

dugan production corp.

September 24, 2001

Mr. David Catanach
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Steve Henke
Bureau of Land Management-FFO
1235 La Plata Highway
Farmington, NM 87401

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Re: Dugan Production's application dated 9-6-01
Surface commingling and off-lease measurement
Proposed Big Band Gas Gathering System
San Juan County, NM



Dear Mr. Catanach and Mr. Henke,

In the captioned application, eight of the nine wells were reported as being completed in the Bisti Chacra pool (Pool No. 96166) and two were completed in the Basin Fruitland Coal Pool (Pool No. 71629). Subsequent to our application, we discovered that NMOCD Order R-11445, dated 9-5-00, extended the Rusty Chacra pool (Pool No. 84360) to include the Chacra spacing units, or lands adjacent to the spacing units, for each of these eight wells. Thus what we were calling Bisti Chacra is now Rusty Chacra.

I have attached a revised Attachment No. 2 which reflects the change in pool names. Also attached are copies of revised C-102 plats for each well reflecting the change in pool names. These plats were presented as Attachment No. 3 in our application.

Please substitute the attached revised pages for those submitted with our initial application. Sorry for any inconvenience this may cause.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

xc: Mr. Steve Hayden - Aztec NMOCD

ATTACHMENT NO. 2 (Revised 9-24-01) (5)
DUGAN PRODUCTION CORP.
PROPOSED BIG BAND GATHERING SYSTEM AND CDP
SAN JUAN COUNTY, NEW MEXICO

Well Name	API Number 30-045-	Well Location		Well Location		CA Number	Pool (5)	Completion Date	Current Prod.			Spacing Unit
		UL-Sec-Twn-Rng	Lease No.	Lse Type					MCFD	BC/D	(1) BW/D	
WELLS TO BE ADDED TO SYSTEM												
Billie No. 2	23386	L-35-22N-8W	NM-8902	Federal		N/A	Rusty Chacra Ext.	1/31/81	117	0	1	SW/4-160A
Dorsey No. 1	29909	E-26-22N-8W	NM-90472	Federal		N/A	Rusty Chacra	12/1/99	100	0	1	NW/4-160A
Ellington No. 1	29907	N-26-22N-8W	NM-94067	Federal		N/A	Rusty Chacra	10/6/99	179	0	0	SW/4-160A
Goodman No. 2	29191	L-23-22N-8W	NM-90471	Federal		N/A	Rusty Chacra Ext.	1/4/95	184	0	0	SW/4-160A
Goodman No. 3 (2)	pending	I-23-22N-8W	NM-90471	Federal		N/A	Rusty Chacra	Location	100	0	0	SE/4-160A
James No. 1	29910	I-24-22N-8W	NM-93253	Federal		N/A	Rusty Chacra	12/31/99	100	0	0	SE/4-160A
James No. 2 (2)	pending	L-24-22N-8W	NM-93253	Federal		N/A	Rusty Chacra	Location	100	0	0	SW/4-160A
Zappa No. 3 (3)	29908	P-27-22N-8W	NM-57445	Federal		N/A	Rusty Chacra & Basin FR Coal	12/2/99	60	0	12	SE/4 & S/2
Zappa No. 91 (4)	29997	A-27-22N-8W	NM-57445	Federal		N/A	Basin Fruitland Coal	2/2/01	30	0	30	N/2-320A

Notes:

N/A - Not applicable or not needed.

1. Since all wells proposed for this gathering system have been shut in since completion, the production data reflects either the initial potential test or results from short term production testing subsequent to the initial completion testing. Rates for undrilled wells represent estimated initial potential.
2. APD submitted 8/8/01.
3. Zappa No. 3 was completed in the Bisti Chacra 12/2/99 with a SE/4-160A spacing unit. The Basin Fruitland Coal was perforated and fracture stimulated on 1/29/01 in conjunction with the Chacra frac job. The well is currently being production tested with the Bisti Chacra and Basin Fruitland Coal being downhole commingled (DHC-2673). The Fruitland Coal spacing unit comprises the S/2-320A and the unorthodox SE/4 Fruitland Coal completion is authorized by Administrative Order NSL-4418. Commingled gas production is allocated 50% each to the Chacra and Fruitland Coal. Commingled water production is allocated 20% Chacra and 80% Fruitland Coal. We are pumping 125-140 BWPD and gas production has increased from nothing to ±3 mcf/d and appears to be exhibiting performance typical to dewatering Fruitland Coal. We anticipate 30 to 60 mcf/d plus 6 to 12 BWPD as dewatering progresses.
4. Rod pump artificial lift equipment was installed 2/22/01 and a rate of 5 mcf/d plus 30 BWPD was tested on 6/1/01. Based upon testing to date, the performance appears to be typical for dewatering Fruitland Coal. We anticipate ±30 mcf/d as dewatering progresses.
5. The Chacra completions in all wells were initially reported to be in the Bisti Chacra Pool (NMOCD Pool No. 96166). NMOCD Order R-11445 dated 9-5-00 extended the Rusty Chacra Pool (NMOCD Pool No. 84360) to include the spacing units or lands adjacent to the spacing units for each of these wells. No other changes were made to the wells or completion intervals.

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer CD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-1
Revised February 21, 1997

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

*Revised
Amendment
No. 3
8870110*

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30 045		*Pool Code 84360	*Pool Name Rusty Chacra
*Property Code	*Property Name JAMES		*Well Number 2
*CGRID No. C06515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6688'

10 Surface Location

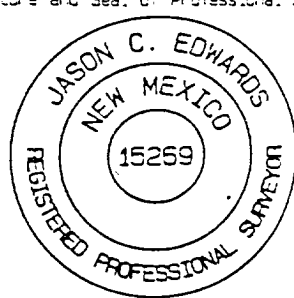
UL or lot no. L	Section 24	Township 22N	Range 8W	Lot Ion	Feet from the 1885	North/South line SOUTH	Feet from the 1000	East/West line WEST	County SAN JUAN
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
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*Dedicated Acres 160 ACRES - (SW/4)		*Joint or Infill	*Consolidation Code	*Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

15 2634.72' 2640.00' 5334.78' 5347.32' 1000' 1885' 5243.70' 24 Dugan Production Corp. NM - 93253		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature John D. Roe Printed Name Engineering Manager Title September 24, 2001 Date 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: JUNE 28, 2001 Signature and Seal of Professional Surveyor  <i>JASON C. EDWARDS</i> Certificate Number 15259
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