

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

APPLICATION OF DUGAN PRODUCTION
CORP. FOR COMPULSORY POOLING,
SECTION 28, TOWNSHIP 26 NORTH,
RANGE 2 WEST, N.M.P.M., RIO
ARRIBA COUNTY, NEW MEXICO

Case No. 9252

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 28, 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 28 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.	24.4930400
Mesa Grande Resources, Inc.	18.7500000
Robert L. Bayless	0.3125000
Sun Exploration & Production Co.	15.6250000
Huntington T. Walker	0.1153565
Kindermac Partners	<u>0.0791010</u>
Total	100.0000000

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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 interests must be force-pooled if they do not amend their leases to allow pooling on 640 acres.

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.

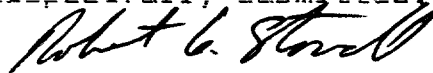
10. A reasonable charge for administrative overhead is \$4,000 per month while drilling and \$400 per month while operating.

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 28, 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,



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