



COMMERCIAL RESOURCES  
(505)-827-5724

SURFACE RESOURCES  
(505)-827-5795

MINERAL RESOURCES  
(505)-827-5744

ROYALTY  
(505)-827-5772

**State of New Mexico  
Commissioner of Public Lands**

**Ray Powell, M.S., D.V.M.**  
310 Old Santa Fe Trail, P. O. Box 1148  
Santa Fe, New Mexico 87504-1148  
Phone (505)-827-5760, Fax (505)-827-5766

**PUBLIC AFFAIRS**  
(505)-827-5765

**ADMINISTRATIVE MGMT.**  
(505)-827-5700

**LEGAL**  
(505)-827-5715

**PLANNING**  
(505)-827-5752

August 31, 1998

Dugan Production Corporation  
P. O. Box 420  
Farmington, New Mexico 87499-0420

Attn: Mr. John D. Roe

Re: Request for Surface Commingling, Off-Lease Measurement, Storage, and Sale of Produced Natural Gas  
Dugan Production's Rusty Chacra Gas Gathering System  
State Leases Numbers LG-3923 and K-4844  
Sandoval County, New Mexico

Dear Mr. Roe:

We are in receipt of your letters of August 17, 1998 and August 26, 1998 requesting our approval for the surface commingling, off-lease measurement and sale of the natural gas production from 44 wells connected to the Rusty Chacra Gas Gathering System.

It is our understanding that Dugan will be using this gas gathering system to transport natural gas produced from the 44 wells to a central delivery sales meter located on El Paso Field Service's line in the NW/4 of Section 12-22N-7W. All oil production will be separated, stored and sold at each well site. There will be no commingling of oil production. Only natural gas produced in association with the oil will enter the Rusty Chacra Gas Gathering System and be subject to your application for surface commingling and off-lease measurement.


Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your \$30.00 dollar filing has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

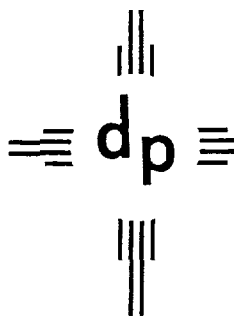
BY:   
JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/JB/pm

pc: Reader File, OCD-Attention: David Catanach, Ben Stone,  
BLM-Farmington Attn: Mr. Duane Spencer

*"WE WORK FOR EDUCATION"*

SEP 1998  
RECEIVED



# dugan production corp.

August 17, 1998

Mr. Ray Powell  
Commissioner of Public Lands  
State of New Mexico  
P. O. Box 1148  
Santa Fe, NM 87504-1148

Re: Dugan Production's Application for  
Surface Commingling, plus Off-lease Measurement and  
Sale of Produced Natural Gas  
Rusty Chacra Gas Gathering System Operated by Dugan Production Corp.  
State Leases LG-3923 (Dugan Production) & K 04844 (Hicks Oil & Gas)  
Sandoval County, New Mexico

Dear Commissioner Powell:

Attached for your approval is the captioned application along with our check for the \$30.00 application fee.

There are 44 wells on this gathering system, 35 of which are currently producing. Three of the wells are located on two State leases, one held by Dugan Production and one by Hicks Oil & Gas, who is also an interest owner in the Rusty Chacra Gas Gathering System. Attachment No. 1 presents a supporting "Participation Statement" by Hicks Oil & Gas.

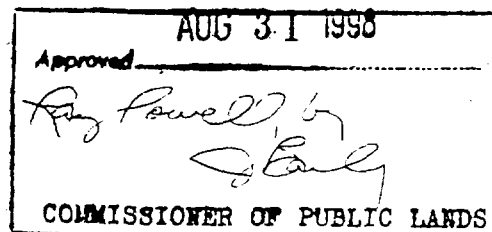
Should you have questions or need additional information please let me know.

Sincerely,

John D. Roe  
Engineering Manager

JDR/tmf

cc: Hicks Oil & Gas





# United States Department of the Interior

PLC-141

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401

IN REPLY REFER TO:  
3162.7-3

Rusty Chacra Gas Gathering System

OCT 13 1999

Dugan Production Corporation  
Attn.: John Roe  
P.O. Box 420  
Farmington, New Mexico 87499

Dear Mr. Roe:

Reference is made to your application for surface commingling and off-lease measurement and sales of gas and associated liquid hydrocarbons from the Rusty Chacra Gas Gathering System (RCGGS). You propose to measure production at the El Paso Field Services meter No. 03049-01 at the following location:

**SENW section 12, T. 22N., R. 7W., Sandoval County, New Mexico.**

Your application indicates that measurement at a central delivery point is necessary to effectively and economically operate these wells and extend the economic life of the properties. We have reviewed your application and the supplemental information you supplied and concur with these findings. As such, you are hereby authorized to measure natural gas and associated liquid hydrocarbons in accordance with the procedures outlined in your application. The following are conditions of this approval:

- Allocation methodology must be made on an MMBTU basis. By January 1, 2000, file a report of wellhead versus allocated volumes and MMBTUs for each well under this approval. This report must include the previous three months of production for our review.
- Measurement of gas at the CDP must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site Security, Onshore Order No. 4, Oil Measurement, and Onshore Order No. 5, Gas Measurement.
- In order to prevent waste and conserve natural gas, periodic review of gathering system's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- No other wells can be added to this system of measurement without the prior approval of this office.
- Contact this office in the event of any lost hydrocarbons between the wells and the central delivery point.

Failure to operate this facility in accordance with the conditions outlined above may subject this approval to revocation. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that federal royalties would be reduced. Attached is a list of the wells recognized as contributing to RCGGS.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

Wayne Townsend  
Acting Team Leader, Petroleum Management Team

cc: NMOCD: Aztec & Santa Fe  
Attachment (List of Contributing wells)

**Rusty Chacra Gas Gathering System  
Well List**

<u>Well Name and No.</u>	<u>API No.</u>	<u>Lease #</u>	<u>Formation</u>	<u>Location</u>
Chacra #1	3004320308	NM-25821	Chacra	NWNW 10-22N-7W
Chacra #2	3004320309	NM-25821	Chacra	SWSE 21-22N-7W
Dome Federal 1-21-7 #1	3004320638	NM-15649	Chacra	SENE 1-21N-7W
Dome Federal 10-22-7#1	3004320484	NM-6680	Chacra	SENE 10-22N-7W
Dome Federal 15-22-7#1	3004320281	NM-8899	Chacra	SESE 15-22N-7W
Dome Federal 18-22-6#3	3004320481	NM21455	Chacra	SWNW 18-22N-6W
Dome Federal 19-22-6#1	3004320404	NM-21455	Chacra	SWSW 19-22-6W
Dome Federal 29-22-6 #2	3004320406	NM-6676	Chacra	NESW 29-22N-6W
Dome Federal 29-22-6 #3	3004320483	NM6676	Chacra	SENE 29-22N-6W
Dome Federal 30-22-6 #1	3004320407	NM-8641	Chacra	NENW 30-22N-6W
Dome Navajo 3-22-7 #1	3004320449	NOOC14205555	Gallup	NWSE 3-22N-7W
Dome Navajo 17-22-7 #2	3004320480	NOOC14205382	Chacra	NESW 17-22N-7W
Dome Navajo 18-22-6 #2	3004320474	NM5452	Chacra	SWSE 18-22N-6W
Dome Navajo 20-22-7 #1	3004320408	NOOC14205595	Chacra	SENE 20-22N-7W
Dome Navajo 27-22-6 #1	3004320475	NOOC14205046	Chacra	SWSW 27-22N-6W
Dome Navajo 28-22-6 #2	3004320477	NOOC14205044	Chacra	NESE 28-22N-6W
Dome Navajo 28-22-6 #4	3004320476	NOOC14205045	Chacra	NESW 28-22N-6W
Dome Navajo 33-22-6 #1	3004320663	NOOC14205050	Chacra	NENE 33-22N-6W
Dome Navajo 33-22-6 #2	3004320664	NOOC14205048	Chacra	SESW 33-22N-6W
Dome Navajo 34-22-6 #1	3004320478	NOOC14205051	Chacra	NENW 34-22N-6W
Dome Rusty 20-22-7 #1	3004320319	NM7262	Chacra	SESE 20-22N-7W
Dome Rusty 24-22-7 #1	3004320320	NM6680	Chacra	NWSE 24-22N-7W
Dome Rusty 30-22-6 #1	3004320318	NM6676	Chacra	NWNE 30-22N-6W
Dome State 32-22-6 #2	3004320470	State	Chacra	NENE 32-22N-6W
Dome Tesoro 22 #4	3004320542	NOOC14205356	Gallup	NENW 22-22N-7W
Dome Tesoro 23 #1	3004320506	NOOC14205360	Gallup	NWSW 23-22N-6W
Dome Tesoro 27 #3	3004320515	NOOC14205365	Gallup	NWNW 27-22N-7W
Federal 25-22-7 #1	3004320398	NM-8899	Chacra	NWNE 25-22N-7W
Federal 26-22-7 #1	3004320363	NM-8899	Chacra	NENE 26-22N-7W
Federal 29-22-6 #1	3004320344	NM-6676	Chacra	NESE 29-22N-6W
Federal 29-22-6 #2	3004320393	NM-6676	Chacra	SWNW 29-22N-6W
Federal 31-22-6 #1	3004320383	NM-7776	Chacra	NWSE 31-22N-6W
Navajo #1	3004320797	NOOC14205048	Gallup	SESW 33-22N-6W
Navajo 10-22-7 #1	3004320346	NOOC14205594	Chacra	SESW 10-22N-7W
Navajo 18-22-6 #1	3004320286	NM5452	Chacra	SESW 18-22N-6W
Navajo 21-22-7 #1	3004320282	NM6680	Chacra	NENE 21-22N-7W
State 32-22-6 #1	3004320400	State	Chacra	NWNW 32-22N-6W
Dana State #1	3004320165	State	Gallup	SWNE 16-22N-7W