



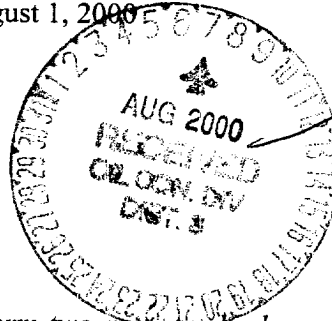
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 1, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420



Attention: Kurt H. Fagrelius

Re: Application to form two non-standard gas spacing and proration units for the Basin-Fruitland Coal (Gas) Pool in Sections 25 and 26, Township 30 North, Range 14 West, NMPM, San Juan County, New Mexico, and for approval of its Carpenter Com. Well No. 90 (API No. 30-045-30095) to be drilled at an unorthodox coal gas well location 1767 feet from the South line and 280 feet from the West line (Unit L) of Section 25.

Dear Mr. Fagrelius:

Reference is made to your letter dated June 5, 2000 and to our telephone conversation today, Tuesday August 1, 2000. I have prepared the following advertisement to be scheduled for the August 24, 2000 Division examiner's hearing:

Application of Dugan Production Corporation for two non-standard gas proration units and an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks to form two non-standard 320-acre, more or less, gas spacing and proration units within the Basin-Fruitland Coal (Gas) Pool to comprise: (i) the NW/4 of Section 25 (160 acres) and the NE/4 of Section 26 (160 acres), both in Township 30 North, Range 14 West; and (ii) Lots 5 and 6 and the N/2 SW/4 (SW/4 equivalent) of Section 25 (160.36 acres) and the SE/4 of Section 26 (160 acres). The applicant further seeks approval for its Carpenter Com. Well No. 90 (API No. 30-045-30095) to be drilled at an unorthodox coal gas well location 1767 feet from the South line and 280 feet from the West line (Unit L) of Section 25 in which the above-described 320.36-acre non-standard gas spacing and proration unit comprising the SW/4 equivalent of Section 25 and the SE/4 of Section 26 is to be dedicated. These units are located approximately 3.5 miles northwest of the Farmington Four Corner Regional Airport (FMN). **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Aztec
Mr. Steve Salzman - U. S. Bureau of Land Management, Santa Fe
Mr. Neel McBride - U. S. Bureau of Land Management, Farmington
Ms. Kathy Valdes, NMOCD - Santa Fe
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe