



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

May 11, 1998

Taurus Exploration U.S.A., Inc.
2198 Bloomfield Highway
Farmington, New Mexico 87401
Attention: Richard P. Corcoran

Administrative Order NSL-4031(NSP)

Dear Mr. Corcoran:

Reference is made to your application dated April 14, 1998: (i) for an unorthodox gas well location in both the Blanco-Mesaverde and Basin-Dakota Pools for Taurus Exploration U.S.A., Inc.'s proposed San Juan "32-5" Unit Well No. 9-M to be drilled 2330 feet from the South line and 1048 feet from the East line (Lot 3/Unit I) of irregular Section 30, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico; and, (ii) to reinstate the previously approved non-standard 345.59-acre gas spacing and proration units ("GPU") in both the Blanco-Mesaverde and Basin-Dakota Pools comprising all of irregular Sections 30 and 31, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

By Division Order No. R-1714, dated July 7, 1960, said 345.59-acre GPU was initially established and had dedicated thereon the San Juan "32-5" Unit Well No. 9 located 990 feet from the North line and 713 feet from the East line (Lot 2/Unit H) of said Section 31. By Division Order No. R-1722, dated July 21, 1960, gas production from the Basin-Dakota Pool in said well was dedicated to the same GPU. In 1978, when the San Juan "32-5" Unit Well No. 9 was plugged and abandoned, this 345.59-acre non-standard GPU ceased to exist.

The subject 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. Further, the reinstatement of the applicable provisions that approved the subject GPU in both the Blanco-Mesaverde and Basin-Dakota Pools would serve to prevent waste and protect correlative rights, and is in the best interest of conservation.

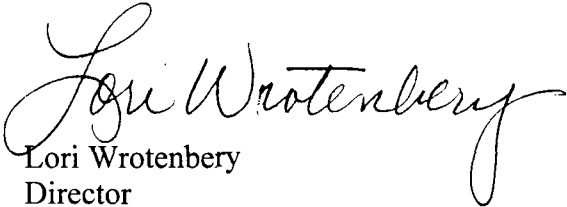
By the authority granted me under the provisions of Rule 2(d) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Blanco-Mesaverde Pool/Special Rules and Regulations for the Basin-Dakota Pool*," as promulgated by Division Order No. R-8170, as amended, the above-described unorthodox gas well location in both the Blanco-Mesaverde and Basin-Dakota Pools for the San Juan "32-5" Unit Well No. 9-M is hereby approved. The previously approved non-standard 345.59-acre GPU in both the Blanco-Mesaverde and Basin-Dakota Pools comprising all of irregular Sections 30 and 31, Township 32 North, Range 5 West, NMPM, Rio Arriba County, New Mexico is to be dedicated to said well.

All provisions of Division Order Nos. R-1714 and R-1722 not in conflict with this order shall remain in full force and effect until further notice.

Administrative Order NSL-4031(NSP)
Taurus Exploration U.S.A., Inc.
May 11, 1998
Page 2

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems necessary.

Sincerely,


Lori Wrotenberg
Director

LW/MES/kv

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