

Will File " Johnson #12-5

$\frac{20}{320} = 25\%$

MALLON OIL COMPANY

2850 Security Life Building, Denver, Colorado 80202
(303) 572-1511

October 24, 1985

Mesa Grande Resources
1200 Philtower Building
Tulsa, Oklahoma 74103

Attn: Mr. Gregory Phillips

Re: Farmout Request
Rio Arriba County, New Mexico

Gentlemen:

Per my phone conversation with Mr. Gregory Phillips, this letter is to request that you grant Mallon Oil Company a Farmout on the following the described acreage:

Township 25 North, Range 2 West, NMPM
Section 12: E/2 NW/4
Rio Arriba County, New Mexico

Mallon Oil Company would dedicate the Farmout acreage to our Mallon #12-5 Johnson Federal well, located in the W/2 NW/4 of Section 12. We anticipate the Johnson well to be on production within 30 days.

In reference to Mesa Grande's retained interest, Mesa Grande would maintain a 6.25% overriding royalty, with the option to convert the overriding royalty to a 40% participating interest after payout of said Johnson well.

Mallon currently controls 240 acres in the W/2 of Section 12. If Mesa Grande is not willing to Farmout their 80 acres in Section 12 to Mallon, we feel that applying for a 240 acre sub-standard proration unit would economically be best for us.

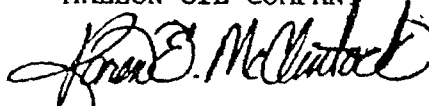
At this time our Mallon #12-5 Johnson well is tighthole and the only information I can release is that casing is in the hole and within approximately 30 days it will be on production.

Please advise Mallon Oil Company as to your decision in this matter at your earliest convenience.

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. <u>8900</u>	Exhibit No. <u>A</u>
Submitted by <u>MESA GRANDE</u>	
Hearing Date <u>5/20/86</u>	

Sincerely,

MALLON OIL COMPANY



Karen E. McClintock
Landman