



August 2, 1996

Mr. Rand Carroll New Mexico Oil Conservation Division 2040 South Pacheco Street Santa Fe, NM 87505

Re:

NMOCD Case No. 11583
Docket No. 22-96 8/8/96
Application for Surface Commingling
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico

Dear Mr. Carroll:

To supplement the material provided with our application dated July 12, 1996, attached are copies of:

- New Mexico State Land Office approval dated 7-17-96 of the captioned application. State Leases
 No. LG-3736, B-11242-43 and E-6714-4 comprise 100% of the 156.65 acre NE/4 spacing unit and 196.65 acres (62.1%) of the 316.65 acre E/2 spacing unit.
- 2.) BLM approval (dated 7-30-96) of our application. Federal Lease SF-078110 comprises 80.0 acres (25.3%) of the E/2 spacing unit. Also included is the BLM's conditions of approval.
- 3.) Copies of the "return receipt" cards reflecting that all interest owners (working, royalty and overriding royalty) in Dugan Production's Com Wells No. 1E and No. 2 are in receipt of the subject application. Our notice to each owner was mailed on 7/12/96 or 7/15/96.

To date, we have not received any objection from any of the interest owners in either well and unless an objection is received, it is still our desire to have this case called on August 8th and then taken under advisement with Dugan Production not appearing at the hearing.

Should you need additional information or receive an objection from any of our interest owners, please let me know.

Sincerely,

John D. Roe

Manager of Engineering

Julin O Rose

JDR/cg

attachs.

cc: David Catanach, NMOCD - Santa Fe Frank Chavez, NMOCD - Aztec



State of New Mexico Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.

COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148



July 17, 1996

Dugan Production Corporation Post Office Box 420 Farmington, New Mexico 87499-0420

Attn: Mr. John D. Roe

Re: Application for Surface Commingling of Produced Gas

Com Well Nos. 1E and No. 2

Basin Dakota & Harper Hill Fruitland Sand PC Pools

Both Wells Located in the NE/4NE/4 of Section 2-29N-14W

San Juan County, New Mexico

Dear Mr. Roe:

We have received your application requesting approval for surface commingling of produced natural gas from the above-captioned wells.

It is our understanding that Dugan Production Corporation will convert the existing gas sales meter for the Com No. 1E well to a central delivery point (CDP) meter for gas sales from both the Com No. 1E and No. 2 wells.

Since it appears that 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. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your filing fee in the amount of \$30.00 has been received.

Dugan Production Corporation July 17, 1996 Page 2

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

LARRY KEHOE, Director

Oil, Gas and Minerals Division

(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File

Commissioner's File

OCD--David Catanach and Ben Stone



July 12, 1996

Certified Mail - Return Receipt Requested

THE SECTION OF THE PARTY OF THE

State of New Mexico State Land Office Attn: Mr. Pete Martinez PO Box 1148 Santa Fe, NM 87504-1148

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Martinez:

Attached is our check for the \$30.00 SLO surface commingling application fee. Also attached for your approval is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that the E/2 spacing unit for Dugan Production's Com Well No. 1E includes state leases LG-3736, E-6714-4 and B-11242-43 and that the NE/4 spacing unit for Dugan's Com No. 2 includes portions of these same leases, which result in the State of New Mexico having a royalty interest in both wells.

From our earlier conversations about this matter, it is my understanding that since this proposal will result in increased current revenues to the State along with an increase in ultimate recoveries from both wells, the State Land Office can approve our proposed surface commingling.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

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

Sincerely,

Jelm D Roce

John D. Roe Manager of Engineering

JDR/cq

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GTO TOWN GTON, NM Certified Mail - Return F

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/と July 15, 1996

- 7765 (cns# NA73662)

Bureau of Land Management, FDO Attn: Mr. Duane Spencer 1235 La Plata Hwy. Farmington, NM 87401 (RM -1419 (CRS # NM 76020)

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Spencer:

Attached for your approval is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate Federal Lease SF 078110 comprises 80 acres of the E/2 316.65 acre Dakota spacing unit for the Com No. 1E which results in a Federal royalty interest of 3.15807% in the Com No. 1E. Since the spacing unit for the Com No. 2 consists only of state leases, there is no federal interest in the No. 2 well.

Based upon our earlier conversations about this matter, it is my understanding that the BLM should be able to approve this proposed surface commingling.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

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

Sincerely,

Jahm B Roc

John D. Roe Manager of Engineering

JDR/cg

SEE ATTACHED FOR CENTIONS OF APPROVAL

attachs.

APPROVED

POFFATOR



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office 1235 La Plata Highway Farmington, New Mexico 87401

IN REPLY REFER TO:

Attachment to Approval for Surface Commingling:

RE: Dugan Production's Com Wells No. 1E & No. 2

CONDITIONS OF APPROVAL

- 1. If additional wells are added to the system in the future, they must have an allocation meter.
- 2. All facilities used in selling combined production, or in accurately measuring production for allocation purposes, must be approved, installed and operated according to Onshore Oil and Gas Orders No. 3, Site Security, No. 4, Oil Measurement, and No. 5, Gas Measurement.

RETURN RECEIPT CARDS Interest Owners in

Dugan Production Corp's Com No. 1E & No. 2 Wells

(Page 1 of 2)

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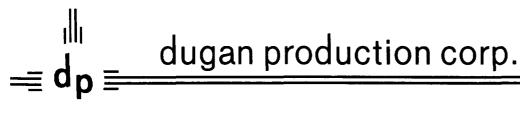
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RETURN RECEIPT CARDS

Interest Owners in Dugan Production Corp's Com No. 1E & No. 2 Wells

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Constant

July 12, 1996

Mr. Rand Carroll New Mexico Oil Conservation Division 2040 South Pacheco Street Santa Fe, NM 87505

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Carroll:

We are writing to request New Mexico Oil Conservation Division (NMOCD) approval for the proposed surface commingling of produced natural gas from the captioned wells, both of which are operated by Dugan Production Corp. I have discussed this application with David Catanach and it is my understanding that since the ownership is not common to both wells, this matter will require formal notice and an examiner hearing. It is also my understanding that in the absence of objection from any interest owner, the NMOCD can call the case and take the application under advisement without an actual appearance by Dugan Production Corp. We do not anticipate any objection and request that you set this case for the next available examiner hearing docket (August 8th, 1996 if possible).

The Com No. 1E (API No. 30-45-23940) was completed December 8, 1979 in the Basin Dakota Gas Pool and has produced 690,451 MCF + 7289 bbls condensate as of June 1, 1996. During the first five months of 1996, production averaged 52 MCFD plus 0.3 bbls condensate/day and the production history is presented on Attachment No. 6. Since completion, we have produced the Com No. 1E using a two stage compressor located at the well which has been necessary for the well to produce into El Paso Natural Gas Company's (EPNG's) pipeline which averages 250 psi and at times gets as high as 400 psi. The engine for this compressor requires 8.1 MCFD for fuel and maintenance costs average \$700 per month for the compressor and engine. Since the compressor is owned by the working interest owners, only maintenance costs are a factor for current operations; however, should it ever be necessary to replace the compressor, a similar rental package would cost \$1250/month.

The spacing unit for the Com No. 1E is presented on Attachment No. 1 which also presents lease information for the five leases (3 state, 1 federal & 1 fee) that comprise the 316.65 acre E/2 spacing unit. The Com No. 1E is located on State Lease LG-3736 and the five leases within the spacing unit are communitized (CA #14-08-0001-7765). The individual interest owners of the Com No. 1E, along with their respective interests, are listed on Attachment No. 2 and each has been provided a copy of this application by certified mail. Copies of our transmittal letters to the royalty, overriding royalty and working interest owners are presented in Attachment No. 11.

The Com No. 2 (API No. 30-045-23199) was completed October 21, 1978 in the Harper Hill Fruitland Sand-PC gas pool (initially the Harper Hill Fruitland-PC pool and redesignated 11-1-88 in NMOCD Order R-8769) and has produced 211,472 MCF as of June 1, 1996. During the first five months of 1996, production averaged 33 MCFD and the well's production history is presented on Attachment No. 7. Since completion, it has been necessary to use a 2 stage compressor located at the well in order to produce into EPNG's pipeline which averages 250 psi and ranges up to 400 psi. The engine for this compressor requires 9.3 MCFD for fuel, and maintenance costs average \$700 per month for the compressor and engine. compressor is owned by the working interest owners of the Com No. 2. The spacing unit for the Com No. 2 is presented on Attachment No. 3 which also presents lease information for the three state leases which comprise the 156.65 acre NE/4 spacing unit. No. 2 is located on State Lease LG-3736 and the three leases within the spacing unit (all state) are communitized. The individual interest owners of the Com No. 2, along with their respective interests, are listed on Attachment No. 4 and each has been provided a copy of this application by certified mail. Copies of our transmittal letters to the royalty and overriding royalty owners are presented in Attachment No. 11. Upon receiving the "return receipt" cards from the Com No. 1E & No. 2 interest owners. we will provide you copies as evidence of interest owner notice.

Dugan Production proposes to convert the existing gas sales meter for the Com No. 1E well to a central delivery point (CDP) meter for gas sales from the Com No. 1E & No. 2 wells. This will allow us to use only one compressor to produce both wells and will allow the lease fuel normally required by the second compressor to be sold. In addition, the operation and maintenance costs for one compressor will be eliminated which will result in an approximate 50% reduction in operating costs for both wells since the operating costs for the single compressor will be split between two wells. This will result in an increase in gas revenues of approximately \$317/month total for the net interest owners of both wells (ref. Attachment No. 10). In addition, the operating costs for both wells will be reduced a total of approximately \$700/month which will result in a lowering of the operating economic limit by 733 MCF/mo which corresponds to approximately 12 MCFD per well.

Considering an average annual decline rate of 8% (the wells are averaging 6 to 8%), this will allow for an increase in ultimate recoveries of approximately 106,000 MCF total or 53,000 MCF per well. Thus, all owners will realize an increase in current gas sales and in ultimate gas recoveries.

To insure the proper allocation of gas sold at the CDP meter, the existing sales meter at the Com No. 2 will continue to be used as an allocation meter and will continuously measure gas volumes produced from the Com No. 2. Dugan Production will maintain this meter for allocation purposes and will have the gas charts integrated monthly by a commercial integration service along with all of our other allocation charts.

All free liquid production (both condensate and water) will be separated and stored at each well and will not be commingled at any time. Currently the Com No. 1E is the only well producing condensate and both wells produce only minor amounts of water. The only product to be commingled will be the natural gas streams from each well. Attachment No. 5 presents a schematic drawing of the existing and proposed production facilities. This project will require the installation of approximately 350' of line to connect the Com No.2 meter run to the Com No.1E compressor suction line and isolating the Com No. 2 meter run from EPNG's system. We have discussed our proposal with EPNG and believe that EPNG is agreeable to terminating wellhead sales at the Com No. 2 and converting the Com No. 1E gas sales meter to a CDP sales meter for the Com No. 1E and No. 2 wells.

We have also discussed this application with the BLM, the State Land Office and Conoco (our only other working interest owner). It is our understanding that all parties are supportive of our proposal and are in agreement that the proposed metering will provide the proper allocation of gas sales from the CDP meter.

It is our plan to determine gas sales and production as follows:

Com No. 2 gas production = Com No. 2 chart integration volume,
plus Com No. 2 well site lease fuel (currently none other than
the compressor which will be eliminated), plus any volumes
purged and/or lost prior to Com No. 2 meter.

Com No. 1E production = CDP sales volume, plus CDP compressor and equipment fuel volumes, plus Com 1E wellsite lease fuel (currently 1.4 MCFD during the winter months for a heater treater plus 8.1 MCFD for a compressor which will be eliminated), plus any volumes lost or purged prior to the CDP sales meter, minus Com No. 2 allocation meter volumes.

CDP compressor & equipment fuel to be allocated between the Com No. 1E and Com No. 2 based upon the ratio that each wells' production (less onsite lease fuel and individual well purging

and/or venting) bears to the total similar production of both wells. Note - currently there is no CDP equipment planned other than the compressor.

CDP sales volume to be allocated between the Com No. 1E and Com No. 2 based upon the ratio each wells' production (less onsite lease fuel, less individual well purging and/or venting, less allocated compressor and CDP equipment fuel) bears to the total similar production of both wells.

CDP sales BTU and revenues will be allocated between the Com No. 1E and No. 2 based upon the ratio that each wells' allocated sales volume x individual well BTU bears to the total BTUs similarly calculated for both wells.

The natural gas streams are similar in composition and are compatible. The most recent gas analysis for each well is presented in Attachments No. 8 & 9. There will be no loss in value of the commingled stream as compared to the value of the individual streams since the commingled stream will be sold based upon BTU content.

Attachment No. 10 presents an analysis of the individual well streams along with revenue values under current operations and as proposed. The purpose of this analysis is to show that there will be no loss of value to either well and that the commingled production along with the use of one compressor for both wells will have a positive affect upon both wells and will result in an increase of revenue to the interest owners of both wells totaling \$317/month.

The Com No. 1E & No. 2 wells are the only 2 wells that will be affected by this application. Dugan Production also operates the Com No. 1 & 3 wells which are both located in Unit J of Section 2 (T-29N, R-14W) and have spacing units that also fall within the E/2 of Section 2, however, neither the 1 or 3 wells will be affected by this proposal.

In summary, Dugan Production requests approval to convert the Com No. 1E sales meter to a CDP for the Com Wells No. 1E & No. 2 which will allow us to use only one compressor to produce both wells and eliminate the fuel and expense for a second compressor currently being operated. This will require production from the 2 wells (one spaced 156.65 acres & one with 316.65 acres) to be surface commingled prior to sales. The CDP sales meter will be on lease for both wells (the Com No. 1E and No. 2 wells are only 341' apart), however the ownership is not common to both wells due to the dissimilar spacing units. The proposed commingling will have positive benefits for all interest owners both in current revenues and increased ultimate recoveries. Since we do not anticipate objection from any interest owner, we request that the NMOCD set this case for hearing, call the case and if there is no objection,

take the case under advisement. Since we do not expect any objection, we do not plan to appear at the hearing unless it later becomes necessary.

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

Sincerely,

Jalu D. Rose

John D. Roe Manager of Engineering

JDR/cg

attachs.

cc: David Catanach, NMOCD - Santa Fe
 Frank Chavez, NMOCD - Aztec
 Jerry Hoover, Conoco - Midland
 Pete Martinez, NM SLO
 Duane Spencer, BLM FDO
 All royalty & overriding royalty interest owners

NEW MEXICO OIL CONSERVATION COMMISSION JCATION AND ACREAGE DEDICATION LAT

Supersedes C-128

Edgar L. Risenhoover,

Effective 1st-us All distances must be from the outer housidaries of the Section Operator Well Ho. Dugan Production Corporation Com 1 E Unit Letter Section Township County North 14 West San Juan Actual Footoge Loratina of Well; East first from the North Ground Level Elev. Producing Formation Pool Dedicated Acreuge: Dakota Basin 5534 316.65 Acres 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below. 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? If enswer is "yes," type of consolidation communitization Y Yes Mo No If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)_ No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission. CERTIFICATION 38.16A I hereby certify that the information contoined herein is true and complete to the of my knowledge and belief. State Lse B-11242-43 38.49A Thomas A. Dugan Position Petroleum Engineer E-67114-4 Dugan Production Corp. Date 11-1-79 Sec. State Lse 26-3736 shown & Sold belief to the best of my Federal Lse . 80 A Date Surveyed October 30, 1979 Beststered Professional Linginger

ATTACHMENT 2 Dugan Production Corp. Com Well No. 1E

Basin Dakota Pool
Well Location: NENE 2, T-29N, R-14W
Spacing Unit: E/2 Sec.2, T-29N, R-14W
(316.65A)
San Juan County, New Mexico

INTEREST OWNER	INTEREST %	
	<u>Net:</u>	Gross
Royalty State of New Mexico State Land Office Attn: Pete Martinez P.O. Box 1148 Santa Fe, NM 87504-1148	7.762910	-0-
USA - Bureau of Land Management Attn: Duane Spencer 1235 LaPlata Hwy. Farmington, NM 87401	3.158070	-0-
Rilla E. King P. O. Box 186 Dolores, CO 81325	1.579030	-0-
Overriding Royalty Interest Marcia M. Daniels c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.030390	-0-
Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584	0.121550	-0-
Charles Alan McDougal 7928 Rooksley Ct Raleigh, NC 27615	0.121550	-0-
Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006	0.121550	-0-
Anne S. Henderson 2969 Upton St. NW, Apt. 3 Washington, DC 20008	0.121550	-0-
Robin Thomas Henderson 5028 River Road Bethesda, MD 20016	0.030390	-0-
Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016	0.030390	-0-
Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.030390	-0-
Working Interest Conoco, Inc. Attn: Jerry Hoover 10 Conoco Plaza, 10 Desta Drive Midland, TX 79705	5.526610	6.316120
Dugan Production Corp.	81.365620	93.683880
TOTAL WELL	100.000000	100.000000

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	is "no;" li if necessar		s and tract des	criptions v	which have	actually b	en consolid	nted. (Use reverse side o
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ATTACHMENT 4

Dugan Production Corp.

Dugan Production Corp.

Com Well No. 2

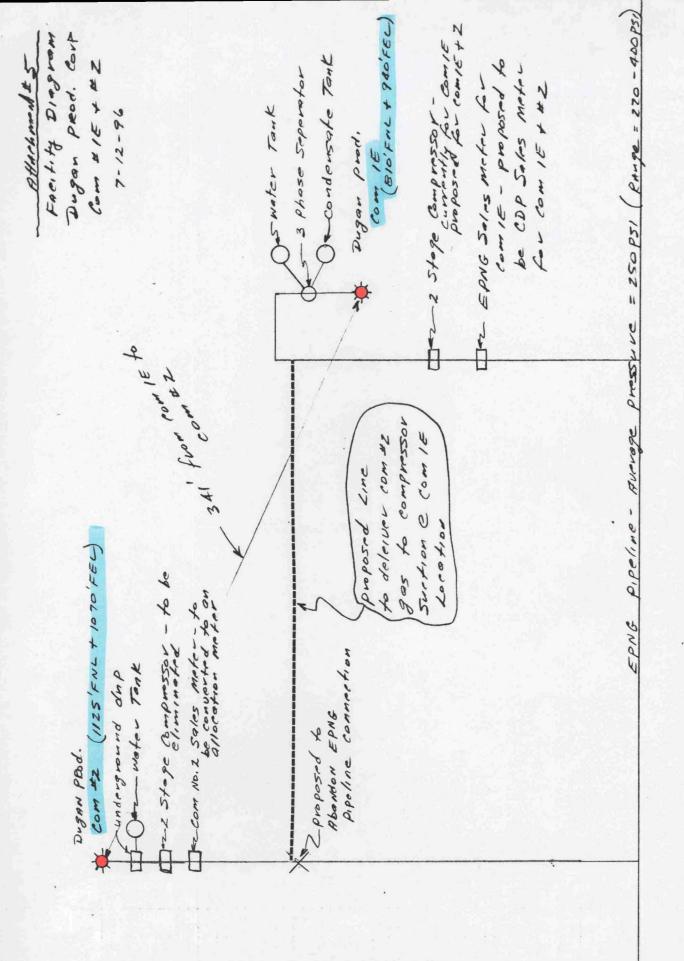
Harper Hill Fruitland Sand-FC Pool
Well Location: NENE 2, T-29N, R-14W

Spacing Unit: NE/4 Sec.2, T-29N, R-14W

(156.65A)

San Juan County, New Mexico

INTEREST OWNER	INTEREST %	
Royalty	<u>Net</u>	Gross
State of New Mexico State Land Office Attn: Pete Martinez P.O. Box 1148 Santa Fe, NM 87504-1148	12.500000	-0-
Overriding Royalty Interest		
Marcia M. Daniels c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.06.430	-0-
Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584	0.245703	-0-
Charles Alan McDougal 7928 Rooksley Ct Raleigh, NC 27615	0.245703	-0-
Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006	0.245704	-0-
Anne S. Henderson 2969 Upton St. NW, Apt. 3 Washington, DC 20008	0.245700	-0-
Robin Thomas Henderson 5028 River Road Bethesda, MD 20016	0.061430	-0-
Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016	0.061430	-0-
Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.061430	-0-
Conoco, Inc. Attn: Jerry Hoover 10 Conoco Plaza, 10 Desta Drive Midland, TX 79705	6.383660	-0-
Working Interest		
Dugan Production Corp.	<u>79.887810</u>	100.000000
WELL TOTAL	100.000000	100.000000



+nold

River

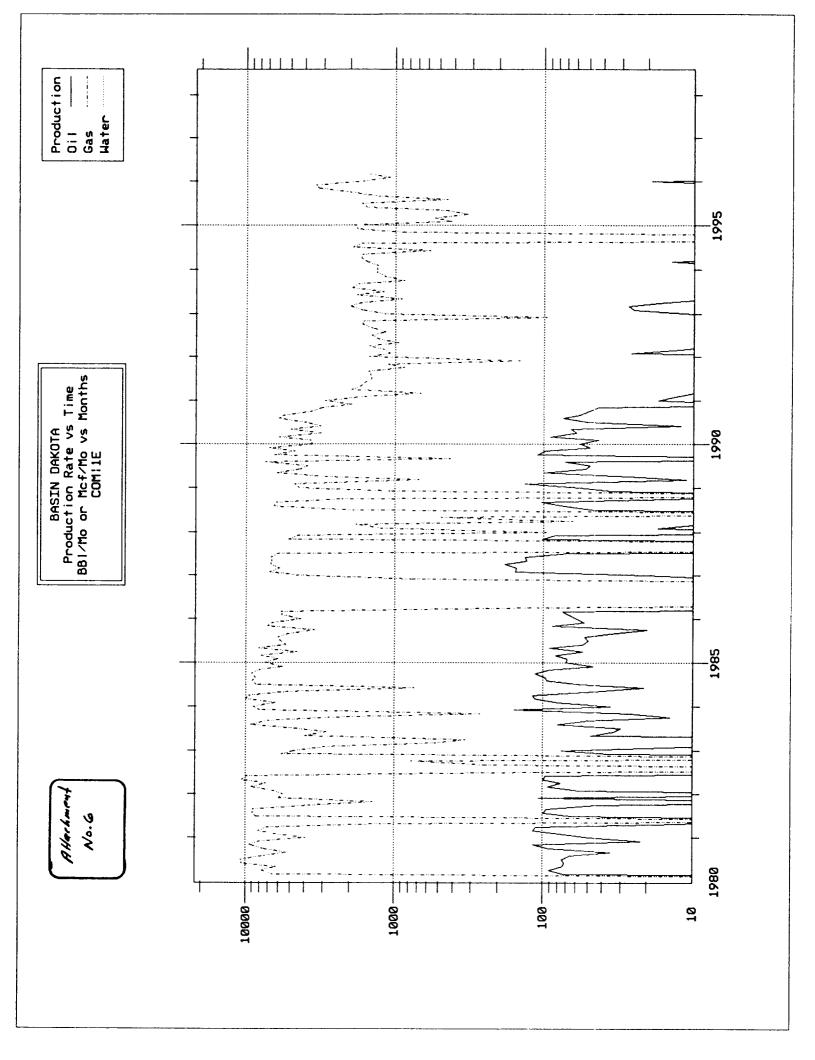
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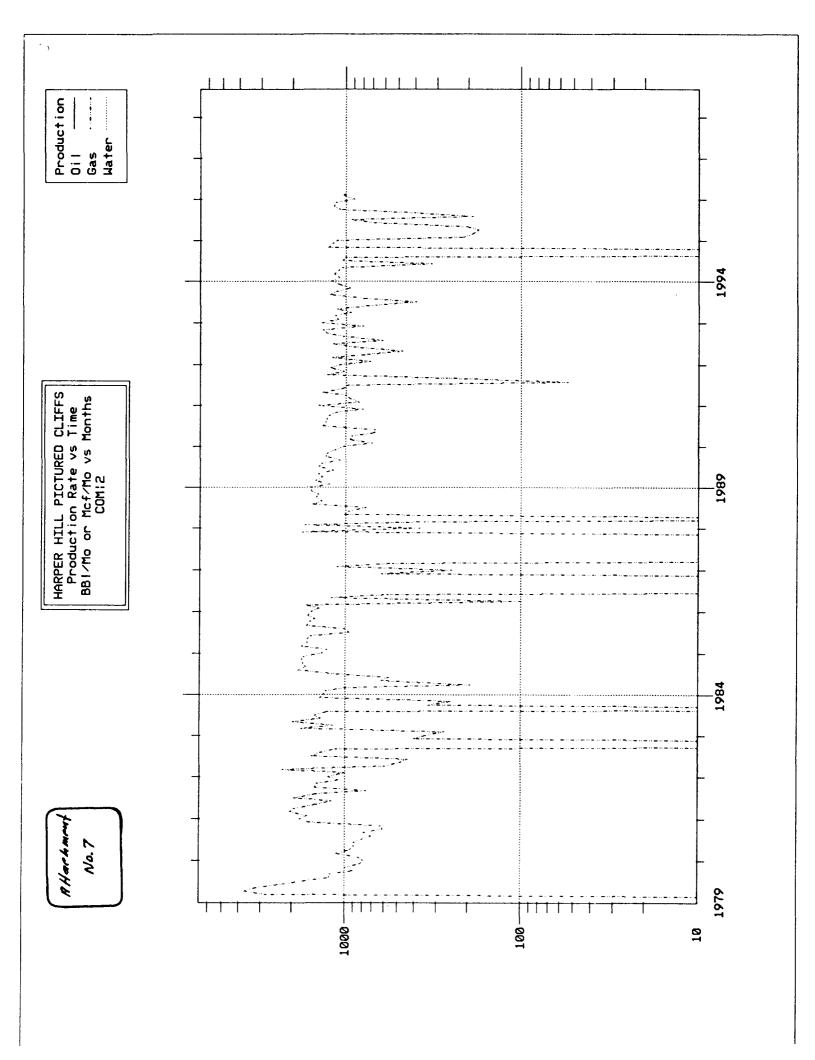
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EL PASO NATURAL GAS COMPANY VOLUME ACCOUNTING DEPARTMENT MEASUREMENT DIVISION POST OFFICE BOX 1492 EL PASO, TEXAS 79978 PHONE: (915) 541-5267

CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 11/08/95

MAILEE 28730

DUGAN PRODUCTION CORPORATION P 0 BOX 420 FARMINGTON, NM 87499-0420

METER NUMBER 90887 - COM #1E

OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 10/20/95 TYPE CODE 2 - ACTUAL

H2S GRAINS O LOCATION D - DANIELS FM SAMPLE DATE 10/16/95 EFFECTIVE DATE 11/01/95

EFFECTIVE FOR 6 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
COMPONENTS		<u> </u>
C02	. 90	. 000
H2S	.00	. 000
N2	.70	. 000
METHANE	77 . 55	. 000
ETHANE	10.68	2.857
PROPANE	5.88	1.621
ISO-BUTANE	.94	. 307
NORM-BUTANE	1.81	. 571
ISO-PENTANE	. 57	. 209
NORM-PENTANE	. 46	. 167
HEXANE PLUS	51	223
	100.00	5.955

SPECIFIC GRAVITY .751

MIXTURE HEATING VALUE

(BTU € 14.73 DRY) 1285

RATIO OF SPECIFIC HEATS .000

NO TEST SECURED FOR H2S CONTENT

RHachment No.8

EL PASO NATURAL GAS COMPANY VOLUME ACCOUNTING DEPARTMENT MEASUREMENT DIVISION POST OFFICE BOX 1492 EL PASO, TEXAS 79978 PHONE: (915) 541-5287 CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 11/08/95

Atachment No.9

MAILEE 26730

DUGAN PRODUCTION CORPORATION P 0 B0X 420 FARMINGTON, NM 87499-0420

METER NUMBER 90381 - COM #2
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 10/20/95 TYPE CODE 2 - ACTUAL SAMPLE DATE 10/18/95 H2S GRAINS EFFECTIVE DATE 11/01/95 D - DANIELS FM LOCATION EFFECTIVE FOR 6 MONTHS

NORMALIZED COMPONENTS MOL % GPM CO2 .000 . 43 H2S .00 .000 N2 .000 . 21 METHANE 87.60 .000 ETHANE 6.46 1.728 PROPANE 2.58 .711 ISO-BUTANE . 46 . 150 NORM-BUTANE . 218 . 69 ISO-PENTANE . 29 . 106 NORM-PENTANE . 22 . 080 HEXANE PLUS 1.06 .462 100.00 3.455

SPECIFIC GRAVITY .672 MIXTURE HEATING VALUE 1183 (BTU ₱ 14.73 DRY) RATIO OF SPECIFIC HEATS . 000

NO TEST SECURED FOR H2S CONTENT

ATTACHMENT NO. 10 CURRENT & PROPOSED PRODUCTION VALUE DUGAN PRODUCTION CORP'S COM NO. 1E & COM NO. 2

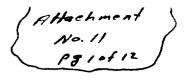
CURRENT	<u>OPERATIONS</u>

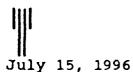
CURRENT OPERATIONS			
	<u>Com #1E</u>	<u>Com #2</u>	<u>Total</u>
<u>GAS</u>			
Average Production, MCFD ()	52	33	85
Lease Equipment Fuel, MCFD	1.4	0	1.4
Compressor Fuel, MCFD	<u>8.1</u>	<u>9.3</u>	<u>17.4</u>
Sales Volume, MCFD	42.5	23.7	66.20
Gas Heating Value, BTU/CF 3	1285	1183	1248
MMBTU Sold Per Day	54.61	28.04	82.65
Revenue - \$/Day 4	50.25	25.80	76.05
CONDENSATE			
Average Production, BPD (1)	0.3	0	0.3
Revenue - \$/Day 4	<u>4.70</u>	<u>0</u>	<u>4.70</u>
Total Well Revenue - \$/Day	54.95	25.80	80.75
PROPOSED OPERATIONS			
GAS			
Average Production, MCFD (1)	52	33	85
Lease Equipment Fuel, MCFD	1.4	0	1.4
Compressor Fuel, MCFD 2	<u>4.9</u>	<u>3.2</u>	<u>8.1</u>
Sales Volume, MCFD	45.7	29. 8	75.5
Gas Heating Value, BTU/CF 3	1285	1183	1245
MMBTU Sold Per Day	58.72	35.25	93.98
Revenue - \$/Day 4	54.03	32.44	86.47
CONDENSATE			
Average Production, BPD (1)	0.3	0	0.3
Revenue - \$/Day 4	<u>4.70</u>	Ō	<u>4.70</u>
Total Well Revenue - \$/Day	58.73	32.44	91.17
PROJECTED INCREASE OVER CURR	ENT OPERA	TIONS	
\$/Day	3.78	6.64	10 42
\$/Month	115	202	317

Footnotes:

- Average for 1st 5 months 1996
- 2 Assumes compressor at Com No. 2 is eliminated and fuel is split between No. 1E & No. 2 based upon well production volumes less lease fuel.
- 3 Current gas analysis Attachments No. 8 & 9
- Used 1995 average wellhead gas price of \$1.01/MMBTU and condensate price of \$17.18/bbl plus the current San Juan County production tax rate of 8.89%







Certified Mail - Return Receipt Requested

Conoco, Inc. Attn: Jerry Hoover 10 Conoco Plaza 10 Desta Drive Midland, Texas 79705

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Hoover:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that Conoco has a 6.32% working interest in the Com No. 1E and a 6.38% ORRI in the Com No. 2. I have discussed this proposal with Mr. Pete Bowser of your office and it is my understanding that Conoco is in agreement with our proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

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

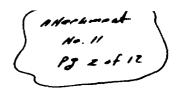
Sincerely,

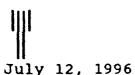
John D Be

John D. Roe Manager of Engineering

JDR/cg







<u>Certified Mail - Return Receipt Requested</u>

State of New Mexico State Land Office Attn: Mr. Pete Martinez PO Box 1148 Santa Fe, NM 87504-1148

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Martinez:

Attached is our check for the \$30.00 SLO surface commingling application fee. Also attached for your approval is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that the E/2 spacing unit for Dugan Production's Com Well No. 1E includes state leases LG-3736, E-6714-4 and B-11242-43 and that the NE/4 spacing unit for Dugan's Com No. 2 includes portions of these same leases, which result in the State of New Mexico having a royalty interest in both wells.

From our earlier conversations about this matter, it is my understanding that since this proposal will result in increased current revenues to the State along with an increase in ultimate recoveries from both wells, the State Land Office can approve our proposed surface commingling.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

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

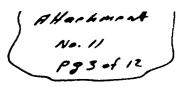
Sincerely,

Jehn D Roe

John D. Roe Manager of Engineering

JDR/cg







Certified Mail - Return Receipt Requested

July 15, 1996

Bureau of Land Management, FDO Attn: Mr. Duane Spencer 1235 La Plata Hwy. Farmington, NM 87401

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Spencer:

Attached for your approval is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate Federal Lease SF 078110 comprises 80 acres of the E/2 316.65 acre Dakota spacing unit for the Com No. 1E which results in a Federal royalty interest of 3.15807% in the Com No. 1E. Since the spacing unit for the Com No. 2 consists only of state leases, there is no federal interest in the No. 2 well.

Based upon our earlier conversations about this matter, it is my understanding that the BLM should be able to approve this proposed surface commingling.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

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

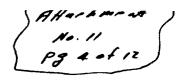
Sincerely,

John D Re

John D. Roe Manager of Engineering

JDR/cg







Certified Mail - Return Receipt Requested

July 15, 1996

Rilla E. King P.O. Box 186 Dolores, CO 81325

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Ms. King:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E well. The proposed surface commingling will not change your interest in this well and will provide an increase in your monthly revenues from the well. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

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

Sincerely,

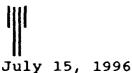
John D. Rac

John D. Roe Manager of Engineering

JDR/cq



No.11
pg 50f12



Certified Mail - Return Receipt Requested

Charles Alan McDougal 7928 Rooksley Ct. Raleigh, NC 27615

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1B & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. McDougal:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

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

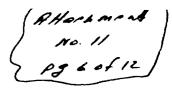
Sincerely,

John D Roe

John D. Roe Manager of Engineering

JDR/cg







Certified Mail - Return Receipt Requested

July 15, 1996

Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. McDougal:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

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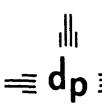
Should you have questions or need additional information, please let me know.

Sincerely,

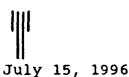
Jahn D. Roe

John D. Roe Manager of Engineering

JDR/cg



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Certified Mail - Return Receipt Requested

Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Ms. Hadley:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

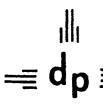
Should you have questions or need additional information, please let me know.

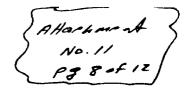
Sincerely,

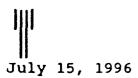
Jehm B Rac

John D. Roe Manager of Engineering

JDR/cg







Certified Mail - Return Receipt Requested

Marcia M. Daniels c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Ms. Daniels:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

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

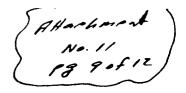
Sincerely,

John & Rec

John D. Roe Manager of Engineering

JDR/cq







Certified Mail - Return Receipt Requested

July 15, 1996

Anne S. Henderson 2969 Upton St. NW, Apt. 3 Washington, DC 20008

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Ms. Henderson:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

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

Sincerely,

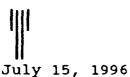
John B Roc.

John D. Roe Manager of Engineering

JDR/cg



SAKARAMENT S No.11 Pg 10 of 12



Certified Mail - Return Receipt Requested

Robin Thomas Henderson 5028 River Road Bethesda, MD 20016

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Henderson:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

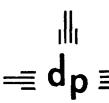
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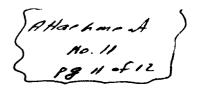
Sincerely,

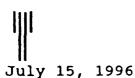
John D Roe

John D. Roe Manager of Engineering

JDR/cg







Certified Mail - Return Receipt Requested

Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Mr. Henderson:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

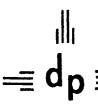
Should you have questions or need additional information, please let me know.

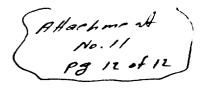
Sincerely,

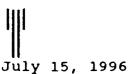
John B Roc

John D. Roe Manager of Engineering

JDR/cg







<u>Certified Mail - Return Receipt Requested</u>

Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015

Re: Application for Surface Commingling of Produced Gas Dugan Production's Com Wells No. 1E & No. 2 Basin Dakota & Harper Hill Fruitland Sand PC Pools Both Wells in Unit A, Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Ms. Pope:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

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

Sincerely,

Jahn O Roe

John D. Roe Manager of Engineering

JDR/cq