



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

November 20, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Conoco, Inc.
600 N. Dairy Ashford - Dubai 3066
Houston, Texas 77079
Attention: Deborah Marberry

Administrative Order NSL-4526

Dear Ms. Marberry:

Reference is made to the following: (i) your initial application dated October 5, 2000; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter dated November 13, 2000 from Mr. Michael E. Stogner, Engineer in Santa Fe; (iii) your telefaxed response on November 16, 2000 with the required information to complete this application; and (iv) the records of the Division in Aztec and Santa Fe: all concerning Conoco, Inc.'s request 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-B, dated June 30, 2000, as amended by Division Order No. R-10987-B (1), dated August 10, 2000, for a non-standard Basin-Dakota replacement gas well location within a former standard 320-acre stand-up gas spacing and proration unit for the Basin-Dakota Pool comprising the W/2 of Section 29, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

This application has been duly filed under the provisions of Division Rules 104.F and 605.B.

It is our understanding that initial development of Basin-Dakota gas production within this 320-acre unit commenced in 1974 when El Paso Natural Gas Company ("El Paso") drilled its San Juan "28-7" Unit Well No. 238 (**API No. 30-039-21023**) at a standard gas well location 1000 feet from the South line and 1600 feet from the West line (Unit N) of Section 29. Basin-Dakota gas production ceased in this well in 1981 and in January, 1998 this well was plugged and abandoned. In 1993, Amoco Production Company, successor operator to El Paso in this unit drilled its San Juan "28-7" Unit Well No. 238-R (**API No. 30-039-25336**), located at a standard gas well location 1500 feet from the South line and 1640 feet from the West line (Unit K) of Section 29, as a replacement well to the No. 239 well. The Dakota interval in this well was subsequently abandoned in 1998 and the well is currently producing from the Basin-Fruitland Coal (Gas) Pool.

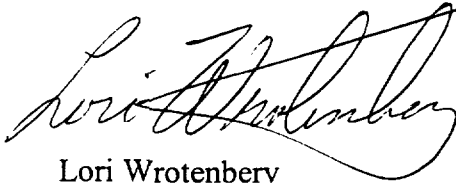
Further, all of Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico is within the participating area for Dakota production in the San Juan "28-7" Unit; therefore, at this time, the correlative rights of those mineral interest owners immediately surrounding the W/2 of Section 29 appear to be adequately protected by the San Juan "28-7" Unit Agreement.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled as a replacement well within this former 320-acre unit at an unorthodox gas well location is hereby approved:

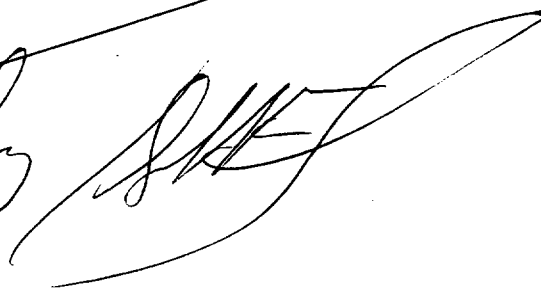
**San Juan "28-7" Unit Well No. 238-F
125' FSL & 2330' FWL (Unit N).**

The aforementioned San Juan "28-7" Unit Wells No. 238-F and its assigned 320-acre 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
New Mexico State Land Office - Santa Fe