



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 10, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

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

Attention: **Kurt H. Fagrelus**
kfagrelus@duganproduction.com

Administrative Order NSL-5217

Dear Mr. Fagrelus:

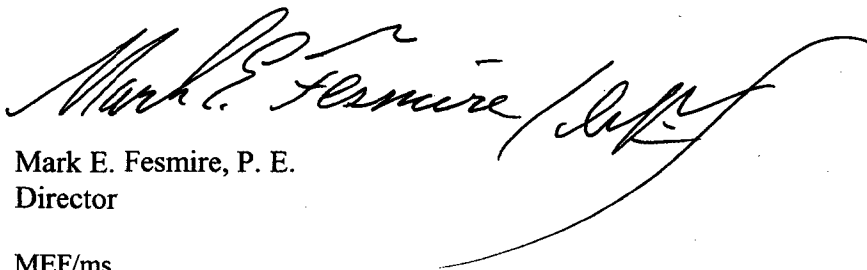
Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on May 20, 2005 (*administrative application reference No. pSEM0-514328485*); and (ii) the Division's records in Aztec and Santa Fe: all concerning Dugan Production Corporation's request for an exception to Division Rule 104.C (3) for its existing Federal "T" Well No. 101 (**API No. 30-045-31785**) recently drilled at an unorthodox Fruitland sand/Pictured Cliffs gas well location 660 feet from the South line and 2085 feet from the West line (Unit N) of Section 1, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

The SW/4 of Section 1 is to be dedicated to this well in order to form a standard 160-acre gas spacing unit within the Harper Hill Fruitland Sand-Pictured Cliffs Pool (**78160**).

Your application has been duly filed under the provisions of Division Rule 104.F and 1207.A (2).

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Fruitland sand/Pictured Cliffs gas well location for the Federal "T" Well No. 101 is hereby approved.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

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