



OLD-A211c

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 5, 2006

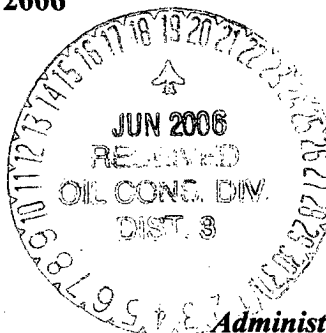
Dugan Production Corporation

P. O. Box 420

Farmington, New Mexico 87499-0420

Attention: John D. Roe

johnroe@duganproduction.com



Administrative Order NSL-5388

Dear Mr. Roe:

30-045-28579

Reference is made to the following: (i) your application that was initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 12, 2006 (*administrative application reference No. pTDS0-613549010*); (ii) your letter dated May 23, 2006 with supplemental data attached; and (iii) the Division's records in Aztec and Santa Fe: all concerning Dugan Production Corporation's ("Dugan") request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard infill gas well location within an existing 320-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629) comprising the S/2 of Section 29, Township 26 North, Range 13 West, NMPM, San Juan County, New Mexico.

Your application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*;" and (ii) Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This unit is currently dedicated to Dugan's Patriot Well No. 1-S (*API No. 30-045-32029*), located at a standard coal gas well location 790 feet from the South and East lines (Unit P) of Section 29.

It is the Division's understanding that the well to be considered at this time, Dugan's Patriot Well No. 1 (*API No. 30-045-28579*), located 330 feet from the South and West lines (Unit M) of Section 29, was initially drilled in 1991 and completed as an oil well in the Bisti Lower-Gallup Oil Pool (5890) in mid-1993 at a standard oil well location within the S/2 SW/4 of Section 29, being a standard 80-acre lay-down oil spacing and proration unit for the Bisti Lower-Gallup Oil Pool. Sometime prior to September 26, 1996 the deeper Gallup oil interval in this well "ceased to produce." In mid-2002 a recompletion into the Mesaverde (97194) was unsuccessful. Dugan now intends to plug-back into the shallower Fruitland coal gas zone; however, pursuant to Rule 7 (a) (1) of the special Basin-Fruitland coal gas pool rules this location is considered to be unorthodox.

Dugan Production Corporation
June 6, 2006
Page 2

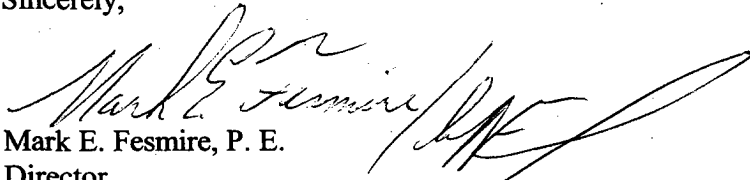
Division Administrative Order NSL-5388

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the above-described unorthodox infill coal gas well location for the Patriot Well No. 1 within the S/2 320-acre lay-down gas spacing unit is hereby approved.

Further, Dugan is authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from both the above-described Patriot Wells No. 1 and 1-S.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

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