



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 24, 1939

Dugan Production Corp.
P.O. Box 5820
Farmington, NM 87499-5820

Attention: Richard Corcoran, Landman

RE: Administrative Application for a
158.57-acre non-standard gas
proration unit, Western Federal Well
No. 9, E-7-26N-11W, Basin-Fruitland
Coal (Gas) Pool, San Juan County,
New Mexico.

Dear Mr. Corcoran:

We are reviewing your application for a non-standard proration unit consisting of Lots 1 and 2 and the E/2 NW/4 of said Section 7 for the above well. Because this office is concerned that the granting of this application may impair correlative rights or result in waste, we cannot grant your application at this time.

In order to resolve those questions, this matter can be set for hearing. In lieu thereof, if you would provide information showing what impact the formation of a standard proration unit would have on the equities in the existing well, we could reconsider this preliminary decision. The information which would be necessary to satisfy this request would include:

1. ownership in the existing proration unit (royalty, override and working interests);
2. ownership in tracts which could be consolidated with the existing proration unit to form a standard proration unit (either a N/2 or W/2 dedication);
3. other wells within a possible standard proration unit; and
4. any other information which you believe may be helpful in this evaluation.

Set for Hearing 3/11/89 if not heard from.

Dugan Production Corporation
February 24, 1989
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If you provide this information within 15 days, we will re-evaluate the application. If not, we will set it for hearing at the next possible examiner hearing date.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", is written over a horizontal line.

Michael E. Stogner
Engineer

cc: William J. LeMay
Oil Conservation Division - Aztec