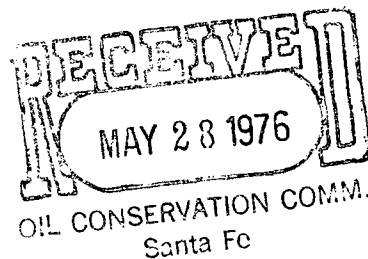


dugan production corp.

May 26, 1976



Joe D. Ramey
Secretary-Director
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, NM 87501

1152-773
due June 17
104 F

Re: Applications for Administrative Approval
of Unorthodox Locations

Dear Mr. Ramey:

Enclosed are the following items regarding the applications for administrative approval of unorthodox locations for the Sherman Edward #2 and Sherman Edward #2A Wells which are to be located in Section 3, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

- 1) Three copies of the Application for Administrative Approval of Unorthodox Location for the Sherman Edward #2 Well. 730' FSL & 580' FWL
- 2) Three copies of the Application for Administrative Approval of Unorthodox Location for the Sherman Edward #2A Well.
- 3) Three copies of a plat showing the ownership of all leases offsetting the SW/4 of Section 3, Township 29 North, Range 5 West, NMPM (Sherman Edward #2 Well) and three copies of a plat for the NW/4 of Section 3, Township 29 North, Range 5 West, NMPM (Sherman Edward #2A Well) as well as all wells completed thereon.
- 4) Three copies of a plat showing the topographical conditions for each well since the Application for the proposed unorthodox locations is based upon topography, and a written description of the topographical conditions.
- 5) Three copies of a Certificate of Mailing for each of the Applications stating that all operators of leases offsetting the dedicated acreage for these two wells have been notified of the Applications by certified mail.

If you need further information or material, please advise.

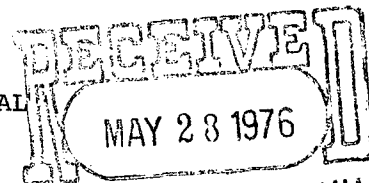
Sincerely,

Richard Tully

Richard Tully
General Counsel

Enclosures

APPLICATION FOR ADMINISTRATIVE APPROVAL
OF UNORTHODOX LOCATION



Applicant: Dugan Production Corp. Santa Fe
Box 234
Farmington, NM 87401

Lease: USA NM 23048

Lease Date: January 1, 1975

Lease Term: 5 Years

Lands Described in Lease: Township 29 North, Range 5 West, NMPM
Section 3: S/2
Containing 320 acres, more or less
Rio Arriba County, New Mexico

Name of Well: Sherman Edward #2

Dedicated Acreage: Township 29 North, Range 5 West, NMPM
Section 3: SW/4
Containing 160 acres, more or less

Proposed Unorthodox Location: Township 29 North, Range 5 West, NMPM
Section 3: 730' FSL - 580' FWL

Reason for Unorthodox Location: Topographical Conditions

Application is Pursuant to
New Mexico Oil Conservation
Commission Rule 104 (E) (F).

Offsetting Leases and Operators:

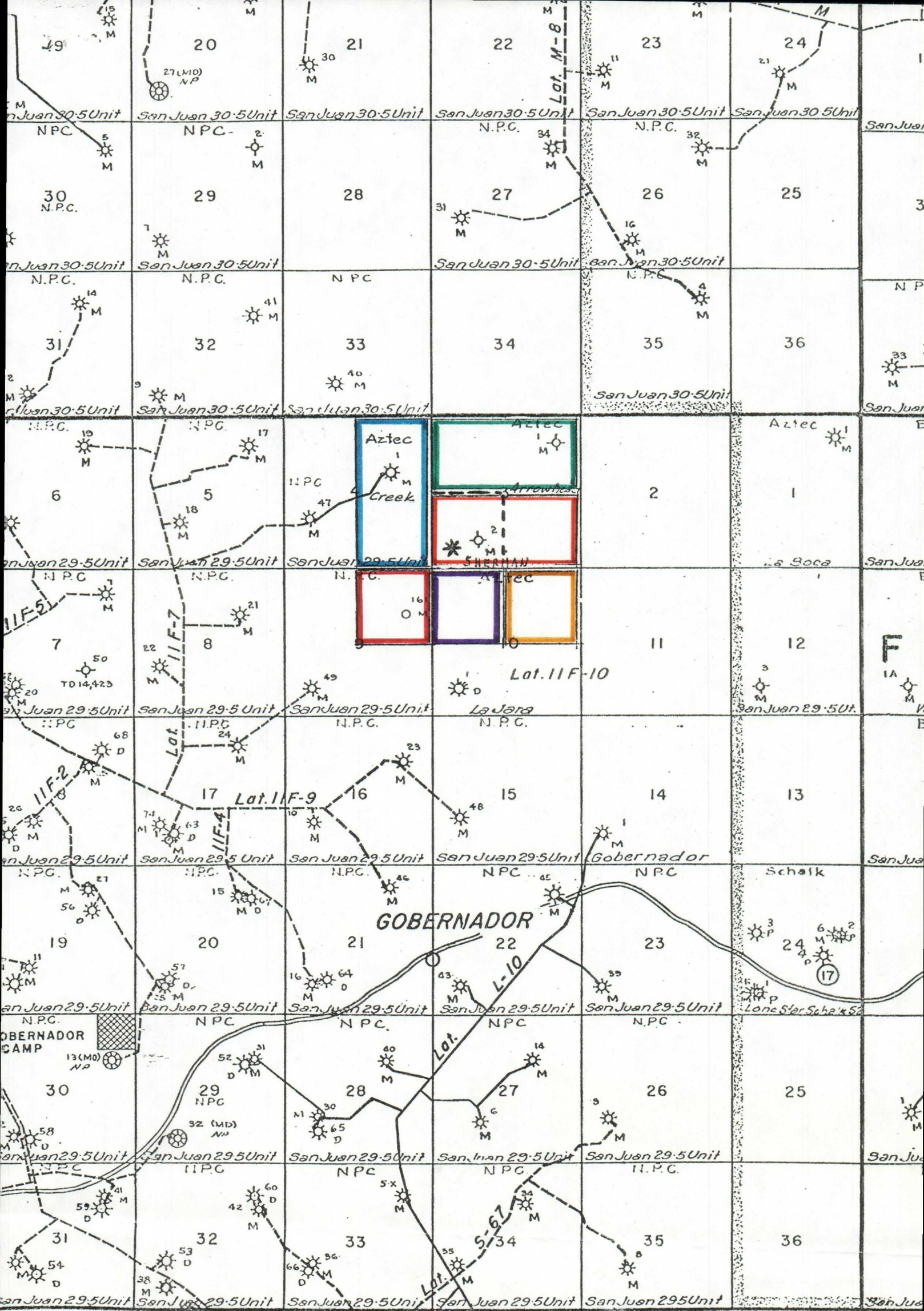
A. USA NM 23048 (Same Lease)
Township 29 North, Range 5 West, NMPM
Section 3: SE/4
Operator: Dugan Production Corp.
Box 234
Farmington, NM 87401

B. USA NM 23047
Township 29 North, Range 5 West, NMPM
Section 3: Lots 1, 2, 3, 4, S/2 N/2 (N/2)
Operator: Dugan Production Corp.
Box 234
Farmington, NM 87401

- C. USA NM 0558139
Township 29 North, Range 5 West, NMPM
Section 4: E/2
Operator: Aztec Oil & Gas Company
2000 First National Bank Building
Dallas, TX 75202
- D. USA NM 0558140
Township 29 North, Range 5 West, NMPM
Section 10: NW/4
Operator: Aztec Oil and Gas Company
2000 First National Bank Building
Dallas, TX 75202
- E. USA SF 078642
Township 29 North, Range 5 West, NMPM
Section 10: NE/4
Operators: El Paso Natural Gas Company
Box 1492
El Paso, TX 79978

Northwest Pipeline Corporation
Box 1526
Salt Lake City, UT 84110
- F. USA SF 080179
Township 29 North, Range 5 West, NMPM
Section 9: NE/4
Operators: El Paso Natural Gas Company
Box 1492
El Paso, TX 79978

Northwest Pipeline Corporation
Box 1526
Salt Lake City, UT 84110



T-29-N, R-5-W

LEASES:

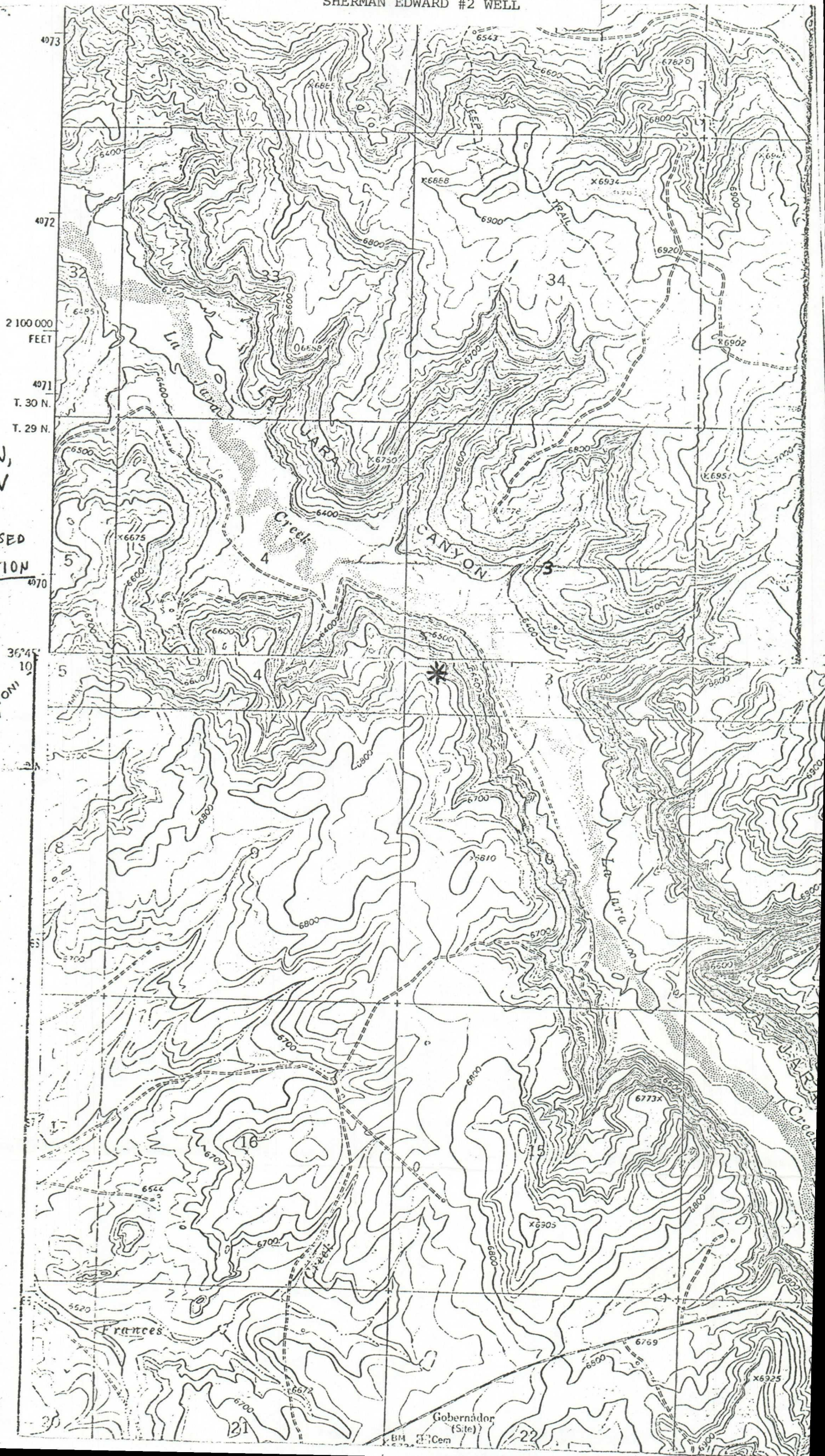
— USA NM 23047
 — USA NM 23048
 — USA NM 0558139

— USA SF 078642
 — USA NM 0558140
 — USA SF 080179

SHERMAN EDWARD #2 WELL

* Proposed Location
 --- Dedicated ACREAGE

SHERMAN EDWARD #2 WELL



2 100 000
FEET

T-29-N,
R-5-W

* PROPOSED
LOCATION

CURMILE CANYON
4557 III NW

Gobernador
(Site)

DESCRIPTION OF THE TOPOGRAPHICAL CONDITIONS
FOR THE SHERMAN EDWARD #2 WELL

The proposed well location for the Sherman Edward #2 Well is located on the top of a plateau overlooking the La Jara Creek. The talus slope from the top of the plateau to the creek is fairly steep and rugged. Access to the proposed location directly from the creek to the top of the plateau at the present time is impossible because of the sheerness and rough terrain.

There are very few good locations for a well in the SW/4 of Section 3, Township 29 North, Range 5 West, NMPM. The plateau which extends into the SW/4 from Sections 9 and 10 to the south occupies the majority of the SW/4 SW/4 SW/4. The talus slope from the plateau to the La Jara Creek is too steep and rugged to bring in a rig and set it up. The plateau and the talus slope occupy almost all of the SW/4 SW/4.

The remainder of the SW/4 is located in La Jara Creek, except for a portion of land in the NE/4 SW/4. The lands in the NE/4 SW/4 are a talus slope from a plateau located in the NE/4 and SE/4 of Section 3. The talus slope is not quite as steep as the talus slope in the SW/4 SW/4 but it is fairly steep and rugged. Also, access to a location in the NE/4 SW/4 would involve at least a forty mile trip through a national forest. Needless to say, there would be problems associated with trips through the national forest.

It is possible that unorthodox well locations could be established in the La Jara Creek in the SE/4 SW/4 and the NW/4 SW/4. However, we do not feel it is desirable to establish a location in the creek bed for several reasons:

- 1) The unstable nature of drifting terrain while placing and operating a well in a creek bed.
- 2) The possibility, even if remote, from floods.
- 3) The existence of a dry hole whose location is already in the La Jara Creek bed.
- 4) We are also seeking approval for an unorthodox location in the SW/4 NW/4 of Section 3 (Sherman Edward #2A Well). Approval of the Sherman Edward #2 Application would place the Sherman Edward #2 Well and the Sherman Edward #2A Well too closely together if the Sherman Edward #2 Well is located in the NW/4 SW/4.

We will probably not drill a well in the SW/4 of Section 3 unless this Application is approved for the above reasons. We do not feel any correlative rights of adjoining lessors and lessees will be abused since all of the surrounding leases are federal leases. In addition, waste will probably be committed if our Application is denied. We are attempting to drill a well in order to produce gas or oil from a parcel of land where rough terrain exists and a dry hole is already present. These two circumstances would probably stop most other operators from continuing activity in this area.

CERTIFICATE OF MAILING

I hereby certify that I mailed a true copy of the Application for Administrative Approval of Unorthodox Location for the Sherman Edward #2 Well by certified mail to each of the offsetting operators on May 27, 1976.

DUGAN PRODUCTION CORP.

By: Richard Jully
General Counsel

OIL CONSERVATION COMMISSION
Alto DISTRICT

RECEIVED
JUN - 1 1976
OIL CONSERVATION COMM.
Santa Fe

OIL CONSERVATION COMMISSION
BOX 2088
SANTA FE, NEW MEXICO

DATE 5-28-76

RE: Proposed MC _____
Proposed DHC _____
Proposed NSL / _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____

Jim Kapteina

Gentlemen:

I have examined the application dated 5-26-76
for the Rogan Production Corp. Sherman Edward #2 M-3-29N-5W
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve

Yours very truly,

R. Kendrick