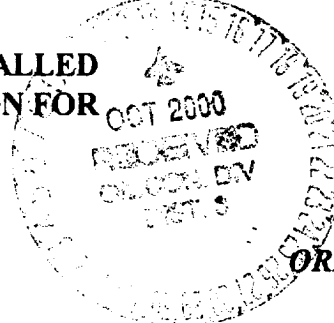


NSL ✓
NSPV ✓

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:



CASE NO. 12476
ORDER NO. R-11461

APPLICATION OF THE DUGAN PRODUCTION CORPORATION FOR TWO
NON-STANDARD GAS SPACING AND PRORATION UNITS AND AN
UNORTHODOX GAS WELL LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

gk
BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 24, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of October, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Dugan Production Corporation, 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, NMPM, San Juan County, New Mexico; 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).

(3) 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 to 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.

(4) The rules governing the Basin-Fruitland Coal (Gas) Pool (see Division Order

No. R-8768, as amended) provide that standard gas spacing and proration units are to (i) comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Land Surveys, and (ii) lie wholly within a single governmental half-section. No provision is contained therein for administrative review where a non-standard proration unit extends beyond a single governmental half-section.

(5) The entire area underlying each of the above-described non-standard spacing and proration units may reasonably be presumed productive of gas from the Basin-Fruitland Coal (Gas) Pool and each unit can be efficiently and economically drained and developed by one well.

(6) Due to topographic conditions that restrict placement of the proposed Carpenter Com. Well No. 90, the proposed unorthodox coal gas well location will better enable the applicant to produce the gas underlying the proposed 320.36-acre unit comprising the SW/4 equivalent of Section 25 and the SE/4 of Section 26.

(7) This matter was styled such that in the absence of objection this case would be taken under advisement.

(8) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Basin-Fruitland Coal (Gas) Pool underlying both non-standard units and will otherwise prevent waste and the economic loss caused by the drilling of unnecessary wells and will serve to protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Dugan Production Corporation, is hereby authorized to establish a 320.36-acre non-standard gas spacing and proration unit within the Basin-Fruitland Coal (Gas) Pool comprising 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), both in Township 30 North, Range 14 West, NMPM, San Juan County, New Mexico.

(2) This unit is to be dedicated to its proposed 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.

IT IS FURTHER ORDERED THAT:

(3) The following described 320-acre gas spacing and proration unit in the Basin-Fruitland Coal (Gas) Pool in San Juan County, New Mexico is hereby established:

TOWNSHIP 30 NORTH, RANGE 14 WEST, NMPM

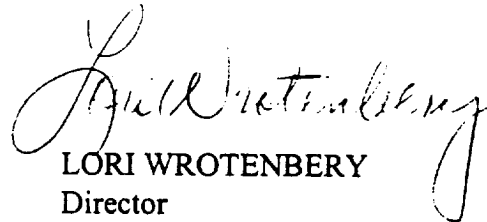
Section 25: NW/4

Section 26: NE/4.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL