

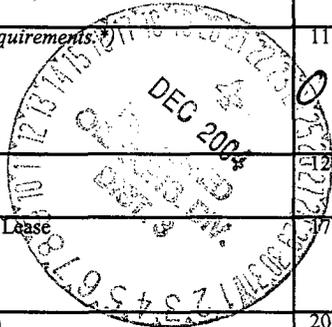
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

**CONFIDENTIAL**

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		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		6. If Indian, Allottee or Tribe Name JICARILLA APACHE
2. Name of Operator <del>MALLON OIL COMPANY</del> <i>Black Hills</i>		7. If Unit or CA Agreement, Name and No.
Contact: ART CHILDERS E-Mail: artchilder@bhep.com		8. Lease Name and Well No. JIC 29-02-17 43
3a. Address 350 INDIANA STREET, SUITE 400 GOLDEN, CO 80401	3b. Phone No. (include area code) Ph: 505.382.9100	9. API Well No. <i>3003929316</i>
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface SWSE 640FSL 2230FEL At proposed prod. zone		10. Field and Pool, or Exploratory EAST BLANCO PICTURED CLIFFS
14. Distance in miles and direction from nearest town or post office* 57 MILES EAST OF BLOOMFIELD, NM		11. Sec., T., R., M., or Blk. and Survey or Area Sec 17 T29N R2W Mer NMP
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 2230' - LEASE LINE	16. No. of Acres in Lease 10240.00	12. County or Parish RIO ARRIBA
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 2800' - JIC 29-02-20 #1	19. Proposed Depth 4000 MD	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) 7200 GL	22. Approximate date work will start 08/12/2004	17. Spacing Unit dedicated to this well 160.00 <i>SE/4</i>
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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- 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 (AGENT) Ph: 303.820.4480	Date 07/13/2004
Title AGENT		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date <i>12/17/04</i>
Title <i>AFM</i>	Office <i>FFO</i>	

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 #32961 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 07/16/2004 ()

**\*\* OPERATOR-SUBMITTED \*\* OPERATOR-SUBMITTED \*\* OPERATOR-SUBMITTED \*\***

DISTRICT I  
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000

DISTRICT II  
811 South First, Artesia, N.M. 88210

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

DISTRICT III  
1000 Rio Brazos Rd., Artec, N.M. 87410

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

AMENDED REPORT

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30039-29316		Pool Code 72400	Pool Name E Blanco #2
Property Code 27472	Property Name JICARILLA 29-02-17		Well Number 43
GRID No. 013925	Operator Name MALLON OIL CO.		Elevation 7200'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	17	29-N	2-W		640	SOUTH	2230	EAST	RIO ARRIBA

11 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

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**17 OPERATOR CERTIFICATION**

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

Kathy L. Schneebeck  
Signature

Kathy L. Schneebeck  
Printed Name

Agent for Mallon Oil Company  
Title

July 13, 2004  
Date

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**18 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 belief.

DECEMBER 22, 2003  
Date of Survey

David A. Johnson  
Signature and Title of Professional Surveyor

REGISTERED PROFESSIONAL SURVEYOR  
14827  
1482

Certificate No. \_\_\_\_\_

COMPANY: MALLON OIL COMPANY

LEASE: JICARILLA 29-02-17 No. 43

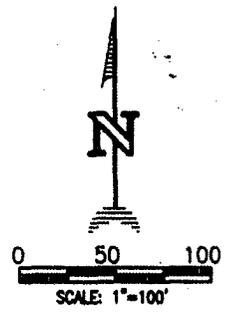
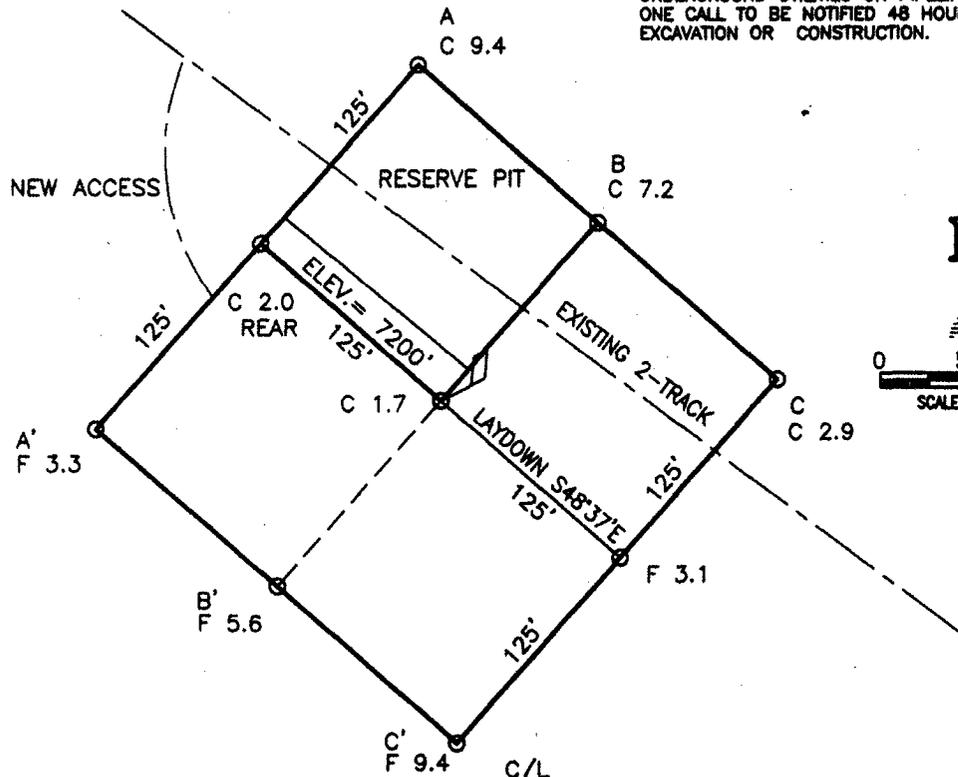
FOOTAGE: 640' FSL, 2230' FEL

SEC.: 17 TWN: 29-N RNG: 2-W NMPM

ELEVATION: 7200'

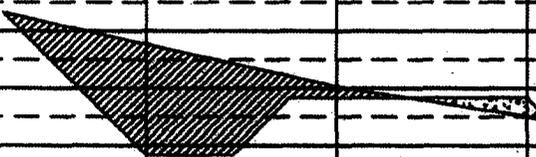
NOTE:

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.



ELEV. A-A'

7230					
7220					
7210					
7200					
7190					
7180					
7170					



**Additional Operator Remarks:**

Please find attached in two Adobe files:

- 1) Cover Letter, New Mexico APD form, Drilling Program, Casing Design, BOP 2M Diagram, Surface Use Plan, Table 1 Nearby Wells, and Table 2 - Plant List
- 2) Survey Plat, Well Pad Layout, Rig Layout, Cut and Fill, Prelim. Survey for Access Road and Pipelines, Access Road Map, Area Map

The Cultural Resources Report will be submitted shortly under separate cover by Velarde Energy Services. Please contact David Banko or Kathy Schneebeck at 303-870-4480, or at david@banko1.com or kathys@banko1.com, respectively, if you have any questions.

Mallon Oil Company  
**Jicarilla 29-02-17 43**  
 640' FSL 2,230' FEL (SW/4 SE/4)  
 Sec. 17 T29N R2W  
 Rio Arriba County, New Mexico  
 Lease: MDA 701-98-0013 Tract 1

**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 May 27, 2004 as determined by Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA) and Jicarilla Oil & Gas Administration (JOGA), and at which time the specific concerns of Mallon Oil Company (Mallon), BLM, BIA and JOGA were discussed.

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

*Estimated fm tops:*

SURFACE FORMATION - San Jose

*T<sub>sj</sub> - 0*

GROUND ELEVATION - 7,200'

*T<sub>n</sub> - 2370'*

ESTIMATED FORMATION TOPS - (Water, oil, gas and

San Jose	Surface	Sandstone, shales
Nacimiento	1,977'	Sandstone, shales
Ojo Alamo	3,185'	Sandstone, shales
Fruitland	3,611'	Sandstone, shales
Pictured Cliffs	3,700'	Sandstone, shales
Lewis	3,808'	Sandstone, shales

*T<sub>oa</sub> - 2930'*

*T<sub>k</sub> - 3440*

*T<sub>f</sub> - 3510*

TOTAL DEPTH 4,000'

*T<sub>pc</sub> - 3590*

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

Tertiary

San Jose	surface	Gas	<i>H<sub>2</sub>O</i>
Nacimiento	1,977'	Gas	<i>H<sub>2</sub>O</i>
Ojo Alamo	3,185'	Gas	<i>H<sub>2</sub>O</i>
Fruitland	3,611'	Gas	
Pictured Cliffs	3,700'	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: 1,240 psi

ANTICIPATED START DATE

August 13, 2004

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.

# 2-M SYSTEM

MALLON OIL COMPANY

ANNULAR PREVENTOR MAY BE SUBSTITUTED FOR DOUBLE GATE PREVENTORS  
BOP PRESSURE TEST TO 1,000 PSI

