



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

August 15, 1997

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

*Administrative Order NSL-3853*

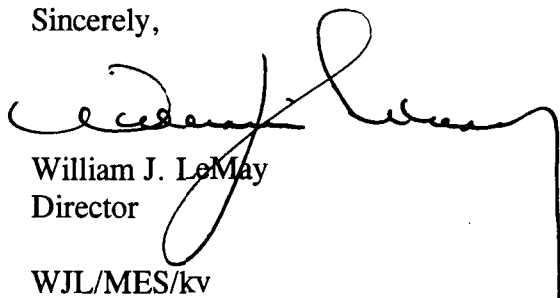
Dear Mr. Fagrelus:

Reference is made to your application dated July 31, 1997 for an off-pattern non-standard Basin-Fruitland coal gas well location for your existing Mesa Well No. 3 (API No. 30-045-22175), which was drilled in 1976 and completed in the Potwin-Pictured Cliffs Pool at a standard gas well location 790 feet from the South line and 1750 feet from the East line (Unit O) of Section 16, Township 24 North, Range 8 West, NMPM, San Juan County, New Mexico.

It is our understanding that the Pictured Cliffs interval will be properly plugged back and said well will be recompleted to the Basin-Fruitland Coal (Gas) Pool, in which the E/2 of said Section 16 is to be dedicated to said well to form a standard 320-acre gas spacing and proration for said pool. Pursuant to the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*", as promulgated by Division Order No. R-8768, as amended, said location is considered to be unorthodox.

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 for the Mesa Well No. 3 is hereby approved.

Sincerely,



William J. LeMay  
Director

WJL/MES/kv

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