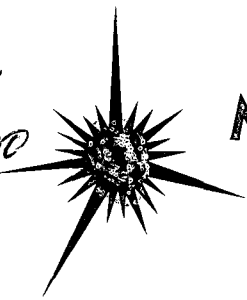


Copy Sent to
Batu 5/18/90



McKenzie Methane Corporation

DIVISION

RECEIVED
30 MAY 10 AM 8 48

May 8, 1990

Mr. Michael Stogner
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Box 2088
Santa Fe, NM 87504-2088

Case 10025

Re: Unorthodox Location
Angel Peak 14L #6
NW SW 14-T27N-R10W
San Juan County, NM

Dear Mr. Stogner,

We are seeking administrative approval for the referenced unorthodox location. Going by Division Memorandum No. 3-89, I have enclosed the following:

- A completed C-102
- An affidavit to Meridian & Amoco with return receipt cards
- A statement from our Field Engineer regarding the location
- An outline of the orthodox drilling window
- Land plat showing offset operators
- Cut and fill diagram of our proposed location
- A topo showing the orthodox drilling window
- A topo showing the proposed location
- An enlargement of the topo
- Road map & enlargement
- El Paso's pipeline map for T27N-R10W

A cultural survey has already been conducted by the Division of Conservation Archaeology on February 12 and March 3, Technical Report #1850. Our Federal Application to Drill was submitted on March 17. The BLM has indicated that approval of our application is pending NMOCD's approval of this location.

This well was staked 1835' FSL and 640' FWL because of constraints established by the topography and the existing pipelines in the immediate area. Your consideration and approval of this location would be appreciated.

Very truly yours,

Heather Roark

enclosures

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator McKenzie Methane Corporation		Lease Angel Peak 14L		Well No. #6
Unit Letter L	Section 14	Township 27 North	Range 10 West	County San Juan
NMPM				

Actual Footage Location of Well:

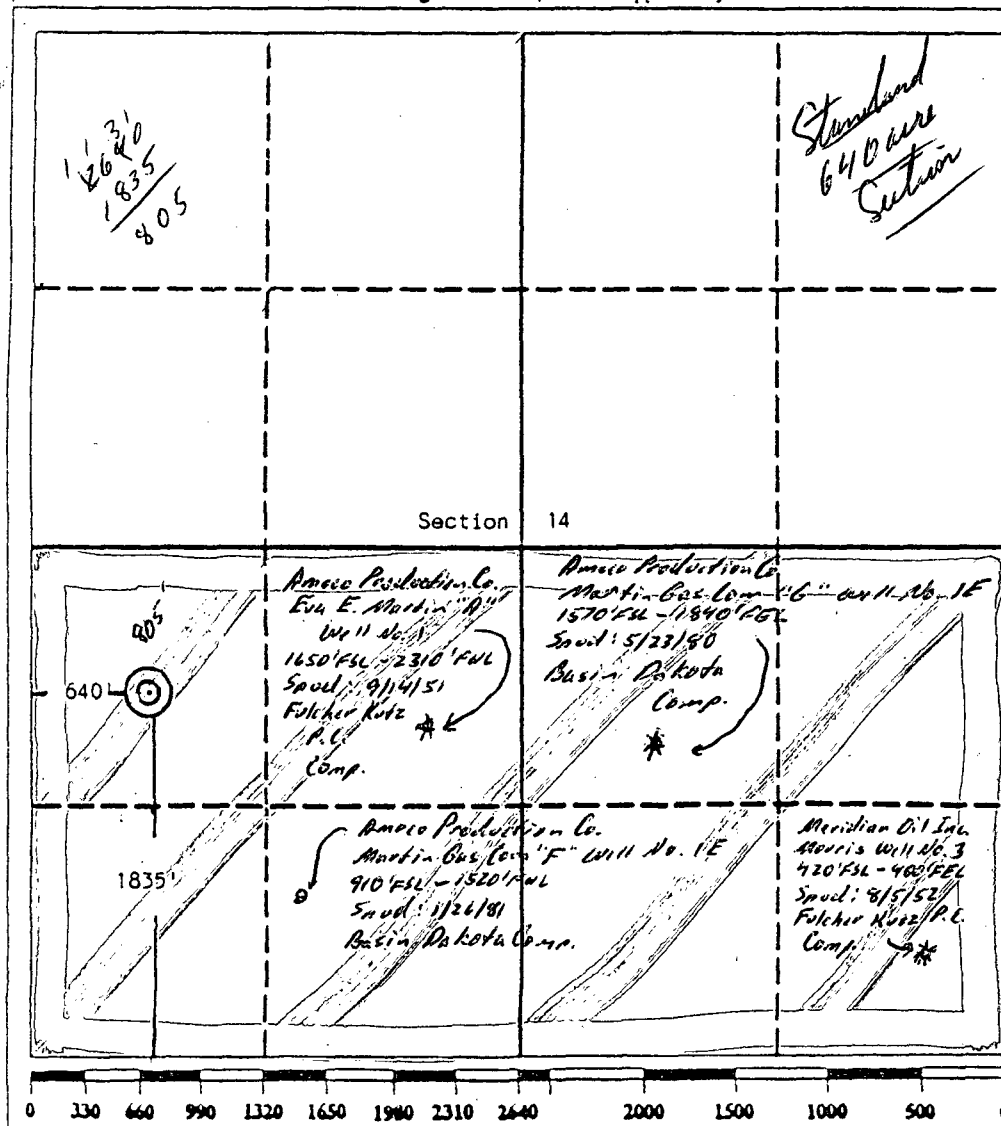
1835 feet from the South line and 640 feet from the West line

Ground level Elev. 6200	Producing Formation Fruitland Coal	Pool Basin Fruitland Coal	Dedicated Acreage: 320 Acres
----------------------------	---------------------------------------	------------------------------	---------------------------------

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☐ Yes ☐ No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

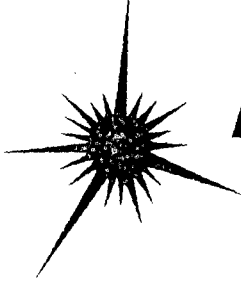
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature Heather Roark
Printed Name Heather Roark
Position Technician
Company McKenzie Methane Corp.
Date March 27, 1990

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 knowledge and belief.

Date Surveyed January 25, 1990
Signature & Seal of Professional Surveyor Edgar L. Risenhoover
Edgar L. Risenhoover



McKenzie Methane Corporation

May 2, 1990

Ms. P.J. Woods
Room 2273
Amoco Production Company
P.O. Box 800
Denver, Colorado 80201

Case 10025

Re: Notice Of Application
For Unorthodox Location
Angel Peak 14L #6
Sec.14-T34N-R10W
San Juan County, N.M.

Dear Ms. Woods:

The above referenced well is currently staked 640' FWL rather than the required 790' FWL making this an unorthodox location. McKenzie Methane realized an orthodox location in the 4 section would not be possible due to the combination of topography and an EPNG pipeline and chose this location for safety reasons.

The well is currently staked only 100' west of the pipeline, which parallels the road. Moving closer to the pipeline would still not allow an orthodox location and would place the pipeline on part of the well pad. Moving 150' further east would place the well only 25' from the pipeline, a distance McKenzie felt was unsafe.

Moving any further east is not possible due to the 220' cliff which parallels the road through this part of the section.

Since an orthodox location was not possible, it was decided that for safety reasons, the well should be staked so that the pipeline would not cross any part of the well pad.

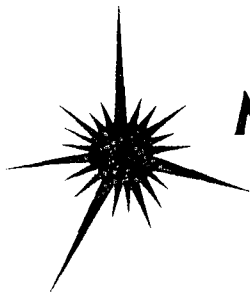
Sincerely,

Sam Cady

Sam Cady
McKenzie Methane Corporation

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested. 1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. <input type="checkbox"/> Restricted Delivery ↑(Extra charge)↑ ↑(Extra charge)↑	
Article Addressed to: Ms. P.J. Woods (Room 2273) Amoco Production Company P.O. Box 800 Denver, Co. 80201	4. Article Number P 712 004 368 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
Always obtain signature of addressee or agent and DATE DELIVERED .	
Signature — Addressee	8. Addressee's Address (ONLY if requested and fee paid)
Signature — Agent	
Date of Delivery	

•6699 • Telecopier (303) 629-7908



McKenzie Methane Corporation

May 2, 1990

Mr. Tom Hawkins
Meridian Oil, Inc.
3535 East 30th. Street
P.O. Box 4289
Farmington, New Mexico 87499

Re: Notice Of Application
For Unorthodox Location
Angel Peak 14L #6
Sec.14-T34N-R10W
San Juan County, N.M.

Sir:

The above referenced well is currently staked 640' FWL rather than the required 790' FWL making this an unorthodox location. McKenzie Methane realized an orthodox location in the 1/4 section would not be possible due to the combination of topography and an EPNG pipeline and chose this location for safety reasons.

The well is currently staked only 100' west of the pipeline, which parallels the road. Moving closer to the pipeline would still not allow an orthodox location and would place the pipeline on part of the well pad. Moving 150' further east would place the well only 25' from the pipeline, a distance McKenzie felt was unsafe.

Moving any further east is not possible due to the 220' cliff which parallels the road through this part of the section.

Since an orthodox location was not possible, it was decided that for safety reasons, the well should be staked so that the pipeline would not cross any part of the well pad.

Sincerely,

Sam Cady
McKenzie Methane Corporation

SC/me

SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested. 1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. <input type="checkbox"/> Restricted Delivery ↑(Extra charge)↑	
3. Article Addressed to: Mr. Tom Hawkins Meridian Oil, Inc. 3535 East 30th. St. P.O. Box 4289 Farmington, N.M. 87499	4. Article Number P 712 004 497 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature — Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery 5-4-90	

6699 • Telecopier (303) 629-7908

Angel Peak 14L # 6

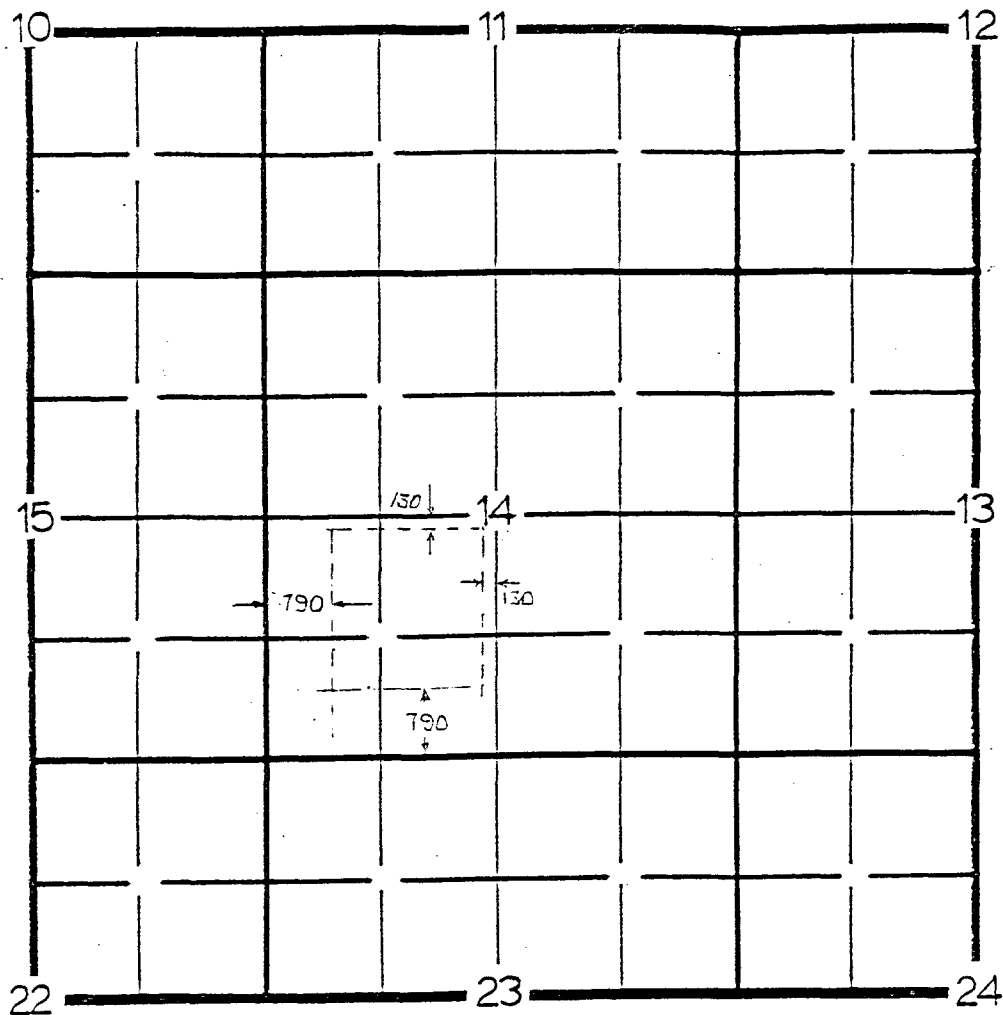
The well is currently staked 640' FWL rather than the required 790' FWL making this an unorthodox location. McKenzie Methane realized an orthodox location in this $\frac{1}{4}$ section would not be possible due to the combination on topography and an EPNG pipeline and chose this location for safety reasons.

The well is currently staked only 100' west of the pipeline which parallels the road as shown on the attached survey plat. Moving closer to the pipeline would still not allow an orthodox location and would place the pipeline on part of the well pad. Moving 150' further east would place the well only 25' from the pipeline, a distance which McKenzie felt was unsafe.

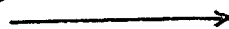
Moving any further east is not possible ^{due} to the 220' cliff which parallels the road through this part of the section.

Since an orthodox location was not possible, it was decided that for safety reasons the well should be staked so that the pipeline would not cross any part of the well pad.

PLEASE SEE ATTACHED TOPO AND MAP.



Specs for Dethadex
Drilling Window



1/2 sec - 790' to the
proposed
unit

1/4 sec - 10' to 40ac.
(spacing?)



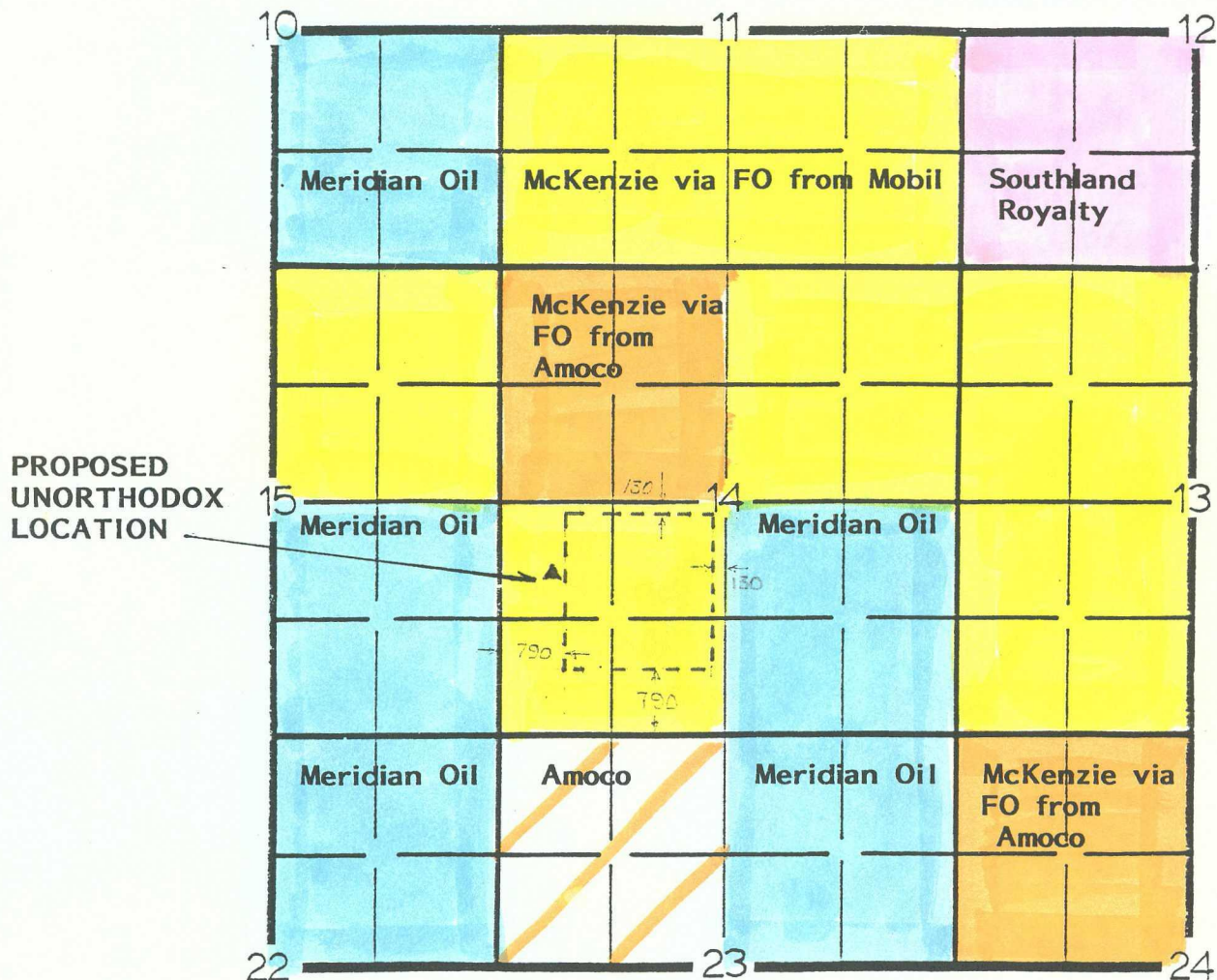
McKenzie Methane Corps

HOUSTON • BIRMINGHAM • DENVER • FARMING

Dethadex Drilling Window

Sec. 14 - T27N - R10W

&
NO closer than 130'
to the dividing line
btw 1/4 sections



The above plat indicates the current ownership of Fruitland Operating Rights as I believe them to be this 1st day of May, 1990

Howard W. Dennis
Howard W. Dennis, Vice President

McKenzie Methane Corporation

HOUSTON • BIRMINGHAM • DENVER • FARMINGTON

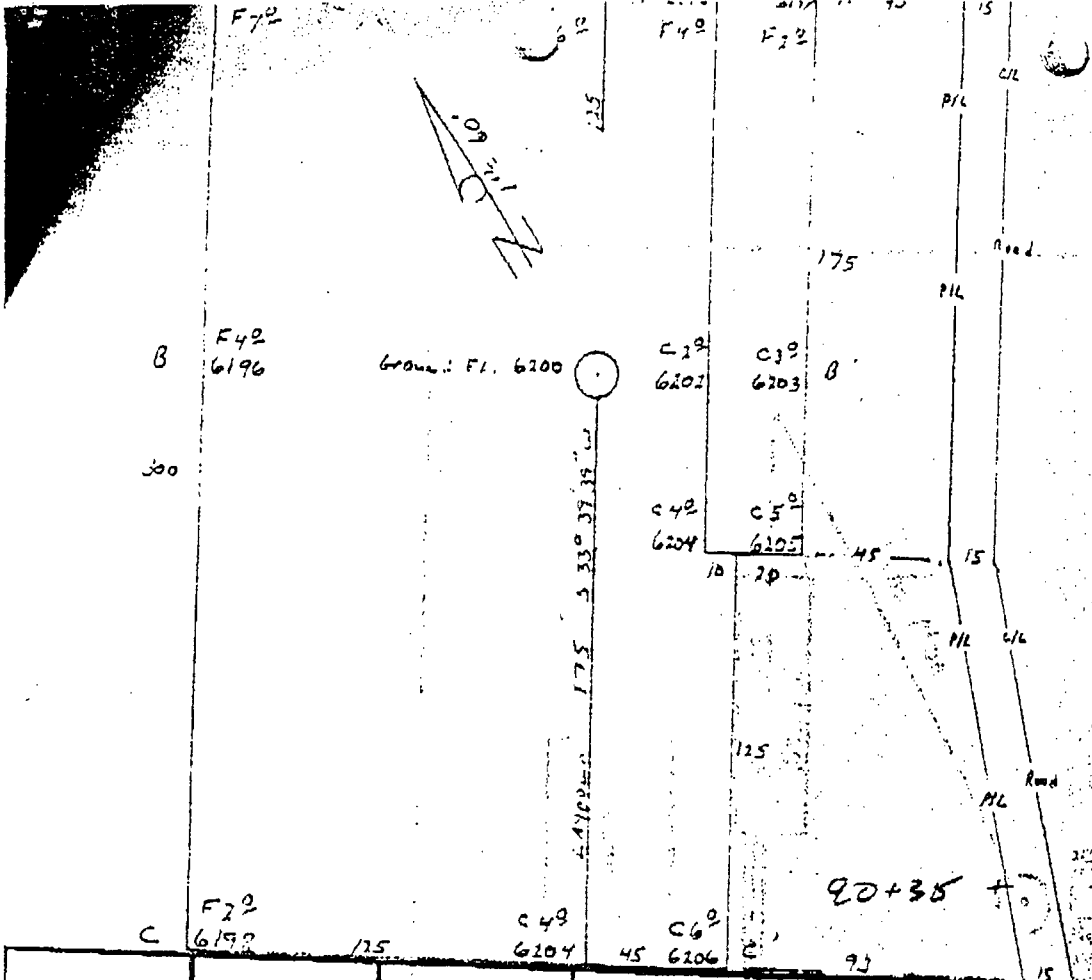
FRUITLAND OPERATING RIGHTS

SURROUNDING SECTION 14-T27N-R10W

ANGEL PEAK 14L #6

1835' FSL, 640' FWL

San Juan County, New Mexico



McKenzie Methane Corporati
OPERATOR

Angel Peak 141 #6
WELL NAME & NO.

1835' F/SL 640' F/WL

FOOTAGES

14 27N 10W

SEC. TWP. RGE.

San Juan, NM

COUNTY

January 25, 1990

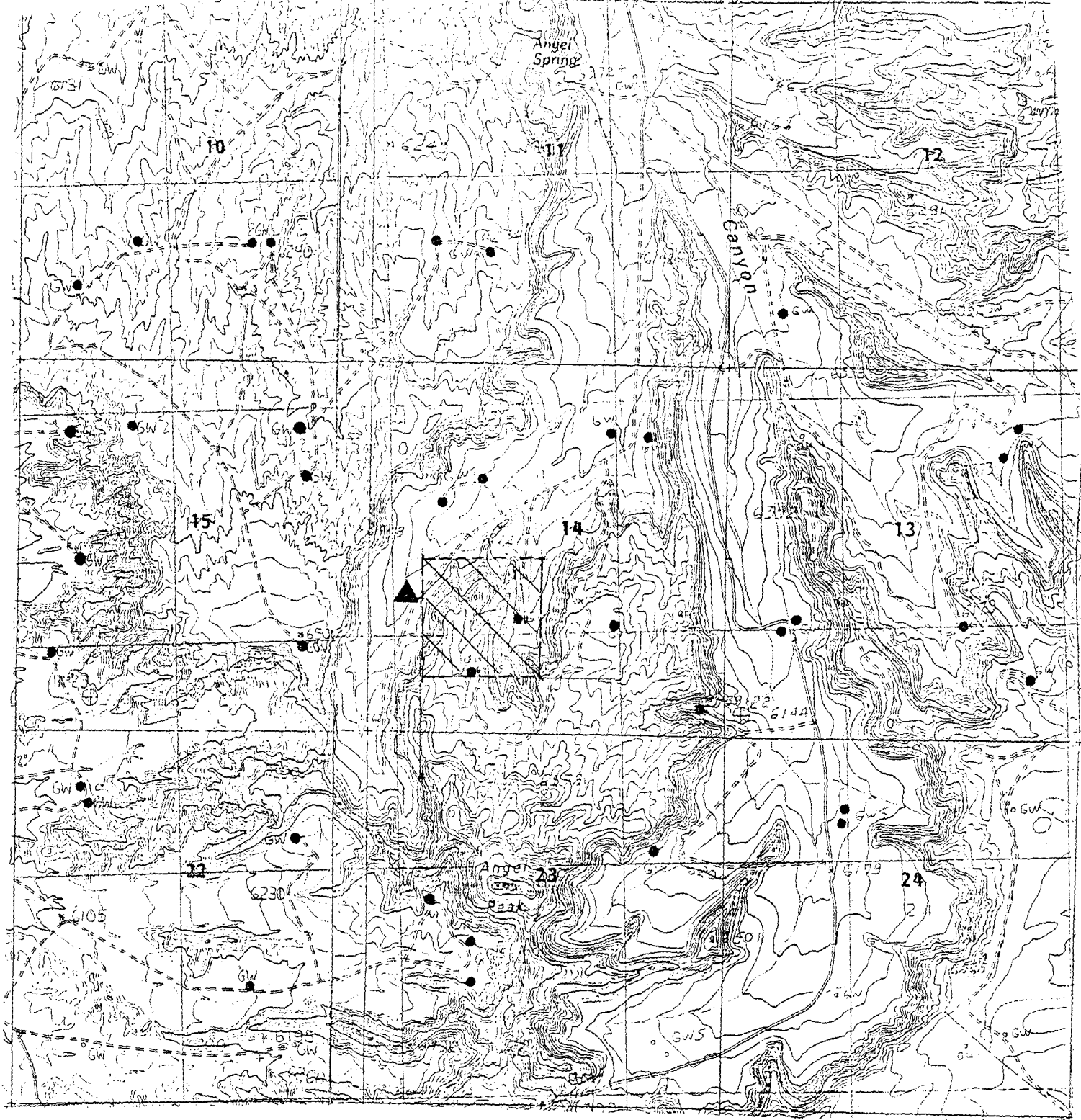
DATE

6210					
6200					
6190					

6210					
6200					
6190					

Horizontal 1" = 40'

Vertical 1" = 30'



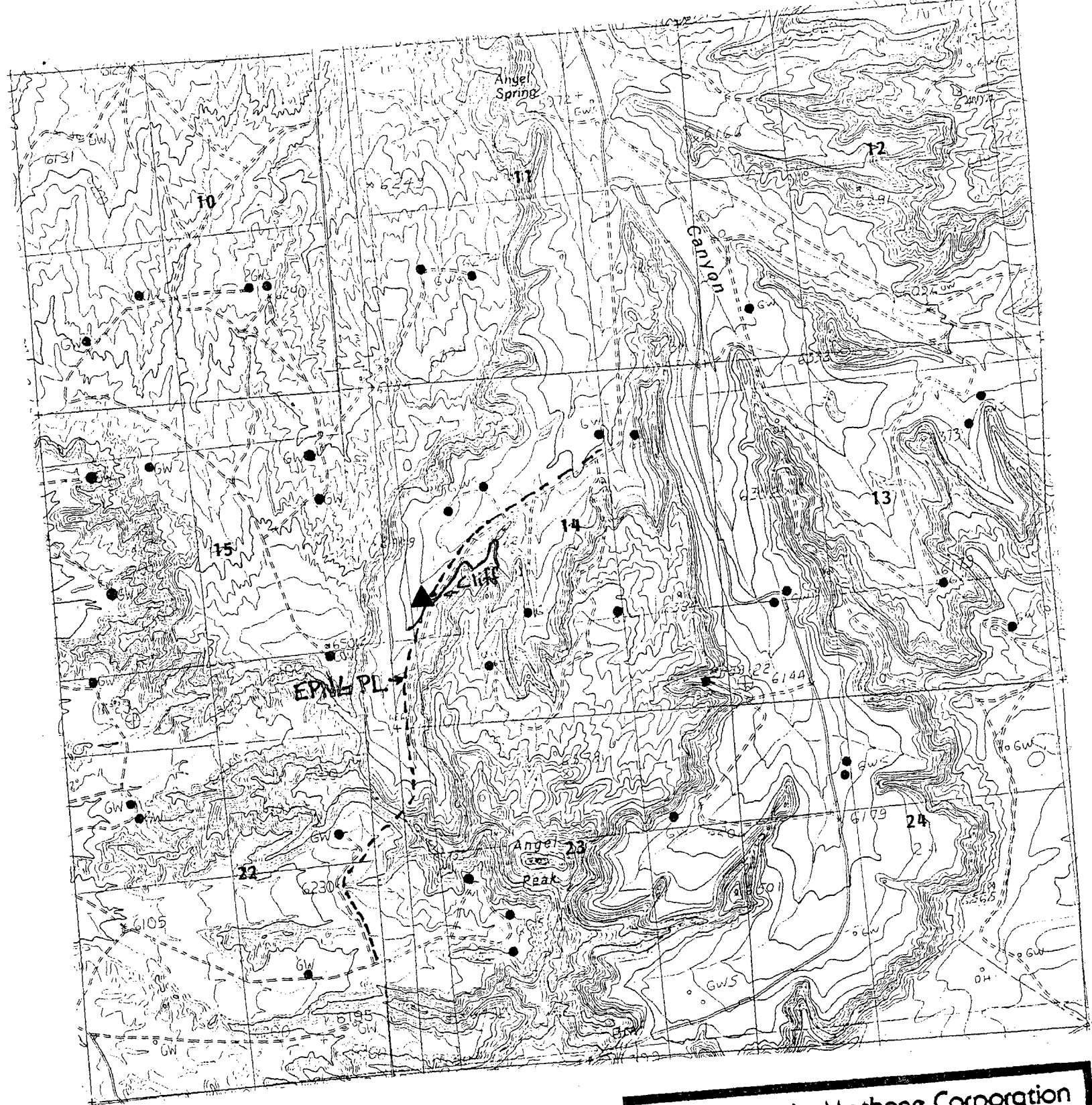
SEE ATTACHED BLOWN UP TOPO



McKenzie Methane Corporation

HOUSTON • BIRMINGHAM • DENVER • FARMINGTON

ANGEL PEAK 14L #6
Sw $\frac{1}{4}$ Section 14
Township 27 North, Range 10 West
San Juan County, New Mexico

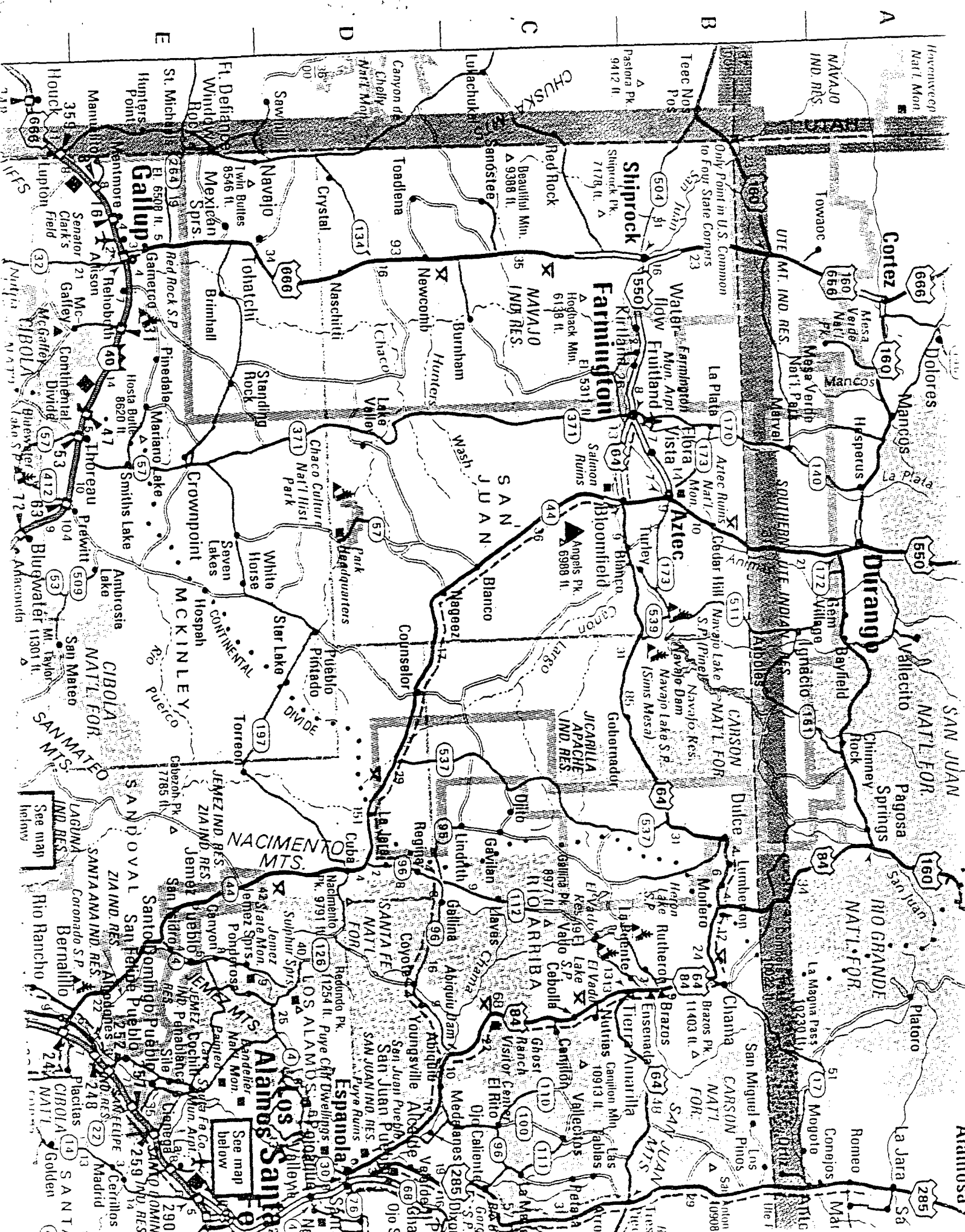


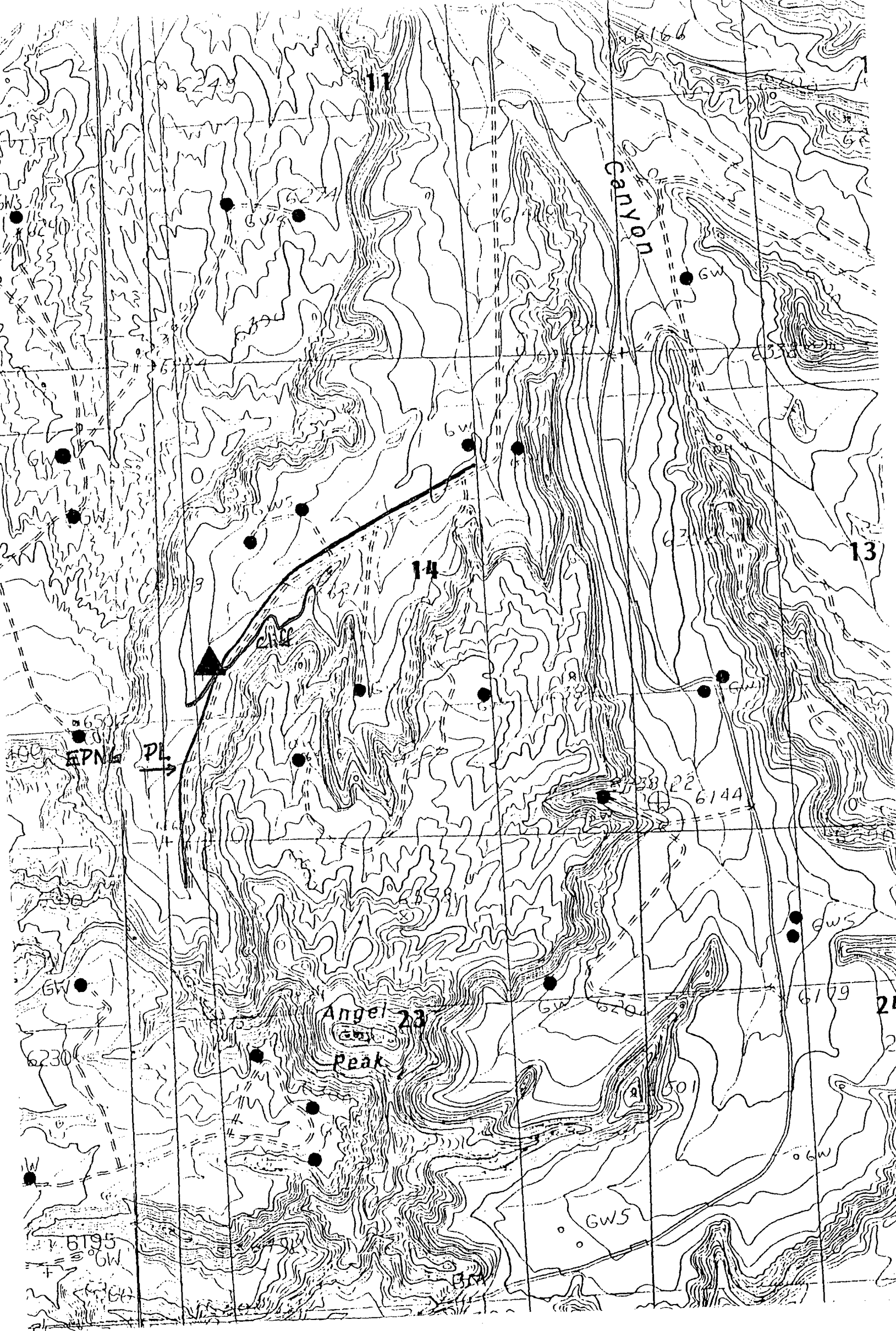
SEE ATTACHED BLOWN UP TOPO

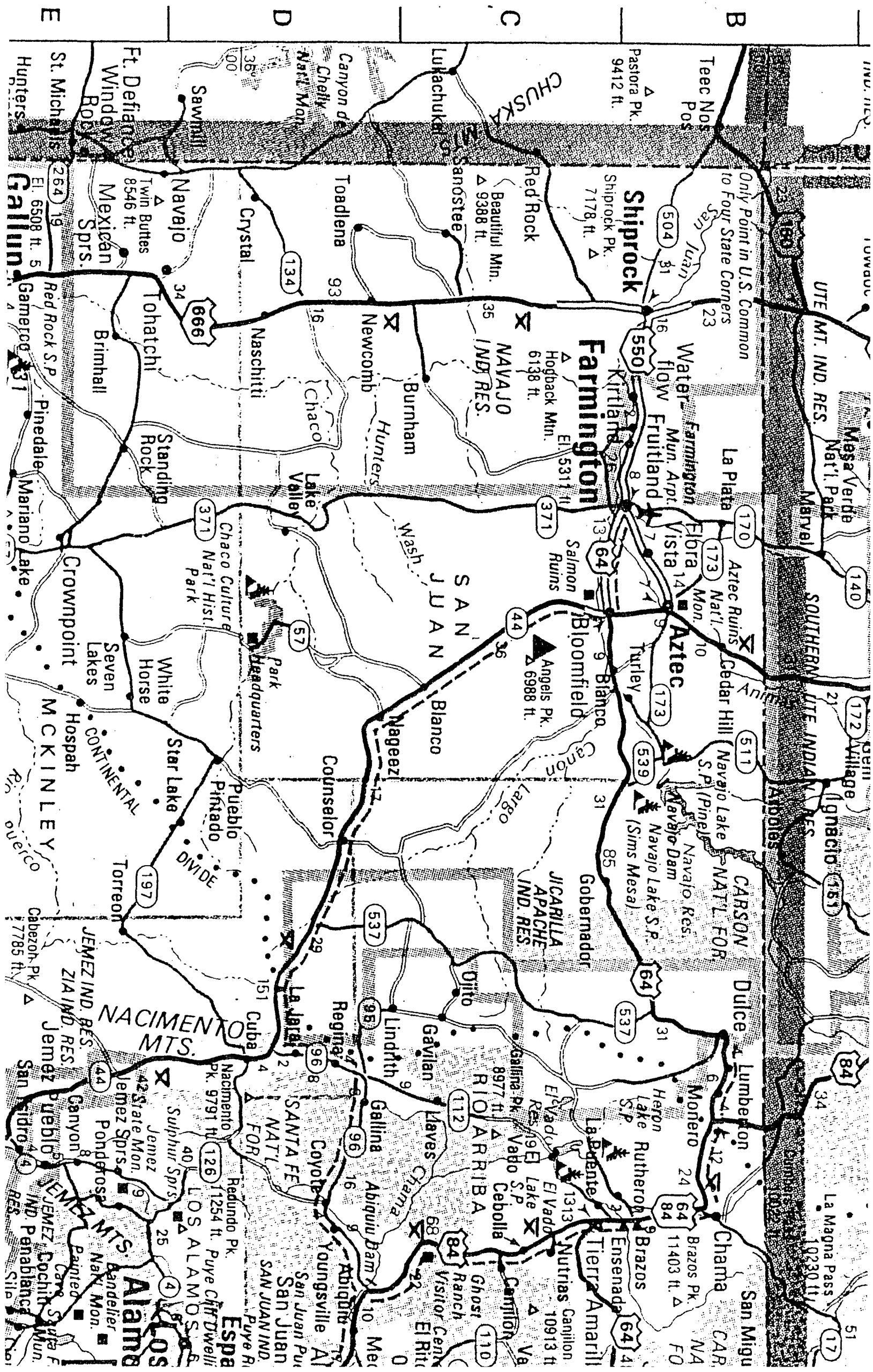


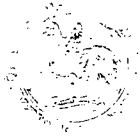
McKenzie Methane Corporation
HOUSTON • BIRMINGHAM • DENVER • FARMINGTON

ANGEL PEAK 14L #6
Sw $\frac{1}{4}$ Section 14
Township 27 North, Range 10 West
San Juan County, New Mexico









STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

May 21, 1990

US Bureau of Land Management
Farmington Resources Office
1235 La Plata Highway
Farmington, NM 87401

Attention: Ron Fellows

RE: McKenzie Methane Corp., Angel Peak "14-L" Well No. 6, 1835' FSL - 640' FWL, L-14-T27N-R10W, Basin Fruitland Coal Gas Pool, San Juan County, New Mexico.

Dear Mr. Fellows:

Enclosed please find a copy of an unorthodox coal gas well location request that the NMOCD received on May 10, 1990. This information is being provided to you for your records since the well is within your jurisdiction. Should you have any comments or suggestions, please contact me.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Aztec
McKenzie Methane Corp. - Denver, CO



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

May 21, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

McKenzie Methane Corp.
1625 Broadway, Suite 2580
Denver, CO 80202

Case 10025

Attention: Heather Roark

RE: Application for non-standard coal gas well location: Angel Peak 14-L Well No. 6; 1835' FSL - 640' FWL; L-14-T27N-R10W; Basin Fruitland Coal Gas Pool, San Juan County, New Mexico.

Dear Ms. Roark:

We may not process the subject application for a non-standard location until the required information or plat(s) checked below is submitted.

- ☐ A plat must be submitted clearly showing the ownership of the offsetting leases.
- ☐ A statement must be submitted that offset operators have been notified of the application by certified mail.
- ☐ A plat must be submitted fully identifying the topography necessitating the non-standard location.
- ☒ Other: There are 2 existing Amoco wells in the SW/4 of this Section, with existing pads; both of which would appear able to accommodate your proposed well at a legal location -- please address this issue (IV.C. of Memo 1-90). Please note also that the specification of orthodox wells pursuant to R-8768 require wells to be no closer than 790 feet from the outer boundary of the proration unit and not from the Section line as shown on most of your exhibits. Further, our records indicate that your proposed Angel Peak "14-H" Well No. 5 will have dedicated to it the E/2 of said Section 14 (see attached Form C-102). There seems to be an overlap in the SE/4, how will this Section ultimately be developed.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.

SE077329

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

Angel Peak 14H

9. WELL NO.

5

10. FIELD AND POOL, OR WILDCAT

Basin Fruitland Coal

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

H SE 1/4 NE 1/4
Sec. 14-T27N-R10W

12. COUNTY OR PARISH 13. STATE

San Juan New Mexico

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

McKenzie Methane Corporation

3. ADDRESS OF OPERATOR

1625 Broadway, Suite 2580, Denver, CO 80202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

1755' FNL, 1045' FEL

At proposed prod. zone

same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

±5 miles south, south-east of Bloomfield, New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

1045'

16. NO. OF ACRES IN LEASE

±1240-1430

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320 E 1/2

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

±600'

19. PROPOSED DEPTH

2115'

20. ROTARY OR CABLE TOOLS

rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

6150' GR

22. APPROX. DATE WORK WILL START*

May 3, 1990

This action is subject to technical and

DRILLING OPERATIONS AUTHORIZED ARE

procedural review pursuant to 43 CFR 3105.4

PROPOSED CASING AND CEMENTING PROGRAM

SUBJECT TO COMPLIANCE WITH ATTACHED

and approved pursuant to 43 CFR 3105.4.

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	GENERAL REQUIREMENTS
12-1/4"	8-5/8"	24#	250'	175sx C1 'B' w/ 2% CaCl
7-7/8"	4-1/2"	11.6#	2115'	300sx 65/35 POZ + 1#/sx floccle + 2% gel & 125sx 50/50 POZ + 2% CaCl

RECEIVED

APR 24 1990

OIL CON. DIV
DIST. 3

"This action is subject to technical and procedural review pursuant to 43 CFR 3105.4 and approved pursuant to 43 CFR 3105.4. This action does not constitute an acknowledgment of any legal or equitable rights or title to this lease."

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 Heather Roark TITLE Technician DATE March 27, 1990

(This space for Federal or State office use)

APPROVED
AS AMENDED

PERMIT NO. APPROVAL DATE

APPROVED BY TITLE

CONDITIONS OF APPROVAL, IF ANY:

ch7C

NMOCD

APR 20 1990
AREA MANAGER

*See Instructions On Reverse Side

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

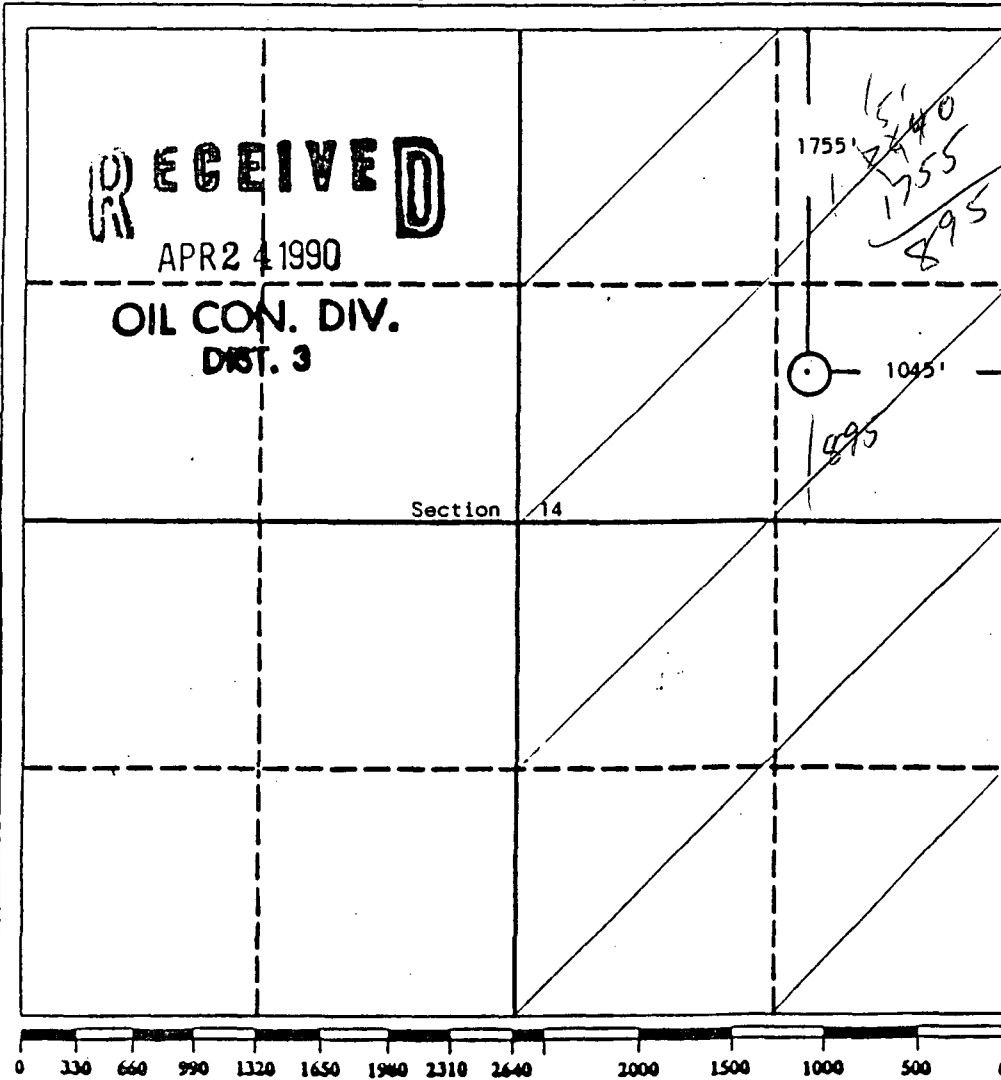
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator McKenzie Methane Corporation			Lease Angel Peak 14H		Well No. #5
Unit Letter H	Section 14	Township 27 North	Range 10 West	County San Juan	
Actual Footage Location of Well: 1755 feet from the North line and 1045 feet from the East line					
Ground level Elev. 6150	Producing Formation Fruitland Coal		Pool Basin Fruitland Coal		Dedicated Acreage: E/320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature
Heather Roark

Printed Name
Technician

Position
McKenzie Methane Corp.

Company
March 27, 1990

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 knowledge and belief.

Date Surveyed
January 25, 1990

Signature & Seal of Professional Surveyor

Edgar L. Risenhoover

Certifying No. 5979

Edgar L. Risenhoover



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

June 4, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Meridian Oil, Inc.
P.O. Box 4289
Farmington, NM 87499-4289

Case 10025

Attention: Peggy Bradfield

McKenzie Methane Corp.
1625 Broadway, Suite 2580
Denver, CO 80202

Attention: Heather Roark

RE: BASIN FRUITLAND COAL GAS POOL DEVELOPMENT IN
SECTION 14, TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

Dear Mss. Bradfield and Roark:

Reference is made to Meridian's application dated May 3, 1990 for an unorthodox coal gas well location for the Morris Well No. 3, located 420 feet from the South line and 400 feet from the East line (Unit P) of said Section 14 and to McKenzie's application dated May 8, 1990 for an unorthodox coal gas well location for the proposed Angel Peak 14-L Well No. 6 to be drilled 1835 feet from the South line and 640 feet from the West line (Unit L) of said Section 14 (see copies attached). Both wells are to have the S/2 of Section 14 dedicated therefor forming a standard 320-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool. Our files also contain a Federal APD Form 3160-3 whereby McKenzie Methane Corporation proposes to drill its Angel Peak 14-H Well No. 5, at a standard coal gas well location 1755 feet from the North line and 1045 feet from the East line (Unit H) of said Section 14, the C-102 in this file also shows that the E/2 of said Section 14 to be dedicated to the well to form a standard 320-acre gas proration unit (also attached).

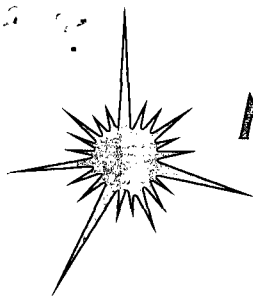
This situation is somewhat confusing; I will therefore hold both filings open pending resolution by both parties. Should either Meridian or McKenzie have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington



McKenzie Methane Corporation

RECEIVED
'90 JUN 18 AM 9 10

June 15, 1990

Mr. William LeMay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87503

Case 10025

RE: Meridian Oil Application
to Recomplete Unorthodox
Location in Option
Quarter Section C. M.
Morris #3 SE 14-T27N-R10W

Dear Mr. LeMay:

McKenzie Methane Corporation holds Fruitland Formation development rights in the N/2 and SW/4 of Section 14 Township 27 North, Range 10 West by virtue of farmouts from Amoco Production Company and Mobil Exploration & Producing U. S. Inc. Amoco has provided us with copies of Meridian's letters to you requesting a permit to recomplete the captioned well in the Fruitland coals.

When McKenzie first obtained information relative to this request to recomplete, we called both the Santa Fe and Aztec offices of the Conservation Division to ascertain our rights and lodge a verbal complaint regarding this petition. Upon due deliberation, we now wish to formalize our objections as follows:

1. Meridian seeks to recomplete the Morris #3, a well already located in an unorthodox location being less than 420 feet from both the south and east lines of the section and a well outside the "window" specified by the Conservation Division in the proper quarter section. McKenzie Methane has drilled the Angel Peak 13M #1 in a legal location in Section 13, which well is less than 1,600 feet from Meridian's proposed recompletion, thus Meridian's recompletion would impact the Basin Fruitland production from the 13M #1 as well as affect the owners of Fruitland rights in the sections to the south.

Mr. William LeMay
June 15, 1990

Page 2.

2. McKenzie Methane has an approved APD for a well in the authorized "window" in the NE/4 of Section 14, i.e., the Angel Peak 14H #5, with the spacing unit set for the E/2.

3. McKenzie Methane has an application for a well, the Angel Peak 14L #6, for a W/2 spacing unit which we find is in an unorthodox location because of topographic problems. We understand that the unorthodoxy of said location has not been objected to by any of the offset operators.

4. Two locations in the S/2 or E/2 of Section 14, which would be the case if the Conservation Division approves Meridian's application, would leave a substantial portion of the section undrilled and the resources undeveloped.

McKenzie Methane wishes to protest the issuance of a permit to Meridian for the recompletion of the Morris #3 because it would not allow diligent development of the Fruitland coals in Section 14 and because it would impact McKenzie's orthodox location in Section 13, i.e., the Angel Peak 13M #1.

Very truly yours,

MCKENZIE METHANE CORPORATION



Howard W. Dennis
Vice President

HWD:me
xc: Mr. Michael Stogner



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

July 2, 1990

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Meridian Oil, Inc.
P.O. Box 4289
Farmington, NM 87499-4289

Attention: Peggy Bradfield

Case 10025

McKenzie Methane Corp.
1625 Broadway, Suite 2580
Denver, CO 80202

Attention: Howard W. Dennis

RE: MERIDIAN'S APPLICATION DATED MAY 3, 1990 FOR AN UNORTHODOX COAL GAS WELL LOCATION FOR THE MORRIS WELL NO. 3, LOCATED 420 FEET FROM THE SOUTH LINE AND 400 FEET FROM THE EAST LINE (UNIT P) OF SAID SECTION 14 AND MCKENZIE'S APPLICATION DATED MAY 8, 1990 FOR AN UNORTHODOX COAL GAS WELL LOCATION FOR THE PROPOSED ANGEL PEAK 14-L WELL NO. 6 TO BE DRILLED 1835 FEET FROM THE SOUTH LINE AND 640 FEET FROM THE WEST LINE (UNIT L) OF SAID SECTION 14.

Dear Ms. Bradfield and Mr. Dennis:

Please refer to McKenzie Methane Corporation's letter dated June 15, 1990 (see copy attached) whereby an objection to Meridian's Morris Well No. 3 was filed. Also, as I understand, McKenzie is amending their request to dedicate the W/2 of said Section 14 to their Angel Peak 14-L Well No. 6 instead of the N/2 as originally proposed.

In reviewing this situation, it is the Division's position that both cases should be set to hearing before a Division Examiner. I have therefore scheduled both applications on the next available docket for the July 25, 1990 hearing. Please provide adequate notice for such an application prior to the hearing as required by Division General Rule 1207.

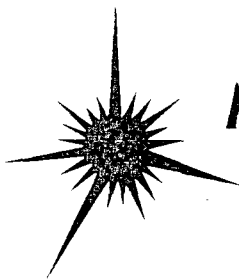
If you should have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington



McKenzie Methane Corporation

JUN 18 AM 9 10

June 15, 1990

Mr. William LeMay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87503

Case 10025

RE: Meridian Oil Application
to Recomplete Unorthodox
Location in Option
Quarter Section C. M.
Morris #3 SE 14-T27N-R10W

Dear Mr. LeMay:

McKenzie Methane Corporation holds Fruitland Formation development rights in the N/2 and SW/4 of Section 14 Township 27 North, Range 10 West by virtue of farmouts from Amoco Production Company and Mobil Exploration & Producing U. S. Inc. Amoco has provided us with copies of Meridian's letters to you requesting a permit to recomplete the captioned well in the Fruitland coals.

When McKenzie first obtained information relative to this request to recomplete, we called both the Santa Fe and Aztec offices of the Conservation Division to ascertain our rights and lodge a verbal complaint regarding this petition. Upon due deliberation, we now wish to formalize our objections as follows:

1. Meridian seeks to recomplete the Morris #3, a well already located in an unorthodox location being less than 420 feet from both the south and east lines of the section and a well outside the "window" specified by the Conservation Division in the proper quarter section. McKenzie Methane has drilled the Angel Peak 13M #1 in a legal location in Section 13, which well is less than 1,600 feet from Meridian's proposed recompletion, thus Meridian's recompletion would impact the Basin Fruitland production from the 13M #1 as well as affect the owners of Fruitland rights in the sections to the south.

Mr. William LeMay
June 15, 1990

Page 2.

2. McKenzie Methane has an approved APD for a well in the authorized "window" in the NE/4 of Section 14, i.e., the Angel Peak 14H #5, with the spacing unit set for the E/2.

3. McKenzie Methane has an application for a well, the Angel Peak 14L #6, for a W/2 spacing unit which we find is in an unorthodox location because of topographic problems. We understand that the unorthodoxy of said location has not been objected to by any of the offset operators.

4. Two locations in the S/2 or E/2 of Section 14, which would be the case if the Conservation Division approves Meridian's application, would leave a substantial portion of the section undrilled and the resources undeveloped.

McKenzie Methane wishes to protest the issuance of a permit to Meridian for the recompletion of the Morris #3 because it would not allow diligent development of the Fruitland coals in Section 14 and because it would impact McKenzie's orthodox location in Section 13, i.e., the Angel Peak 13M #1.

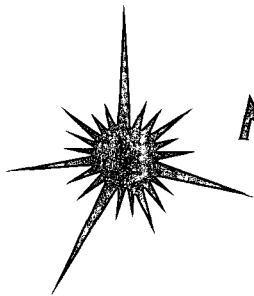
Very truly yours,

MCKENZIE METHANE CORPORATION



Howard W. Dennis
Vice President

HWD:me
xc: Mr. Michael Stogner



McKenzie Methane Corporation

OIL CONSERVATION DIVISION

'90 JUL 19 AM 8 40

July 16, 1990

State of New Mexico
Oil Conservation Division
P.O. Box 2088
State Land Office Bldg.
Santa Fe, NM 87504
Attention: Mr. Michael E. Stogner
Chief Hearing Officer

Re: Case 10025
Docket No. 21-90
Angel Pk. 14-L#6 Well
W/2 Sec. 14 -27N-10W
San Juan County, NM

Gentlemen:

McKenzie Methane Corporation hereby requests that the above captioned matter be continued until the OCD's regularly scheduled meeting on August 8, 1990. We are requesting this continuance for the following reason:

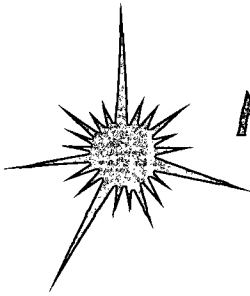
McKenzie Methane Corporation and Meridian Oil Inc. are actively engaged in discussions with a view to resolving difficulties regarding docket matters which were to be heard by the OCD on July 25th. To this end, both parties met in Farmington, NM on Wednesday July 11.

We would appreciate your confirming by telephone and then in writing that this continuance is granted so that we may begin giving proper notice to interested parties pursuant to Rule 1207 for the August 8 hearing immediately.

Thank you in advance for your assistance in this matter. Please call the undersigned at (303) 629-6699 should you have any questions regarding this request.

Very Truly Yours,
MCKENZIE METHANE CORPORATION

Roger H. Lichty
Vice Pres. Land/Legal
Rocky Mountain Region



McKenzie Methane Corporation

CONSERVATION DIVISION
RECEIVED

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August 8, 1990

Mr. Michael Stogner
Chief Hearing Officer/Engineer
New Mexico Oil Conservation Division
P.O. Box 288
Santa Fe, New Mexico 87504

Re: Docket # 10025
August 8, 1990 Hearing
McKenzie Methane Corp.

Dear Mr. Stogner:

In regard to the issue of drainage and our seeking an unorthodox location for the Angel Peak 14 L #6 in the above captioned case, I wish to advise, as Operations Manager for McKenzie Methane Corporation, that we cannot guarantee our unorthodox location at 640' from the West Line of Section 14 rather than the orthodox 790' from the West Line (a difference of 150'), will better drain the unit. At this time, to the best of my knowledge and experience in this area, no one knows that either location is better or worse than the other. Further testing in this area would also not necessarily give an answer to this question. Given these facts and the fact that the orthodox location which would require extensive surface disturbance (tree clearance to the extent of approximately two (2) dozen trees on an orthodox well pad location plus the additional surface disturbance of the pipeline descending a 200' cliff to a low pressure pipeline) resulted in our viewing the unorthodox 14 L #6 Well location as more prudent.

With regard to our concern about tree clearance and removal, we have experienced in the past with the Bureau of Land Management a general policy of asking us to avoid destroying trees and the natural environment where ever possible. Hence, we anticipated in our selecting the unorthodox location that our ability to avoid tree clearance and to have minimal surface disturbance would be viewed favorably by the BLM.

We hope these above two (2) statements answer your questions. If not, please advise, and we will supply whatever further information you may desire.

Thank you.

Very Truly Yours,

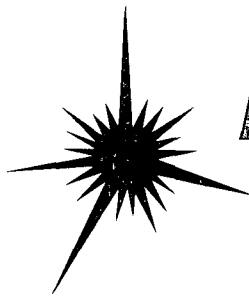

Robert J. Sagle
Operations Manager/Engineer

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STATE OF COLORADO)
) SS.
COUNTY OF DENVER)

Roger H. Lichty
Roger H. Lichty, Esq.
Vice President Land/Legal
Rocky Mountain Region

James Henke
Notary Public



OIL CONSERVATION DIVISION

McKenzie Methane Corporation

'90 AUG 6 AM 9 03

August 8, 1990

Mr. Michael Stogner
Chief Hearing Officer/Engineer
Oil Conservation Division
Energy, Minerals & Natural Resources Dept.
State of New Mexico

Re: Docket Case # 10025
McKenzie Methane Corp.'s
Request for unorthodox
location - 14L #6 Well
SE/4 Sec. 14 T27N-R10W
San Juan County, NM

Dear Mr. Stogner:

In connection with our conferences and the above captioned docket matter which is to be heard August 8, 1990, McKenzie Methane Corporation respectfully requests with this letter that our request for an unorthodox location for the above well be granted as an administrative matter for the reason that McKenzie Methane Corporation and Meridian Oil Inc. have resolved differences of opinion and protests regarding the following wells: the CM Morris #3 Well, SE/4 Sec. 14, the CM Morris #1 Well, SE/4 Sec. 15, and the Hargrave #3 Well, SE/4 Sec. 16, all in T27N-R10W, San Juan County, NM. Requests for unorthodox locations and/or recompletions by Meridian Oil Inc. on these wells will be withdrawn before August 8, 1990 to the best of McKenzie's knowledge.

Also, to the best of McKenzie's knowledge, we are not opposed in our request for the above unorthodox location. Further, parties who might be impacted by us, Amoco Production Company and Mobil Producing Texas & New Mexico Inc. by Mobil Exploration & Producing U.S. Inc. have granted farmout agreements to McKenzie Methane Corporation regarding the lands in Sections 13 and 15, lands adjacent to Section 14. Also, we are finalizing an acreage trade with Meridian Oil Inc. whereby Meridian won't oppose our requested unorthodox location as above.

Subject to any further documentation you may require and Meridian Oil Inc.'s confirmation of the above facts, McKenzie Methane Corporation hereby respectfully requests we be granted our requested location in the above docketed matter administratively.

Please feel free to call the undersigned at (303) 629-6699 if I may be of further assistance. Thank you for your help and patience on this matter.

Very Truly Yours,

R. Lichty
Roger H. Lichty

Vice President Land/Legal

Page 2

Letter to Michael Stogner
McKenzie Methane Corporation
Docket Matter #10025

cc: Meridian Oil Inc.
3535 East 30th Street
Farmington, NM 87401
Atten: Mr. Bob Hopkins

Amoco Production Company
P.O. Box 800
Denver, CO 80201
Atten: Mr. Michael Cuba

Mobil Exploration & Producing U.S. Inc.
Midland Division
201 Wes Wall Street
Midlan, TX 79702
Atten: Ms. Diane Klancher
Environmental/Regulatory