

dugan production corp.

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DEC 11 1986

December 10, 1986

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

Bureau of Land Management
Caller Service 4104
Farmington, NM 87499

Attn: Mr. Ron Fellows

Re: Permission to Vent Casinghead Gas
Dugan Production Corp's
Blackrock Federal "B" No. 2
Federal Lease No. SF-078899
NW/4 SE/4 Section 8, T26N, R11W, NMPM
Gallegos Gallup Field
San Juan County, NM

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DEC 19 1986
OIL CON. DIV.
DIST. 3

Dear Mr. Fellows:

We are writing to request permission to vent (for a temporary period of time) casinghead gas which is produced in association with oil production from the captioned well. Our request to vent casinghead gas is the result of current gas market conditions and the fact that El Paso Natural Gas Company's (EPNG's) Chaco Plant (which processes gas from the subject well) was shut down on October 31, 1986, and EPNG is unable to give us a date which they plan to resume operations at their Chaco Plant.

The Blackrock Federal "B" No. 2 was completed on August 10, 1957 from perforations in the Gallup formation 5123' - 5379'. As of November 1, 1986 we have produced 71,203 BO. During the first 10 months of 1986, production averaged 2.2 BOPD + 31.3 MCFD, of which 5.1 MCFD was utilized for lease fuel and 26.2 MCFD was sold. The Blackrock Federal "B" No. 2 has a history of heavy paraffin deposition and during periods of shut-in, the rods and pump become stuck, requiring that the rods and tubing be pulled and the tubing be cleaned prior to returning the well to production. Thus, during the shut-in of El Paso's Chaco Plant, rather than shutting-in the Blackrock Federal "B" No. 2, Dugan Production desires to continue producing the Blackrock Federal "B" No. 2 and vent the associated casinghead gas production in lieu of shutting-in the well and risking an expensive work-over prior to returning the well to production at some future date when EPNG resumes operations at their Chaco Plant.

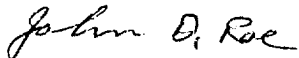
cc: ADO
operator
NM000 (2) ✓
3162, 7-3

Letter to BLM - Attn: Ron Fellows
Blackrock Federal "B" No. 2
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Your favorable consideration of our request to vent gas will allow not only a continued revenue flow for Dugan Production, but also to the state and federal government in the form of production taxes and royalty. Again, we are requesting permission to vent gas only while El Paso's Chaco Plant is inoperative (or we secure some other market), and upon El Paso's returning their plant to operation, we would resume the sale of casinghead gas from this well.

Should you have any questions regarding this matter, please feel free to contact Barbara Williams or me.

Sincerely,




John D. Roe
Petroleum Engineer

JDR/cg

APPROVED

DEC 17 1986


John Skala
AREA MANAGER