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 30, 1995

Case 11387

Medallion Production Company
c/o William F. Carr
Campbell, Carr & Bergo, P.A.
P. O. Box 2208
Santa Fe, NM 87504-2208

RE: Application of Medallion Production Company for approval to drill its U.S.A. "20"
      Well No. 1 at an unorthodox gas well location 990' FSL - 1100' FEL (Unit P) of
      Section 20, Township 15 South, Range 28 East, NMPM, Chaves County, to test the
      Atoka and Morrow formations within a 320-acre gas spacing and proration unit
      comprising the S/2 of said Section 20

Dear Mr. Carr:

       The proposed well and 320-acre unit is bounded to the east and north by the Buffalo
Valley-Pennsylvanian Gas Pool, therefore, the Medallion proposed well is subject to the
"General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for
the Buffalo Valley-Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170,
as amended, which allows wells to be located either in the NW/4 or SE/4 of a section and is
to be located no closer than 990 feet to the outer boundary of the quarter section nor closer
than 330 feet to any governmental quarter-quarter section line.
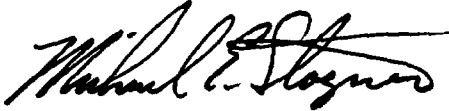
       Since this location is only unorthodox internally, it may qualify for administrative
approval. I offer this only as a suggestion.

       The application sent over on Tuesday, August 29, 1995, has been scheduled on the
docket for hearing before a Division Examiner on September 21, 1995.

Medallion Production Company
August 31, 1995
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Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Micheal E. Stogner
Chief Hearing Examiner

cc: Oil Conservation Division - Artesia
       US Bureau of Land Management - Roswell
       Case File