



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

March 13, 1998

K.C.S. Medallion Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-3972

Dear Mr. Bruce:

Reference is made to the following: (i) your original application to the Division, dated December 31, 1997, on behalf of the operator K.C.S. Medallion Resources, Inc. ("KCS Medallion"); (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner dated January 13, 1998; (iii) your response dated February 12, 1998; and, (vi) the records of the Division in Santa Fe: all concerning KCS Medallion's request for an unorthodox Morrow gas well location for its proposed Esperanza Well No. 1 to be drilled 660 feet from the South and East lines (Unit P) of Section 28, Township 21 South, Range 27 East, NMPM, Burton Flat-Morrow Gas Pool, Eddy County, New Mexico.

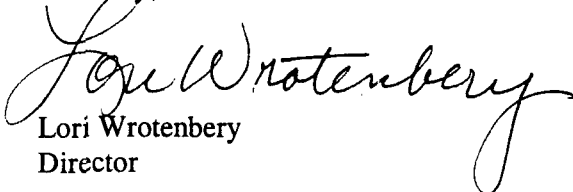
The E/2 of said Section 28 is to be dedicated to said well in order to form a standard 320-acre gas spacing and proration unit for the Burton Flat-Morrow Gas Pool.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division.

By the authority granted me under the provisions of Division Order No. R-8170-E-1, issued in Case No. 9872 and dated October 28, 1991, and Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U.S. Bureau of Land Management - Carlsbad
Case No. 9872