



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

April 15, 2003

Lori Wrotenbery
Director
Oil Conservation Division

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

Attention: Kurt H. Fagrelus

Re: Administrative application for an exception to the well location provisions of the Basin-Fruitland Coal (Gas) Pool for Dugan Production Corporation's proposed Federal "I" Com. Well No. 102 to be drilled at an unorthodox coal gas well location within the E/2 equivalent of Section 12, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, being a standard 320-acre, more or less, stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool, 270 feet from the North line and 330 feet from the East line (Lot 4/Unit A) of irregular Section 12.

Dear Mr. Fagrelus:

This letter acknowledges your administrative application dated April 4, 2003 for the above described well to be drilled at an unorthodox coal gas well location in the Basin-Fruitland Coal (Gas) Pool. The Division received your application on April 7, 2003, and assigned it **NMOCD administrative application reference No. pKRV0-309853720**. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in your application is not sufficient to process an administrative order at this time. It appears that your application is incomplete with respect to notice. Please refer to: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended; and (ii) Division Rule 1207.A (2), see copies attached. The introduction sentence for Division Rule 1207.A (2) (a) states:

"Affected persons are the following persons owning interests in the adjoining spacing units".

According to the information provided Richardson Operating Company owns 100% of the working interest in the SW/4 of Section 6, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico. This 160-acre area is not representative of a "spacing unit" in the Basin-Fruitland Coal (Gas) Pool. Since, as alluded to earlier, there is no coal gas well and established spacing unit, either lay-down or stand-up, in Section 6; the working interest underlying both the NW/4 and SE/4 of Section 6 are required to be notified in order to complete this application.

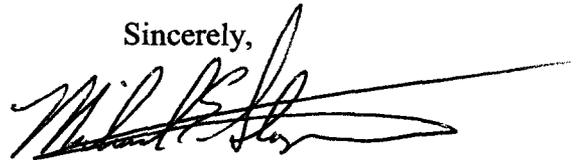
Dugan Production Corporation
April 15, 2003
Page 2

Since the submitted information is insufficient to review, the application was ruled as incomplete on April 15, 2003. Please submit the above stated information by Thursday, April 24, 2003.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465 or e-mail me at "mstogner@state.nm.us." Thank you.

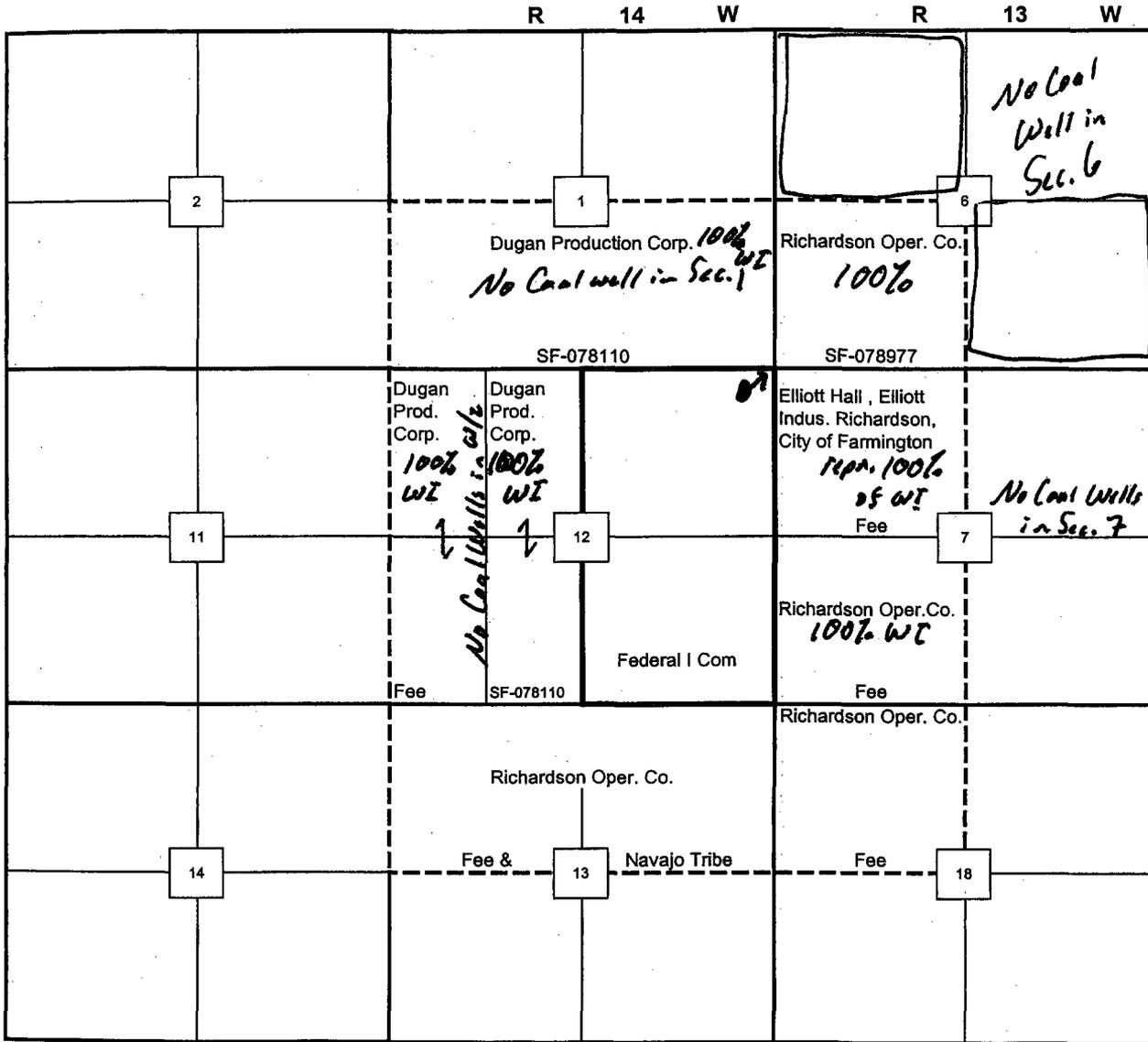
Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Aztec
William F. Carr, Legal Counsel for Dugan Production Corporation - Santa Fe

DUGAN PRODUCTION CORP.
 Federal I Com # 102
 Application for Unorthodox Location
 Basin Fruitland Coal Pool



Offsetting Operators and Mineral Owners Map
 All Offsetting Operators are Working Interest owners

- Spacing Unit
- Offsetting notification area