



EXPLORATION & PRODUCTION

April 30, 2002

Ms. Lori Wrotenbery
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application For Non-Standard Location
Texakoma Oil & Gas Corporation
BlackHills 16 No. 1, API No. 30-045-31???
Basin Fruitland Coal Pool (71629)
772' FSL & 701' FEL, P-16-T26N-R13W
San Juan County, New Mexico

Dear Ms. Wrotenbery:

Texakoma Oil & Gas Corporation hereby requests approval for an off-pattern location for its BlackHills 16 No. 1 well, API No. 30-045-31???, to be located 772 feet from the south line and 701 feet from the east line of Section 16, Township 26 North, Range 13 West, in the Basin Fruitland Coal Gas Pool (71629), San Juan County, New Mexico because of geology.

The location is near the western edge of the productive area of the Fruitland Coal formation and considered a marginal economic venture.

Exhibit A shows the wells of record in the offset sections plus most of the West Bisti L. Gallup Sandstone Production Unit wells. The seven (7) wells outside and to the west of a production trend line running from the northeast corner of Section 9 to the southwest corner of Section 21 are not producing (4 wells) or are producing less than 100 Mcf per day (3 wells), thereby defining the west edge of economic production in the Fruitland Coal in this area. This quality reduction appears to result from reduced cleating and natural fracturing in that area and thereby reduced gas permeability.

Exhibit B is a plat which shows the operators of the offset leases.

Exhibit C is a list of offset operators names and addresses notified of this application by Certified Mail on this same date.

Exhibit D is a copy of Form C-102, Well Location and Acreage Dedication Plat.

If there are questions, please contact me by phone at the number below or by fax at 972-701-9056.

Sincerely,

Tom Sprinkle
Drilling Manager

NMOCD CASE NO. 12875

June 27, 2002

Dugan Production Corp.

Maralex Resources, Inc.

SG Interest, Ltd.

Exhibit No. 2

Cc: Oil Conservation Division, 1000 Brazos Road, Aztec, NM 87410
Offset Operators as per Exhibit C by Certified Mail

**ONE LINCOLN CENTRE
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972-701-9106**