

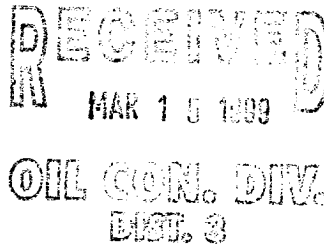


NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

March 11, 1999

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



Telefax No. (970) 382-7650

Administrative Order NSL-4230

Dear Ms. Serrano:

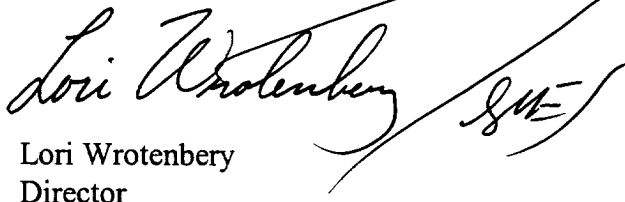
Reference is made to the following: (i) your application dated March 1, 1999; (ii) the New Mexico Oil Conservation Division's ("Division") initial response by e-mail on March 5, 1999 from Mr. Michael E. Stogner, Engineer in Santa Fe; (iii) your response by letter dated March 9, 1999 with the required data to complete this application; and (iv) the records of the Division: all concerning Mallon Oil Company's ("Mallon") request for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but is not necessarily limited to the Undesignated East Blanco-Pictured Cliffs Pool.

Mallon is proposing to drill its Jicarilla 29-2-20 Well No. 1 (API No. 30-039-26093) 860 feet from the North line and 660 feet from the West line (Unit D) of Section 20, Township 29 North, Range 2 West, NMPM, Rio Arriba County, New Mexico. The NW/4 of Section 20 is to be dedicated to this well to order to form a standard 160-acre gas spacing and proration unit for all gas producing zones within this vertical extent.

The application has been duly filed under the provisions of Division Rule 104.F.

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

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

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