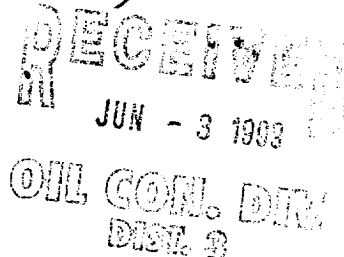




NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 1, 1999



Texakoma Oil & Gas Corporation
c/o A. R. Kendrick
P. O. Box 516
Aztec, New Mexico 87410

Administrative Order NSL-4294

Dear Mr. Kendrick:

Reference is made to your application dated May 6, 1999 on behalf of the operator, Texakoma Oil & Gas Corporation, for an off-pattern non-standard Basin-Fruitland coal gas well location for their proposed La Plata "7" Well No. 1 (API No. 30-045-29920) to be drilled 790 feet from the South line and 650 feet from the East line (Unit P) of Section 7, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico. The E/2 of Section 7 is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division and Rule 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended.

It is our understanding that a well drilled into the Basin-Fruitland Coal (Gas) Pool at the proposed off-pattern non-standard coal gas well location will be at a slightly more favorable geologic position within the gas productive coal seam interval than a well drilled at a location considered to be standard for this 320-acre E/2 dedication.

By the authority granted me under the provisions of these special pool rules and Division General Rule 104.F (2), the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec /

A. R. KENDRICK

Box 516
Aztec, New Mexico 87410
(505) 334-2555

May 6, 1999

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

RECEIVED
MAY - 6 1999

Re: Application for Non-Standard Location for
Texakoma Oil & Gas Corporation
La Plata 7 #1, 790' FSL 650' FEL P-7-31N-13W
Basin Fruitland Coal Pool

OIL CON. DIV.
DIST. 8

Dear Ms. Wrotenbery:

Texakoma Oil and Gas Corporation hereby requests approval for an off-pattern location for its La Plata 7 #1 well to be located 790' FSL and 650' FEL of section 7, Township 31 North, Range 13 West, in the Basin Fruitland Coal Gas Pool, San Juan County for geological and topographic reasons.

The well will be near the western edge of the productive area of the fruitland Coal formation. A location in the northeast quarter would possibly result in a marginal well.


The move is an attempt to distance the well bore from the Fruitland Coal outcrop to the west which is a source of the water which percolates into the pay zone. Also, by moving the well as far south and east as possible in the section the depth of the pay zone will be increased by as much as 500 feet; thus, increasing the reservoir pressure.

The location at 790' FSL 790' FEL falls on the slope of a massive sandstone outcrop more than 40 feet in thickness, and where construction costs would be prohibitive. The location at 790' FSL 650' FEL is adjacent to the sandstone outcrop, and construction costs would be much less.

All offset operators or owners as shown on the enclosed exhibit were notified of this application by Certified Mail at the same time as the mailing of this application.

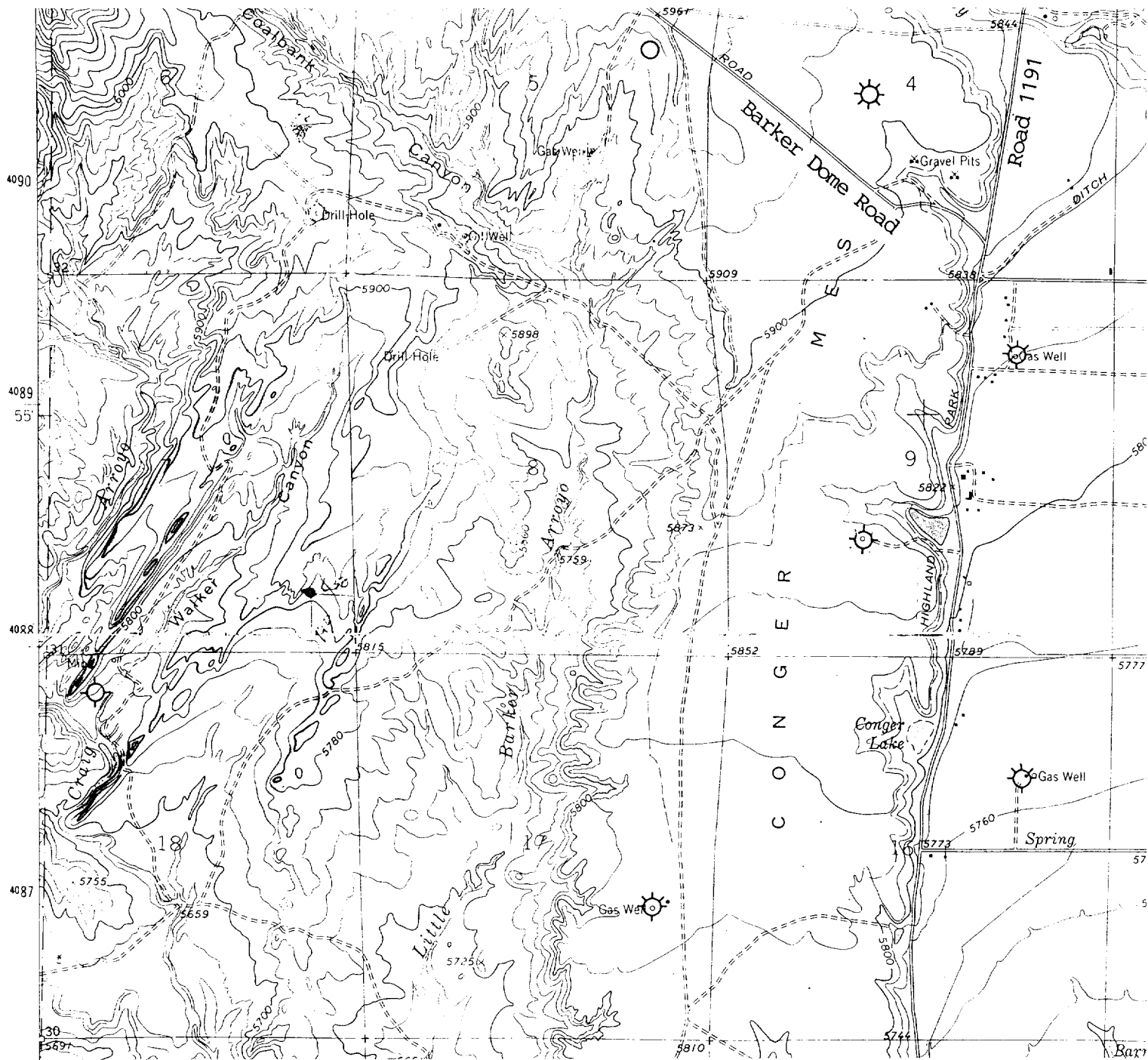
If there are questions, please contact me or Texakoma Oil and Gas Corporation.

Yours very truly,


A. R. Kendrick

Enclosures

cc: OCD, Aztec, NM
Offset owners as listed via Certified Mail Return Receipt



TOWNSHIP 31 NORTH, RANGE 13 WEST

The ridge lines highlighted in pink are possible results from the drainage pattern created by fracture lines formed by the subsidence of the San Juan Basin; thus, the formation of the Hogback to the northwest of this area. Dips as steep as sixty degrees (60°) have been reported in the steeper portion of the bending.

The area highlighted in yellow is a massive sandstone outcrop.

Texakoma Oil & Gas Corp. would like to move their new well in the east half of section 7 as far down-dip as possible for reasons stated in the cover letter.

OFFSET OPERATORS OR OWNERS

