



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 26, 2003

Lori Wrotenbery

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-4970

Dear Mr. Fagrelus:

Reference is made to the following: (i) your original application dated October 8, 2003 (*administrative application reference No. pMES0-330148058*), but was not filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe until October 27, 2003; (ii) the Division's initial response by letter dated November 21, 2003 from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe **denying** this application; (iii) your re-submittal of this application to the Division on December 1, 2003; (vi) the Division's records in Aztec and Santa Fe; and (v) Mr. Dave Polk's voice-mail message left for Mr. Stogner late Wednesday morning, December 24, 2003, seeking information on the status of your application: 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 Sly Slav Com. Well No. 90-S (API No. 30-045-31958) to be drilled at an unorthodox coal gas well location 866 feet from the South line and 237 feet from the East line (Unit P) of Section 13, Township 30 North, Range 15 West, NMPM, San Juan County, New Mexico.

The E/2 of Section 13 is to be dedicated to this well in order to form a standard 320-acre Lay-down 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 unorthodox coal gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/mes

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