



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



February 20, 2012

Dugan Production Corporation
Attn: Mr. Kurt Fagrelus

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6559
Administrative Application Reference No. pTWG12-02452796

Dugan Production Corporation
OGRID 6515
Federal I Com. Well No. 103S
API No. 30-045-35348

Proposed Location:

<u>Footages</u>	<u>Unit</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>County</u>
1065 FSL & 335 FWL	M	12	29N	14W	San Juan

Proposed Units:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
SW/4 of Section 12	157.67	Harper Hill; Fruitland Sand-Pictured Cliffs (Gas)	78160
W/2 of Section 12	317.67	Basin Fruitland Coal Gas	71629

Reference is made to your application received on January 24, 2012.

You have requested to drill or re-complete this well at an unorthodox gas well location described above, in the referenced pools or formations. This location is governed, as to the Harper Hill; Fruitland Sand-Pictured Cliffs Gas Pool by statewide Rule 15.10.A [19.15.15.10.A NMAC], which provides for 160-acre units, with wells located at least 660 feet from a unit outer boundary, and as to the Basin Fruitland Coal Gas Pool by the Special Rules for that pool, which

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generally provide for 320-acre units with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from a unit boundary.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location due to topography and to avoid interference with existing surface uses.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Aztec
United States Bureau of Land Management