



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

May 13, 1996

Dugan Production Company
P.O. Box 420
Farmington, New Mexico 87499-0420
Attention: Jim L. Jacobs

Administrative Order NSP-1760(L)

Dear Mr. Jacobs:

Reference is made to your application dated April 17, 1996 for an exception to **Rule 2** of the "*Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool*", as promulgated by Division Order No. R-1069-B, as amended, in order to form a non-standard, or disoriented, 80-acre oil spacing and proration unit within said pool underlying the described acreage in San Juan County, New Mexico:

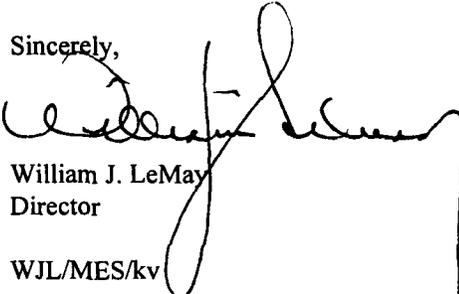
TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM
Section 31: W/2 NE/4.

It is our understanding that the subject well in this application, the April Surprise Well No. 7 (API No. 30-045-29293), was drilled last February to a total depth of 6,072 feet in order to test the Basin-Dakota Pool at a standard gas well location 1050 feet from the North line and 1520 feet from the East line (Unit B) of said Section 31.

It is further understood that the Dakota zone in the subject well is to be properly plugged back at this time and that said well will be recompleted up-hole to the Bisti-Lower Gallup Oil Pool, which pursuant to **Rule 3** of said special pool rules, the location is considered to be unorthodox.

By the authority granted me under the provisions of **Rule 4** of said special pool rules, the above-described unorthodox oil well location is hereby approved. Further, by the authority granted me under the provision of said special pool rules for the Bisti-Lower Gallup Oil Pool, Division Memorandum 4-86 dated June 2, 1986, and Rules 104.D(2)(c) and (d) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described 80-acre non-standard oil spacing and proration unit is also approved.

Sincerely,


William J. LeMay
Director

WJL/MES/kv

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