Mer NMP M
21. Elevations (Show whether DF, KB, RT, GL, etc.) 7229 GL		22. Approximate date work will start 12/02/2003		12. County or Parish RIO ARRIBA
				13. State NM
				23. Estimated duration 45-60 DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- |   |  |
|---|--|
| 1. Well plat certified by a registered surveyor.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification  |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature (Electronic Submission)	Name (Printed/Typed) KATHY L. SCHNEEBECK Ph: 303.820.4480	Date 10/31/2003
Title AGENT		
Approved by (Signature) <i>Paul R. Smith</i>	Name (Printed/Typed)	Date JUL 12 2004
Title Assistant Field Manager	Office	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #24490 verified by the BLM Well Information System  
For MALLON OIL COMPANY, sent to the Rio Puerco  
Committed to AFMSS for processing by ANGIE MEDINA-JONES on 11/03/2003 ()

DISTRICT I  
P.O. Box 1630, Hobbs, N.M. 88241-1980

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised February 21, 1994

DISTRICT II  
P.O. Drawer DD, Artesia, N.M. 88211-0719

Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT III  
600 Rio Brazos Rd., Artesia, N.M. 87410

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, NM 87504-2088

AMENDED REPORT

DISTRICT IV  
P.O. Box 2088, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-27827		*Pool Code 72400	*Pool Name E. Blanco/Pictured Cliffs
*Property Code 24245 34205	*Property Name JICARILLA 30-3-25		*Well Number 1
*OGRID No. 013925	*Operator Name MALLON OIL COMPANY		*Elevation 7229'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	30-N	3-W		720	SOUTH	640	WEST	RIO ARRIBA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

*Dedicated Acres	*Joint or Infill	*Consolidation Code	*Order No.

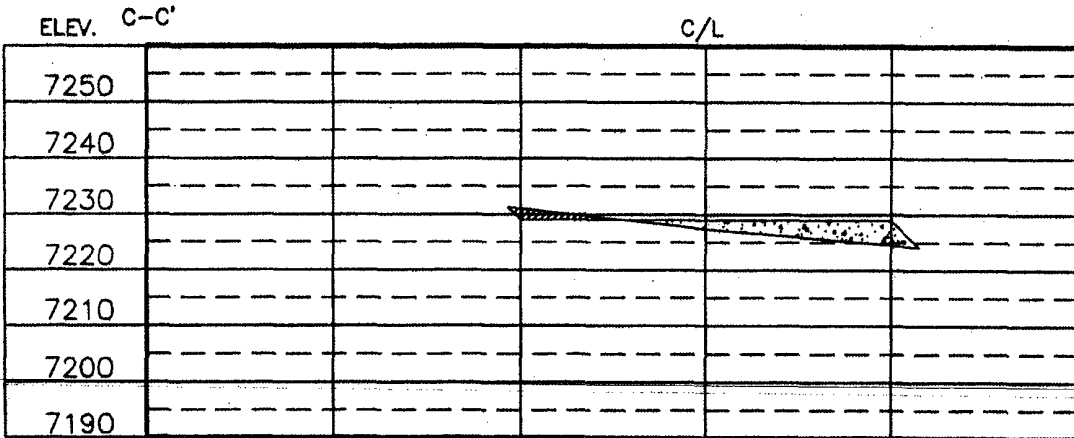
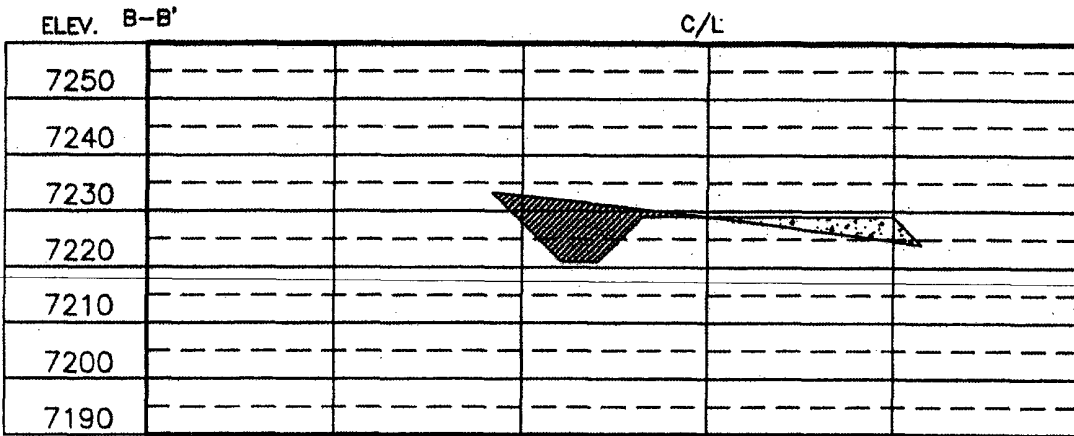
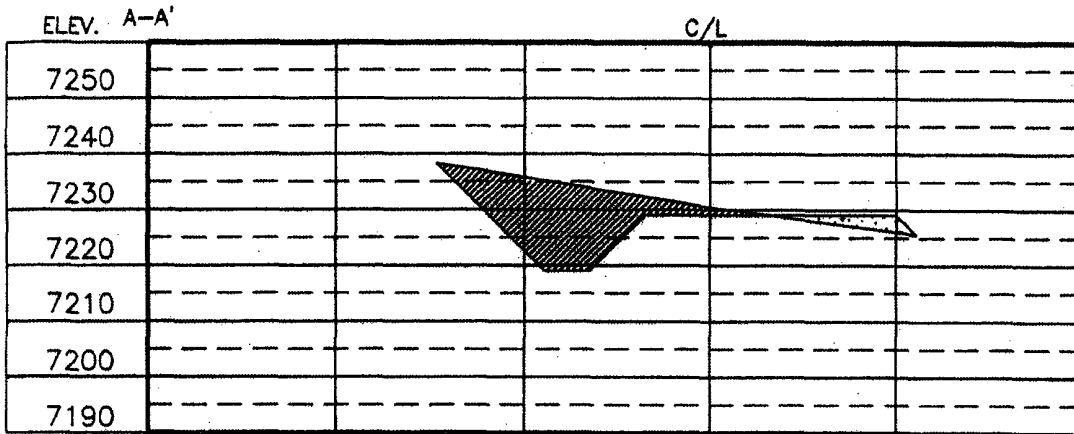
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p><sup>16</sup> FD. MARKED STONE</p>	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kathy L. Schneebeck</i> Signature Kathy L. Schneebeck Printed Name Agent for Mallon Oil Company Title Submitted October 31, 2003 Date Re-submitted August 2, 2004</p>

COMPANY: MALLON OIL COMPANY  
 LEASE: JICARILLA 30-3-25 #1  
 FOOTAGE: 720' FSL, 640' FWL  
 SEC.: 25, TWN: 30-N, RNG: 3-W, NMPM  
 ELEVATION: 7229'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR  
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO  
 ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO  
 EXCAVATION OR CONSTRUCTION.



DRAWN BY: B.L.

R.O.W.#: MN252

CADFILE: MN252CFB

DATE: 7/30/03

**Daggett Enterprises, Inc.**  
 Surveying and Oil Field Services  
 P. O. Box 15068 Farmington, NM 87401  
 Phone (505) 326-1772 Fax (505) 326-6019



Mallon Oil Company  
**Jicarilla 30-3-25 #1**  
 720' FSL 640' FWL (SW/4 SW/4) Lot M  
 Sec. 25 T30N R3W  
 Rio Arriba County, New Mexico  
 Lease: MDA 701-98-0013

**CONFIDENTIAL**

**DRILLING PROGRAM**  
 (Per Rule 320)

This Application for Permit to Drill (APD) was initiated under the NOS process as stated in Onshore Order No. 1 and supporting Bureau of Land Management (BLM) documents. This NOS process includes an onsite meeting which was held on September 30, 2003 as determined by Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA) and Jicarilla Oil & Gas Commission (JOGC), and at which time the specific concerns of Mallon Oil Company (Mallon), BLM, BIA and JOGC were discussed.

**MALLON RESPECTFULLY REQUESTS THAT ALL INFORMATION REGARDING THIS WELL BE KEPT CONFIDENTIAL.**

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,229'

ESTIMATED FORMATION TOPS - (Water, oil, gas and/or other mineral-bearing formations)

Upper San Jose	Surface	Sandstone, shales & siltstones
Lower San Jose	1,555'	Sandstone, shales & siltstones
Nacimiento	2,082'	Sandstone, shales & siltstones
Ojo Alamo	3,104'	Sandstone, shales & siltstones
Kirtland	3,378'	Sandstone, shales & siltstones
Fruitland	3,515'	Sandstone, shales & siltstones
Pictured Cliffs	3,595'	Sandstone, shales & siltstones
Lewis	3,714'	Sandstone, shales & siltstones
<b>TOTAL DEPTH</b>	<b>3,814'</b>	

Estimated depths of anticipated fresh water, oil, or gas:

Tertiary			
San Jose	surface	Gas	H <sub>2</sub> O
Nacimiento	2,082'	Gas	H <sub>2</sub> O
Ojo Alamo	3,104'	Gas	H <sub>2</sub> O
Fruitland	3,515'	Gas	
Pictured Cliffs	3,714'	Gas	

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0' - 250'	12-1/4"	8-5/8"	J-55 24# ST&C New	To surface (±175 sxs Class B)
0' - T.D.	7-7/8"	5-1/2"	J-55 15.5# LT&C New	TD to surface (±630 sxs lite or 65:35 poz and ±270 sxs 50:50 poz)*

\* Actual cement volume to be determined by caliper log.

Yields: Class B yield = 1.18 ft<sup>3</sup>/sx  
65:35 Poz yield = 1.62 ft<sup>3</sup>/sx  
50:50 Poz yield = 1.26 ft<sup>3</sup>/sx

✓ All fresh water and prospectively valuable minerals encountered during drilling, will be recorded by depth and protected.

PRESSURE CONTROL

BOPs and choke manifold will be installed and pressure tested before drilling out under surface casing (subsequent pressure test will be performed whenever pressure seals are broken), and then will be checked daily as to mechanical operating condition. BOP's will be pressure tested at least once every 30 days. Ram type preventors and related pressure control equipment will be pressure tested to 1,000 psi. Annular type preventor will be pressure tested to 50% of the rated working pressure, not to exceed 1,000 psi. All casing strings will be pressure tested to 0.22 psi/ft. or 1,000 psi, whichever is greater, not to exceed 70% of internal yield.

BOP to be either double gate rams or an annular preventor as per Onshore Order No. 2.

Statement on Accumulator System and Location of Hydraulic Controls

The drilling rig has not yet been selected for this well. Selection will take place after approval of this application. Manual and/or hydraulic controls will be in compliance with Onshore Order No. 2 for 2M systems.

A remote accumulator will be used. Pressures, capacities, location of remote hydraulic and manual controls will be identified at the time of the BLM supervised BOP test.

MUD PROGRAM

0' - 250' Fresh water - M.W. 8.5 ppg, Vis 30-33  
250' - TD Fresh water - Low solids non-dispersed  
M.W. 8.5 - 9.2 ppg  
Vis - 28 - 50 sec  
W.L. 15cc or less

Sufficient mud materials to maintain mud properties, control lost circulation and to contain "kick" will be available at wellsite.

AUXILIARY EQUIPMENT

- A) A Kelly cock will be kept in the drill string at all times
- B) Inside BOP or stab-in valve (available on rig floor)
- C) Mud monitoring will be visually observed

LOGGING, CORING, TESTING PROGRAM

- A) Logging: DIL- CNL-FDC-GR - TD - BSC (GR to surface)  
Sonic (BSC to TD)
- B) Coring: None
- C) Testing: Possible DST -- None anticipated. Drill stem tests may be run on shows of interest

ABNORMAL CONDITIONS

- A) Pressures: No abnormal conditions are anticipated  
Bottom hole pressure gradient – 0.31 psi/ft
- B) Temperatures: No abnormal conditions are anticipated
- C) H<sub>2</sub>S: None is anticipated.
- D) Estimated bottomhole pressure: 1,182 psi

ANTICIPATED START DATE

December 2, 2003

COMPLETION

The location pad will be of sufficient size to accommodate all completion activities and equipment. A string of 2-3/8" J-55 4.7#/ft tubing will be run for a flowing string. A Sundry Notice will be submitted with a revised completion program if warranted.

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