



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

July 29, 1997

Dugan Production Corp.
P. O. Box 420
Farmington, New Mexico 87499-0420
Attention: Kurt Fagrelus

Corrected Administrative Order NSL-3840

Dear Mr. Fagrelus:

Reference is made to your application dated June 30, 1997 for a non-standard Basin-Fruitland coal gas well location for your existing Bisti State Well No. 1 (API No. 30-045-25834), which was drilled in 1984 and completed in the Bisti-Lower Gallup Oil Pool at a standard oil well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 2, Township 25 North, Range 13 West, NMPM, San Juan County, New Mexico.

It is our understanding that the Gallup interval will be properly plugged back and said well will be recompleted to the Basin-Fruitland Coal (Gas) Pool, which pursuant to the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*", as promulgated by Division Order No. R-8768, as amended, is off-pattern and unorthodox. Further, Lots 3 and 4, the S/2 NW/4, and the SW/4 (the W/2 equivalent) of said Section 2 is to be dedicated to the well to form a standard 319.57-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of said Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe