

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

#12032

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ SD

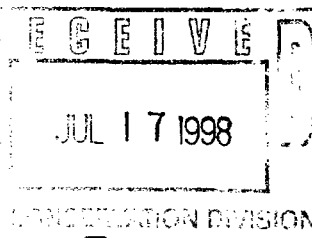
Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
 Signature

Attorney for Applicant
 Title

7/17/98
 Date

Print or Type Name

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 17, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), KCS Medallion Resources, Inc. applies for administrative approval of an unorthodox gas well location for the following well:

PDM Well No. 1
860 feet FSL & 660 feet FWL
W $\frac{1}{2}$ §16, Township 19 South, Range 29 East, NMPM
Eddy County, New Mexico

Attached as Exhibit A is a Form C-102 for the well. The well will be drilled to approximately 11,500 feet, to test the Morrow formation (Turkey Track-Morrow Gas Pool). Well spacing is 320 acres, with wells to be located no closer than 1650 feet to the end line and 660 feet to the side line of the unit.

Attached as Exhibits B and C are net isopach maps of the Morrow "A" and "B" Sands, respectively. The maps show that it generally takes more than 10 feet of net Morrow Sand to have a productive well: Most wells in the area that have 10 feet or less of porous sand are not commercial. The general trend of the Morrow formation in this area is northwest-southeast. The well could conceivably be moved further north of the proposed location, but that would place it too near the well in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ §16, which produced 1.5 BCF of gas before the Morrow was abandoned in 1995. Moving the well east from the proposed location increases the chances of encountering thinner and less porous sand. (The well in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ §16 had only 2 feet of net pay in the Morrow "A" Sand and 4 feet of net pay in the Morrow "B" Sand, and was non-commercial.) Drilling at the proposed location should enable the well to test approximately 13-14 feet of net sand, without being too close to the area drained by the well

to the north, and substantially increase the chances of drilling a successful well,

The only affected offset operator is Ocean Energy, Inc. ("Ocean"), the operator of the Parkway West Unit, which includes all of Sections 20 and 21. A notice letter has been sent to the offset. See Exhibit D. However, Ocean has verbally waived objection of the location. If you have any questions about the waiver, the landman at Ocean is Marcia Kehl, (303) 573-4634. **Due to the waiver of objection, applicant requests that the 20 day notice period be waived.**

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,



James Bruce

Attorney for KCS Medallion
Resources, Inc.

DISTRICT I
P.O. Box 1900, Hobbs, NM 88241-1900

DISTRICT II
P.O. Drawer 22, Azusa, NM 88211-0710

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

DISTRICT IV
P.O. Box 2000, Santa Fe, NM 87501-2000

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised February 10, 1984
Submit to Appropriate District Office
State Lease - 4 Copies
Per Lease - 3 Copies

DEC 22 1997

OPERATION REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
Property Code	Property Name PDM		Well Number 1
OSME No.	Operator Name KCS MEDALLION RESOURCES, INC.		Elevation 3341

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	16	19 S	29 E		860	SOUTH	660	WEST	EDDY

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.

Signature

Printed Name

Title

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

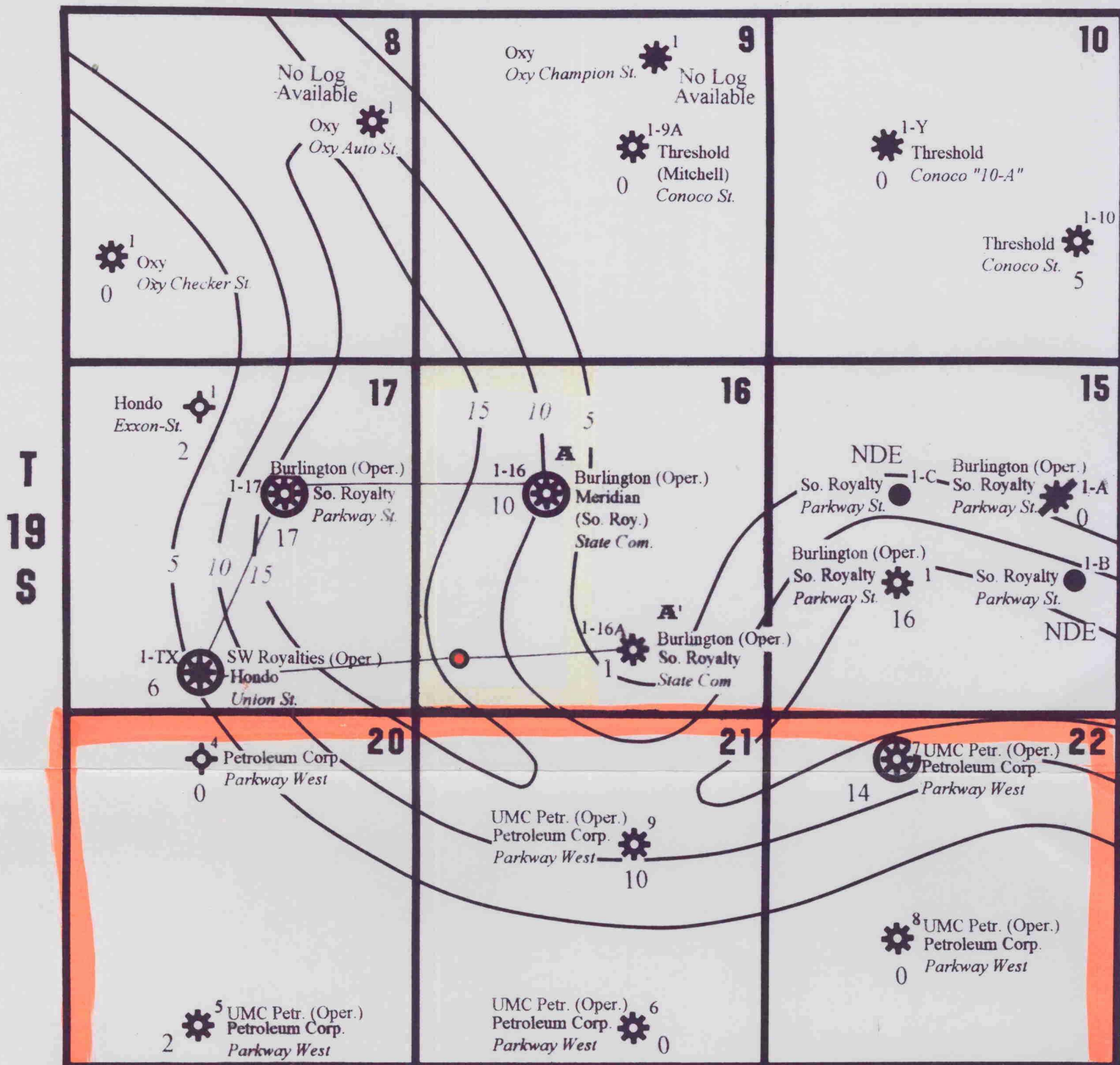
DECEMBER 12, 1997

Date Signed
Signature
Professional Engineer
JLB
12-15-97
100,000,000-97-12-15-97
Certified Professional Engineer
JLB
12186

EXHIBIT

A

R-29-E



**MORROW "A" SAND
PRODUCTION**

KCS Medallion Resources, Inc.
A KCS Energy Company

**PDM PROSPECT
EDDY COUNTY, NEW MEXICO**

**NET ISOPACH
MORROW "A" SAND**

Scale: 1"=2000'

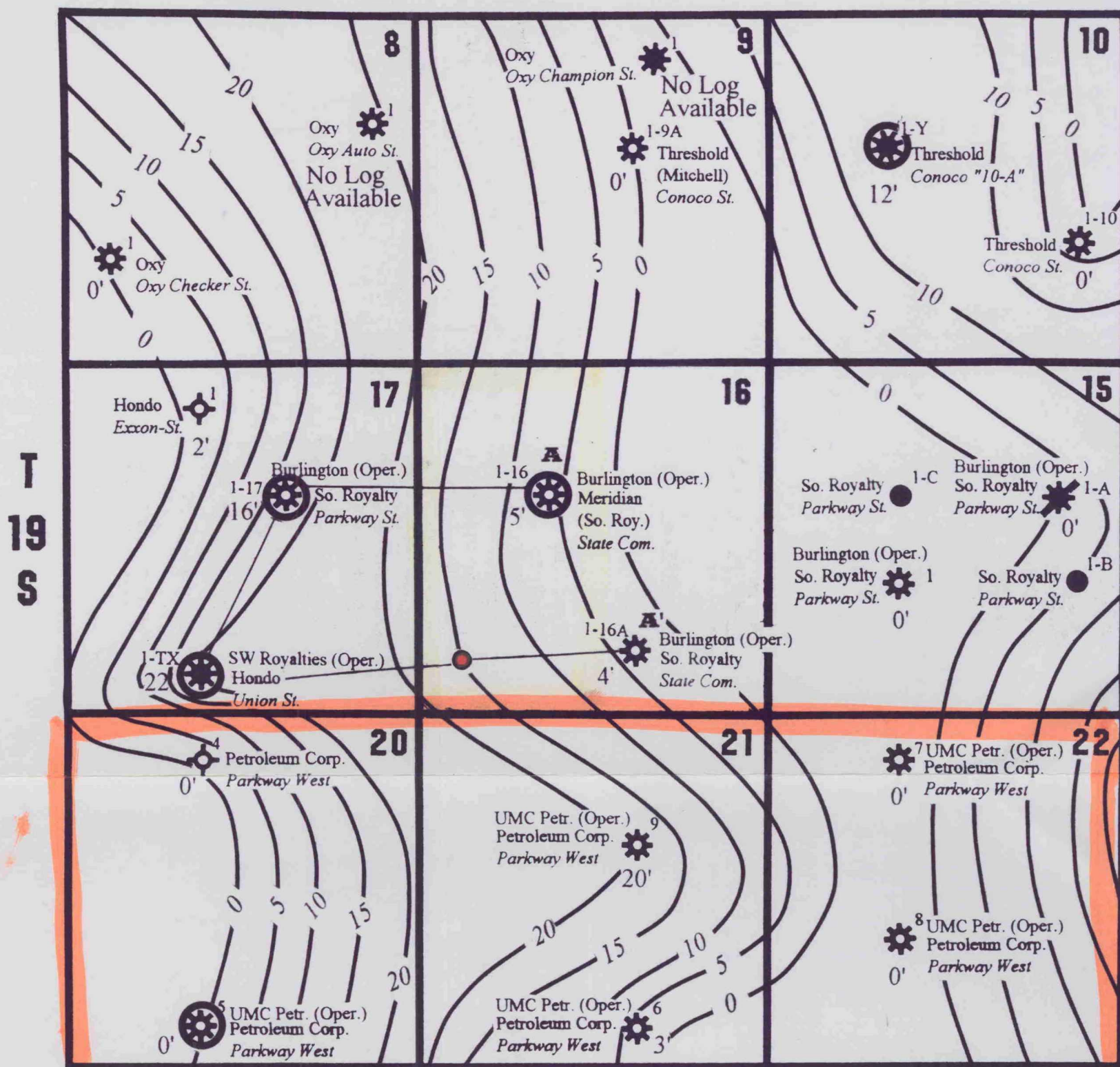
By: W. A. Siruta

Date: 2/98

EXHIBIT

B

R-29-E



KCS Medallion Resources, Inc.
A KCS Energy Company

PDM PROSPECT
EDDY COUNTY, NEW MEXICO

NET ISOPACH
MORROW 'B' SAND

Scale: 1"=2000'

By: W. A. Siruta

Date: 2/98

**MORROW "B" SAND
PRODUCTION**

EXHIBIT

C

JAMES BRUCE
ATTORNEY AT LAW

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(505) 982-2043
(505) 982-2151 (FAX)

JuLY 17, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

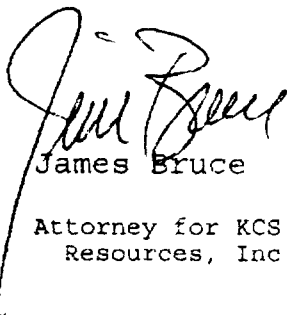
Ocean Energy, Inc.
Suite 1400
410 17th Street
Denver, Colorado 80202

Attention: Marcia Kehl

Dear Marcia:

On JuLY 17, 1998, KCS Medallion Resources, Inc. filed an application at the New Mexico Oil Conservation Division seeking administrative approval of an unorthodox gas well location for the PDM Well No. 1, located in the W½ of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. A copy of the application is enclosed. KCS Medallion's records show that OEI owns an interest offsetting the above well. If you object to the unorthodox location, you must notify the Division in writing no later than 20 days from the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner).

Very truly yours,



James Bruce

Attorney for KCS Medallion
Resources, Inc.

