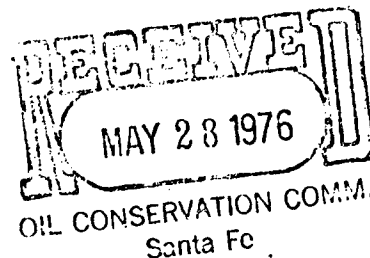


dugan production corp.

May 26, 1976



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

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.
- 2) Three copies of the Application for Administrative Approval of Unorthodox Location for the Sherman Edward #2A Well. 2500' FNL & 510' FNL
- 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.

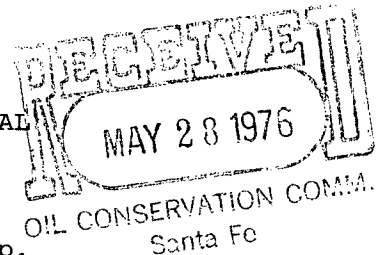
Sincerely,

Richard Tully

Richard Tully
General Counsel

Enclosures

APPLICATION FOR ADMINISTRATIVE APPROVAL
OF UNORTHODOX LOCATION



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

Lease: USA NM 23047

Lease Date: January 1, 1975

Lease Term: 5 Years

Lands Described in Lease: Township 29 North, Range 5 West, NMPM
Section 3: Lots 1, 2, 3, 4, S/2 N/2 (N/2)
Containing 326.24 acres, more or less
Rio Arriba County, New Mexico

Name of Well: Sherman Edward #2A

Dedicated Acreage: Township 29 North, Range 5 West, NMPM
Section 3: Lots 3, 4, S/2 NW/4 (NW/4)
Containing 162.72 acres, more or less

Proposed Unorthodox Location: Township 29 North, Range 5 West, NMPM
Section 3: 2500' FNL - 510' FWL

Reason for Unorthodox Location: Topographical Conditions

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

Offsetting Leases and Operators:

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

B. USA NM 23048
Township 29 North, Range 5 West, NMPM
Section 3: S/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 SF 07839
Township 30 North, Range 5 West, NMPM
Section 33: SE/4
Operators: El Paso Natural Gas Company
Box 1492
El Paso, TX 79978

Northwest Pipeline Corporation
Box 1526
Salt Lake City, UT 84110
- E. USA NM 012332
Township 30 North, Range 5 West, NMPM
Section 34: S/2
Operators: El Paso Natural Gas Company
Box 1492
El Paso, TX 79978

Northwest Pipeline Corporation
Box 1526
Salt Lake City, UT 84110

SHERMAN EDWARD #2A WELL

4073

4072

2 100 000
FEET

4071

T. 30 N.

T. 29 N.

T-29-N,
R-5-W

* Proposed
Location

36°45'
10'

DURNILE CANYON
+557 III NW

21

Gobernador
(S) (e)

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

The proposed well location for the Sherman Edward #2A Well is located on the fringe of the La Jara Creek and the talus slope from a plateau located in the SE/4 NE/4 NW/4. The talus slope from the plateau to the La Jara Creek gradually gets steeper as the proposed location which overlooks the creek bed is approached.

Access to the location would be accomplished by fording the La Jara Creek from a road on the opposite side. Since the talus slope is steeper toward the plateau, access from the creek road would be more difficult, if not impossible, if the well location were moved toward the north and/or west.

It is possible to get to the plateau in the SE/4 NE/4 NW/4 by an existing road. However, the road is at least forty miles from a highway and goes through a national forest. Any locations other than the one proposed would follow this route. Needless to say, there would be problems associated with trips through the national forest.

There are very few good locations in the NW/4 of Section 3, Township 29 North, Range 5 West, NMPM. Almost all of the lands located in the NW/4 except for the mentioned plateau, involve the talus slope from the plateau and which gradually gets steeper.

We will probably not drill a well in the NW/4 of Section 3 unless this Application is approved. We do not feel any correlative rights of adjoining lessors and lessees will be abused. In addition, waste will probably be committed if this Application is denied. We are attempting to drill a well in order to produce gas or oil from a parcel of land with rough terrain and limited access. And further, there was a dry hole drilled in the NE/4 of Section 3. These 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 #2A Well by certified mail to each of the offsetting operators on May 27, 1976.

DUGAN PRODUCTION CORP.

By: Richard J. Kelly
General Counsel

OIL CONSERVATION COMMISSION
Bytex DISTRICT

JUN - 1 1976
OIL CONSERVATION COMMISSION
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 Dugan Production Corp. Shuman Edward #2A E-3-29N-5W
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve

Yours very truly,

AR Kendrick