



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL DISTRICT OFFICE
2909 W. Second Street
Roswell, New Mexico 88201

MAR 16 1998

IN REPLY REFER TO:
3160 (3105.2-2
NM 0428657

MAR 12 1998

New Mexico Oil Conservation Division
Attention: Michael E. Stogner
2040 S. Pacheco
Santa Fe, NM 87505

Re: NMOCD Case 11926
Application of KCS Medallion Resources, Inc.
for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. Stogner:

The subject case was continued until March 19, 1998, in order to provide time for the parties to obtain the Bureau of Land Management's (BLM) regulation and policy concerning the communitization of multiple leases when a single federal lease can be developed in conformity with established well spacing patterns.

The case involves Federal Lease NM-0428657, which covers the S $\frac{1}{2}$ of Section 33 and a Fee minerals covering the N $\frac{1}{2}$ of Section 33, T19S, R28E, Eddy County, New Mexico.

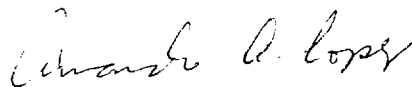
We have reviewed the facts of this case and find that there have been three wells drilled in Section 33 with a 320 spacing unit. The Arco Federal No. 1 well in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ drilled by Penrock Corporation and the OXY 33 Federal No. 1 well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ drilled by OXY USA, Inc. both had a S $\frac{1}{2}$ spacing unit dedication. The Angell Ranch Com. No. 1 well in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ drilled by Penrock Oil Corporation was drilled with a N $\frac{1}{2}$ spacing unit dedication.

We have reviewed the geologic information submitted to us by KCS Medallion Resources, Inc., and we feel that the well drilled in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Sec. 33 has drained the N $\frac{1}{2}$ of Sec. 33. It is not in the public's interest for the BLM to approve a W $\frac{1}{2}$ proration unit for a well to be drilled in the SW $\frac{1}{4}$ of Sec. 33.

We received an Application for Permit to Drill the OXY 33 Federal No. 2 from OXY USA, Inc., located in the SE¼SW¼, with a S½ spacing for the well.

If you have any questions concerning this matter, please call me at (505) 627-0248, and I will be glad to assist you.

Sincerely,

A handwritten signature in black ink, appearing to read "Armando A. Lopez". The signature is fluid and cursive, with the first name "Armando" being more prominent than the last name "Lopez".

Armando A. Lopez
Acting Assistant District Manager,
Minerals

cc:

Kellahin and Kellahin
P. O. Box 2265
Santa Fe, NM 87504-2265

KCS Medallion Resources, Inc.
Attention: Bill Siruta
2709 N. Big Spring Street, Suite 202
Midland, TX 79705