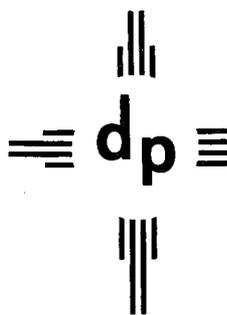


PKRVO310655076

NSL 5/4/03
WVS 5



dugan production corp.

RECEIVED
APR 14 2003
OIL CONSERVATION
DIVISION

April 11, 2003

Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Exception to well location requirements
Rule 2(b) Associated Oil & Gas Pools
Dugan Production Corp.'s Davis Federal No. 1E (API No. 30-045-30714)
Unit J, Section 24, T-26N, R-11W
Gallegos Gallup Associated Pool
San Juan County, New Mexico

Dear Ms. Wrotenbery,

I am writing to request your administrative approval for the unorthodox location of the proposed Gallup completion in Dugan's Davis Federal No. 1E. This well was spudded on 4/6/03 with plans to drill an infill Dakota well at an orthodox location of 1610' FEL & 1620' FSL. We are now proposing to also complete the Gallup formation in the Gallegos Gallup Associated Pool which still requires set backs of 790' from the quarter section line and 330' from the quarter-quarter section lines. This results in the wellbore being 30' too close to the south line and 40' too close to the east line of the northwest of the southeast quarter-quarter section for the Gallup completion only (the Dakota is orthodox). The wellbore does meet the 790' set back from the outer boundary in all directions.

The Gallup completion will be a second well within the existing 320A south half Gallegos Gallup spacing unit for Dugan's Davis Federal No. 1 (API No. 30-045-05757) and will be subject to the allowable established for the existing prorated spacing unit. Attachment No. 1 is a copy of NMOCD Form C-102 which presents Dugan's Davis Federal No. 1 & 1E wells. Attachment No. 2 presents the lease ownership and wells offsetting the subject south half spacing/proration unit.

Copies of this application are being sent to all offset operators by certified return-receipt mail. We did solicit waivers and will forward copies to the NMOCD upon receiving. Attachment No. 3 presents a copy of the transmittal letter sent to offsetting operators.

Should there be questions or additional information needed, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

District I
 PO Box 1990, Hobbs, NM 88240-1990
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1809 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-102
 Revised February 21, 1994
 Instructions on back
 State Lease - 4 Copies
 Fee Lease - 3 Copies
 AMENDED REPORT

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Attachment
 No. 1

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-30714		2 Pool Code 26980		3 Pool Name Gallegos Gallup (Associated)	
4 Property Code 003625		5 Property Name Davis Federal			6 Well Number 1E
7 OGRID No. 006515		8 Operator Name Dugan Production Corp			9 Elevation 6417'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
J	24	26N	11W		1620	South	1610	East	San Juan

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No. Application for NSL pending
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

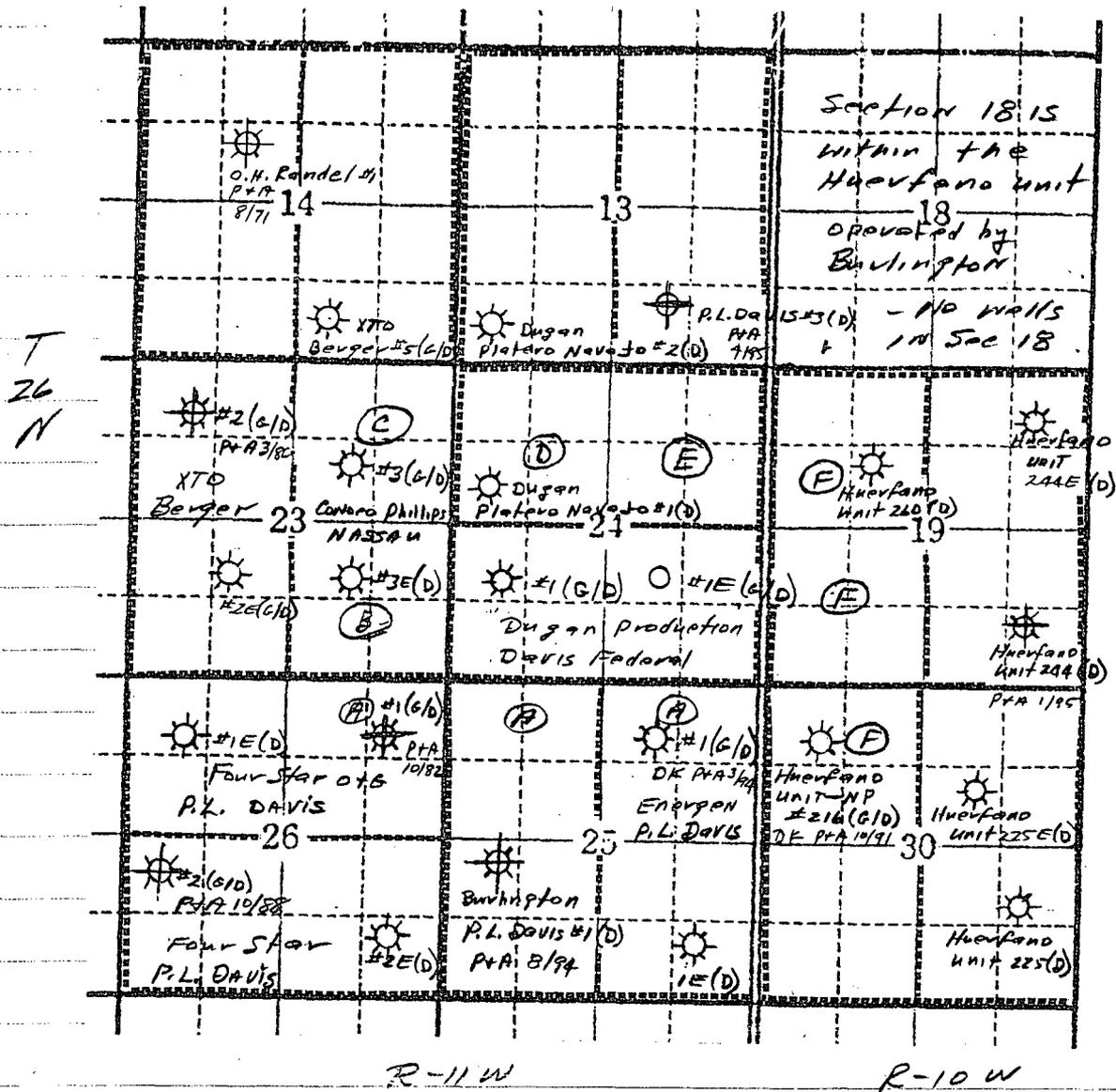
16	Section 24			<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>John D. Roe</i></p> <p>Signature John D. Roe Printed Name Engineering Manager Title April 8, 2003 Date</p>
<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>February 26, 2001 Date of Survey</p> <p>Signature and Seal Edgar L. Hoover Certificate Number</p>				

Standard 640-ac Section

Attachment #2

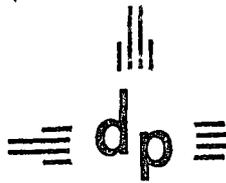
off-Set Lease + Well Information

Dugan Production Corp's Davis Federal No 1E



offset Leases:

- (A) N/2 Sec. 25 + NE/4 Sec 26 - Lse No. SF-078937 - Burlington Res.
- (B) SE/4 Sec 23 - Lse NOD-C-14-20-3023 - Conoco Phillips
- (C) NE/4 Sec 23 - Lse NOD-C-14-20-3022 Conoco Phillips
- (D) NN/4 + S/2 Sec. 24 - Lse SF-078937 - Dugan Production
- (E) NE/4 Sec. 24 - NOD-14-20-603-1445 - Conoco Phillips (50%) + Enargen (50%)
- (F) W/2 Sec 19 + NW/4 Sec 30 - Huerfano Unit - Burlington Resources



dugan production corp.

**SIGN & RETURN
THIS COPY**

April 11, 2003

*Attachment
No. 3*

Burlington Resources Oil & Gas Company, LP
Attn: Land Department
P. O. Box 4289
Farmington, NM 87499-4289

Energen Resources Corp.
Attn: Rich Corcoran
2198 Bloomfield Highway
Farmington, NM 87401

ConocoPhillips
Attn: Land Department
600 North Dairy Ashford
Houston, TX 77079-1175

Four Star Oil & Gas Company
Attn: Land Department
P. O. Box 845896
Dallas, TX 75284-5896

Re: Application for unorthodox location
Dugan Production's Davis Federal No. 1E
Unit J, Section 24, T-26N, R-11W
Gallegos Gallup Associated Pool
San Juan County, New Mexico

Dear Offset Operator:

Attached for your information and review is a copy of Dugan Production's application to the New Mexico Oil Conservation Division requesting an exception to Rule 2(b) of the pool rules for associated oil and gas pools which has set back requirements of 790' from section lines and 330' from quarter-quarter section lines. The subject well was permitted as a Basin Dakota infill well at an orthodox location (1620' FSL & 1610' FEL) for the Dakota and is currently being drilled. Dugan Production now desires to also complete the Gallup formation and is requesting an exception to the associated pool rules for the proposed Gallegos Gallup completion which is 30' too close to the south line and 40' too close to the east line of the NWSE quarter-quarter section line. The wellbore does satisfy the 790' setback requirement.

Should you have no objection to our requested unorthodox location, we would appreciate your signing and returning to Dugan the waiver at the bottom of this letter. Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

(Name of Operator) has received a copy of Dugan Production Corp.'s application dated 4-11-03 requesting approval for an unorthodox location of the proposed Gallegos Gallup completion in Dugan's Davis Federal No. 1E well and has no objection to the granting of the requested unorthodox location.

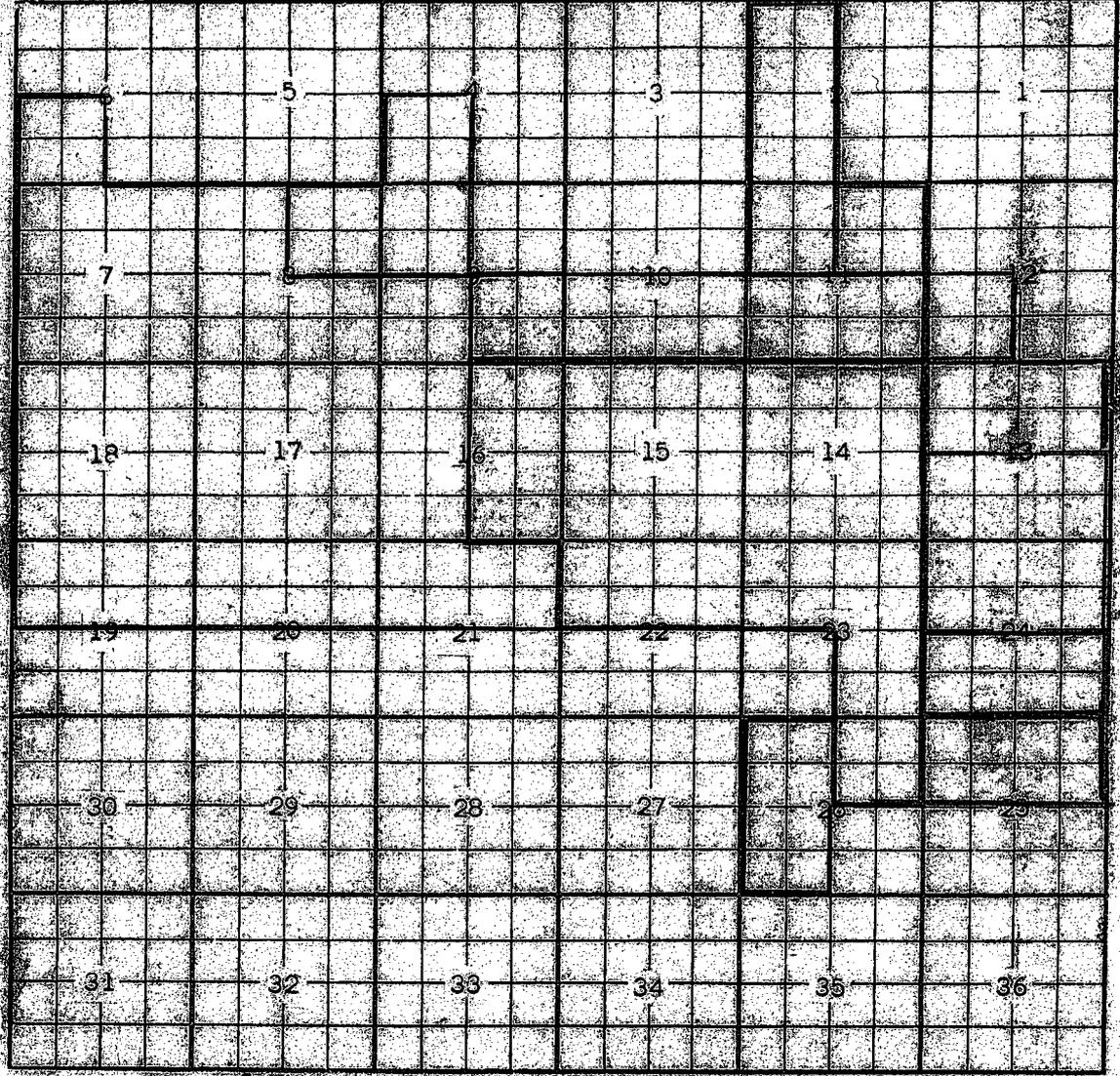
Signed by: _____

Date: _____

Printed Name: _____

County San Juan Pool Gallegos - Gallup Associated

TOWNSHIP 26 North RANGE 11 West NEW MEXICO PRINCIPAL MERIDIAN



Description: $\frac{SW}{4}$ Sec 6; All Sec 7; $\frac{NE}{4}$ $\frac{NW}{4}$ Sec 8; $\frac{SW}{4}$ Sec 9; $\frac{W}{2}$ Sec 16;
 All Sec 17 & 18; $\frac{W}{2}$ Sec 19; $\frac{W}{2}$ Sec 20; $\frac{W}{2}$ Sec 31 (R-1239, 9-1-58)
 Ext: $\frac{SW}{4}$ Sec 4; $\frac{NE}{4}$ Sec 8; $\frac{NW}{4}$ $\frac{SE}{4}$ Sec 9; $\frac{W}{2}$ Sec 10; $\frac{W}{2}$ Sec 11 (R-1356, 4-1-57)
 - All Sec 14 & 15; $\frac{W}{2}$ Sec 16; $\frac{W}{2}$ Sec 22; $\frac{NE}{4}$ $\frac{SE}{4}$ Sec 23; $\frac{NE}{4}$ Sec 26 (R-1461)
 - $\frac{W}{2}$ Sec 26 (R-1458, 2-1-61) - $\frac{S}{2}$ Sec 24 (R-4060, 3-1-72) - $\frac{W}{2}$ Sec 1; $\frac{NW}{4}$ Sec 11 (R-4925, 1-72)
 Ext: $\frac{W}{2}$ Sec 13; $\frac{W}{2}$ Sec 24 (R-5339, 2-1-77) Ext: $\frac{SW}{4}$ Sec 12 (R-2046, 8-6-82)
 Reclassify as associated pool (A-5353.)
 Ext: $\frac{NE}{4}$ Sec 11 (R-7495, 4-5-84) Ext: $\frac{N}{2}$ Sec 13; $\frac{N}{2}$ Sec 25 (R-9667, 5-6-92)