

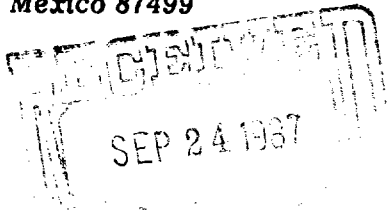
**ROBERT STOVALL**

**Attorney-at-Law**

**(505) 326-3359**

**P.O. Box 10021  
Farmington, New Mexico 87499**

**Office  
3005 Northridge Dr., Suite G**



September 22, 1987

New Mexico Oil Conservation Division  
P.O. Box 2088  
Santa Fe, N.M. 87504-2088

*Case 9251*

re: Dugan Production Corp.  
Forced-pooling Applications  
Sections 21 and 28  
T26N, R2W, N.M.P.M.  
Rio Arriba County, New Mexico

Gentlemen:

Enclosed please find the applications of Dugan Production Corp. for compulsory pooling of the above described sections, each in a separate application. Dugan proposes to drill a well in each section to the Mancos formation which will result in a Gavilan Mancos Extension.

Dugan requests that an examiner hearing on the applications be set on the regular examiner docket of October 21, 1987. Notice is being sent to working interest owners as required by the rules and evidence of that notice will be provided at the hearing.

Please advise me if there will be any problem with setting the hearings as requested or if you need any further information.

Sincerely,

Robert G. Stovall

RGS:  
enclosure  
xc: Dugan Production

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

APPLICATION OF DUGAN PRODUCTION  
CORP. FOR COMPULSORY POOLING,  
SECTION 21, TOWNSHIP 26 NORTH,  
RANGE 2 WEST, N.M.P.M., RIO  
ARRIBA COUNTY, NEW MEXICO

Case No. 9251

APPLICATION

COMES NOW Dugan Production Corp. and hereby makes application to the New Mexico Oil Conservation Division for a compulsory pooling order pooling all of the mineral interests in the Mancos formation underlying Section 21, Township 26 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico to be dedicated to an oil well to be drilled at a standard location thereon, and in support thereof states the following:

1. The proposed well proration unit is within one mile of the Gavilan Mancos oil pool and upon completion, under the state rules, will become an extension to the Gavilan Mancos Oil Pool, the rules for which establish 640 acres as the proration unit for a well producing therefrom.

2. The operating rights underlying said section 21 in the Mancos formation are owned as follows:

<u>Working Interest Owner</u>	<u>Percent Interest</u>
Dugan Production Corp.	40.6250000
Mountain States Natural Gas Corp.	36.7395635
Mesa Grande Resources, Inc.	9.3750000
Robert L. Bayless	0.4687500
Margaret Hill	6.2500000
Alinda Hunt Hill Trust	6.2500000
Huntington T. Walker	0.1730345
Kindermac Partners	0.1186520
Total	100.0000000

3. Leota Jones, Trustee of the Leota Jones Trust, and Annie M. White, deceased, are fee owners of mineral interests whose

leases contain pooling clauses which limit pooling for oil wells to 320 acres, and their interest must be force pooled if their lessees do not obtain amendments to the leases allowing for 640 acre pooling.

4. Dugan Production Corp. has the right to drill and produce a well a standard location thereon.

5. By letter dated September 16, 1987, Dugan Production has requested that the other working interest owners join in a well to be drilled at a standard location thereon.

6. Dugan Production Corp. is qualified and should be designated as the operator of this well.

7. The operator should be allowed to recover the costs of drilling, completing, and operating the proposed well.

8. The operator should be allowed to recover from those parties not electing to participate in the drilling of said well, or who choose to pay their share of costs out of proceeds of production, an additional risk factor, and 200% of the costs of drilling, completing and operating the well is a reasonable risk factor, and the operator should be allowed to withhold that amount from the proceeds of production.

9. Those parties force-pooled by this order who elect to participate in the drilling of the well should be required to pay the estimated costs of drilling in advance of drilling in order to avoid paying a risk factor.

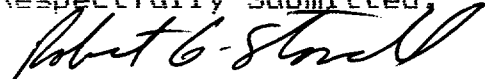
10. A reasonable charge for administrative overhead is \$4,000 per month while drilling and \$400 per month while operating.

11. The granting of the order requested in this application will serve to avoid waste by preventing the drilling of unnecessary wells and will protect the correlative rights of the parties.

THEREFORE, Applicant requests the Division enter an order pooling all the mineral interests in the Mancos formation underlying all of Section 21, Township 26 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, and further requests

that the Division designate Dugan Production Corp. as the operator of said well, and that it make additional findings and orders that the statements of the Applicant herein are correct and such other orders and findings as may be appropriate and supported by evidence which may be presented before the Division.

Respectfully Submitted,



Robert G. Stovall  
Attorney for Applicant  
P.O. Box 10021  
Farmington, N.M. 87499  
(505) 326-3359