

CASE 7375: DUGAN PRODUCTION CORPORATION
FOR DOWNHOLE COMINGLING, SAN JUAN
COUNTY, NEW MEXICO

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DOCKET MAILED
Date 10/9/81

Case No.

7375

Application

Transcripts.

Small Exhibits

ETC

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
19 November 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production
Corporation for downhole commingling,
San Juan County, New Mexico.

CASE
7375

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STAMETS: Case 7375.

MR. PEARCE: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico.

MR. STAMETS: Any further testimony in this case?

The case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete and correct transcript of the proceedings in the Examination Hearing of Case No. 7375, heard by me on 11-19, 1981.

Richard R. Stamm, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

November 25, 1981

Mr. Tommy Roberts, Landman
Dugan Production Corporation
P. O. Box 208
Farmington, New Mexico 87401

7375
Re: CASE NO. ~~R-6824~~
ORDER NO.

Applicant:
Dugan Production Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u> </u>	x
Artesia OCD	<u> </u>	x
Aztec OCD	<u> </u>	

Other _____

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7375
Order No. R-6824

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 21, 1981, at Santa Fe, New Mexico, before Examiner Richard I. Stamets.

NOW, on this 24th day of November, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Dugan Production Corporation, is the owner and operator of the McAdams Well No. 2, located in Unit P of Section 34, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant seeks authority to commingle Angel Peak-Gallup and Basin-Dakota production within the wellbore of the above-described well.
- (4) That from the Angel Peak-Gallup zone, the subject well is capable of low marginal production only.
- (5) That from the Basin-Dakota zone, the subject well is capable of low marginal production only.
- (6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

-2-

Case No. 7375

Order No. R-6824

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the well, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to commingle Angel Peak-Gallup and Basin-Dakota production within the wellbore of the McAdams Well No. 2, located in Unit P of Section 34, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells.

(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

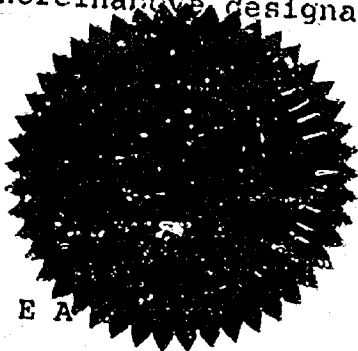
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-3-

Case No. 7375
Order No. R-6824

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DONE at Santa Fe, New Mexico, on the day and year
hereinafter designated.



S E A

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY,
Director

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
21 October 1981

IN THE MATTER OF:

Application of Dugan Production
Corporation for downhole com-
migling, San Juan County, New
Mexico.

CASE
7375

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Tommy Roberts, Esq.
Dugan Production Corporation
Farmington, New Mexico

I N D E X

THOMAS A. DUGAN

Direct Examination by Mr. Roberts	3
Cross Examination by Mr. Stamets	7
Questions by Mr. Chavez	8

E X H I B I T S

Applicant Exhibit One, Test	4
Applicant Exhibit Two, Sketch	4
Applicant Exhibit Three, Sketch	4
Applicant Exhibit Four, Map	5
Applicant Exhibit Five, Curve	5
Applicant Exhibit Six, Curve	5

1
2 MR. STAMETS: We will then call Case
3 7375.

4 MR. PEARCE: Application of Dugan Pro-
5 duction Corporation for downhole commingling, San Juan County,
6 New Mexico.

7 MR. STAMETS: Please have the record
8 reflect the same appearances and qualifications.
9

10 THOMAS A. DUGAN
11 being called as a witness and being previously sworn upon
12 his oath, testified as follows, to-wit:
13

14 DIRECT EXAMINATION

15 BY MR. ROBERTS:

16 Q Mr. Dugan, are you familiar with the
17 application in this case?

18 A Yes.

19 Q Would you please briefly explain the
20 purpose of the application?

21 A The purpose of the application is to
22 secure downhole commingling on the McAdams No. 2 Well, which
23 is dually completed in the Angel Peak Gallup and the Basin
24 Dakota Pool.

25 Q What is the present status of this well?

1
2 A. The present status is the well is pro-
3 ducing. It has had a long history of production and has
4 recently had communication between the two zones. We feel
5 it's uneconomical to repair the leak and we are seeking ap-
6 proval to commingle both zones downhole.

7 Q. Would you identify Exhibit Number One?

8 A. Exhibit Number One is a packer leakage
9 test that was taken some time ago. The purpose of submitting
10 it is to show the drainage pressures being low and very little
11 difference between the two zones.

12 The three-day shut-in Gallup pressure
13 was 155 and the three-day shut-in Dakota pressure was 225.

14 Q. Would you refer to what's been marked
15 as Exhibit Number Two and identify and explain the signifi-
16 cance of that exhibit?

17 A. It's a diagrammatic sketch of the well-
18 bore showing the way it was completed.

19 Q. Please refer to what's been marked as
20 Exhibit Number Three and identify that exhibit.

21 A. This is the sketch showing the offset
22 operators and the proration unit of the McAdams No. 2.

23 MR. STAMETS: Tom, is that, is the unit
24 the same for both zones, or is there a different unit for
25 the Gallup?

1
2 A. I believe it's the same for both zones,
3 but I'm not sure. Another person looked that special rule
4 up, R-11357, and I didn't really read it.

5 Q. All right. Would you refer to Exhibit
6 Number Four and identify that exhibit?

7 A. Okay. Exhibit Number Four is a map
8 showing the location of the McAdams lease and also showing
9 other wells in the vicinity of the lease. It also shows the
10 cumulative production and the 1980 production for the wells
11 in the area.

12 It would indicate that the majority of
13 the wells are fairly well depleted with rather low productivi-
14 ties from the Dakota. And on the reverse side is the pro-
15 duction from the Gallup zone.

16 Q. Please refer to Exhibits Five and Six
17 and identify those exhibits.

18 A. These are decline curves for both zones
19 for the McAdams 2 Well, showing the production over a number
20 of years.

21 Q. What conclusions may be drawn from the
22 decline curves relative to this application?

23 A. That the wells are in the last stage of
24 production and would not be economical to go to the trouble
25

1
2 of repairing the downhole leak that has occurred.

3 Q Can you elaborate on the economics of
4 the -- of the options of repairing the leak as to commingling
5 in the wellbore?

6 A It would probably cost \$25,000 to repair
7 the leak if you had any luck, and if you had to kill the well,
8 you might have difficulty in getting it back.

9 If we commingle in the wellbore it would
10 be a small cost of perforating the Dakota tubing string and
11 producing both zones through the Dakota tubing string.

12 Q Is the ownership of each zone common?

13 A Yes.

14 Q Do you propose a formula for the alloca-
15 tion of production as to the respective zones?

16 A I haven't figured one, but I would sug-
17 gest that -- that Frank Chavez and I sit down and figure one
18 on the -- between the -- using the decline curves from both
19 zones.

20 Q Mr. Dugan, were Exhibits One through
21 Six either prepared by you or at your direction and under
22 your supervision?

23 A Yes.

24 MR. ROBERTS: We move admission of Ex-
25 hibits One through Six into the record.

1
2 MR. STAMETS: The exhibits will be ad-
3 mitted.

4 Q Mr. Dugan, in your professional opinion
5 will the commingling of production in the wellbore of this
6 well result in the recovery of additional hydrocarbons, the
7 prevention of waste, and the protection of correlative rights?

8 A Yes.

9 MR. ROBERTS: I have no other questions.

10
11 CROSS EXAMINATION

12 BY MR. STAMETS:

13 Q Mr. Dugan, I believe Exhibits Five and
14 Six are monthly production figures?

15 A Yes, sir.

16 Q Okay. And then what will you do to this
17 well to effect the downhole commingling?

18 A I think we plan to go in and perforate
19 the Dakota tubing string opposite the Gallup horizon and pro-
20 duce both zones through the Dakota tubing string.

21 Q Okay.

22 MR. STAMETS: Any other questions of
23 the witness?
24
25

1
2 QUESTIONS BY MR. CHAVEZ:

3 Q Mr. Dugan, aren't there other wells com-
4 mingled in these same two formations in the area?

5 A Yes, sir, on this same lease the McAdams
6 3 is, we have permission to commingle it.

7 MR. CHAVEZ: That's all I have.

8 MR. STAMETS: Any other questions of the
9 witness? He may be excused.

10 Anything further in this case?

11 The case, then, will be continued to the
12 19th Examiner Hearing.

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14 (Hearing concluded.)
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C E R T I F I C A T E

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I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7375 heard by me on 10-7-1981.

Richard H. Stamm, Examiner
Oil Conservation Division

3-NMOC (A2Tee)

1-11-80

Revised 11-1-58

This form is not to be used for reporting packer leakage tests in Southeast New Mexico

NEW MEXICO OIL CONSERVATION COMMISSION
NORTHWEST NEW MEXICO PACKER-LEAKAGE TEST

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Operator DUGAN PRODUCTION CORP Lease McADAMS Well No. 2
Location of Well: Unit P Sec. 34 Twp. 27N Rge. 10W County SAN JUAN
Type of Prod. (Oil or Gas) GAS Method of Prod. (Flow or Art. Lift) Flow Prod. Medium (Tbg. or Csg.) Tbg.

Name of Reservoir or Pool	Type of Prod. (Oil or Gas)	Method of Prod. (Flow or Art. Lift)	Prod. Medium (Tbg. or Csg.)
Upper Completion <u>GALLUP</u>	<u>GAS</u>	<u>Flow</u>	<u>Tbg.</u>
Lower Completion <u>DAKOTA</u>	<u>GAS</u>	<u>Flow</u>	<u>Tbg.</u>

PRE-FLOW SHUT-IN PRESSURE DATA			
Upper Compl	Hour, date <u>12:30 P.M.</u>	Length of time shut-in <u>3 days</u>	SI press. psig <u>155</u> Stabilized? (Yes or No)
Lower Compl	Hour, date <u>12:30 P.M.</u>	Length of time shut-in <u>3 days</u>	SI press. psig <u>225</u> Stabilized? (Yes or No)

FLOW TEST NO. 1				Zone producing (Upper or Lower):
Commenced at (hour, date)*	Lapsed time since*	Pressure	Prod. Zone	Remarks
Time (hour, date)		Upper Compl. Lower Compl.	Temp.	
<u>2:00 P.M.</u> <u>2-6-80</u>	<u>1 day</u>	<u>155</u> <u>195</u>		
<u>3:15 P.M.</u> <u>2-7-80</u>	<u>2 days</u>	<u>155</u> <u>180</u>		

Production rate during test
Oil: _____ BOPD based on _____ Bbls. in _____ Hrs. _____ Grav. _____ GOR _____
Gas: 124 MCFPD; Tested thru (Orifice or Meter): _____

MID-TEST SHUT-IN PRESSURE DATA			
Upper Compl	Hour, date	Length of time shut-in	SI press. psig
Lower Compl	Hour, date	Length of time shut-in	SI press. psig

FLOW TEST NO. 2				Zone producing (Upper or Lower):
Commenced at (hour, date)**	Lapsed time since **	Pressure	Prod. Zone	Remarks
Time (hour, date)		Upper Compl. Lower Compl.	Temp.	

Application For Downhole Commingling
Dugan Production Corp.
McAdams #2 Well
Unit P, Sec. 34, T-27-N, R-10-W
San Juan County, New Mexico
Case No. 7375
Exhibit No. 1

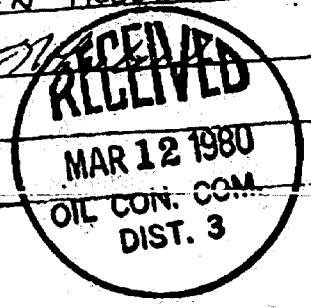
Production rate during test
Oil: _____ BOPD based on _____ Bbls. in _____ Hrs. _____ Grav. _____ GOR _____
Gas: _____ MCFPD; Tested thru (Orifice or Meter): _____

REMARKS:

I hereby certify that the information herein contained is true and complete to the best of my knowledge.

Approved: MAR 12 1980 19
New Mexico Oil Conservation Commission
By Frank E. Dargatzis
Title SUPERVISOR DISTRICT #3

Operator DUGAN PRODUCTION CORP
By Maureen McAdams
Title AGENT
Date 3-11-80



NORTHWEST NEW MEXICO OIL AND GAS CONSERVATION COMMISSION TEST INSTRUCTIONS

1. A packer leakage test shall be commenced on a well which has been completed within seven days after actual completion of the well, and annually thereafter as prescribed by the order authorizing the multiple completion. Such tests shall also be commenced on all multiple completions within seven days following recompletion and/or chemical or fracture treatment, and whenever remedial work has been done on a well during which the packer or the tubing have been disturbed. Tests shall also be taken at any time that communication is suspected or when requested by the Commission.
2. At least 72 hours prior to the commencement of any packer leakage test, the operator shall notify the Commission in writing of the exact time the test is to be commenced. Offset operators shall also be so notified.
3. The packer leakage test shall commence when both zones of the dual completion are shut-in for pressure stabilization. Both zones shall remain shut-in until the well-head pressure in each has stabilized, provided however, that they need not remain shut-in more than seven days.
4. For Flow Test No. 1, one zone of the dual completion shall be produced at the normal rate of production while the other zone remains shut-in. Such test shall be continued for seven days in the case of a gas well and for 24 hours in the case of an oil well. Note: If, on an initial packer leakage test, a gas well is being flowed to the atmosphere due to the lack of a pipeline connection the flow period shall be three hours.
5. Following completion of Flow Test No. 1, the well shall again be shut-in, in accordance with Paragraph 3 above.
6. Flow Test No. 2 shall be conducted even though no leak was indicated during Flow Test No. 1. Procedure for Flow Test No. 2 is to be the same as for Flow Test No. 1 except that the previously produced zone shall remain shut-in while the zone which was previously shut-in is produced.

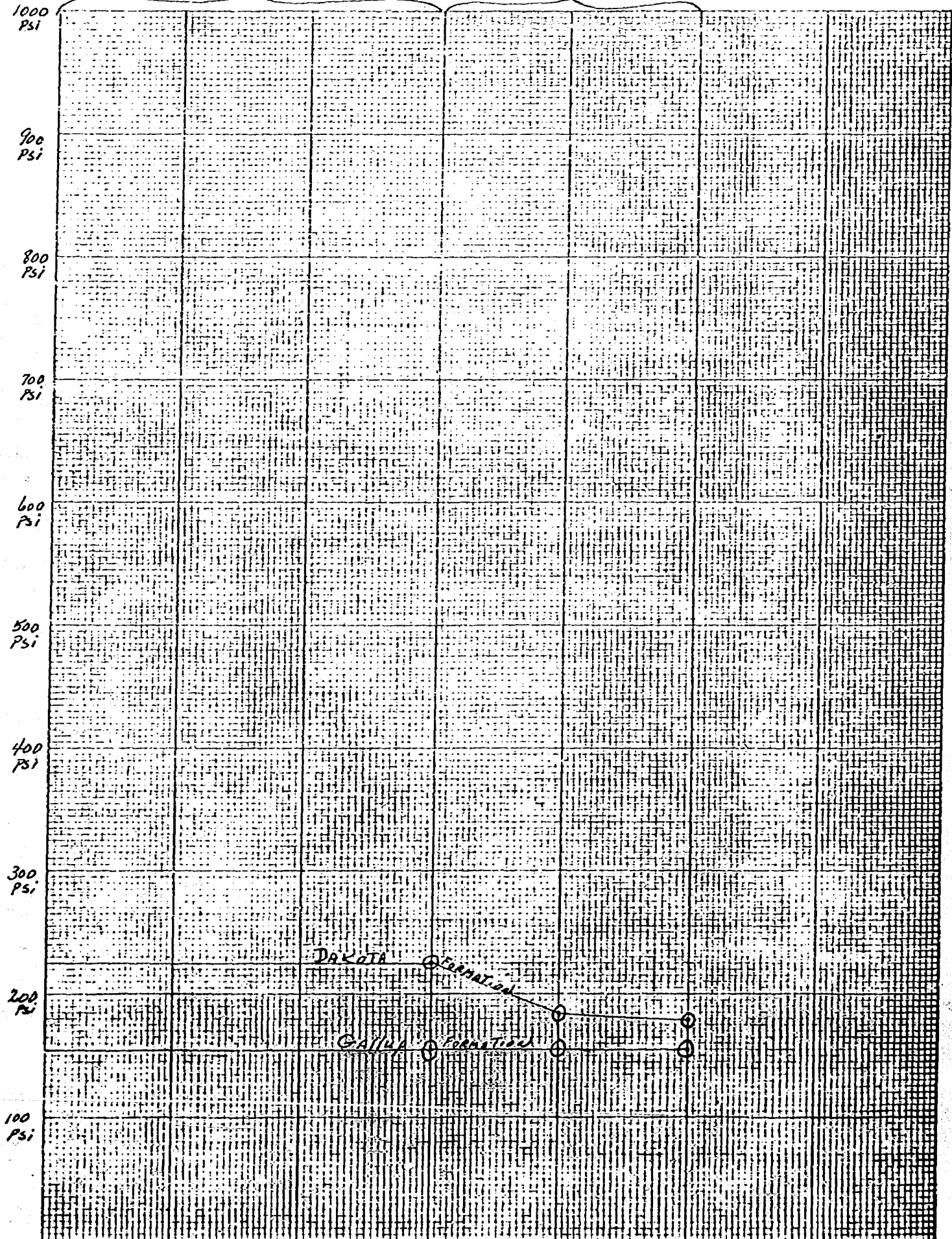
7. Pressures for gas-zone tests must be measured on each zone with a deadweight pressure gauge at time intervals as follows: 3-hour tests: immediately prior to the beginning of each flow-period, at fifteen-minute intervals during the flow-period, and at hourly intervals thereafter, including one pressure measurement immediately prior to the conclusion of each flow period. 7-day tests: immediately prior to the beginning of each flow period, at least one time during each flow period (at approximately the midway point) and immediately prior to the conclusion of each flow period. Other pressure may be taken as desired, or may be required on wells which have previously shown questionable test data.

24-hour oil zone tests: all pressures, throughout the entire test, shall be continuously measured and recorded with recording pressure gauges, the accuracy of which must be checked at least twice, once at the beginning and once at the end of each test, with a deadweight pressure gauge. For tests to a reservoir or an oil-zone dual completion, the recording gauge shall be required on the oil zone only, as required above being taken on the gas zone.

8. The results of the above-described tests shall be filed in triplicate within 15 days after completion of the test. Tests shall be filed with the Area District Office of the New Mexico Oil Conservation Commission or Northwest New Mexico Packer Leakage Test Form Revised 11-1-58, with all deadweight pressures indicated thereon as well as the flowing temperatures (gas zones only) and gravity and GOR (oil zones only). A pressure versus time curve for each zone of each test shall be constructed on the reverse side of the Packer Leakage Test form with all deadweight pressure points taken indicated thereon. For oil zones, the pressure curve should also indicate all key pressure changes which are reflected by the recording gauge charts. These key pressure changes should also be tabulated on the front of the Packer Leakage Test form.

Both ZONES SHUT IN

Upper zone O.I.
Lower zone Flow



61.81 AVAILABLE COPY

DUGAN PRODUCTION CORP.
McAdams #2 Well
T-27-N, R-10-W, Sec. 34

10 3/4" Casing @202' set with 200
sacks of cement.

7 5/8" Casing @5025' set with 98
sacks of cement.

Gallup Perfs
6188-6220

1 1/2" Tubing set @6940'.

Model "D" Packer set @6802"

Dakota Perfs
6878-6922
6942-6952
6961-6965

1 1/2" Tubing set @6335'

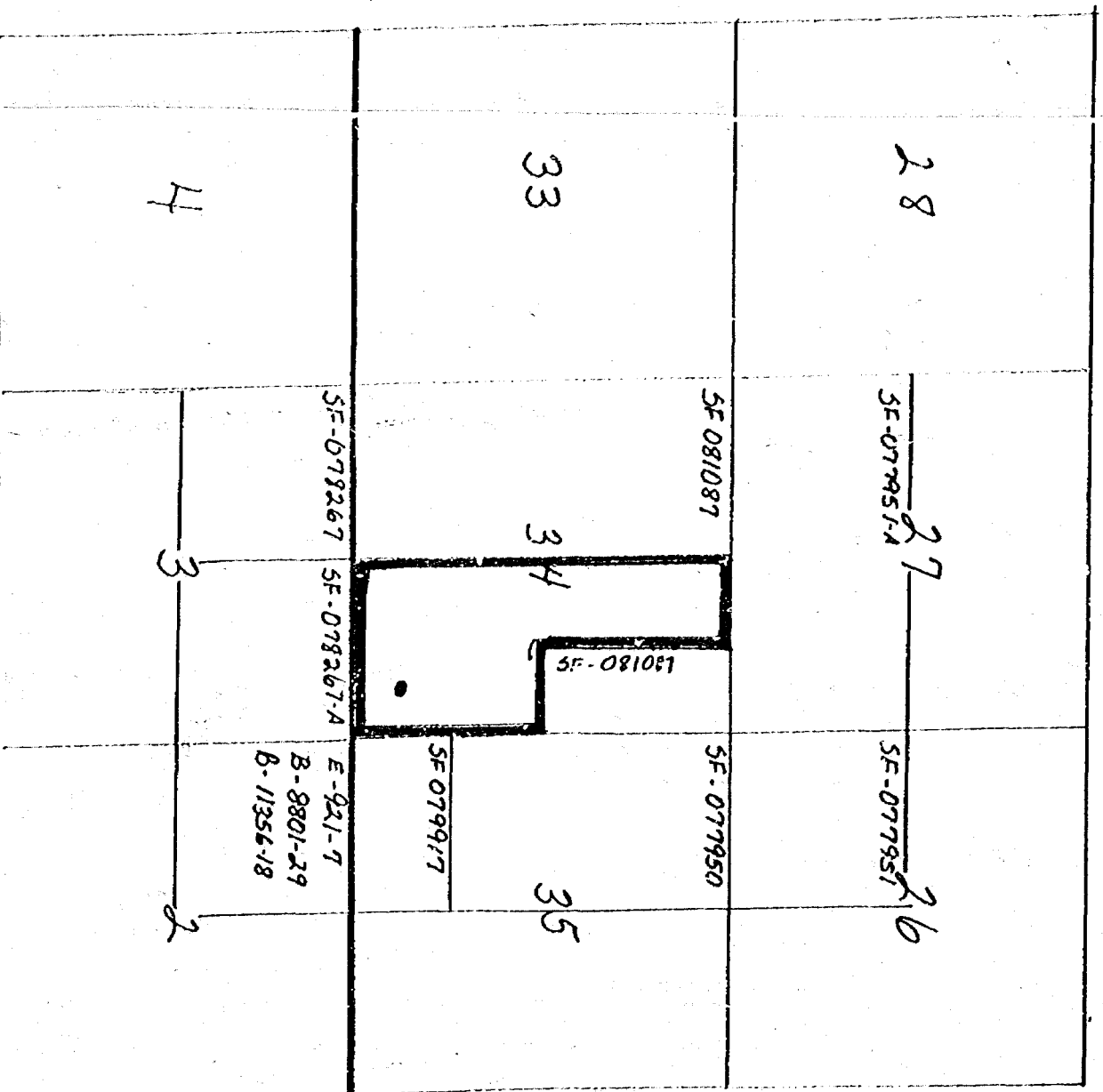
5 1/2" Casing @7032' set with
150 sacks of cement.

TD-7038

Application for Downhole Commingling
Dugan Production Corp.
McAdams #2 Well
Unit P, Sec. 34, T-27-N, R-10-W
San Juan County, New Mexico
Case No. 7325
Exhibit No. 2

OFFSET OPERATORS AND LEASES
T-27-N, R-10-W

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Sec. 27: S/2
Amoco Production Company
SF-077951-A

Sec. 26: SW/4
Amoco Production Company
SF-077951

Sec. 35: NW/4, N/2 SW/4
El Paso Natural Gas Company
SF-077950

Sec. 35: S/2 SW/4
El Paso Natural Gas Company
SF-079917

Sec. 34: W/2
Ft. Collins Consolidated Royalties, Inc.
SF-081087

Sec. E/2 NE/4
Ft. Collins Consolidated Royalties, Inc.
SF-081087

T-26-N, R-10-W

Sec. 3: NE/4
El Paso Natural Gas Company
SF-078267-A

Sec. 3: NW/4
El Paso Natural Gas Company
SF-078267

Sec. 2: NW/4
El Paso Natural Gas Company
E-921-7, B-8801-29, B-11356-18

Application for Downhole Commingling

Dugan Production Corp.

McAdams #2 Well

Unit P, Sec. 34, T-27-N, R-10-W

San Juan County, New Mexico

Case No. 1375

Exhibit No. 3

DUGAN PRODUCTION CORP.
McAdams #2 Well
SF-081087
Sec. 34: T-27-N, R-10-W

Proration Unit
SE/4 and W/2 NE/2 - 240 acres
by Special Rule R-1357

BASIN DAKOTA

T26N R10W

E Paso Natural Gas Company

Sec. 2 (C) Huerfano #99

Sec. 3 (C) Huerfano #103

Sec. 2 (I) Huerfano #109

Sec. 3 (I) Huerfano #110

Sec. 4 (F) Huerfano #223

Sec. 4 (I) Huerfano #224

T27N R10W

Amoco Production Corp.

Sec. 26 (I) Jack Frost Com C

Sec. 27 (F) Jack Frost B-1

Sec. 27 (D) Jack Frost B-2

Sec. 26 (E) Jack Frost D

Sec. 28 (J) McAdams B-1

Sec. 28 (E) McAdams B-2

Dugan Production Corp.

Sec. 34 (P) McAdams #2

Sec. 34 (H) McAdams #3

Sec. 34 (N) McAdams #4

E Paso Natural Gas Company

Sec. 33 (J) Huerfano #106

Sec. 35 (E) Huerfano #107

Sec. 33 (C) Huerfano #113

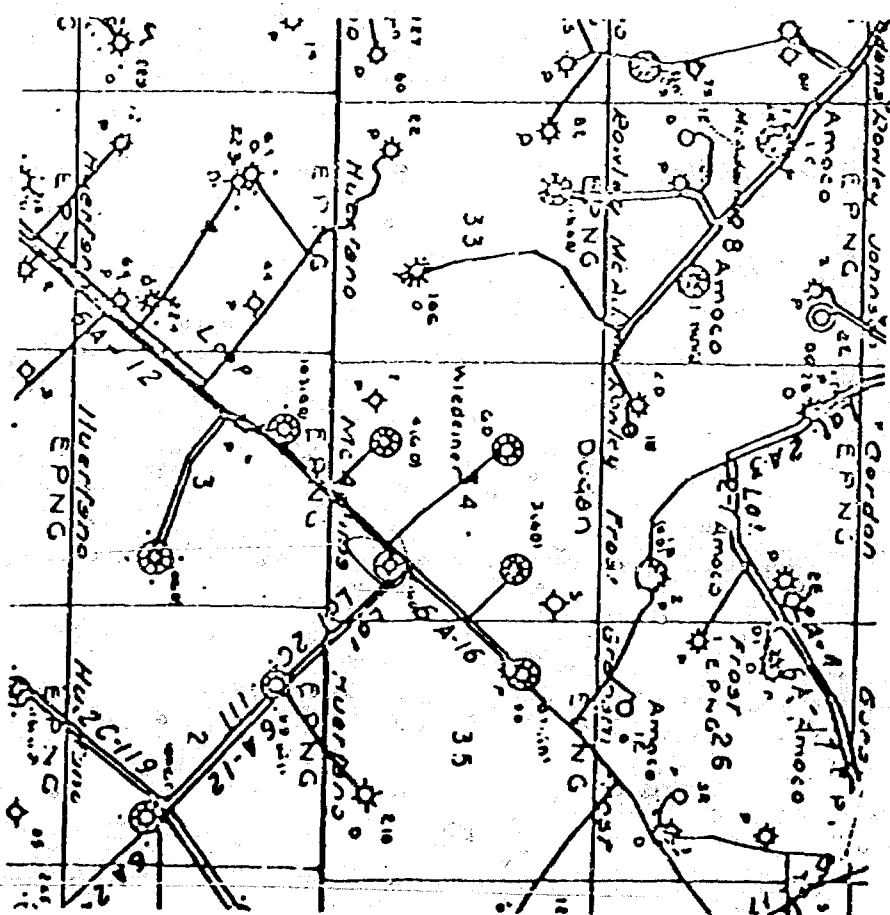
Sec. 33 (O) Huerfano #210

(CONTINUED ON REVERSE)

Cumulative

1980

gas	1070542	24628
oil	10708	173
gas	492311	5243
oil	---	---
gas	1045595	29983
oil	14033	235
gas	1075411	42737
oil	16941	484
gas	409414	26854
oil	7005	156
gas	373825	26267
oil	11114	412
gas	1252924	47521
oil	16451	384
gas	1248913	46055
oil	17846	437
gas	3129806	124731
oil	45533	1436
gas	1171465	44436
oil	17588	352
gas	1402469	37580
oil	26474	350
gas	1284789	36845
oil	24208	385
gas	1064345	15828
oil	14331	191
gas	679658	14387
oil	9149	44
gas	904578	21689
oil	10306	51
gas	1086018	24315
oil	28064	239
gas	1793867	---
oil	21265	---
gas	1917762	24353
oil	47434	257
gas	691384	27930
oil	5496	83



Application For Downhole Commingling
Dugan Production Corp.

McAdams #2 Well
Unit P, Sec. 34, T-27-N, R-10-W
San Juan County, New Mexico
Case No. 7375
Exhibit No. 4

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Docket Nos. 34-81 and 35-81 are tentatively set for October 21 and November 4, 1981. Applications for hearing must be filed at least 27 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - OCTOBER 14, 1981

9 A.M. - OIL CONSERVATION COMMISSION - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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(The following cases are continued from the October 14, 1981, Commission hearing to October 16, 1981.)
CASE 7345: (Continued and Readvertised)

Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres, Bone Springs and Pennsylvanian formations, Lovington Field, underlying the N/2 NE/4 of Section 13, Township 16 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7323: (DE NOVO)

Application of Clements Energy, Inc., for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 of Section 32, Township 15 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Southland Royalty Company, this case will be heard DE NOVO pursuant to the provisions of Rule 1220.

Docket No. 34-81

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 21, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for November, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for November, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7373: Application of J. C. Williamson for Amendment of Division Order No. R-6738, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the Amendment of Division Order No. R-6738, which approved an unorthodox location for a well 1560 feet from the North line and 1830 feet from the West line of Section 10, Township 23 South, Range 34 East. Applicant seeks the Amendment of said order to reflect the corrected location of said well at a point 1580 feet from the North line and 2614 feet from the West line of said Section 10.

CASE 7374: Application of Dugan Production Corporation for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Farmington formation well located 330 feet from the South line and 990 feet from the East line of Section 9, Township 28 North, Range 11 West, the E/2 of said Section 9, to be dedicated to the well.

CASE 7375: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Angel Peak Gallup-Basin Dakota production in the wellbore of its McAdams Well No. 2 located in Unit P of Section 34, Township 27 North, Range 10 West.

CASE 7376: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Bisti-Lower Gallup production in the wellbore of its Big 8 Well No. 1-E, located in Unit C of Section 8, Township 24 North, Range 9 West.

CASE 7377: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota production in the wellbore of its July Jubilee Well No. 1 located in Unit G of Section 30, Township 24 North, Range 9 West.

CASE 7378: Application of Jerome F. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wildhorse-Gallup and Basin-Dakota production in the wellbore of his Apache E Well No. 1, located in Unit A of Section 18, Township 26 North, Range 3 West.

CASE 7356: (Continued from September 23, 1981, Examiner Hearing)

Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the W/2 SW/4 of Section 12, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

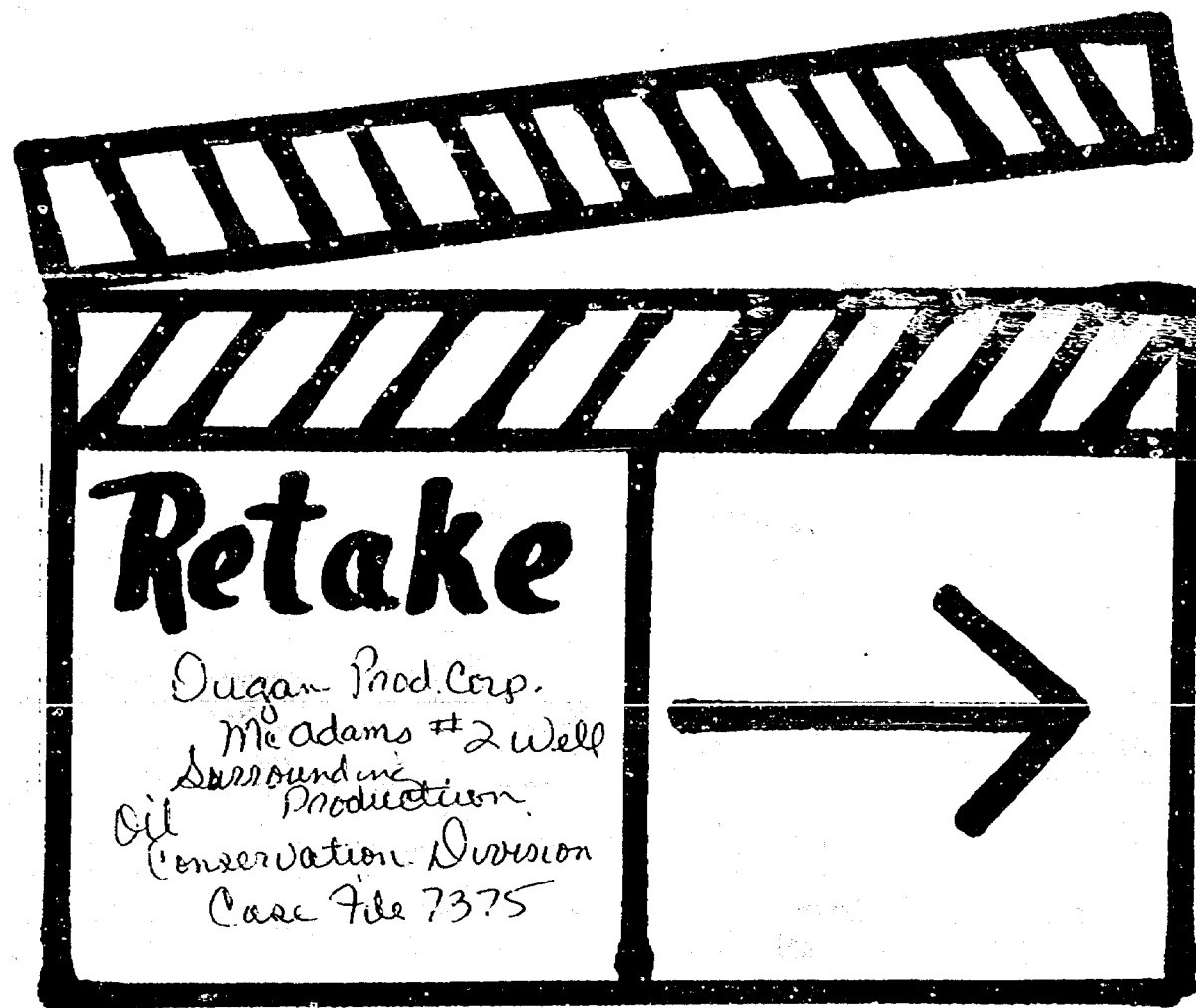
CASE 7379: Application of JEN Resources, Inc., for vertical pool extension and special GOR limit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the vertical extension of the Cava-Grayburg Pool to include the San Andres formation, and the establishment of a special gas-oil ratio limit for said pool to 6000 to one or, in the alternative, the abolishment of the gas-oil ratio limit in said pool, all to be effective October 1, 1981.

CASE 7380: Application of Bird Oil Corporation for an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Entrada location of a well to be drilled 2310 feet from the North line and 1325 feet from the East line of Section 10, Township 22 North, Range 9 West, the SW/4 NE/4 of said Section 10 to be dedicated to the well.

CASE 7381: Application of H. L. Brown, Jr., for an unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the South line and 2310 feet from the East line of Section 34, Township 7 South, Range 37 East, Bluit-Wolfcamp Gas Pool, the E/2 of said Section 34 to be dedicated to the well.

CASE 7382: Application of TXO Production Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow well to be drilled 660 feet from the South and West lines of Section 20, Township 17 South, Range 28 East, the W/2 of said Section 20 to be dedicated to the well.

CASE 7383: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Upper Pennsylvanian formation underlying the NW/4 of Section 19, Township 19 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.



BASIN DAKOTA

T26N R10W

Cumulative 1980

SURROUNDING PRODUCTION

El Paso Natural Gas Company
Sec. 2 (C) Huerfano #99

Sec. 3 (C) Huerfano #103

Sec. 2 (I) Huerfano #109

Sec. 3 (I) Huerfano #110

Sec. 4 (F) Huerfano #223

Sec. 4 (I) Huerfano #224

T27N R10W

Amoco Production Corp.

Sec. 26 (I) Jack Frost Com C

Sec. 27 (P) Jack Frost B-1

Sec. 27 (D) Jack Frost B-2

Sec. 26 (E) Jack Frost D

Sec. 28 (J) McAdams B-1

Sec. 28 (E) McAdams B-2

Dugan Production Corp.

Sec. 34 (P) McAdams #2

Sec. 34 (H) McAdams #3

Sec. 34 (N) McAdams #4

El Paso Natural Gas Company

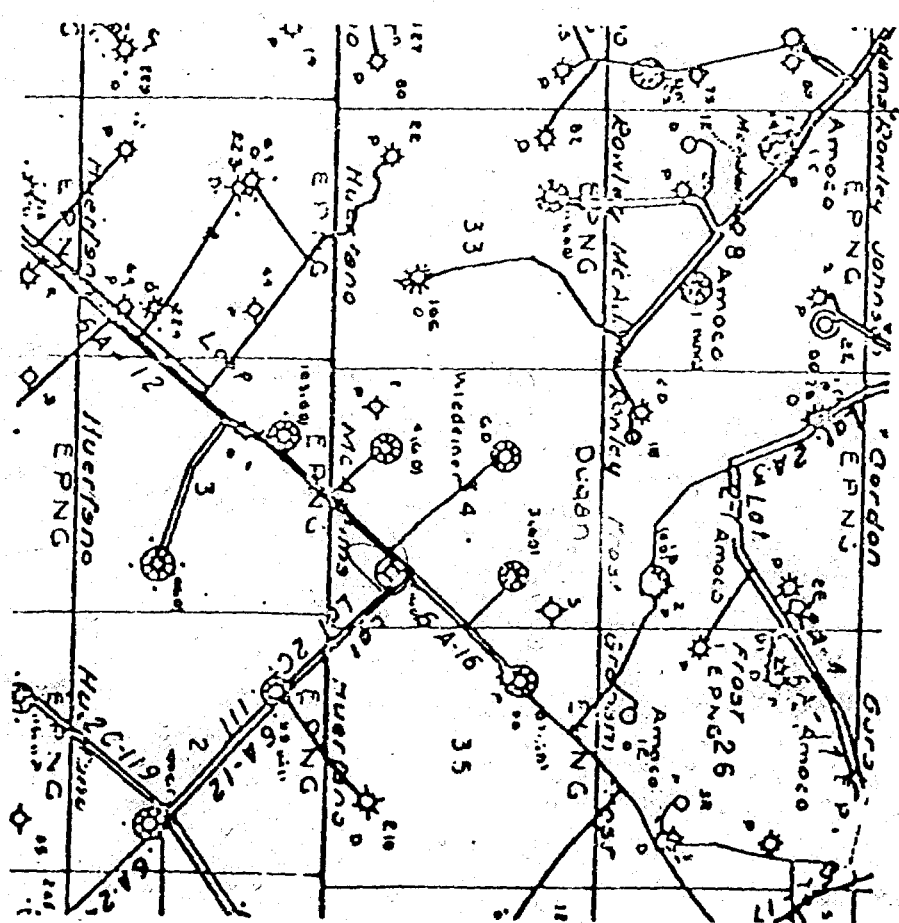
Sec. 33 (J) Huerfano #106

Sec. 35 (E) Huerfano #107

Sec. 33 (C) Huerfano #111

Sec. 33 (O) Huerfano #210
(CONTINUED ON REVERSE)

Gas	1070542	24628
oil	10708	173
Gas	492311	5243
oil	-----	-----
Gas	1045595	29983
oil	14033	235
Gas	1075411	42737
oil	16941	484
Gas	409414	26854
oil	7005	156
Gas	373825	26267
oil	11114	412
Gas	1252924	47521
oil	16451	384
Gas	1248913	46055
oil	17846	437
Gas	3129806	124731
oil	45533	1436
Gas	1171465	44436
oil	17588	352
Gas	1402469	37580
oil	26474	350
Gas	1284789	36845
oil	24208	385
Gas	1064345	15828
oil	14331	191
Gas	679658	14387
oil	9149	44
Gas	904577	21689
oil	10306	51
Gas	1086018	24315
oil	28064	239
Gas	1793867	-----
oil	21265	-----
Gas	1917762	24353
oil	47434	257
Gas	691384	27930
oil	5496	83



Application For Downhole Commingling
Dugan Production Corp.
McAdams #2 Well
Unit P, Sec. 34, T-27-N, R-10-W
San Juan County, New Mexico
Case No. 7375
Exhibit No. 4

BEST AVAILABLE COPY

DUGAN PRODUCTION CORP. - McAdams #2 Well

SURROUNDING PRODUCTION

<u>Angel Peak Gallup</u> <u>T26N R10W</u>		<u>Cumulative</u>	<u>1980</u>
Amoco Production Company			
Sec. 27. (P) Jack Frost B	oil	3224	(Last Production 6/1/1973)
Sec. 28 (J) McAdams B-1	oil	25907	(Last Production 6/1/1973)
Sec. 28 (E) McAdams B-2	oil	41060	(Last Production 6/1/1973)
Dugan Production Corp.			
Sec. 34 (F) McAdams #1	gas	----	39202
	oil	23486	410
Sec. 34 (P) McAdams #2	gas	----	63351
	oil	30320	337
Sec. 34 (H) McAdams #3	gas	----	3595
	oil	54988	183
Sec. 34 (N) McAdams #4	gas	----	----
	oil	25219	(Last Production 6/1/1973)

- CASE 7384:** Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NE/4 SW/4 of Section 5, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7385:** Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota production in the wellbore of its San Juan 27-5 Unit Well No. 59, located in Unit A of Section 6, Township 27 North, Range 5 West.
- CASE 7386:** Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its San Juan 27-5 Unit Well No. 54, located in Unit L of Section 31, Township 27 North, Range 5 West.
- CASE 7387:** Application of Sun Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North and East lines of Section 32, Township 9 South, Range 37 East, West Sawyer-San Andres Pool, the N/2 NE/4 of said Section 32 to be dedicated to the well.
- CASE 7388:** Application of Sun Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled in the Northeast Lusk Yates Pool, 2500 feet from the North line and 1880 feet from the East line of Section 15, Township 19 South, Range 32 East the SW/4 NE/4 of said Section 15 to be dedicated to the well.
- CASE 7389:** Application of Yates Petroleum Corporation for an Amendment to Division Order No. R-4365, Eddy County, New Mexico. Applicant, in the above-styled cause seeks the amendment of Division Order No. R-4365, which promulgated special rules and regulations for the Penasco Draw San Andres-Yaso Pool, by amending Rule 5 to permit the simultaneous dedication of gas wells and oil wells and amending Rule 9 to provide for annual gas-liquid ratio tests in lieu of semi-annual tests.
- CASE 7365:** (Continued from October 7, 1981, Examiner Hearing)
- Application of Yates Petroleum Corporation for the amendment of Order No. R-6406, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6406, to permit recompletion of its State "JM" No. 2 Well, drilled at an unorthodox Morrow location 660 feet from the South line and 660 feet from the East line of said Section 25, Township 18 South, Range 24 East, in any and all Wolfcamp and Pennsylvanian pays in said well.
- CASE 7390:** Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7391:** Application of Harvey E. Yates Company for statutory unitization, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purposes of a secondary recovery project, all mineral interests in the Travis Penn Unit encompassing 480 acres, more or less, underlying all or portions of Sections 12 and 13, Township 18 South, Range 28 East, Eddy County, New Mexico.

The unitized interval would be the Cisco-Canyon formation between the depths of 9815 feet and 9935 feet in Harvey E. Yates Company's Travis Deep Unit No. 2 Well. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in well and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations.

- CASE 7392: Application of Sam H. Snoddy, for an unorthodox gas well location in the Oil-Potash Area, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the location of a Pennsylvanian well to be drilled 660 feet from the North and East lines of Section 26, Township 20 South, Range 32 East, Oil-Potash Area, the N/2 of said Section 26 to be dedicated to the well.
- CASE 7393: Application of Uriah Exploration Incorporated for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco, Canyon and Morrow formations underlying the W/2 of Section 13, Township 22 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7394: Application of Supron Energy Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian well to be drilled 467 feet from the North line and 1650 feet from the West line of Section 13, Township 22 South, Range 24 East, the N/2 of said Section 13 to be dedicated to the well.
- CASE 7395: Application of Curtis J. Little for Designation of a Tight formation, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Pictured Cliffs formation underlying portions of Townships 25 and 26 North, Ranges 6 and 7 West containing a total of 14,400 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.
- CASE 7300: (Reopened and Readvertised)
- Application of Dome Petroleum Corporation for designation of a tight formation, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Chacra formation underlying portions of Townships 21 and 22 North, Ranges 5, 6, and 7 West, containing 73,018 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.
- CASE 7352: (Continued from September 23, 1981, Examiner Hearing)
- Application of Yates Petroleum Corporation for designation of a tight formation, Eddy County, New Mexico. Applicant, in the above-styled cause, pursuant to Section 107 of the Natural Gas Policy Act 18-CFR Section 271. 701-705, seeks the designation as a tight formation of the Permian formation underlying all of the following townships:

Township 17 South, Ranges 24 thru
26 East;

18 South, 24 and 25 East,

19 South, 23 thru 25 East;

20 South, 21 thru 24 East;

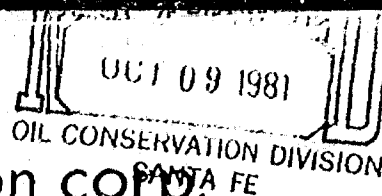
20 1/2 South, 21 and 22 East;

21 South, 21 and 22 East;

Also Sections 1 thru 12 in

22 South, 21 and 22 East,

All of the above containing a total of 315,000 acres more or less.



dugan production corp.

October 7, 1981

Joe D. Ramey
Division Director
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

Case 7375

Re: Application for Downhole Commingling
McAdams #2 Well (Basin Dakota Pool
and Angel Peak Gallup Pool)
San Juan County, New Mexico

Dear Mr. Ramey:

Enclosed please find three copies of the above referenced Application.

I previously verbally requested this matter be placed on the October 21, 1981 Docket and was advised by the New Mexico Oil Conservation Division that this request would be honored.

Please advise if you are in need of further information.

Sincerely,

Tommy Roberts
Landman

nw

enc.

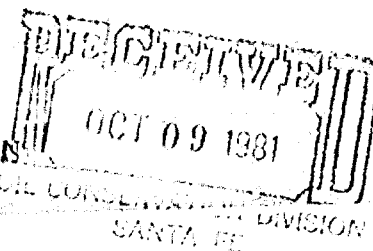
cc: Amoco Production Co.
Amoco Bldg.
17th & Broadway
Denver, CO 80202

El Paso Natural Gas Company
P.O. Box 1492
El Paso, TX 79978

Ft. Collins Consolidated Royalties, Inc.
Box 1363
Cheyenne, WY 82001

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO



IN THE Matter of the Application of
Dugan Production Corp. for Downhole
Commingling of the McAdams #2 Well
in San Juan County, New Mexico

(Case 7375

APPLICATION

Pursuant to Rule 303 C of the Rules and Regulations of the State of New Mexico Oil Conservation Division, The Applicant, Dugan Production Corp., by and through its attorney, Tommy Roberts, hereby makes application for approval of downhole commingling in the well bore of the McAdams #2 Well in San Juan County, New Mexico.

The Applicant further states:

1. The Operator of the McAdams #2 Well is the Applicant, Dugan Production Corp., whose address is P.O. Box 208, Farmington, NM 87401.

2. The McAdams #2 Well is located on Federal Oil and Gas Lease Serial No. SF 08187 insofar as said lease covers the following described lands:

Township 27 North, Range 10 West, NMPM
Section 34: SE/4 (Basin Dakota Pool)
Section 34: SE/4 (Angel Peak Gallup Pool)
San Juan County, New Mexico

3. The legal location of the well is as follows:

Township 27 North, Range 10 West, NMPM
Section 34: Unit Letter P
San Juan County, New Mexico

4. The McAdams #2 Well is currently dually completed in the Basin Dakota Pool and the Angel Peak Gallup Pool.

5. The McAdams #2 Well is capable of only low marginal production from the Basin Dakota Pool, and is capable of only low marginal production from the Angel Peak Gallup Pool.

6. To the best of Applicant's knowledge, the ownership of the above mentioned Pools is common.

7. The proposed commingling from the above Pools will result in recovery of additional hydrocarbons, the prevention of waste and the protection of correlative rights.

8. All operators of leases offsetting the dedicated acreage for this well, the U.S. Geological Survey and the Supervisor of the District III Office of the New Mexico Oil Conservation Division have been mailed a copy of this Application.

WHEREFORE, the Applicant requests this Application be set for hearing on October 21, 1981, and that after said hearing the New Mexico Oil Conservation Division grant this Application by giving approval to the downhole commingling of the McAdams #2 Well in San Juan County, New Mexico.

Respectfully submitted,

Tommy Roberts

Tommy Roberts
Attorney for Applicant
P.O. Box 208
Farmington, NM 87401

MCADAMS #2 WELL

Application For Approval of Downhole Commingling
Dugan Production Corp.
OFFSET LEASES AND OPERATORS

1. SF-077951-A
Township 27 North, Range 10 West, NMPM
Section 27: S/2
San Juan County, New Mexico

OPERATOR: Amoco Production Co.
Amoco Bldg.
17th and Broadway
Denver, CO 80202
2. SF-077951
Township 27 North, Range 10 West, NMPM
Section 26: SW/4
San Juan County, New Mexico

OPERATOR: Amoco Production Co.
3. SF-077950
Township 27 North, Range 10 West, NMPM
Section 35: NW/4, N/2 SW/4
San Juan County, New Mexico

OPERATOR: El Paso Natural Gas Company
P.O. Box 1492
El Paso, TX 79978
4. SF-079917
Township 27 North, Range 10 West, NMPM
Section 35: S/2 SW/4
San Juan County, New Mexico

OPERATOR: El Paso Natural Gas Company
5. E-921-7, B-11356-18, B-8801-29
Township 26 North, Range 10 West, NMPM
Section 2: NW/4
San Juan County, New Mexico

OPERATOR: Amoco Production Co.
6. SF 081087
Township 27 North, Range 10 West, NMPM
Section 34: W/2
San Juan County, New Mexico

OPERATOR: Ft. Collins Consolidated Royalties, Inc.
Box 1363
Cheyenne, WY 82001
7. SF 081087
Township 27 North, Range 10 West, NMPM
Section 34: E/2 NE/4
San Juan County, New Mexico

OPERATOR: Ft. Collins Consolidated Royalties, Inc.
8. SF 078267-A
Township 26 North, Range 10 West, NMPM
Section 3: NE/4
San Juan County, New Mexico

OPERATOR: El Paso Natural Gas Company
9. SF-078267
Township 26 North, Range 10 West, NMPM
Section 3: NW/4
San Juan County, New Mexico

OPERATOR: El Paso Natural Gas Company

Ord # 21 Design DNE [unclear] 1

Deegan Bros Co. - St. Louis County, Mo.

Mc Adams # 2 P-54-27 D-10W
Angel Peak Lg - Basin - Dakota San Juan Co.

Georg. Paul. Lp - Basim. De Kotte

San Juan Co.

See D in Gay Tourney Books.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BEST AVAILABLE COPY

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7375

Order No. A-6824

APPLICATION OF DUGAN PRODUCTION CORPORATION
FOR DOWNHOLE COMMINGLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 21,
19 81, at Santa Fe, New Mexico, before Examiner Richard L.
Stamets.

NOW, on this _____ day of October, 19 81, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Dugan Production Corporation, is
the owner and operator of the McAdams Well No. 2,
located in Unit P of Section 34, Township 27 North,
Range 10 West, NMPM, San Juan County, New Mexico.

(3) That the applicant seeks authority to commingle
Angel Peak-Gallup and Basin-Dakota production
within the wellbore of the above-described well.

(4) That from the Angel Peak-Gallup zone, the subject well is capable of low marginal production only.

(5) That from the Basin-Dakota zone, the subject well is capable of low marginal production only.

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, _____ percent of the commingled _____ production should be allocated to the Angel Peak-Gallup zone, and _____ percent of the commingled _____ production to the Basin-Dakota zone.

(ALTERNATE)

(9) That in order to allocate the commingled production to each of the commingled zones in the wells, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to commingle Angel Peak-Gallup and Basin-Dakota production within the wellbore of the McAdams Well No. 2, located in Unit P of Section 34, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells.

(ALTERNATE)

(2) That _____ percent of the commingled production shall be allocated to the Angel Peak-Gallup zone and _____ percent of the commingled production shall be allocated to the Basin-Dakota zone.

(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.