

dugan production corp.

MAR 10 1977
FBI-DENVER

NSL-832
104 D II

Due Mar 30

March 9, 1977

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

Re: Application for Administrative Approval of
Unorthodox Location for the Sherman Edward
#3 Well, Rio Arriba County, New Mexico

Dear Mr. Ramey:

Enclosed are the following items regarding the application for administrative approval of the unorthodox location for the Sherman Edward #3 Well which is to be located in the SE/4 of 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 this well.
2. Three copies of a plat showing the ownership of all leases offsetting the SE/4 of Section 3, Township 29 North, Range 5 West, NMPM as well as showing all of the wells completed on these leases.
3. Three copies of a plat showing the topographical conditions for this well since the Application for the proposed unorthodox location is based upon topography as well as three copies of a written description of the topographical conditions.
4. Three copies of a Certificate of Mailing for the Application stating that all operators of leases offsetting the dedicated acreage for this well have been notified of the Application by certified mail.

For your further information, the Sherman Edward #3 Well will be a Mesaverde infill well to the Sherman Edward #2 Well which is located in the SW/4 of Section 3, Township 29 North, Range 5 West, NMPM.

Joe D. Ramey
March 9, 1977
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There has already been a well named the Sherman Edward #2A Well in the same section, township, and range. Thus, we are using the Sherman Edward #3 Well as the name for this infill well to clarify any possible confusion.

If you need further information or material, please advise.

Sincerely,

A handwritten signature in cursive script that reads "Richard Tully".

Richard Tully
General Counsel

cb

Enclosures

APPLICATION FOR ADMINISTRATIVE APPROVAL
OF UNORTHODOX LOCATION

FEB 10 1975

Applicant: Dugan Production Corp.
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 #3

Proposed Producing Formation: Blanco Mesaverde Gas Pool

Dedicated Acreage: Township 29 North, Range 5 West, NMPM
Section 3: S/2
Containing 320 acres, more or less

Proposed Unorthodox Location: Township 29 North, Range 5 West, NMPM
Section 3: 940' FSL - 2070' FEL

Reason for Unorthodox Location: Topographical conditions causing extremely rough terrain where compliance with normal well location requirements will unnecessarily increase drilling costs.

Application is Pursuant to
New Mexico Oil Conservation
Commission Rule 104 (D) (II) (F)
and Special Pool Rule 2(B) of the
Special Rules and Regulations for
Blanco Mesaverde Gas Pool.

Offsetting Leases and Operators:

A. 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

B. USA NM 0558140
Township 29 North, Range 5 West, NMPM
Section 10: NW/4
Operator: Don Wolf
District Landman
Aztec Oil & Gas Company
1010 Denver Club Building
518 17th Street
Denver, CO 80202

C. USA SF 078642

Township 29 North, Range 5 West, NMPM

Section 10: NE/4

Operators: D. N. Canfield
Director, Land
El Paso Natural Gas Company
Box 1492
El Paso, TX 79978

John W. Shepardson
Manager, Land
Northwest Pipeline Corporation
One Park Central, Suite 1487
Denver, CO 80202

D. USA SF 078736

Township 29 North, Range 5 West, NMPM

Section 11: NW/4

Operators: D. N. Canfield
Director, Land
El Paso Natural Gas Company
Box 1492
El Paso, TX 79978

John W. Shepardson
Manager, Land
Northwest Pipeline Corporation
One Park Central, Suite 1487
Denver, CO 80202

E. State of NM E-289-42

Township 29 North, Range 5 West, NMPM

Section 2: SW/4, S/2 NW/4

Operator: John W. Shepardson
Manager, Land
Northwest Pipeline Corporation
One Park Central, Suite 1487
Denver, CO 80202

F. State of NM E-289-39

Township 29 North, Range 5 West, NMPM

Section 2: N/2 NW/4

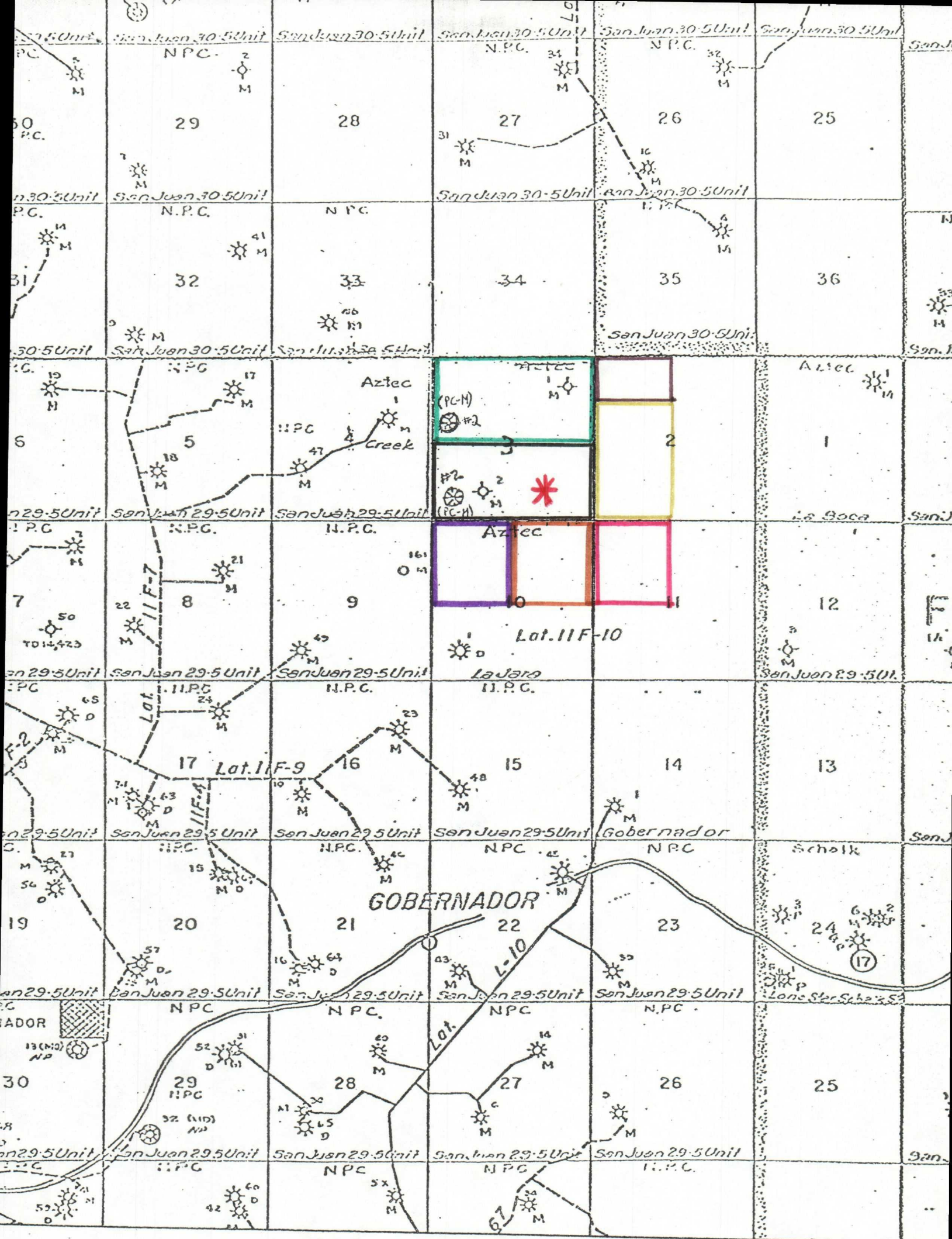
Operator: John W. Shepardson
Manager, Land
Northwest Pipeline Corporation
One Park Central, Suite 1487
Denver, CO 80202

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 #3 Well by certified mail to each of the offsetting operators on March 9, 1977.

DUGAN PRODUCTION CORP.

By: Richard Fully
General Counsel



Township 29 North, Range 5 West, NMPM

Sherman Edward #3 Well

Offsetting Leases and Operators

A. — USA NM 23047
Dugan Production Corp.

B. — USA NM 0558140
Aztec Oil & Gas Company

C. — USA SF 078642
El Paso Natural Gas Company
Northwest Pipeline Corporation

D. — USA SF 078736
El Paso Natural Gas Company
Northwest Pipeline Corporation

E. — State of NM E-289-42
Northwest Pipeline Corporation

F. — State of NM E-289-39
Northwest Pipeline Corporation

PROPOSED LOCATION



DESCRIPTION OF THE
TOPOGRAPHICAL CONDITIONS FOR
THE SHERMAN EDWARD #3 WELL

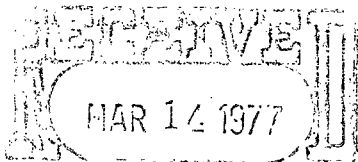
The proposed well location for the Sherman Edward #3 Well is located in a small canyon headed in an easterly direction away from the La Jara Creek in the SW/4 of the SE/4 of Section 3, Township 29 North, Range 5 West, NMPM. Access to the location will be accomplished by fording the La Jara Creek from an existing road on the opposite side.

Almost all, if not all, of the SE/4 of Section 3, Township 29 North, Range 5 West, NMPM is a talus slope from plateaus located in the NE/4 of Section 3 and the W/2 of Section 2 leading down to the La Jara Creek. The talus slope is very steep throughout this quarter section, especially after it leaves the La Jara Creek. The slope gets less steep, although it is still fairly steep, as it gets closer to the above mentioned plateaus.

There are very few good locations for a well location in this quarter section. It is possible a well location could be located in the NW/4 of the SE/4 of Section 3. However, access to this location would involve traveling through a national forest and a trip of at least forty miles from a paved highway. Needless to say, there are problems associated with traveling through the national forest. In addition, a well location in the NW/4 of the SE/4 of Section 3 might also involve securing administrative approval for an unorthodox location from the New Mexico Oil Conservation Commission.

We will probably not drill a well in the SE/4 of Section 3 unless this Application is approved, and waste will thus be committed. We have reviewed the surface topography and feel our proposed location is the best possible location in this area of rough terrain and limited access to keep down the costs of drilling a well. In addition, we do not feel the correlative rights of adjoining lessors and lessees will be impaired.

As can be seen from the enclosed plat map, there have been two dry holes in the Blanco Mesaverde formation in Section 3. These dry holes are to the west of the dually completed Sherman #2 Well in the NW/4 of Section 3 and the dually completed Sherman Edward #2 Well in the SW/4 of Section 3 as is the proposed location of the Sherman Edward #3 Well. This fact coupled with the rough terrain and limited access would probably stop most other operators from continuing activity in this area.



EL CONSERVATION COMM.
Santa Fe

WAIVER OF OBJECTION
AND CONSENT TO THE UNORTHODOX
LOCATION OF THE SHERMAN EDWARD #3 WELL

The undersigned, as an operator of a lease offsetting the S/2 of Section 3, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, does hereby acknowledge receipt of the Application for Administrative Approval of Unorthodox Location for the Sherman Edward #3 Well.

The undersigned states that it waives any objection that it may have to this unorthodox location, and voluntarily consents to the location of the Sherman Edward #3 Well as stated in the above mentioned Application.

Dated this 10th day of March, 1977.

EL PASO NATURAL GAS COMPANY

D. Y. Canfield
Company Name

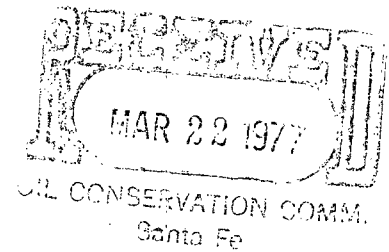
By

Director - Land Department

Title

P.O. Box 1492 - El Paso, Tex. 79978

Address



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AND CONSENT TO THE UNORTHODOX
LOCATION OF THE SHERMAN EDWARD #3 WELL

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The undersigned states that it waives any objection that it may have to this unorthodox location, and voluntarily consents to the location of the Sherman Edward #3 Well as stated in the above mentioned Application.

Dated this 17 day of March, 1977.

Southland Royalty Co.
Company Name

[Signature]
BY

District Landman
Title

1010 Denver Club Bldg - Denver
Address
80202