



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

August 12, 1998

Mallon Oil Company  
P. O. Box 3256  
Carlsbad, New Mexico 88220  
Attention: Duane C. Winkler

*Administrative Order NSL-3993-A*

Dear Mr. Winkler:

Reference is made to your application dated July 13, 1998 for an unorthodox gas well location in the Undesignated Cabresto Canyon-Ojo Alamo Pool for Mallon Oil Company's ("Mallon") existing Jicarilla 458-8 Well No. 7 (API No. 30-039-25759) located 2270 feet from the North line and 795 feet from the East line (Unit H) of Section 8, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

By Division Administrative Order NSL-3993, dated April 9, 1998, Mallon received authorization to drill to and complete the Jicarilla 458-8 Well No. 7 in the East Blanco-Pictured Cliffs Pool within a standard 151.31-acre gas spacing and proration unit for this pool comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 8 at the above-described unorthodox gas well location.

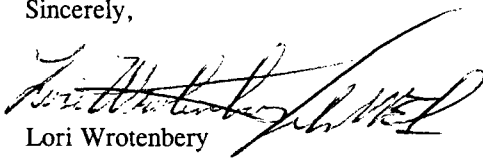
It is our understanding that Mallon drilled this well to a total depth of 3950 feet in January/February, 1998 and on March 9, 1998 completed it in the Undesignated Cabresto Canyon-Ojo Alamo Pool with perforations from 3133 feet to 3200 feet, which pursuant to Division General Rule 104.C(3)(a), is also unorthodox. Further, Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 8 shall be dedicated to the well in order to form a standard 151.31-acre gas spacing and proration unit for this pool.

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

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location within the Undesignated Cabresto Canyon-Ojo Alamo Pool is hereby approved.

Further, all provisions of original Order NSL-3993 shall remain in full force and affect until further notice.

Sincerely,



Lori Wrotenberg  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Albuquerque  
File: NSL-3993