Form 3160-3
(July 1992)

OPER. OGRID NO. 13925
PROPERTY NO. 17172
POOL CODE 37584
EFF. DATE 6/9/95
API NO. 30-025-32987

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM-052
6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A
7. UNIT AGREEMENT NAME: N/A
8. FARM OR LEASE NAME, WELL NO.: Mallon 35 Federal No. 5
9. API WELL NO.:
10. FIELD AND POOL, OR WILDCAT: Lea Delaware NE
11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 35, T19S-R34E

1a. TYPE OF WORK: DRILL [XX] DEEPEN [ ]

CARLSBAD RESOURCE AREA HEADQUARTERS

b. TYPE OF WELL: OIL WELL [XX] GAS WELL [ ] OTHER — SINGLE ZONE [ ] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: Mallon Oil Company

3. ADDRESS AND TELEPHONE NO.: P.O. Box 3256, Carlsbad, NM 88220 (505)885-4596

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 400' FNL & 1680' FWL (NE NW) Unit C
At proposed prod. zone: 400' FNL & 1680' FWL (NE NW) Unit C

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 27 miles southwest of Hobbs, New Mexico

12. COUNTY OR PARISH: Lea County — 13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
400'	240	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
260'	8200'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3717'

22. APPROX. DATE WORK WILL START*: 5/31/95

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25"	20	0.25	40'	Redi-Mix to surface
14-3/4"	9-5/8"	36#	1500' CIRCULATE	700 sx Lite, 200 sx Class C
8-3/4"	5-1/2"	15.5# & 17#	TD (TIE BACK)	Stage #1: 800 sx Class C Stage #2: 580 sx Pacesetter Lite 100 sx Class C

The Operator proposes to drill to a depth sufficient to test the Delaware formation for oil. If productive, 5-1/2" casing will be cemented. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal regulations. Specific programs as per Onshore Oil and Gas Order #1 are outlined in the following attachments:

Drilling Program

Surface Use and Operating Plan
Exhibit #1 - Blow Out Preventor Plan
Exhibit "A"- Location and Elevation Plat
Exhibit "B"- Existing Roads
Exhibit "C"- Planned Access Roads
and Exhibit "C-1"
Exhibit "D"- One Mile Radius Map
Exhibit "E" - Well Site Layout
Exhibit "F" - Production Facilities

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED Duane C. Winkler — TITLE Production Superintendant — DATE 4-28-95
Duane C. Winkler

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Application approval does not warrant or certify that 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:

Acting AREA MANAGER

APPROVED BY Timothy P. O'Brien — TITLE _____ — DATE 6/6/95

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any

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DRILLING PROGRAM

Attached to Form 3160-3
Mallon Oil Company
Mallon "35" Federal No. 5
400' FNL, 1680' FWL, Sec.35, T19S R34E
Lea County, New Mexico

Lease Number: NM-052

1. Geologic Name of Surface Formation :
   Quaternary Alluvium

2. Estimated Tops of Important Geologic Markers

Quaternary Alluvium	Surface
Rustler	1590
Top of Salt	1720
Base of Salt	3326
Yates	3513
Seven Rivers	3821
Queen	4516
Delaware	5800
Total Depth	8200

3. The Estimated Depths of Anticipated Fresh water, Oil or Gas:

Quaternary Alluvium	300'	Fresh Water.
Yates	3513'	Oil
Queen	4516'	Oil
Delaware	5800'	Oil

No other formations are expected to give up Oil, Gas, or Fresh Water in measurable quantities. The surface fresh water sands will be protected by setting 9 5/8" casing at 1500' and circulating cement back to surface. Potash will be protected by setting 5 1/2" casing at total depth and circulating cement back to 1300' from surface.

4. Proposed Casing Program:

Hole Size	Interval	Casing OD	Casing weight grade, Jt., Type Cond
25"	0-40'	20"	Conductor, 0.25" wall thickness
14 3/4"	0-1500'	9 5/8"	36# K-55 STC
8 3/4"	0-5300	5 1/2"	15.5# K-55 STC
	5300-TD	5 1/2"	17.0# N80 STC

Cement Program:

20" Conductor casing: Cemented with ready-mix to surface

9 5/8" Surface casing: Cemented to Surface with 700 sx Pacesetter Lite 6.00% Gel (Bentonite)+0.25 lb/sk Cello-Seal 105.% Fresh Water

5 1/2" Production casing: Stage #1 - Cement with 800 sacks Class "C" + 5 lb/sk CSE + 0.5% CF-14 + 5 lb/sk salt + 5lb/sk Gilsonite + 0.25 lb/sk Cello-Seal + 59.390% fresh water. This cement slurry is designed to bring TOC to 5000'. Stage #2 - Cement with 580 sacks Pacesetter Lite, 6.0% Gel (Bentonite) + 5.0% salt + 0.25 lb/sk Cello-Seal + 105.0% fresh water followed with 100 sacks Class "C" cement + 5.0 lb/sk CSE + 5 lb/sk salt + 0.25 lb/sk + Cello-Seal + 5.0 lb/sk Gilsonite + 0.5 % CF-14 + 105.0% fresh water. This cement slurry is designed to bring TOC to 1300'.

5. Minimum Specifications for Pressure Control:

The blowout preventor equipment (BOP) shown in Exhibit #1 will consist of a double ram type (3000 psi WP) preventor. The unit will be hydraulically operated and the ram type preventor will be equipped with blind rams on top and drill pipe rams on bottom. The BOP will be nippled up on the 9-5/8" surface casing and used continuously until TD is reached. BOP and accessory equipment will be tested to 1000 psi before drilling out of surface casing. Pipe rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 2" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve and choke lines and choke manifold with 3000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of brine, cut brine, and polymer/KCL mud system. The applicable depths and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Water loss (cc)
0-40	Fresh Water (spud)	8.5	40-45	N.C.
0-1500	F.W. (Gel/Lime)	8.5-9.0	32-36	N.C.
1500-TD	Brine Water	10.0	32-34	10-12cc

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

7. Auxiliary Well Control and Monitoring Equipment:
   (A) A Kelly cock will be kept in the drill string at all times.

   (B) A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

   (C) The drilling fluids systems will be visually monitored at all times.

8. Testing, Logging and Coring Program:

Drill Stem Tests:	None Anticipated
Logging:	TD to Surface casing, GR, CNL-FDC, DLL, MSFL
Coring:	None Planned

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:

No abnormal pressures or temperatures are anticipated. The proposed mud program will be modified to control excess pressure if abnormal pressures are encountered. The estimated bottom hole temperature (BHT) at TD is 150 F and estimated maximum bottom-hole pressure (BHP) is 3200 psig. No hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. No major loss circulation zones have been reported in offsetting wells.

10. Anticipated starting date: May 31, 1995
Anticipated completion of Drilling operations: Expected duration of 3 weeks.

MINIMUM BLOWOUT PREVENTER REQUIREMENTS

3,000 psi Working Pressure

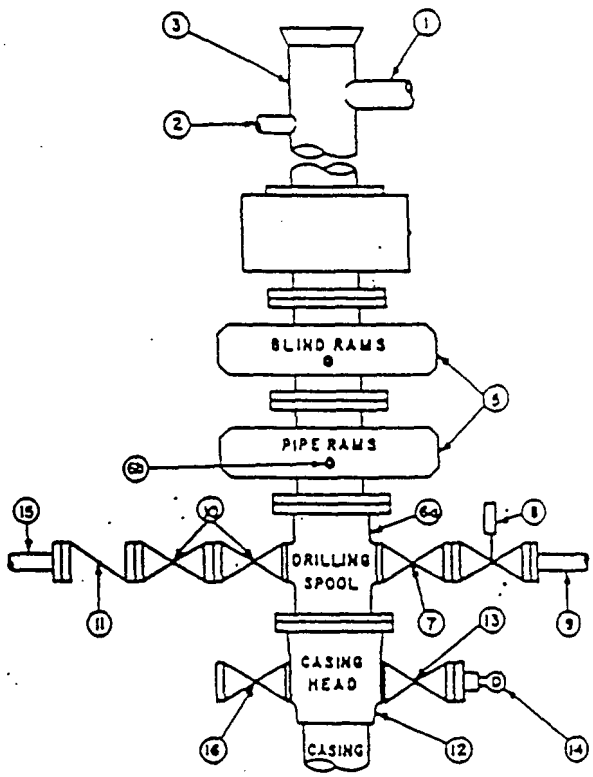
3 MWP

STACK REQUIREMENTS

No.	Item	Min. I.D.	Min. Nominal
1	Flowline		
2	Fill up line		2"
3	Drilling nipple		
5	Two single or one dual hydraulically operated rams		
6a	Drilling spool with 2" min. kill line and 3" min choke line outlets		
	or		
6b	2" min. kill line and 3" min. choke line outlets in ram. (Alternate to 6a above.)		
7	Valve Gate ☐ Plug ☐	3-1/8"	
8	Gate valve—power operated	3-1/8"	
9	Line to choke manifold		3"
10	Valves Gate ☐ Plug ☐	2-1/16"	
11	Check valve	2-1/16"	
12	Casing head		
13	Valve Gate ☐ Plug ☐	1-13/16"	
14	Pressure gauge with needle valve		
15	Kill line to rig mud pump manifold		2"

OPTIONAL			
16	Flanged valve	1-13/16"	

CONFIGURATION A



CONTRACTOR'S OPTION TO FURNISH:

1. All equipment and connections above bradenhead or casinghead. Working pressure of preventers to be 3,000 psi, minimum.
2. Automatic accumulator (80 gallon, minimum) capable of closing BOP in 30 seconds or less and, holding them closed against full rated working pressure.
3. BOP controls, to be located near drillers position.
4. Kelly equipped with Kelly cock.
5. Inside blowout prevventer or its equivalent on derrick floor at all times with proper threads to fit pipe being used.
6. Kelly saver-sub equipped with rubber casing protector at all times.
7. Plug type blowout preventer tester.
8. Extra set pipe rams to fit drill pipe in use on location at all times.
9. Type RX ring gaskets in place of Type R.

MEC TO FURNISH:

1. Bradenhead or casinghead and side valves.
2. Wear bushing, if required.

GENERAL NOTES:

1. Deviations from this drawing may be made only with the express permission of MEC's Drilling Manager.
2. All connections, valves, fittings, piping, etc., subject to well or pump pressure must be flanged (suitable clamp connections acceptable) and have minimum working pressure equal to rated working pressure of preventers up through choke. Valves must be full opening and suitable for high pressure mud service.
3. Controls to be of standard design and each marked, showing opening and closing position.
4. Chokes will be positioned so as not to hamper or delay changing of choke beans. Replaceable parts for adjustable choke, other bean sizes, retainers, and choke wrenches to be conveniently located for immediate use.
5. All valves to be equipped with handwheels or handles ready for immediate use.
6. Choke lines must be suitably anchored.
7. Handwheels and extensions to be connected and ready for use.
8. Valves adjacent to drilling spool to be kept open. Use outside valves except for emergency.
9. All seamless steel control piping (3000 psi working pressure) to have flexible joints to avoid stress. Hoses will be permitted.
10. Casinghead connections shall not be used except in case of emergency.
11. Do not use kill line for routine fill-up operations.

Exhibit 1

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-32987	37584	NE Lea Delaware

Property Code	Property Name	Well Number
17172	Mallon 35 FEDERAL	5

OGRID No.	Operator Name	Elevation
13925	MALLON OIL COMPANY	3717

Surface Location

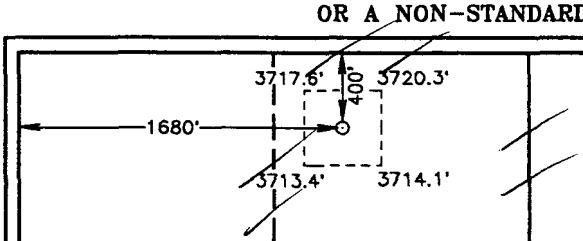
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	35	19 S	34 E		400	NORTH	1680	WEST	LEA

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



OPERATOR CERTIFICATION

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

Duane C Winkler
Signature

Duane C Winkler
Printed Name

Production Superintendent
Title

4-28-95
Date

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 supervison, and that the same is true and correct to the best of my belief.

APRIL 27, 1995
Date Surveyed JLP

Signature & Seal of Professional Surveyor

GARY C. EIDSON
NEW MEXICO
4-28-95

W.O. Num. 95-11-0672E

Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239
GARY C. EIDSON, 12641