

**KM PRODUCTION COMPANY**

P. O. Box 2406  
Farmington, NM 87499-2406  
(505) 325-6900

October 20, 1997

**Sent by FAX and Certified Mail - Return Receipt Requested #P 386810320**

Mr. William J. LeMay, Chairman  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

RE: Request for Administrative Approval of a  
Non-Standard Pictured Cliffs Location  
M&G Drilling Company  
Schlosser #97  
623' FSL and 1347' FWL  
Section 34, T28N R11W  
San Juan County, New Mexico

Gentlemen:

KM Production Company is an agent for M&G Drilling Company. M&G Drilling Company requests approval of a non-standard gas well location for their Schlosser #97 Pictured Cliffs well at 623' FSL and 1347' FWL of Section 34 of T28N R11W. Please refer to Administrative Order NSL-3857 granting unorthodox location approval for the Fruitland Coal formation in this well. This well was drilled as a Fruitland Coal well, but the Pictured Cliffs formation is productive also. A downhole commingle application will be made in the future to combine production from these two productive zones.

Enclosed as Attachment #1 is a Well Location and Acreage Dedication Plat for the Pictured Cliffs formation in this well. The topography in the SW ¼ of Section 34 is extremely rugged and the staked location for the Schlosser #97 is the only feasible place to drill a well in this quarter section. A topographic map is enclosed as Attachment #2 to demonstrate the rough terrain in this area.

Attachment #3 is a map showing the Pictured Cliffs formation ownership of the leases surrounding the Schlosser #97 well. The ownership in the Pictured Cliffs formation is the same as that in the Fruitland Coal formation. This new well is located too close to the southern boundary of Section 34. You will note that M&G Drilling Company has ownership of the acreage to the south of this well which is being encroached upon. The remaining Pictured Cliffs leases around this well are owned by Amoco Production Company and Marathon Oil Company. Copies of this letter have been sent by certified mail to these companies notifying them of this request. Copies of these return receipts are shown in Attachment #4. As per NMOCD regulations, by copy of this letter to offset leaseholders, M&G Drilling Company is asking offset leaseholders that they waive any objection to this Pictured Cliffs formation non-standard location.

I believe this request provides all the information required by NMOCD regulations for administrative approval of this non-standard location request. If any other information is needed, please call. Your prompt response to this request is appreciated.

Sincerely,

Kevin H. McCord  
Petroleum Engineer

Attachments

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 21, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number 30-045-29482		<sup>2</sup> Pool Code 79680		<sup>3</sup> Pool Name KUTZ PICTURED CLIFFS WEST	
<sup>4</sup> Property Code		<sup>5</sup> Property Name SCHLOSSER			<sup>6</sup> Well Number 97
<sup>7</sup> OGRID No. 141852		<sup>8</sup> Operator Name M & G DRILLING COMPANY, INC.			<sup>9</sup> Elevation 5996

<sup>10</sup> Surface Location

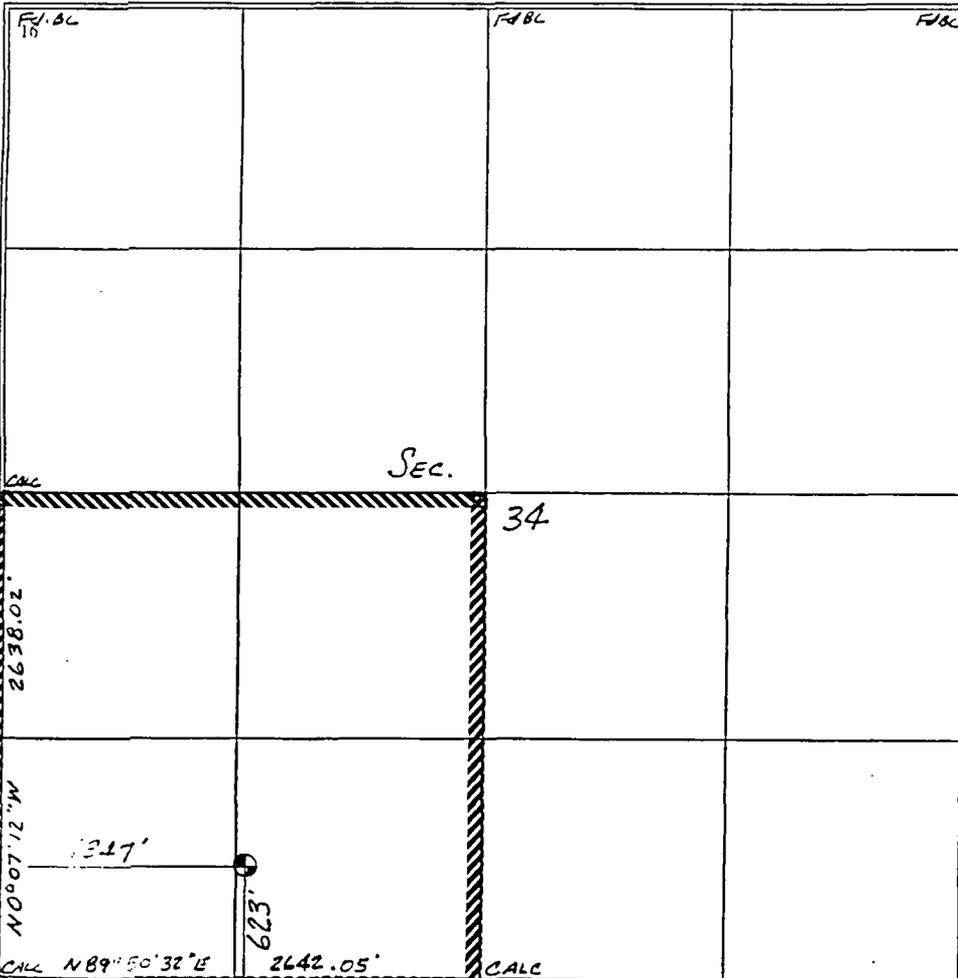
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	34	28 N	11 W		623	South	1347	West	San Juan

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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



<sup>17</sup> OPERATOR CERTIFICATION  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Kevin H. McCord*  
Signature  
KEVIN MCCORD  
Printed Name  
AGENT-PETROLEUM ENGINEER  
Title  
10/17/97  
Date

<sup>18</sup> 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.

29. 11/14/97  
Date of Survey  
Signature and Title of Professional Surveyor  
*William B. ...*  
Certificate Number 8466

108° 00' 232000mE 233 234 235 57' 30" 236  
6° 37' 30"

4057000mN

4056

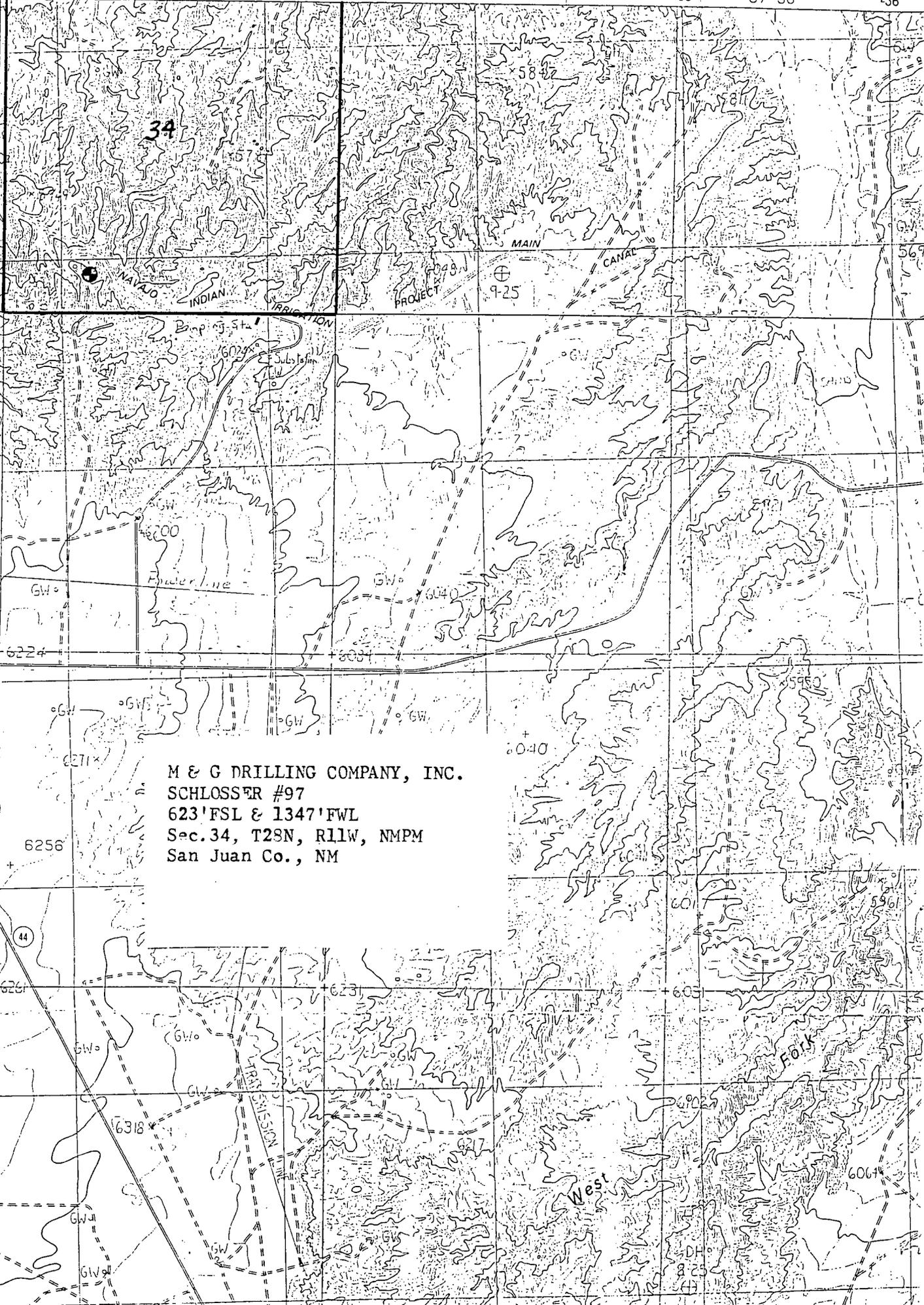
4055

4054

4053

4052

4051



M & G DRILLING COMPANY, INC.  
 SCHLOSSER #97  
 623' FSL & 1347' FWL  
 Sec. 34, T28N, R11W, NMPM  
 San Juan Co., NM

6256

44

6261

6318

6231

6925

6288

44

West

Fork

6064

5961

5950

569

5842

9-25

MAIN CANAL

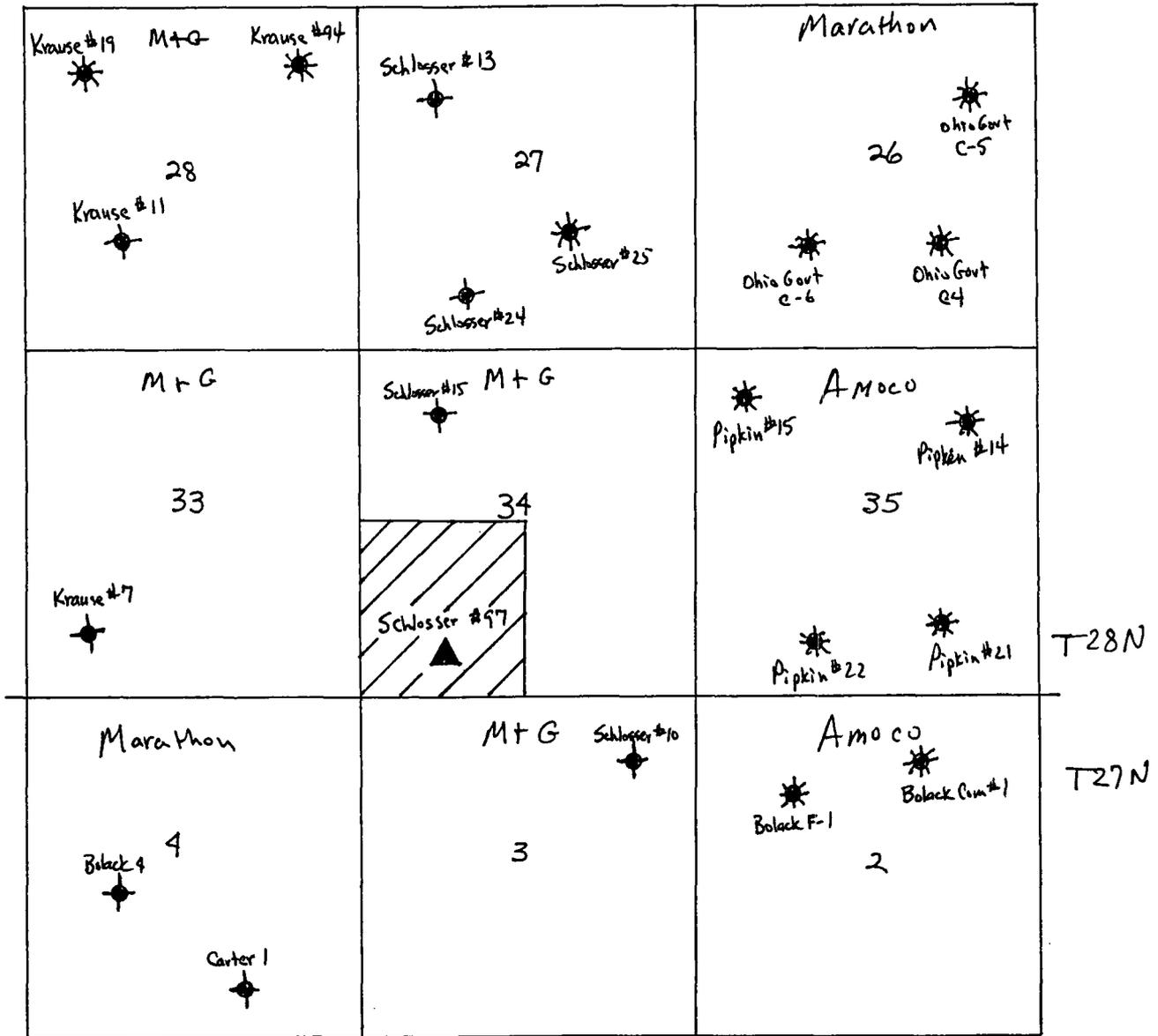
IRRIGATION PROJECT

INDIAN

NAVAJO

34

Pictured Cliffs Formation Ownership in the Vicinity of the Schlosser #97 Well  
SW ¼ Section 34, T28N R11W



R11W

P 386 810 321

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to <i>Amoco</i>	
Street & Number <i>P.O. Box 800</i>	
Post Office, State, & ZIP Code <i>Denver, Co 80201-0800</i>	
Postage	\$ <i>1.01</i>
Certified Fee	<i>1.35</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	<i>1.10</i>
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ <i>3.46</i>
Postmark or Date <i>10-20-97</i>	

PS Form 3800 April 1995

Fold at line over top of envelope to the right of the return address

**CERTIFIED**

P 386 810 321

**MAIL**

P 386 810 322

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to <i>Marathon Oil Company</i>	
Street & Number <i>P.O. Box 2330</i>	
Post Office, State, & ZIP Code <i>Casper, WY 82602</i>	
Postage	\$ <i>1.01</i>
Certified Fee	<i>1.35</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	<i>1.10</i>
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ <i>3.46</i>
Postmark or Date <i>10-20-97</i>	

PS Form 3800 April 1995

Fold at line over top of envelope to the right of the return address

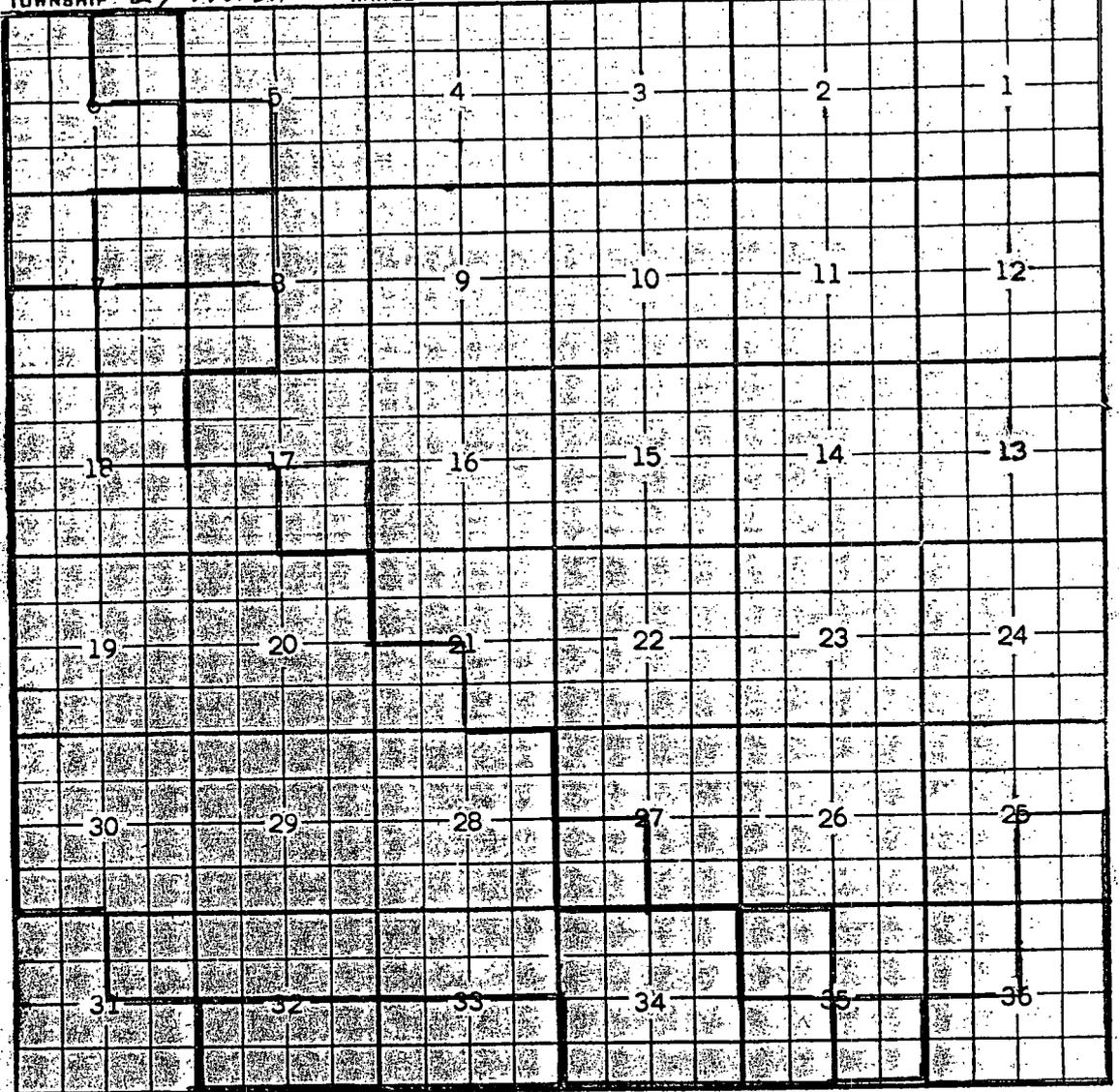
**CERTIFIED**

P 386 810 322

**MAIL**

County San Juan Pool Fulcher Kutz - Pictured Cliffs

TOWNSHIP 29 North RANGE 11 West NEW MEXICO PRINCIPAL MERIDIAN



Description:  $\frac{SW}{4}$  Sec 7;  $\frac{SW}{4}$  Sec 17;  $\frac{W}{2}$  &  $\frac{SE}{4}$  Sec 18; All Sec 19 & 20;  
 $\frac{SW}{4}$  Sec 21;  $\frac{SW}{4}$  Sec 27; All Sec 28; 29 & 30;  $\frac{NE}{4}$  Sec 31;  $\frac{N}{2}$  Sec 32;  
 $\frac{N}{2}$  Sec 33; All Sec 34;  $\frac{SW}{4}$  Sec 35 (R-565, 12-23-54)  
Ext:  $\frac{S}{2}$  Sec 32;  $\frac{S}{2}$  Sec 33 (R-764, 3-14-56) -  $\frac{SE}{4}$  Sec 7;  $\frac{SW}{4}$  Sec 8;  
 $\frac{NE}{4}$  Sec 18 (R-3281, 8-1-67) -  $\frac{W}{2}$  &  $\frac{SE}{4}$  Sec 6;  $\frac{NW}{4}$  Sec 7 (R-3856, 11-1-69)  
 $\frac{NE}{4}$  Sec 6 (R-4260, 3-1-72) -  $\frac{NW}{4}$  &  $\frac{SE}{4}$  Sec 35 (R-4292, 5-1-72)  
Ext:  $\frac{NE}{4}$  Sec 7;  $\frac{NW}{4}$  Sec 8 (R-5129, 1-1-76) Ext:  $\frac{SW}{4}$  Sec 5 (R-5779, 8-1-78)  
Ext:  $\frac{SE}{4}$  Sec 25;  $\frac{NE}{4}$  and  $\frac{S}{2}$  Sec 36 (R-6327, 5-1-80) Ext:  $\frac{SE}{4}$  Sec 17 (R-9585, 11-1-88)

CMD :  
OG6C101

ONGARD  
C101-APPLICATION FOR PERMIT TO DRILL

10/20/97 16:17:29  
OGOMES -EMFO

OGRID Idn : 141852 API Well No: 30 45 29482 APD Status(A/C/P) : A  
Opr Name, Addr: M & G DRLG CO INC Aprvl/Cncl Date : 08-31-1997  
%KM PROD CO  
PO BOX 2406  
FARMINGTON,NM 87499  
Prop Idn: 16599 SCHLOSSER Well No: 97

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
Surface Locn	:	N	34	28N	11W		FTG 623 F S	FTG 1347 F W
OCD U/L	:	N	API	County	:	45		

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C) : G Cable/Rotary (C/R) : R  
Lease typ(F/S/P/N/J/U/I) : F Ground Level Elevation : 5996

State Lease No: Multiple Comp (Y/N) : N  
Prpsd Depth : 1990 Prpsd Frmtn : BASIN FT COAL

**E0009: Enter data to modify record**

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-7131

August 20, 1997

**M & G Drilling Company**  
**c/o KM Production Company**  
**P. O. Box 2406**  
**Farmington, New Mexico 87499-2406**  
**Attention: Kevin McCord**

*Administrative Order NSL-3857*

Dear Mr. McCord:

Reference is made to your application dated July 30, 1997 on behalf of the operator, M & G Drilling Company, for an unorthodox coal gas well location for its proposed Schlosser Well No. 97 to be drilled 623 feet from the South line and 1347 feet from the West line (Unit N) of Section 34, Township 28 North, Range 11 West, NMPM, Basin Fruitland Coal (Gas) Pool, San Juan County, New Mexico. The S/2 of said Section 34 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*", as promulgated by Division Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay", written over a horizontal line.

William J. LeMay  
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec  
U.S. Bureau of Land Management - Farmington