



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

September 8, 1998

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420
Attention: Kurt Fagerlius

Administrative Order NSL-4131

Dear Mr. Fagerlius:

Reference is made to your application dated August 7, 1998 for an exception to the well location requirements provided within the "Special Rules and Regulations for the Basin-Dakota Pool," as promulgated by Division Order No. R-10987, for a non-standard Basin-Dakota replacement gas well location in an existing standard 320-acre lay-down gas spacing and proration unit for the Basin-Dakota Pool comprising the S/2 of Section 10, Township 26 North, Range 9 West, NMPM, San Juan County, New Mexico. This unit is currently dedicated to Dugan Production Corporation's Huerfanito Well No. 5-E (API No. 30-045-29465), located a standard gas well location 1850 feet from the South and East lines (Unit J) of Section 10.

Initial development of Basin-Dakota gas production within the subject 320-acre unit commenced in 1964 when Austral Oil Company Incorporated drilled its Huerfanito Well No. 5 (API No. 30-045-05912) at a standard gas well location 1190 feet from the South line and 1450 feet from the West line (Unit N) of Section 10. In June, 1998 Dugan Production Corporation, successor operator, plugged and abandoned the Huerfanito Well No. 5.

The application has been duly filed under the provisions of Rules 104.F and 605.B of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division Rule 104.F(2), the following described well to be drilled at an unorthodox gas well location in Section 10 is hereby approved:

**Huerfanito Well No. 5-R
840' FSL & 2490' FWL (Unit N).**

Further, both of the aforementioned Huerfanito Well Nos. 5-E and 5-R and existing gas spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

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