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November 14, 1997

11897

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application of Dugan Production Corp. for Compulsory Pooling and
Downhole Commingling, Rio Arriba County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is an Application of Dugan Production Corp. in the above-referenced case as well as a copy of a legal advertisement. Dugan respectfully requests that this matter be placed on the docket for the December 18, 1997 Examiner hearings.

Very truly yours,



WILLIAM F. CARR
PAUL R. OWEN

PRO/edr
Enclosures

cc: Dave Poage (w/enclosures)
Dugan Production Corp.
Post Office Box 420
Farmington, New Mexico 87499

BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF DUGAN PRODUCTION CORP.
FOR COMPULSORY POOLING
AND DOWNHOLE COMMINGLING,
RIO ARRIBA COUNTY, NEW MEXICO

CASE NO. 11897

APPLICATION

DUGAN PRODUCTION CORP. ("Dugan"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2 of Section 14, Township 26 North, Range 7 West, Rio Arriba County, New Mexico. Dugan also makes application for downhole commingling of production from the Mesaverde and Dakota formations in its Mona Lisa # 2 Well. In support of this Application, Dugan states:

1. Dugan is a working interest owner in the S/2 of said Section 14, on which it proposes to drill its Mona Lisa No. 2 Well to the Dakota formation, at a standard location 1620 feet from the South line and 1850 feet from the East line of said Section 14 to a depth sufficient to test and effect completion in the Blanco-Mesaverde and Basin-Dakota Gas Pools.

2. Dugan has sought and been unable to obtain voluntary agreement from certain interest owners for the development of the S/2 of said Section 14. The names and addresses of those interest owners having leasehold ownership in the S/2 of Section 14 is attached hereto as Exhibit "A."

3. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

4. In order to permit Dugan to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled to form a standard spacing unit, and Applicant should be designated the operator of the well.

5. Applicant also seeks authority for downhole commingling of gas and condensate production from the Mesaverde formation, Blanco-Mesaverde Pool, and Dakota formation, Basin-Dakota Pool in the wellbore of its proposed Mona Lisa No. 2 Well, located 1620 feet from the South line and 1850 feet from the East line of Section 14, Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico.

6. Commingling gas production in this well will not damage either reservoir and will result in the increased recovery of hydrocarbons.

7. Granting this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Dugan Production Corp. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 18, 1997 and,

APPLICATION

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after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Dugan operator of the S/2 of said Section 14, authorizing Dugan to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and allowing the commingling of production from the Mesaverde and Dakota formations in the wellbore of the Mona Lisa No. 2 Well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By:



WILLIAM F. CARR

PAUL R. OWEN

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR DUGAN PRODUCTION CORP.

EXHIBIT A
APPLICATION OF DUGAN PRODUCTION CORP.
FOR COMPULSORY POOLING AND
DOWNHOLE COMMINGLING,
RIO ARRIBA COUNTY, NEW MEXICO

LEASEHOLD OWNERSHIP
S/2, SECTION 14, TOWNSHIP 26 NORTH, RANGE 7 WEST,
NMPM, RIO ARRIBA COUNTY, NEW MEXICO

Caulkins Oil Company.
Post Office Box 340
Bloomfield, New Mexico 87413
Attn: Bobby Verquer

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702
Attn: Steve Daniels

Louis-Dreyfus Natural Gas Corporation
14000 Quail Springs Parkway, Suite 600
Oklahoma City, Oklahoma 73134-2600
Attn: Rusty Waters

Dugan Production Corp.
Post Office Box 420
Farmington, New Mexico 87499
Attn: Dave Poage

CASE 11897 : Application of Dugan Production Corp. for compulsory pooling and downhole commingling, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order pooling all formations developed on 320-acre spacing underlying the S/2, Section 14, Township 26 North, Range 7 West, Rio Arriba County, New Mexico. Applicant proposes to dedicate this acreage to its Mona Lisa No. 2 Well to be drilled at a standard location 1620 feet from the South line and 1850 feet from the East line of said Section 14. Applicant also seeks approval to downhole commingle production from the Mesaverde formation, Blanco Mesaverde Pool, and the Dakota formation, Basin Dakota Pool, within the wellbore of said Mona Lisa No. 2 Well. Also to be considered will the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said area is located approximately 17.5 miles northeast of Blanco Trading Post, New Mexico.