



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

May 12, 2003

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420
Attention: Kurt H. Fagrelius
kfagrelius@duganproduction.com

Telefax No. (505) 327-4613

Administrative Order NSL-4880

Dear Mr. Fagrelius:

Reference is made to the following: (i) your application dated April 4, 2002 (*administrative application reference No. pKRV0-309853720*); (ii) the New Mexico Oil Conservation Division's ("Division") initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe on April 15, 2003 requesting additional information concerning affected offsetting parties; (iii) your response by telefax on April 21, 2003 with attachments showing that the additional required notice had been properly submitted; (iv) your telephone conversation with Mr. Stogner on Monday afternoon, April 21, 2003; and (v) the Division's records in Santa Fe and Aztec: all concerning Dugan Production Corporation's ("Dugan") request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for Dugan's proposed Federal "I" Com. Well No. 102 to be drilled 270 feet from the North line and 330 feet from the East line (Lot 4/Unit A) of irregular Section 12, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

The E/2 equivalent of irregular Section 12 is to be dedicated to this well in order to form a standard 320-acre, more or less, stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629).

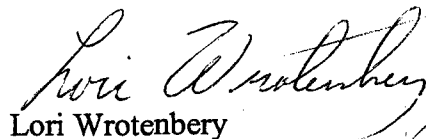
This application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*"; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the above-described

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unorthodox coal gas well location is hereby approved.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management - Farmington