dugan production corp.

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BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

March 25, 1985

Bureau of Land Management
Caller Service 4104
Farmington, NM 87499

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APR 01 1985
OIL CON. DIV.
DIST. 3

RE: Request for Approval to vent casinghead gas
Dugan Production Corp. - Pacheco #1 Well
Navajo Lease No. NOO-C-20-5542
NW/4 NE/4, Section 13, T24N, R9W, NMPM
San Juan County, NM

Gentlemen:

Dugan Production Corp. hereby requests authorization to vent casinghead gas from the captioned well for an indefinite period of time. The Pacheco #1 was completed July 6, 1984 with an initial potential pumping 50 BOPD, 25 BLWD and 35 MCFD. The pay interval is in the Gallup sand with a total of 60 perforations. Actual production performance to date has been disappointing with production during the last five months of 1984 averaging 5.5 BOPD, 0.5 BWPD and 7.8 MCFD. The lease fuel requirements for the pumping unit motor and the separator are approximately-5 MCFD. The volume of gas we ask approval to vent would be around 3 MCFD.

The subject well is situated in a relatively undeveloped area of the San Juan Basin. Our experience with other Gallup wells in the general vicinity indicates a production decline for the first year of 45% - 50% with a stabilized decline of 10% - 15% thereafter. For the economic analysis we chose a first year decline of 45% with a decline of 13%/ year thereafter.

The nearest pipeline to the Pacheco #1 is approximately 6000' to the North-Northeast.

Table 1 illustrates the prospective cash flow derived from the subject well. This marginally productive well will likely never pay out the initial drilling and completion costs. Gas operations will not justify the expenditures necessary to obtain a pipeline connection and the combined oil and gas revenues do not generate enough to payout the total initial experditures.

MOVED
MAR 28 1985

The present gas market conditions in the San Juan Basin makes negotiations with gas transporters nearly hopeless. Very little interest has been shown by pipeline companies in connecting marginal gas producing wells.

for ELLENBACH

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87499 • PHONE: (505) 325-1821

NMOCD