

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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]

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

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP 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

[D] Other: Specify _____

[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] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

 Print or Type Name Signature Title Date

 e-mail Address

M & G DRILLING COMPANY
c/o Mike Pippin LLC
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) **505-564-8656 (fax)
Email: mpippin@ddbroadband.net

September 23, 2004

CERTIFIED MAIL:
Mr. Michael E. Stogner
New Mexico Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87504

RECEIVED

SEP 24 2004

RE: Application for Administrative Approval of Unorthodox Location
M & G Drilling Company's Schlosser 3 #101 Well NM OGRID#: 141852
2400' FNL and 1305' FWL Unit E, Section 3, T27N, R11W
San Juan County, New Mexico
Basin Fruitland Coal

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Dear Mr. Stogner:

M & G Drilling Company hereby requests administrative approval for an unorthodox location for the above referenced well. Attached for your reference are the following exhibits:

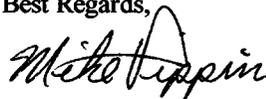
1. Copy of Federal APD (BLM Form 3160-3)
2. Well location plat (NMOCD Form C-102)
3. List of Offset Operators
4. Ownership map
5. Topographic map
6. Production map
7. Directions to proposed well pad
8. Copy of letter to offset operators and certified mail receipt

The rules state that the well should not be closer than 660 feet to the South and North lines nor closer than 660 feet to the East and West lines of a Gas Proration Unit. In this case, the referenced well is a 320 acre lay-down proration unit. We encountered enormous topographic problems trying to stake this well. With the exception of the wellpad for Conoco's Schlosser Fed #2E DK (805' FNL & 1520' FWL Section 3 T27N R11W), a suitable standard location for this well could not be found in the northwest quarter of Section 3 due to the topography. We staked the well in the only relatively flat area available. Unfortunately, that relatively flat area is only 240' from the center of the section line. M & G Drilling Company has the offset lease directly to the south.

We do not believe that drilling a Fruitland Coal well on the same wellpad as the Schlosser Fed. #2E DK would be a good geological location. Coal thickness increases from only 25 feet of coal in the Schlosser #97 PC (623' FSL & 1347' FWL Section 34 T28N R11W) to 50 feet of coal in the Bolack 4 #2 (2225' FNL & 1660' FEL Section 4 T27N R11W). It is therefore our desire to be as far from the #97 as possible and near the Bolack 4 #2. See the attached log sections from these wells.

By certified mail, a copy of this application and request for administrative approval has been sent to all of the Basin Fruitland Coal working interest owners and offset operators listed on the attached list. M & G Drilling Company requests your Administrative Approval for the unorthodox location based on the above information. Should you need any additional information please feel free to contact me at (505) 327-4573.

Best Regards,



Mike Pippin
Petroleum Engineer
Agent - M & G Drilling Company

Enclosures

cc: Steve Hayden

Ex #1

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work DRILL REENTER

1b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator
M&G Drilling Company Inc. NM OGRID # 141852

3a. Address c/o Mike Pippin LLC 3104 N. Sullivan, Farmington, NM 87401
3b. Phone Number (505) 327-4573

4. Location of Well (Footage, Sec, T. R., M, or Survey Description)
At surface: Unit E, 2400' FNL, 1305' FWL
At proposed prod. Zone: Same

14. Distance in miles and direction from nearest town or post office*
9 Miles South of Bloomfield, NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. Unit line, if any)
1305'

16. No of Acres in lease
2560

18. Distance from proposed* location to nearest well
1550'

19. Proposed Depth
2100'

21. Elevation (Show whether DF, KDB, RT, GL, etc.)
6168'

22. Approximate date work will start*
January 2, 2005

5. Lease Designation and Serial No.
NM-078673

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement, Name and No.

8. Lease Name and Well No.
SCHLOSSER 3 #101

9. API Well No.

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 3, T-27-N, R-11-W

12. County or Parish,
San Juan

13. State
New Mexico

17. Spacing Unit dedicated to this well
320 Acres N/2

20. BLM/BIA Bond No. on file

23. Estimated duration
30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

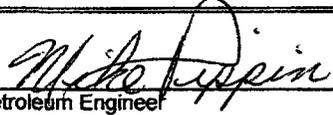
- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office.
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized officer

Size of Hole	Grade, Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12-1/4"	8-5/8" LS	23#	200'	140 Sxs, 165 ft3 - 100% Excess
6-1/4"	4-1/2" K-55	10.5#	2100'	163 Sxs, 312 ft3 - 45% Excess

The on-site inspection was on 7/1/04 by Brice Barlan
Archy is by DCA.
EA & TE are by Permits West

SEE ATTACHED APD INFORMATION

Latitude: 36 Deg, 36 Min, 18 Sec N
Longitude: 107 Deg, 59 Min, 45 Sec W

25. Signature  Name (Printed/Typed) Mike Pippin Date September 11, 2004
Title Petroleum Engineer

Approved by (Signature) _____ Name (Printed/Typed) _____ Date _____
Title _____ Office _____

Application approval does not warrant or certify 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, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

DISTRICT II
811 South First, Artesia, N.M. 88210

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

AMENDED REPORT

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 21629		*Pool Name BASIN FRUITLAND CORL	
*Property Code		*Property Name SCHLOSSER 3			*Well Number 101
*GRID No. 141852		*Operator Name M & G DRILLING COMPANY INC.			*Elevation 6168'

¹⁰ Surface Location

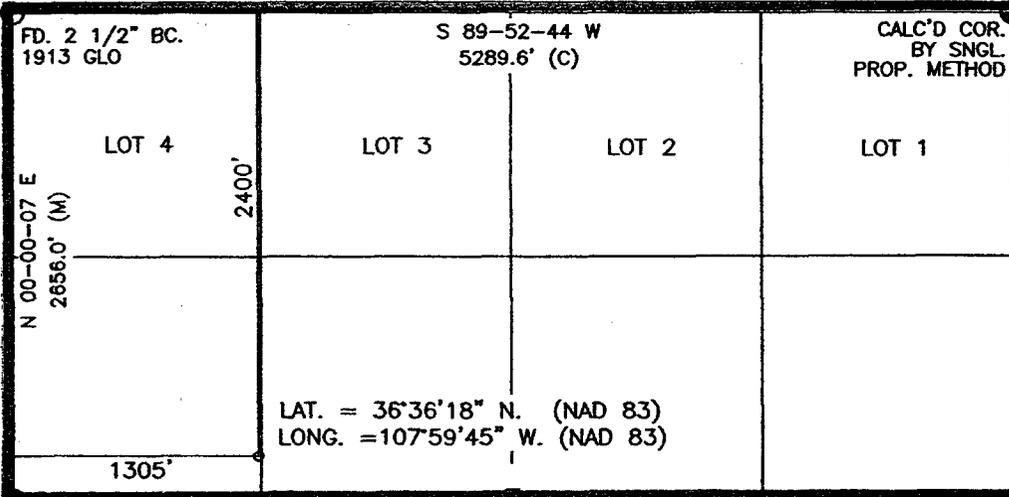
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	3	27-N	11-W		2400	NORTH	1305	WEST	SAN JUAN

¹¹ 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 320 N/2			*Joint or Infill Y		*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

16



17 OPERATOR CERTIFICATION

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

Mike Pippin
Signature

MIKE PIPPIN
Printed Name

AGENT-PETR. ENGR.
Title

9-11-04
Date

18 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.

MAY 13

Date of Survey
Signature and Seal of Professional Surveyor



Certificate Number

FD. 2 1/2" BC.
1913 GLO

M & G DRILLING COMPANY
c/o Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) **505-564-8656 (fax)
Email: mpippin@ddbroadband.net

**OFFSET OPERATORS AND OWNERS NOTIFICATION LIST
SCHLOSSER 3 #101 FRTC**

OFFSET OPERATORS:

XTO ENERGY INC.
2700 Farmington Avenue
Building K, Suite 1
Farmington, NM 87401

Burlington Resources Oil & Gas
Attention: Linda Dean
P.O. Box 4289
Farmington, NM 87499-4289

WORKING INTEREST OWNERS:

M & G Drilling Company
c/o Mike Pippin LLC
3104 N. Sullivan
Farmington, NM 87401

OWNERSHIP MAP

SCHLOSSER 3 #101 FRTC

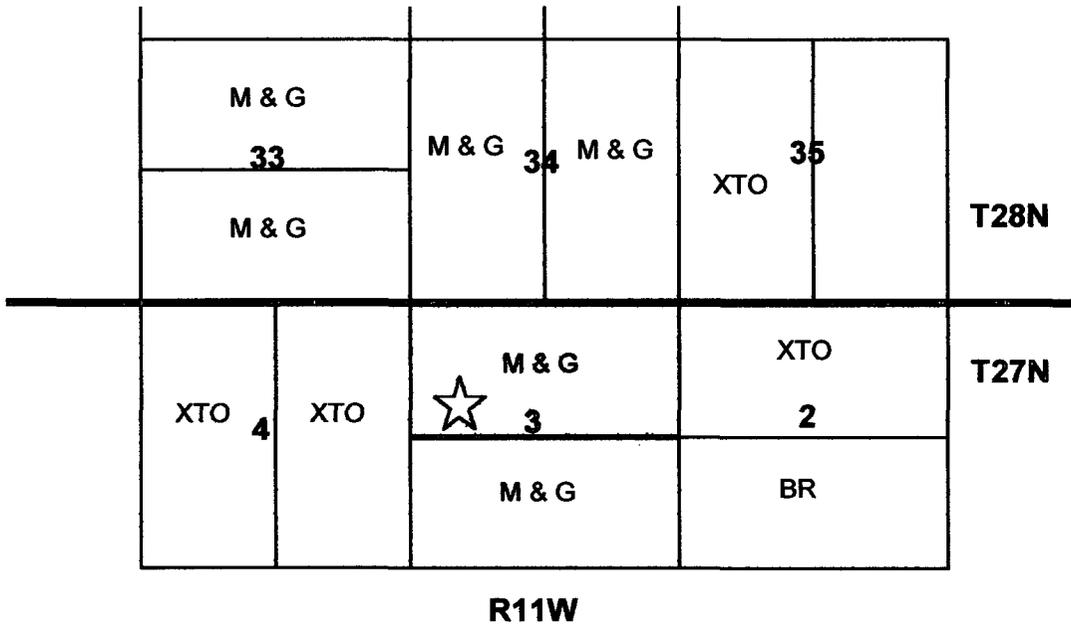
2400' FNL & 1305' FWL

(E) Sec. 3 T27N R11W

San Juan County, NM

Spacing: North Half

Operator: M & G Drilling Company



XTO Energy Inc.
 2700 Farmington Ave.
 Building K, Suite 1
 Farmington, NM 87401

M & G Drilling Company
 c/o Mike Pippin LLC
 3104 N. Sullivan
 Farmington, NM 87401

Burlington Resources
 P.O. Box 4289
 Farmington, NM 87499

108°01'00" W

108°00'00" W

WGS84 107°59'00" W

36°38'00" N

36°38'00" N

M&G DRILLING COMPANY INC.
SCHLOSSER 3 No. 101
 2400 FNL 1305 FWL
 SEC. 3, T-27-N, R-11-W, N.M.P.M.
 SAN JUAN COUNTY, NEW MEXICO
 79' NEW ACCESS

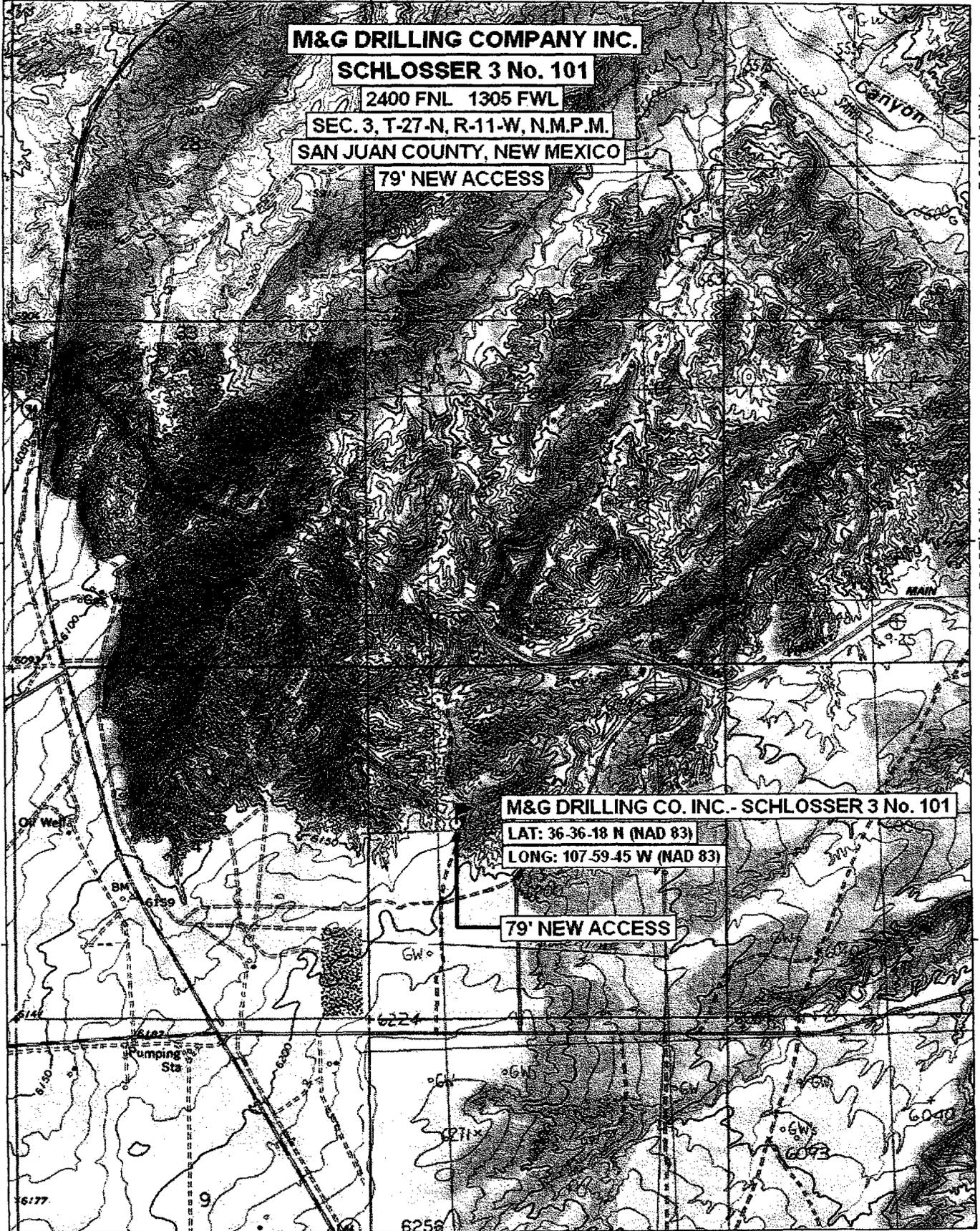
36°37'00" N

36°37'00" N

36°36'00" N

36°36'00" N

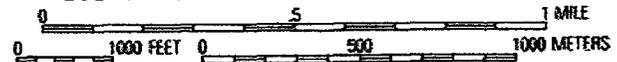
M&G DRILLING CO. INC. - SCHLOSSER 3 No. 101
 LAT: 36-36.18 N (NAD 83)
 LONG: 107-59.45 W (NAD 83)
 79' NEW ACCESS



108°01'00" W

108°00'00" W

WGS84 107°59'00" W



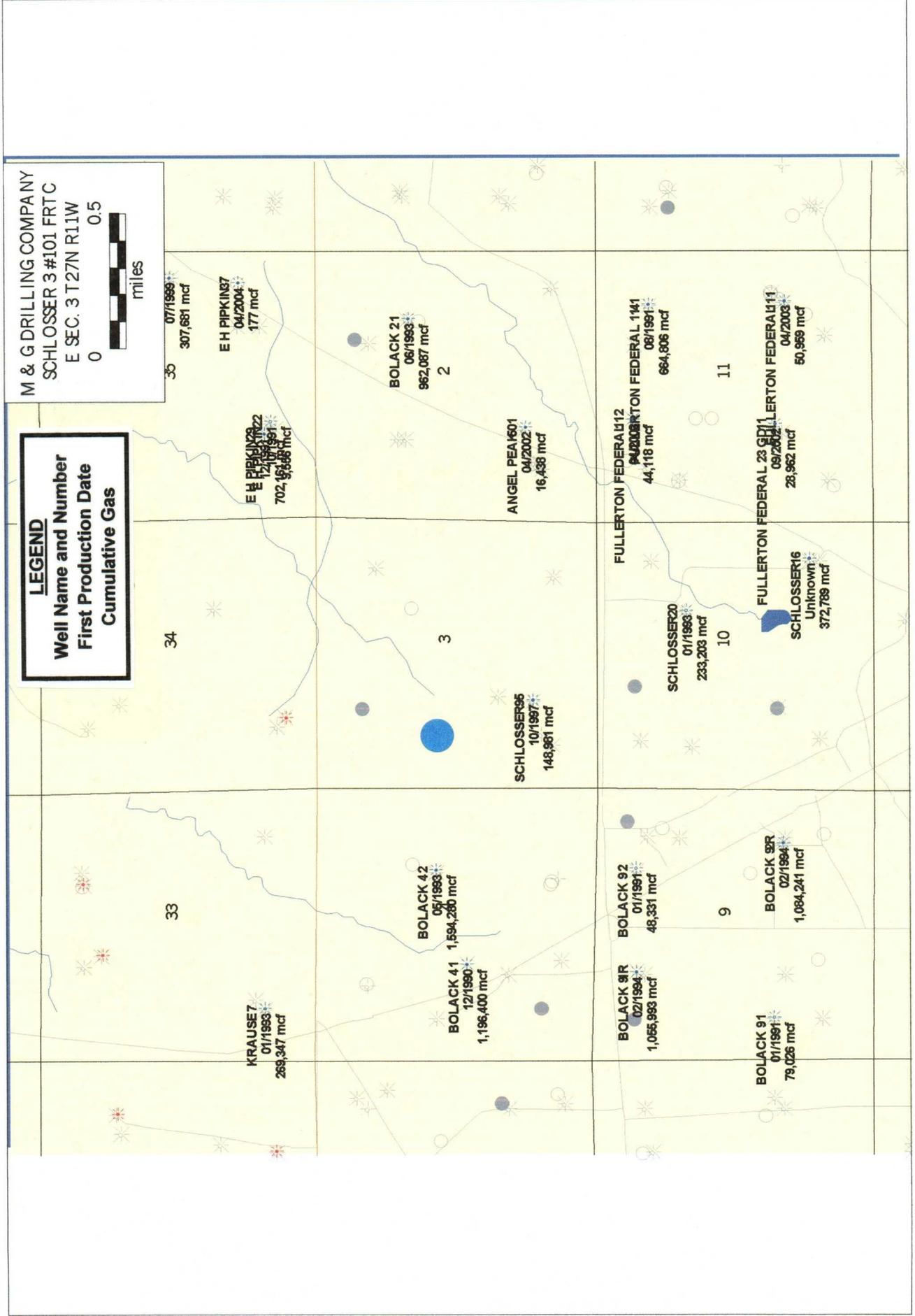
PowerTools Map

Project: C:\Program Files\IHS Energy\PowerTools v6.0\Projects\ALL M&G.MDB

Date: 9/21/2004
Time: 2:54 PM

Lease Name: CORNELL (100)
County, ST: SAN JUAN, NM
Location: 10 29N 12W SE NW NE

Operator: BURLINGTON RESOURCES O&G CO LP
Field Name: BASIN



M & G DRILLING COMPANY
c/o Mike Pippin LLC
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) **505-564-8656 (fax)
Email: mpippin@ddbroadband.net

DIRECTIONS TO SCHLOSSER 3 #101 FRTC

The location is approximately 8.8 miles south of Bloomfield, NM.
From the intersection of Hwy 550 & Hwy 64 in Bloomfield:

Take Hwy 550 south 7.8 miles to the NAPI sign.

Turn left & go east for 0.5 mile.

Turn left & go north for 0.5 mile to the new location.

M & G DRILLING COMPANY
c/o Mike Pippin LLC
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) **505-564-8656 (fax)
Email: mpippin@ddbroadband.net

September 23, 2004

CERTIFIED MAIL:
Burlington Resources Oil & Gas
P.O. Box 4289
Farmington, NM 87499-4289

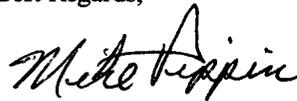
Attention: Linda Dean

RE: Application for Administrative Approval of Unorthodox Location
M & G Drilling Company's Schlosser 3 #101 Well
2400' FNL and 1305' FWL
Unit E, Section 3, T27N, R11W
San Juan County, New Mexico
Basin Fruitland Coal

Dear Sir or Madam:

Enclosed please find a copy of the above captioned application that has been sent to the NMOCD for administrative approval. Should you not agree with the request, please notify the NMOCD within 20 days of the date of this application. Any questions you may have concerning the operations, please feel free to contact me at (505) 327-4573.

Best Regards,



Mike Pippin
Petroleum Engineer
Agent - M & G Drilling Company

Enclosures

M & G DRILLING COMPANY
c/o Mike Pippin LLC
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) **505-564-8656 (fax)
Email: mpippin@ddbroadband.net

September 23, 2004

CERTIFIED MAIL:
XTO Energy Inc.
2700 Farmington Avenue
Building K, Suite 1
Farmington, NM 87401

RE: Application for Administrative Approval of Unorthodox Location
M & G Drilling Company's Schlosser 3 #101 Well
2400' FNL and 1305' FWL
Unit E, Section 3, T27N, R11W
San Juan County, New Mexico
Basin Fruitland Coal

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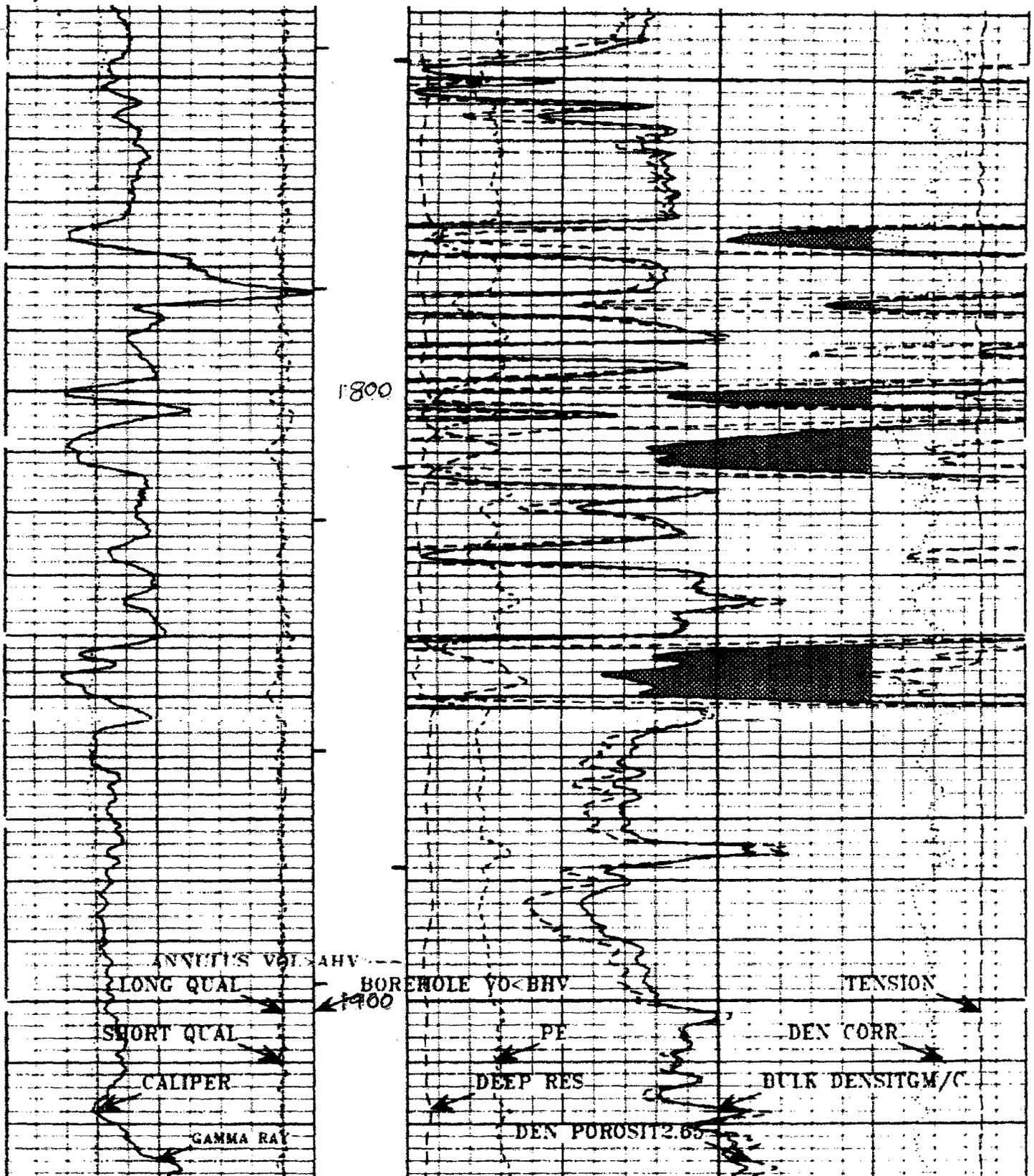
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Best Regards,



Mike Pippin
Petroleum Engineer
Agent - M & G Drilling Company

Enclosures

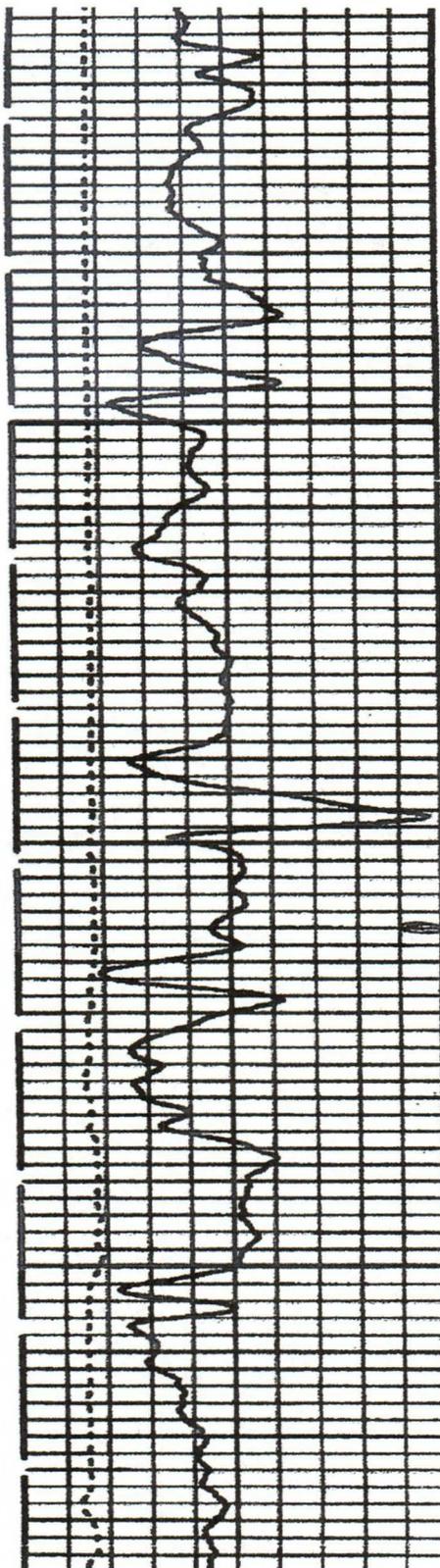


SCHLOSSER #97 PC N 34 28 11

BASE OF COAL ~ 1852'

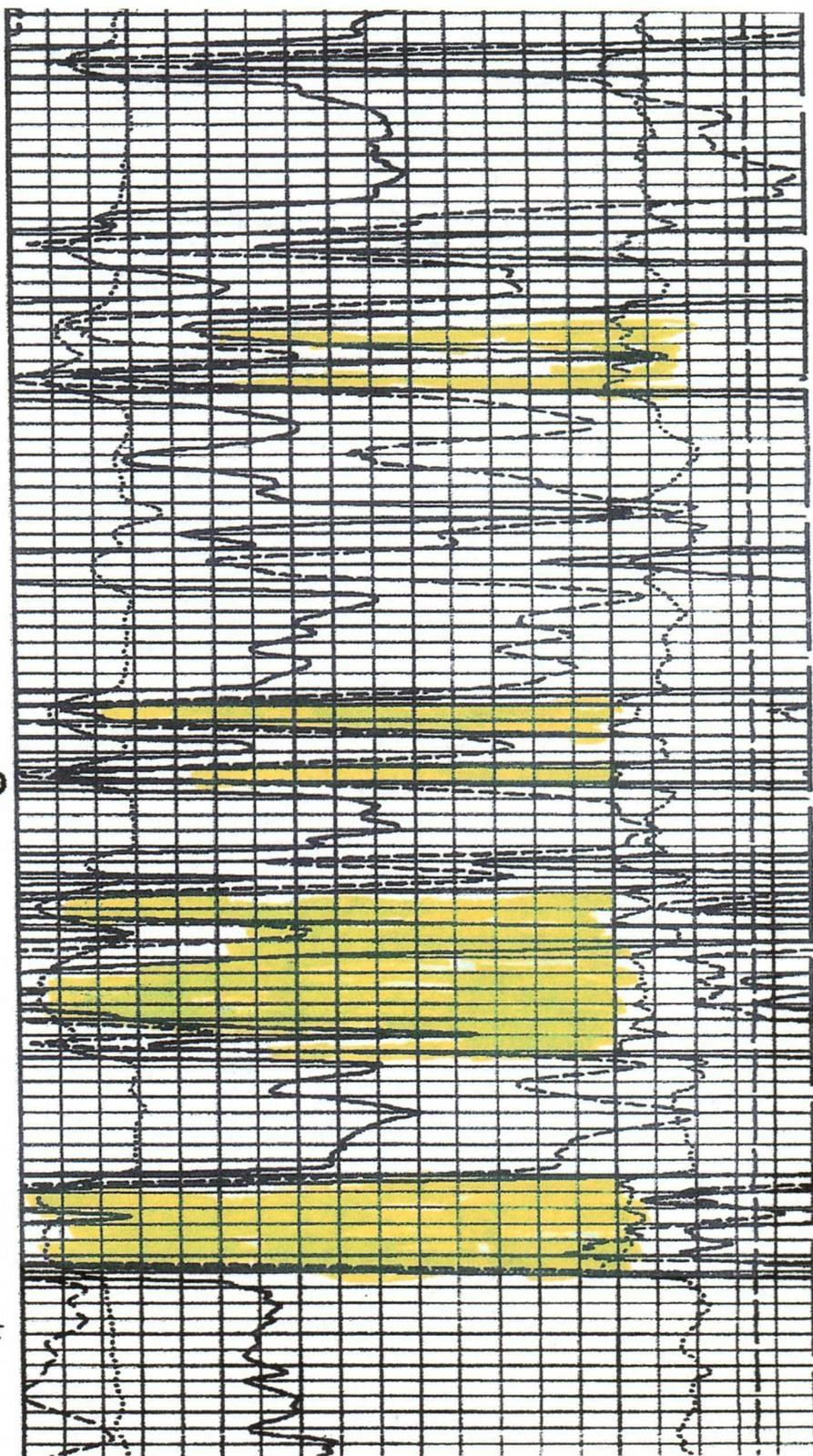
TOP OF PC ~ 1855'

TOTAL COAL ~ 25'



1900

4SPF



G 4 27 11
 155K # Q
 270 MCF/D

COALS
 TOTAL COAL \approx 50'
 BOLACK 4 # 2 FRTC
 1594 MMCF

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee X	
1. Article Addressed to: MR. MICHAEL STOGNER NM OIL CONSERVATION DIV. 1220 S. ST. FRANCIS DR SANTA FE NM 87504		B. Received by (Printed Name)	C. Date of Delivery
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Transfer from service label)		7004 1160 0005 1590 2090	
PS Form 3811, February 2004		Domestic Return Receipt	
		102595-02-M-1540	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee X	
1. Article Addressed to: XTO ENERGY 2700 FARMINGTON AVE BLDG K STE 1 FARMINGTON NM 87401		B. Received by (Printed Name)	C. Date of Delivery
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Transfer from service label)		7004 1160 0005 1590 2083	
PS Form 3811, February 2004		Domestic Return Receipt	
		102595-02-M-1540	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee X	
1. Article Addressed to: BURLINGTON RESOURCES PO BOX 4289 FARMINGTON NM 87499		B. Received by (Printed Name)	C. Date of Delivery
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Transfer from service label)		7004 1160 0005 1590 2076	
PS Form 3811, February 2004		Domestic Return Receipt	
		102595-02-M-1540	

Sec : 03 Twp : 27N Rng : 11W Section Type : NORMAL

4 40.65 Federal owned	3 40.71 Federal owned	2 40.77 Federal owned	1 40.83 Federal owned
E 40.00 Federal owned	F 40.00 Federal owned	372.46 G 40.00 Federal owned	H 40.00 Federal owned
C			
L 40.00 Federal owned	K 40.00 Federal owned	J 40.00 Federal owned	I 40.00 Federal owned
A			
M 40.00 Federal owned	N 40.00 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned
A			

CMD : ONGARD 10/05/04 10:04:55
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL ODOMES -TPGM

OGRID Idn : 141852 API Well No: 30 45 29486 APD Status(A/C/P) : C
Opr Name, Addr: M & G DRLG CO INC Aprvl/Cncl Date : 09-08-1997
PO BOX 2406
FARMINGTON, NM 87499

Prop Idn: 16599 SCHLOSSER Well No: 96

U/L Sec Township Range Lot Idn North/South East/West

Surface Locn : G 3 27N 11W FTG 1850 F N FTG 1735 F E
OCD U/L : G 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 : 6062

State Lease No: Multiple Comp (S/M/C) : N
Prpsd Depth : 2050 Prpsd Frmtn : BASIN FT COAL (ABL 3-19-99)

E6927: Well is cancelled
PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)
RECEIVED
BLM

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN 9: 54

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		070 FARMINGTON, NM	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	
2. NAME OF OPERATOR <i>141852</i> M & G DRILLING COMPANY C/O KM PRODUCTION COMPANY			
3. ADDRESS AND TELEPHONE NO. PO BOX 2406 FARMINGTON, NM 87499 (505)325-6900			
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)* At surface 1850 FNL & 1735 FEL At proposed prod. zone SAME			
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*			
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	
1735'		2560	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.		19. PROPOSED DEPTH	
1100'		2050	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 6062' GL		22. APPROX. DATE WORK WILL START* ASAP	
23. DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED GENERAL REQUIREMENTS			

5. LEASE DESIGNATION AND SERIAL NO. SF078673
6. IF INDIAN, ALLOTTEE OR TRIBE NAME
7. UNIT AGREEMENT NAME
8. FARM OR LEASE NAME, WELL NO. SCHLOSSER #96 16599
9. AR WELL NO. <i>30-045-2448</i>
10. FIELD AND POOL, OR WILDCAT BASIN FRUITLAND COAL <i>7/16/29</i>
11. SEC., T., R., M., OR BLM. AND SURVEY OR AREA UNIT LETTER G SEC. 3, T27N, R11W
12. COUNTY OR PARISH 13. STATE SAN JUAN NM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPT	CEMENT
12 1/4"	8 5/8"	24#/ft	120'	75 sx (88 ft ³)
6 3/4"	5 1/2"	14#/ft	2050	190 sx (310 ft ³)

Will drill 12 1/4" hole to 120 ft and set 8 5/8" 24# J55 ST&C used casing and cement with 75 sx (88 ft³) of Class B cement, circulated to surface. Will drill 6 3/4" hole to 2050 ft with circulating medium of clear water, natural mud, and water loss control additives. No abnormal temperatures or pressures are anticipated. Induction and density logs will be run. Will run 2050 ft of 5 1/2" 14#/ft J55 ST&C new casing. Will cement with 190 sx (310 ft³) cement, circulated to surface.

FORMATION TOPS

Ojo Alamo	780
Kirtland	875
Fruitland	1595
Pictured Cliffs	1900

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SEP 10 1997
OIL CON. DIV.
DIST. 3

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 *Kevin H. McQuinn* TITLE Agent-Petroleum Engineer DATE 7/30/97

(This space for Federal or State office use)
PERMIT NO. _____ APPROVAL DATE SEP 08 1997

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:

APPROVED BY *IS/ Duane W. Spencer* TITLE *Team Lead* DATE SEP - 8 1997

*See Instructions on Reverse Side
NMOCB

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

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

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

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 21
 AUG - 1 AM 9:54

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-29486		2 Pool Code 716 29		3 Pool Name Basin Grutland Coal	
4 Property Code 16599		5 Property Name SCHLOSSER			6 Well Number 96
7 OGRID No. 141852		8 Operator Name M & G DRILLING COMPANY, INC.			9 Elevation 6062

10 Surface Location

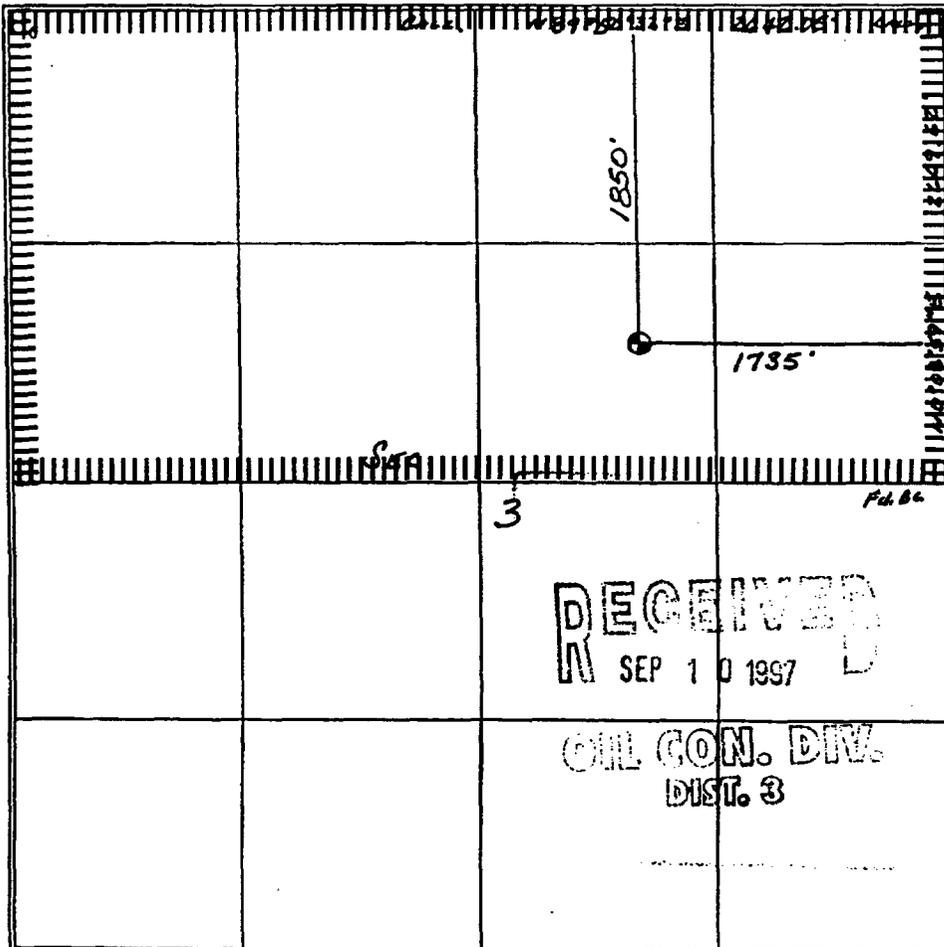
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	3	27 N	11 W		1850	North	1735	East	San Juan

11 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

12 Dedicated Acres 1372.96	13 Joint or Infill	14 Consolidation Code	15 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



17 OPERATOR CERTIFICATION

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

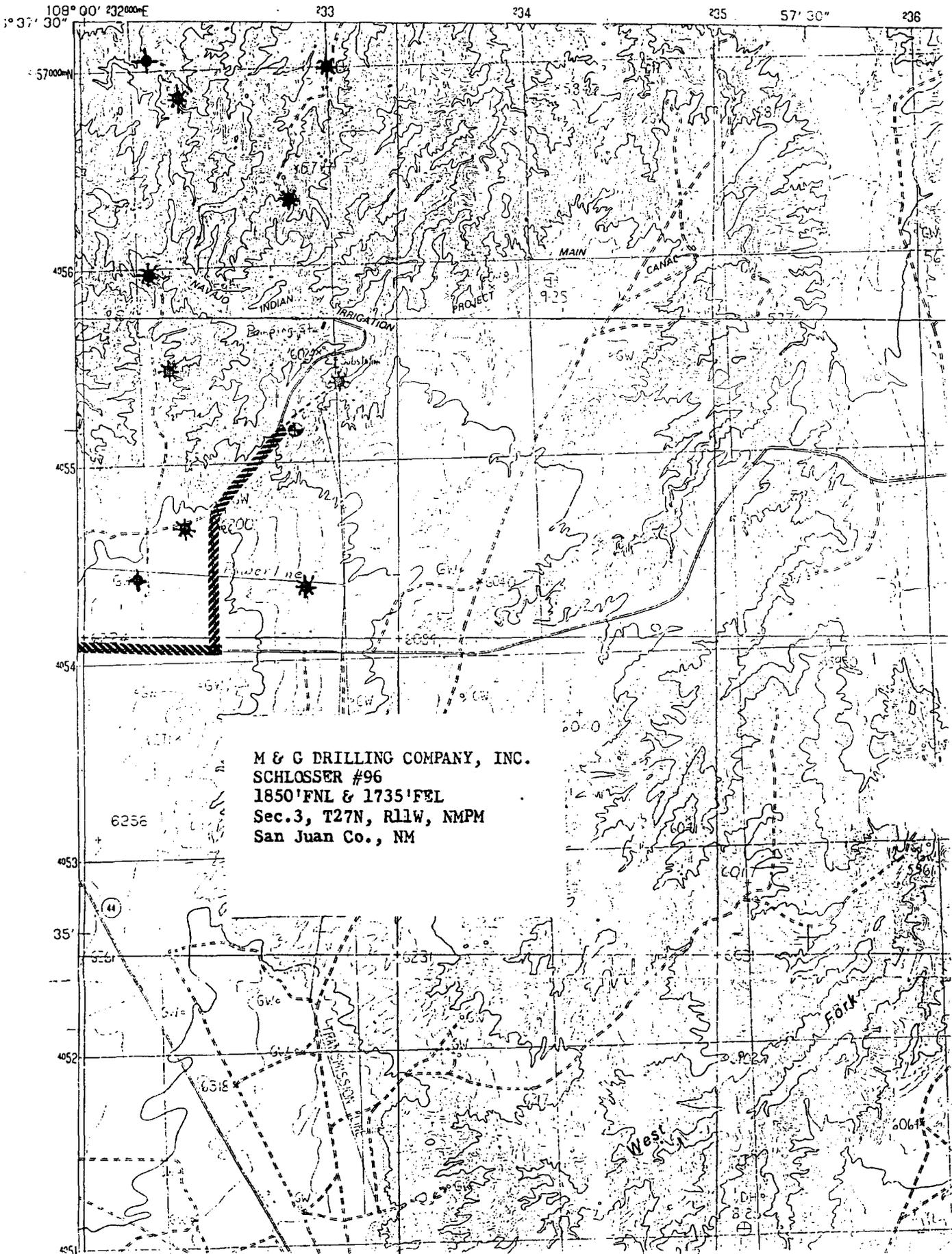
Kevin H. McCord
 Signature
 Kevin H. McCord
 Printed Name
 Agent - Petroleum Engineer
 Title
 7/30/97
 Date

18 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

SEP 10 1997
 Date of Survey
 Signature and Seal of Professional Surveyor
 WILLIAM E. MAHNKE II
 #8466
 WILLIAM E. MAHNKE II
 Certificate Number 8466

DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

NMSF-078673 (WC)
3162.3-4 (7100)

Mr. Kevin McCord
M & G Drilling Co.
%KM Production Co.
PO Box 2406
Farmington, NM 87499

MAR 19 1999

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MAR 22 1999

OIL CON. DIV.
DIST. 3

Dear Mr. McCord:

Reference is made to your Applications for Permit to Drill (APD) for the following wells located in the San Juan County, New Mexico, Lease NMSF-078673:

- 1) No. 96 Schlosser, 1850' FNL & 1735' FEL sec. 3, T. 27 N., R. 11 W. ^{G-} 045-29486
- 2) No. 98 Schlosser, 1720' FNL & 1245' FEL sec. 34, T. 28 N., R. 11 W. - 045-29487

The above mentioned enclosed APDs are hereby rescinded due to not being drilled within the one year approval date and/or approved extensions.

You are also required to request surface rehabilitation instructions from this office if construction activities occurred on the referenced drill sites. If this office does not receive comment within 20 days, it will presume that no construction occurred and proceed accordingly. Later discovery that construction activities have in fact occurred, will result in an assessment.

Sincerely,

/S/ Duane W. Spencer

Duane Spencer
Team Leader; Petroleum Management Team

Enclosure

cc:
NMOCD