



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

M & G Drilling Company

c/o **Mike Pippin, LLC**

3104 No. Sullivan Avenue

Farmington, New Mexico 87401

Attention: Mike Pippin

mpippin@ddroadband.net

October 5, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Telefax No. (505) 564-8656

Administrative Order NSL-5114

Dear Mr. Pippin:

Reference is made to the following: (i) your application on behalf of the operator, M & G Drilling Company ("M&G"), submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on September 14, 2004 (*administrative application reference No. pSEM0-425936778*); (ii) the Division's initial response from Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe by e-mail/telefax on Friday morning, September 17, 2004; (iii) your reply by letter dated September 21, 2004 with an attachment; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Aztec and Santa Fe: all concerning M&G's request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for M&G's proposed Schlosser "34" Well No. 102-S to be drilled 1630 feet from the South line and 495 feet from the West line (Unit L) of Section 34, Township 28 North, Range 11 West, NMPM, San Juan County, New Mexico.

The W/2 of Section 34 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing unit within the Basin-Fruitland Coal (Gas) Pool (71629).

This application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*;" (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/mes

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