



# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Jon Goldstein**  
Cabinet Secretary

**Jim Noel**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



February 3, 2010

Dugan Production Corp.  
Attn: Mr. Kurt Fagrelus  
P.O. Box 420  
Farmington, NM 87499-0420

**Administrative Order NSL-6140**

**Re: Federal I Com. Well No. 102S**  
**API No. 30-045-35013**  
**2365 feet FSL and 1220 feet FEL**  
**Unit I, Section 12-29N-14W**  
**San Juan County, New Mexico**

Dear Mr. Fagrelus:

Reference is made to the following:

(a) your application (**administrative application reference No. pWVJ10-01357583**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 13, 2010, and

(b) the Division's records pertinent to this request.

Dugan Production Corp. [OGRID 006515] (Dugan) has requested to drill the above-referenced well at an unorthodox well location described above in the caption of this letter. The SE/4 of Section 12 will be dedicated to this well in order to form a standard 160-acre spacing unit in the undesignated Harper Hill Fruitland Sand/Pictured Cliffs Pool (78160). This pool is governed by statewide Rule 15.10.C, which provides for 160-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the northern unit boundary.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location due to surface occupancy considerations.



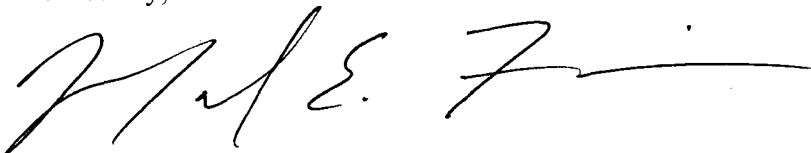
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'M.E. Fesmire', followed by a long horizontal line.

Mark E. Fesmire, P.E.  
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec  
United States Bureau of Land Management -