



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 30, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Dugan Production Corporation

P. O. Box 420

Farmington, New Mexico 87499-0420

Attention: Kurt H. Fagrelus
kfagrelus@duganproduction.com

Administrative Order NSL-4880-A

Dear Mr. Fagrelus:

Reference is made to the following: (i) your application dated July 1, 2005 (*administrative application reference No. pSEM0-518729511*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe and Aztec, New Mexico, including the files on Division Administrative Orders NSL-4880 and NSL-4869: all concerning Dugan Production Corporation's ("Dugan") request to include the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Pool (78160) within the provisions of a previously approved Division administrative order and for an exception to Division Rule 104.C (3) for the existing Federal "T" Com. Well No. 102 (API No. 30-045-31792) to be drilled 270 feet from the North line and 330 feet from the East line (Lot 4/Unit A) of irregular Section 12, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

Lot 4, the W/2 NE/4, and the SE/4 NE/4 (NE/4 equivalent) of irregular Section 12 is to be dedicated to this well in order to form a standard 159.02-acre gas spacing unit for wells located within the governing limits of the Harper Hill Fruitland Sand-Pictured Cliffs Pool.

By Division Administrative Order NSL-4880, dated May 12, 2003, Dugan received authorization to drill and complete the above described well within the Basin-Fruitland Coal (Gas) Pool (71629) at an unorthodox coal gas well location within a standard 320-acre, more or less, stand-up gas spacing unit comprising the E/2 equivalent of Irregular Section 12.

It is the Division's understanding that Dugan now indents to perforate the Fruitland sand-Pictured Cliffs interval within the Federal "T" Com. Well No. 102 in an attempt to establish gas production and recompleting this well such that production from both the Fruitland coal gas and Fruitland sand/Pictured Cliffs intervals will be downhole commingled.

Your application has been duly filed under the provisions of Division Rule 104.F and 1207.A (2).

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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Fruitland sand/Pictured Cliffs gas well location for the Federal "I" Well No. 102 is hereby approved.

Further, Division Administrative Order NSL-4880 shall remain in full force and affect until further notice.

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
Division Administrative Order NSL-4880