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March 27, 2000

Hand Delivered

12379

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of an application for compulsory pooling and an unorthodox gas well location, together with a proposed advertisement, filed on behalf of KCS Medallion Resources, Inc. Please set this case for the April 20, 2000 Examiner hearing. Thank you.

Very truly yours,



James Bruce
Attorney for KCS Medallion
Resources, Inc.

OIL CONSERVATION DIV.
CO MAR 27 PM 2:22

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.
CO MAR 27 PM 2:23

APPLICATION OF KCS MEDALLION
RESOURCES, INC. FOR COMPULSORY
POOLING AND AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

Case No. 12379

APPLICATION

KCS Medallion Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N½ of Section 23, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and approving an unorthodox gas well location, and in support thereof states:

1. Applicant is a working interest owner in the N½ of Section 23, and has the right to drill a well thereon.

2. Applicant proposes to directionally drill its Parkway West State Well No. 1, from a surface location 400 feet from the south line and 1,050 feet from the east line of adjoining Section 15, to a bottom hole location 660 feet from the north and west lines of Section 23, to a depth sufficient to test the Morrow formation (approximately 11,650 feet total vertical depth), and seeks to dedicate the following acreage to the well:

- (a) The NW¼NW¼ of Section 23 for all pools or formations developed on 40 acre spacing, including the Undesignated Parkway-Delaware Pool, Undesignated North Parkway-Wolfcamp Pool, and Undesignated North Parkway-Upper Pennsylvanian Pool;
- (b) The NW¼ of Section 23 for all pools or formations developed on 160 acre spacing, including the Undesignated Parkway-Strawn Pool; and

(c) The N½ of Section 23 for all pools or formations developed on 320 acre spacing, including the Undesignated West Parkway-Atoka Gas Pool and Undesignated West Parkway-Morrow Gas Pool.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the N½ of Section 23 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests to the well. Therefore, applicant seeks an order pooling all mineral interest owners in the N½ of Section 23, pursuant to NMSA (1978) §70-2-17.

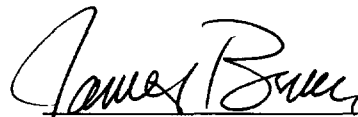
5. The West Parkway-Atoka Gas Pool is spaced on 320 acres, with wells to be no closer than 660 feet to the side boundary and 1980 feet to the end boundary of the well unit. See Division Order No. R-4638. As a result, the proposed well's location is unorthodox in the Atoka formation, and applicant requests approval of the location.

6. The pooling of all interests underlying the N½ of Section 23, as set forth above, and approval of the unorthodox location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the N½ of Section 23, from the surface to the base of the Morrow formation;
- B. Approving an unorthodox gas well location in the Undesignated West Parkway-Atoka Gas Pool;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- F. Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and
- G. Granting such further relief as the Division deems appropriate.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for KCS Medallion Resources,
Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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WELL LOCATION, EDDY COUNTY,
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Case No. 12379

APPLICATION

KCS Medallion Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N $\frac{1}{2}$ of Section 23, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and approving an unorthodox gas well location, and in support thereof states:

1. Applicant is a working interest owner in the N $\frac{1}{2}$ of Section 23, and has the right to drill a well thereon.

2. Applicant proposes to directionally drill its Parkway West State Well No. 1, from a surface location 400 feet from the south line and 1,050 feet from the east line of adjoining Section 15, to a bottom hole location 660 feet from the north and west lines of Section 23, to a depth sufficient to test the Morrow formation (approximately 11,650 feet total vertical depth), and seeks to dedicate the following acreage to the well:

- (a) The NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 23 for all pools or formations developed on 40 acre spacing, including the Undesignated Parkway-Delaware Pool, Undesignated North Parkway-Wolfcamp Pool, and Undesignated North Parkway-Upper Pennsylvanian Pool;
- (b) The NW $\frac{1}{4}$ of Section 23 for all pools or formations developed on 160 acre spacing, including the Undesignated Parkway-Strawn Pool; and

(c) The N½ of Section 23 for all pools or formations developed on 320 acre spacing, including the Undesignated West Parkway-Atoka Gas Pool and Undesignated West Parkway-Morrow Gas Pool.

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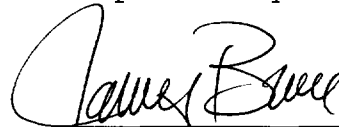
5. The West Parkway-Atoka Gas Pool is spaced on 320 acres, with wells to be no closer than 660 feet to the side boundary and 1980 feet to the end boundary of the well unit. See Division Order No. R-4638. As a result, the proposed well's location is unorthodox in the Atoka formation, and applicant requests approval of the location.

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- B. Approving an unorthodox gas well location in the Undesignated West Parkway-Atoka Gas Pool;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- F. Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and
- G. Granting such further relief as the Division deems appropriate.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for KCS Medallion Resources,
Inc.

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2. Applicant proposes to directionally drill its Parkway West State Well No. 1, from a surface location 400 feet from the south line and 1,050 feet from the east line of adjoining Section 15, to a bottom hole location 660 feet from the north and west lines of Section 23, to a depth sufficient to test the Morrow formation (approximately 11,650 feet total vertical depth), and seeks to dedicate the following acreage to the well:

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- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
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- F. Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and
- G. Granting such further relief as the Division deems appropriate.

Respectfully submitted,

A handwritten signature in cursive script, reading "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for KCS Medallion Resources,
Inc.

PROPOSED ADVERTISEMENT

Case _____:

Application of KCS Medallion Resources, Inc. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 23, Township 19 South, Range 29 East, NMPM, and in the following manner: The N $\frac{1}{2}$ of Section 23 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Parkway-Atoka Gas Pool and Undesignated West Parkway-Morrow Gas Pool; the NW $\frac{1}{4}$ of Section 23 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent, including but not limited to the Undesignated Parkway-Strawn Pool; and the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 23 for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated Parkway-Delaware Pool, Undesignated North Parkway-Wolfcamp Pool, and Undesignated North Parkway-Upper Pennsylvanian Pool. The units will be dedicated to applicant's West Parkway State Well No. 1, to be drilled from a surface location 400 feet from the south line and 1,050 feet from the east line of Section 15, Township 19 South, Range 29 East, NMPM, to a bottom hole location 660 feet from the north and west lines of Section 23. Applicant also requests approval of an unorthodox gas well location in the Undesignated West Parkway-Atoka Gas Pool. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. The units are located approximately 12 $\frac{1}{2}$ miles south-southwest of Loco Hills, New Mexico.

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PROPOSED ADVERTISEMENT

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Application of KCS Medallion Resources, Inc. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 23, Township 19 South, Range 29 East, NMPM, and in the following manner: The N $\frac{1}{2}$ of Section 23 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Parkway-Atoka Gas Pool and Undesignated West Parkway-Morrow Gas Pool; the NW $\frac{1}{4}$ of Section 23 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent, including but not limited to the Undesignated Parkway-Strawn Pool; and the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 23 for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated Parkway-Delaware Pool, Undesignated North Parkway-Wolfcamp Pool, and Undesignated North Parkway-Upper Pennsylvanian Pool. The units will be dedicated to applicant's West Parkway State Well No. 1, to be drilled from a surface location 400 feet from the south line and 1,050 feet from the east line of Section 15, Township 19 South, Range 29 East, NMPM, to a bottom hole location 660 feet from the north and west lines of Section 23. Applicant also requests approval of an unorthodox gas well location in the Undesignated West Parkway-Atoka Gas Pool. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. The units are located approximately 12 $\frac{1}{2}$ miles south-southwest of Loco Hills, New Mexico.

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OFFICE OF CONSERVATION
ENERGY DIV.
JAN 27 1983