

KM PRODUCTION COMPANY

P. O. Box 2406
Farmington, NM 87499-2406
(505) 325-6900

October 20, 1997

Sent by FAX and Certified Mail - Return Receipt Requested #P 386810320

Mr. William J. LeMay, Chairman
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RE: Request for Administrative Approval of a
Non-Standard Pictured Cliffs Location
M&G Drilling Company
Schlosser #97
623' FSL and 1347' FWL
Section 34, T28N R11W
San Juan County, New Mexico

Gentlemen:

KM Production Company is an agent for M&G Drilling Company. M&G Drilling Company requests approval of a non-standard gas well location for their Schlosser #97 Pictured Cliffs well at 623' FSL and 1347' FWL of Section 34 of T28N R11W. Please refer to Administrative Order NSL-3857 granting unorthodox location approval for the Fruitland Coal formation in this well. This well was drilled as a Fruitland Coal well, but the Pictured Cliffs formation is productive also. A downhole commingle application will be made in the future to combine production from these two productive zones.

Enclosed as Attachment #1 is a Well Location and Acreage Dedication Plat for the Pictured Cliffs formation in this well. The topography in the SW ¼ of Section 34 is extremely rugged and the staked location for the Schlosser #97 is the only feasible place to drill a well in this quarter section. A topographic map is enclosed as Attachment #2 to demonstrate the rough terrain in this area.

Attachment #3 is a map showing the Pictured Cliffs formation ownership of the leases surrounding the Schlosser #97 well. The ownership in the Pictured Cliffs formation is the same as that in the Fruitland Coal formation. This new well is located too close to the southern boundary of Section 34. You will note that M&G Drilling Company has ownership of the acreage to the south of this well which is being encroached upon. The remaining Pictured Cliffs leases around this well are owned by Amoco Production Company and Marathon Oil Company. Copies of this letter have been sent by certified mail to these companies notifying them of this request. Copies of these return receipts are shown in Attachment #4. As per NMOCD regulations, by copy of this letter to offset leaseholders, M&G Drilling Company is asking offset leaseholders that they waive any objection to this Pictured Cliffs formation non-standard location.

I believe this request provides all the information required by NMOCD regulations for administrative approval of this non-standard location request. If any other information is needed, please call. Your prompt response to this request is appreciated.

Sincerely,

Kevin H. McCord
Petroleum Engineer

Attachments

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

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-29482		2 Pool Code 79680		3 Pool Name KUTZ PICTURED CLIFFS WEST	
4 Property Code		5 Property Name SCHLOSSER			6 Well Number 97
7 OGRID No. 141852		8 Operator Name M & G DRILLING COMPANY, INC.			9 Elevation 5996

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
N	34	28 N	11 W		623	South	1347	West	San Juan

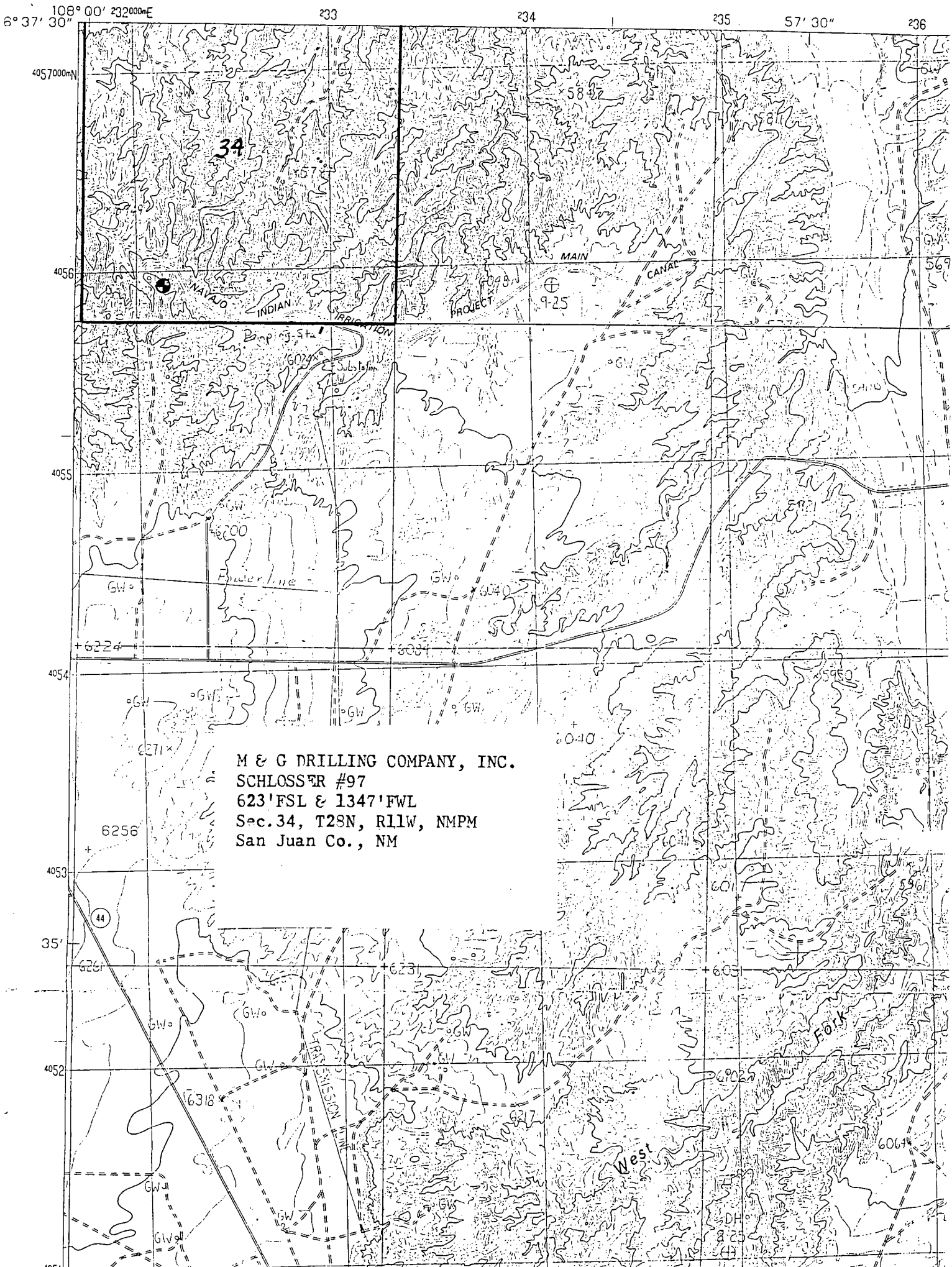
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

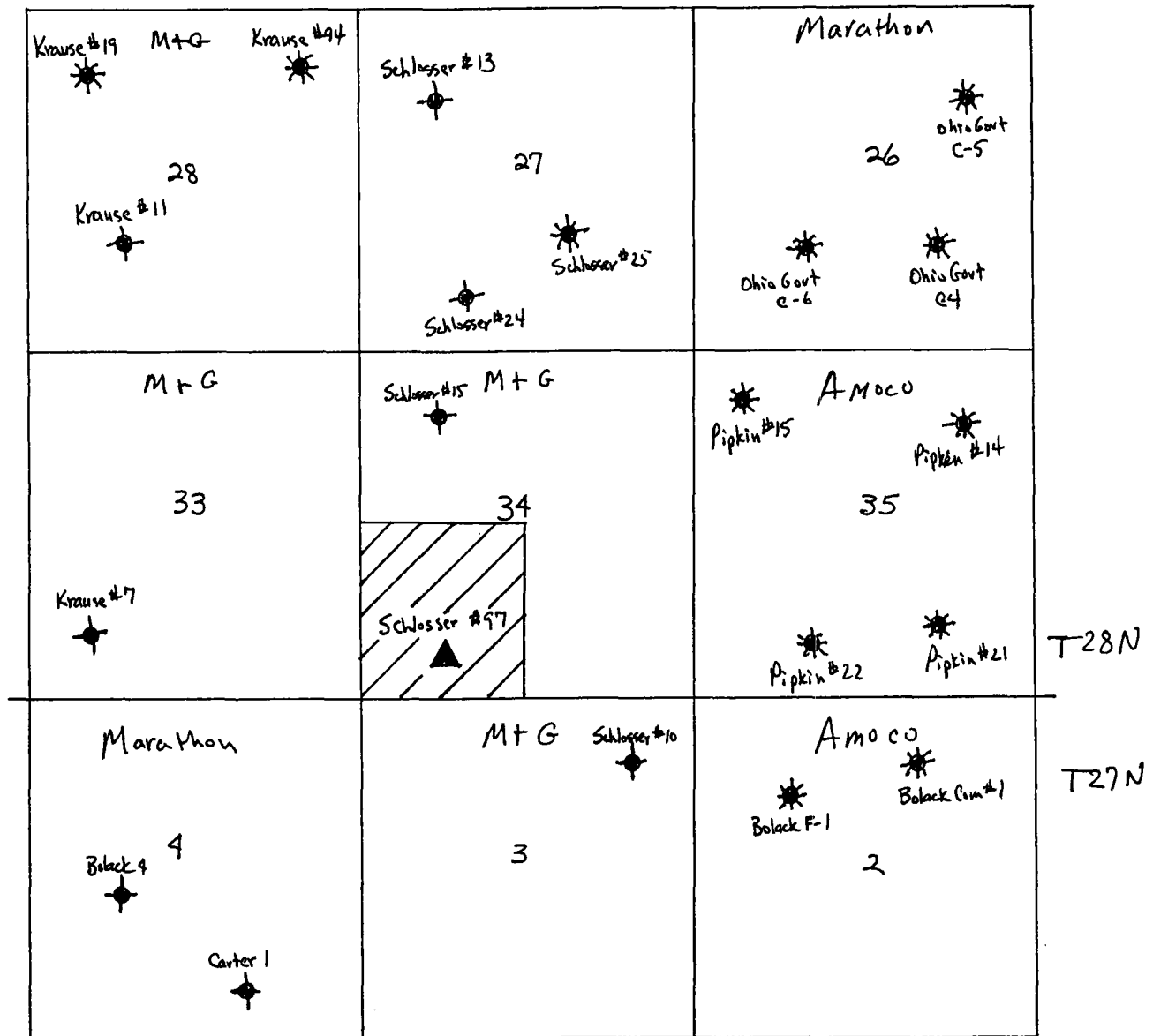
12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

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

FV.BC 16 		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature KEVIN MCCORD Printed Name AGENT-PETROLEUM ENGINEER Title 10/17/97 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. Date of Survey Signature and Seal of Professional Surveyor William E. F. [unclear] Certificate Number 8466			



Pictured Cliffs Formation Ownership in the
Vicinity of the Schlosser #97 Well
SW ¼ Section 34, T28N R11W



R11W

P 386 810 321

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to Amoco	
Street & Number P.O. Box 800	
Post Office, State, & ZIP Code Denver, Co 80201-0800	
Postage	\$ 1.01
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.46
Postmark or Date 10-20-97	

PS Form 3800 April 1995

Fold at line over top of envelope to the right of the return address

CERTIFIED

P 386 810 321

MAIL

P 386 810 322

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to Marathon Oil Company	
Street & Number P.O. Box 2330	
Post Office, State, & ZIP Code Casper, WY 82602	
Postage	\$ 1.01
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.46
Postmark or Date 10-20-97	

PS Form 3800 April 1995

Fold at line over top of envelope to the right of the return address

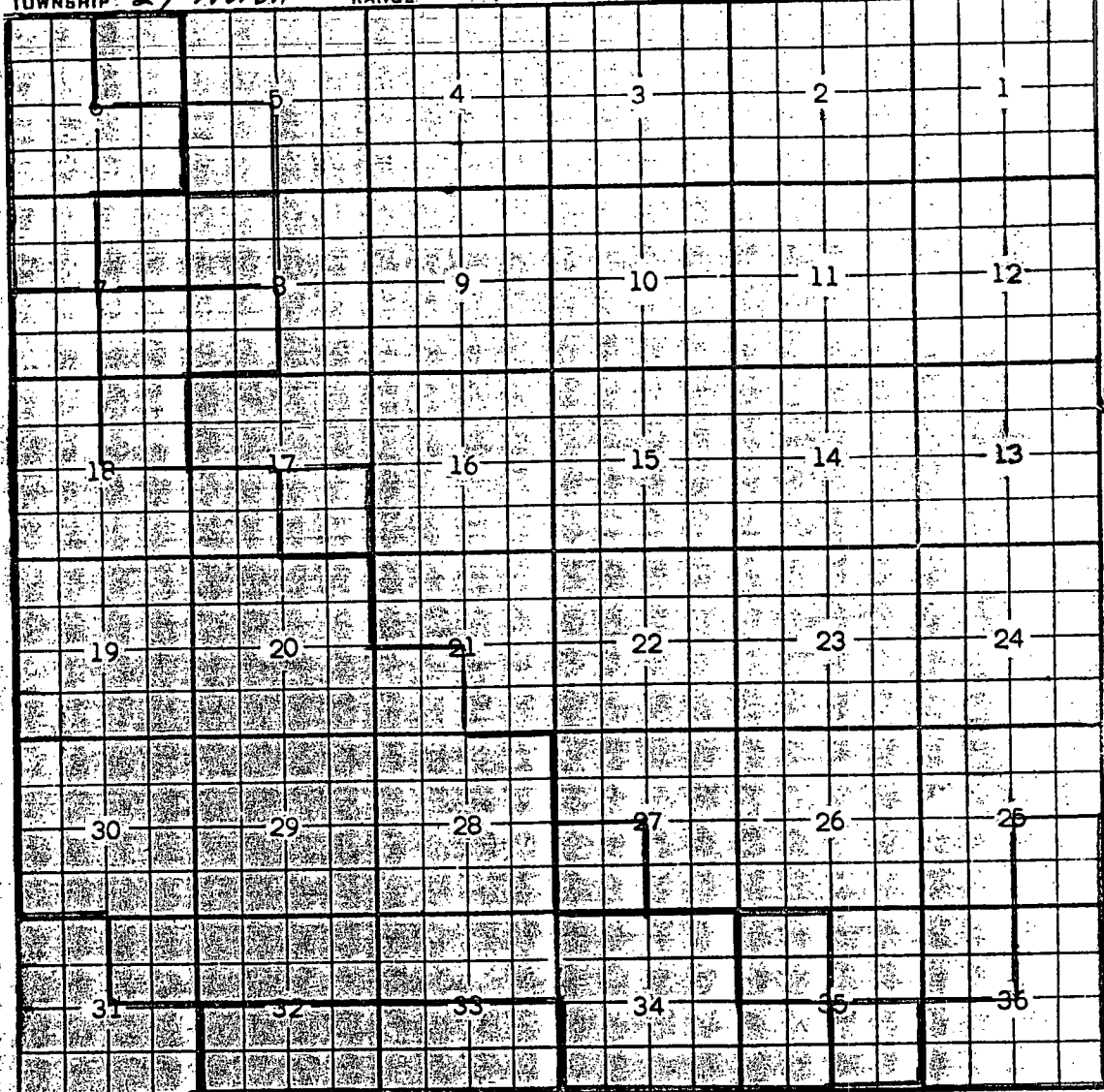
CERTIFIED

P 386 810 322

MAIL

County San Juan Pool Fulcher Kutz - Pictured Cliffs

TOWNSHIP 29 North RANGE 11 West NEW MEXICO PRINCIPAL MERIDIAN



Description: $\frac{SW}{4}$ Sec 7; $\frac{SW}{4}$ Sec 17; $\frac{W}{2}$ & $\frac{SE}{4}$ Sec 18; All Sec 19 & 20;
 $\frac{SW}{4}$ Sec 21; $\frac{SW}{4}$ Sec 27; All Sec 28; 29 & 30; $\frac{NE}{4}$ Sec 31; $\frac{N}{2}$ Sec 32;
 $\frac{N}{2}$ Sec 33; All Sec 34; $\frac{SW}{4}$ Sec 35 (R-565, 12-23-54)

Ext. $\frac{S}{2}$ Sec 32; $\frac{S}{2}$ Sec 33 (R-764, 3-14-56) - $\frac{SE}{4}$ Sec 7; $\frac{SW}{4}$ Sec 8;
 $\frac{NE}{4}$ Sec 18 (R-3281, 8-1-67) - $\frac{W}{2}$ & $\frac{SE}{4}$ Sec 6; $\frac{NW}{4}$ Sec 7 (R-3856, 11-1-69)

- $\frac{NE}{4}$ Sec 6 (R-4260, 3-1-72) - $\frac{NW}{4}$ & $\frac{SE}{4}$ Sec 35 (R-4292, 5-1-72)

Ext. $\frac{NE}{4}$ Sec 7; $\frac{NW}{4}$ Sec 8 (R-5129, 1-1-76) Ext. $\frac{SW}{4}$ Sec 5 (R-5779, 8-1-78)

Ext. $\frac{SE}{4}$ Sec 25; $\frac{NE}{4}$ and $\frac{S}{2}$ Sec 36 (R-6327, 5-1-80) Ext. $\frac{SE}{4}$ Sec 17 (R-8585, 11-1-88)

OGRID Idn : 141852 API Well No: 30 45 29482 APD Status(A/C/P): A
Opr Name, Addr: M & G DRLG CO INC Aprvl/Cncl Date : 08-31-1997
%KM PROD CO
PO BOX 2406
FARMINGTON,NM 87499
Prop Idn: 16599 SCHLOSSER Well No: 97

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
	---	---	-----	-----	-----	-----	-----	-----
Surface Locn :	N	34	28N	11W			FTG 623 F S	FTG 1347 F W
OCD U/L :	N		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 : 5996

State Lease No: Multiple Comp (Y/N) : N
Prpsd Depth : 1990 Prpsd Frmtn : BASIN FT COAL

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 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

Dear Mr. McCord:

Reference is made to your application dated July 30, 1997 on behalf of the operator, M & G Drilling Company, for an unorthodox coal gas well location for its proposed Schlosser Well No. 97 to be drilled 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, Basin Fruitland Coal (Gas) Pool, San Juan County, New Mexico. The S/2 of said Section 34 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*", as promulgated by Division Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

William J. LeMay
Director

WJL/MES/kv

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