



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 11, 1998

Taurus Exploration U.S.A., Inc.
2198 Bloomfield Highway
Farmington, New Mexico 87401
Attention: Richard P. Corcoran

Administrative Order NSL-4031-A(NSP)

Dear Mr. Corcoran:

Reference is made to the following: (i) your initial applicant dated July 14, 1998 for an exception to the well location requirements provided within the "*Special Rules and Regulations for the Blanco-Mesaverde Pool/Special Rules and Regulations for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987, for Taurus Exploration U.S.A., Inc.'s ("Taurus") proposed San Juan "32-5" Unit Well No. 9-R to be drilled 1300 feet from the North line and 720 feet from the East line (Lot 1/Unit A) of irregular Section 31, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico; (ii) the Division's response to the application by letter from Mr. Michael E. Stogner dated July 23, 1998; (iii) your letter with additional information dated July 29, 1998; (iv) the records of the Division in Santa Fe; and, (v) Division Administrative Order NSL-4031(NSP), dated May 11, 1998, which authorized Taurus to drill the San Juan "32-5" Unit Well No. 9-M (API No. 30-039-25879) at an unorthodox gas well location in both the Blanco-Mesaverde and Basin-Dakota Pools 2330 feet from the South line and 1048 feet from the East line (Lot 3/Unit I) of irregular Section 30, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico and to reinstate for this gas production a previously approved non-standard 345.59-acre gas spacing and proration unit ("GPU") in the Blanco-Mesaverde Pool (see Division Order No. R-1714, dated July 7, 1960) and the Basin-Dakota Pool (see Division Order No. R-1722, dated July 21, 1960) that comprises all of irregular Sections 30 and 31.

This application to include Tauruses' proposed San Juan "32-5" Unit Well No. 9-R within the above-described 345.59-acre GPU has been duly filed under the provisions of Rules 104.F and 605.B of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Basin-Dakota/Blanco-Mesaverde gas well location for the San Juan "32-5" Unit Well No. 9-R is hereby approved. Both of the aforementioned San Juan "32-5" Unit Well Nos. 9-M and 9-R and both spacing units will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

All provisions of Division Administrative Order NSL-4031(NSP) and Division Order Nos. R-1714 and R-1722 not in conflict with this order shall remain in full force and effect until further

Administrative Order NSL-4031-A(NSP)

Taurus Exploration U.S.A., Inc.

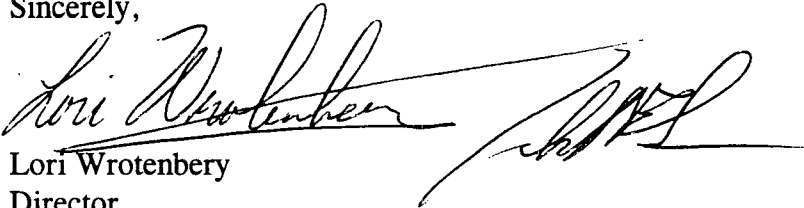
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notice.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg", followed by a long horizontal flourish.

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
File: NSL-4031(NSP)