



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

March 6, 2000

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420
Attention: John D. Roe



Telefax No. (505) 327-4613

Administrative Order NSL-4418

Dear Mr. Roe:

Reference is made to the following: (i) your application dated February 11, 2000, which was received by the New Mexico Oil Conservation Division's ("Division") in Santa Fe on February 14, 2000; and (ii) the Division's records: all concerning Dugan Production Corporation's request for an off-pattern non-standard Basin-Fruitland coal gas well location for the existing Zappa Well No. 3 (API No. 30-045-29908), located 790 feet from the South line and 1190 feet from the East line (Unit P) of Section 27, Township 22 North, Range 8 West, NMPM, Basin-Fruitland Coal (Gas) Pool, San Juan County, New Mexico.

It is our understanding that the subject well was recently drilled to a total depth of 1405 feet and completed in the Chacra formation at a standard gas well location within a standard 160-acre gas spacing and proration unit for the Undesignated Bista-Chacra Pool comprising the SE/4 of Section 27. It is further understood that Dugan Production Corporation intends to perforate the Basin-Fruitland coal gas interval and recomplete the well such that production from both intervals will be commingled downhole.

Pursuant to the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended, the location of this well is considered to be unorthodox. Further, the S/2 of Section 27 is to be dedicated to this well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool

By the authority granted me under the provisions of Rule 8 of these special pool rules the above-described unorthodox coal gas well location for the Zappa Well No. 3 is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

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