



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 20, 1997

M & G Drilling Company
c/o KM Production Company
P. O. Box 2406
Farmington, New Mexico 87499-2406
Attention: Kevin McCord

Administrative Order NSL-3857-A

Dear Mr. McCord:

Reference is made to your application dated October 20, 1997 for an unorthodox gas well location in the Fulcher Kutz-Pictured Cliffs Pool for your existing Schlosser Well No. 97 (API No. 30-045-29482) located 623 feet from the South line and 1347 feet from the West line (Unit N) of Section 34, Township 28 North, Range 11 West, NMPM, San Juan County, New Mexico. The SW/4 of said Section 34 is to be dedicated to said well in order to form a standard 160-acre gas spacing and proration unit.

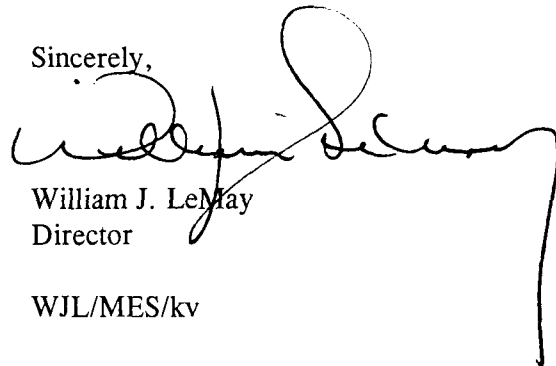
By Division Administrative Order NSL-3857, dated August 20, 1997, M & G Drilling Company ("M & G") received authorization to complete said Schlosser Well No. 97 in the Basin-Fruitland Coal (Gas) Pool within a standard 320-acre gas spacing and proration unit for said pool comprising the S/2 of said Section 34 at the above-described unorthodox coal gas well location.

It is our understanding that M & G now intends to commingle within the wellbore of said Schlosser Well No. 97 gas production from both the Fulcher Kutz-Pictured Cliffs and Basin-Fruitland Coal (Gas) Pools; and, pursuant to Division General Rule 104.C(3)(a) said well location is considered to be unorthodox for the Fulcher Kutz-Pictured Cliffs Pool.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox Fulcher Kutz-Pictured Cliffs Pool gas well location is hereby approved.

Further, all provisions of said original Order NSL-3857 shall remain in full force and affect until further notice.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec
U.S. Bureau of Land Management - Farmington
File: NSL-3857 /