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Of Counsel

February 9, 1988

Mr. William J. LeMay  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

Oil Conservation Division

Case 9327

Re: Application of Dugan Production Corporation  
for Compulsory Pooling  
T26N, R2W, Section 22

Dear Mr. LeMay:

On behalf of Dugan Production Corporation we would appreciate the enclosed application being set for hearing on the Examiner docket now scheduled for March 2, 1988.

The following is a suggested advertisement for this case:

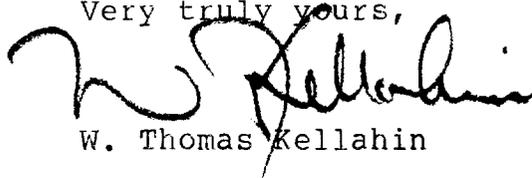
Application of Dugan Production Corporation for an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying a certain 640-acre tract of land in Rio Arriba County, New Mexico. Applicant in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 22, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit in said pool. Said unit is to be dedicated to the Amoco Production Company Seifert Well No. 1 located in Unit P of said Section 22 which is presently completed in and producing from the Gavilan-Mancos Oil Pool. Also to be considered will be the cost of participation in the said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Applicant further requests that Amoco Production Company remain as operator of the well and that the effective date of any order issued in the case be retroactive to June 8, 1987. In the alternative, Applicant seeks the formation of a 320-acre non-standard spacing and proration unit consisting of the W/2 of said Section 22 and an order pooling all mineral interest in the Gavilan Mancos Oil Pool thereunder. Also to be considered will

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be the costs of drilling, completing, and equipping said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Dugan Production Corporation as operator, and the charge for risk involved in drilling and completing said well. Said well is located approximately 4.5 miles east-northwest of the Ojito Post Office, New Mexico.

Very truly yours,



W. Thomas Kellahin

WTK:ca  
Enc.

cc: Mr. John Roe  
Dugan Production Corporation  
P. O. Box 2088  
Farmington, New Mexico 87401

"Certified Return-Receipt Requested"

All Parties Listed in Application

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF DUGAN PRODUCTION FORMATION FOR  
COMPULSORY POOLING OF A 640-ACRE  
UNIT, OR IN THE ALTERNATIVE, FOR  
COMPULSORY POOLING AND APPROVAL OF  
A 320-ACRE NON-STANDARD PROPORTION  
AND SPACING UNIT, GAVILAN MANCOS  
OIL POOL, RIO ARRIBA COUNTY,  
NEW MEXICO.

CASE NO. 9327

A P P L I C A T I O N

Comes now DUGAN PRODUCTION CORPORATION, by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 70-2-17(c) NMSA-1978 applies to the New Mexico Oil Conservation Division for an order pooling all mineral interest in the Gavilan Mancos Oil Pool underlying a 640-acre spacing and proportion unit being all of Section 22, T26N, R2W, NMPM, to be dedicated to the Amoco Production Company's Seifert Gas Com A Well No. 1, located in the SE/4SE/4 of said Section 22, or in the alternative, for an order pooling all mineral interest in the Gavilan Mancos Oil Pool underlying the W/2 of said Section 22 and the approval of a non-standard spacing and proportion unit consisting of the W/2 of Section 22, and in support thereof would show:

1. Applicant is a working interest owner in the W/2 of Section 22, T26N, R2W, NMPM, Rio Arriba County, New Mexico.

2. The New Mexico Oil Conservation Commission issued Order R-7407-E effective June 28, 1987 which provides for 640 acre spacing and proration units for the Gavilan Mancos Oil Pool.

3. Thereafter, on June 28, 1987 Amoco Production Company completed its Seifert Gas Com A Well No. 1 located in the SE/4SE/4 of said Section 22 for production from the Gavilan Mancos Oil Pool.

4. In compliance with Division Order R-7407-E and in accordance with Section 70-2-17(c) NMSA-1978, applicant has sought the voluntary agreement of all appropriate mineral interest owners in Section 22 for the dedication of all of Section 22 to the Amoco Seifert Well.

5. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the Amoco Seifert Well and to share in production from June 8, 1987 in compliance with Order R-7407-E, certain interest owners have either refused or have failed to join in dedicating their interest on a voluntary basis.

6. In the event Applicant is unable to obtain a compulsory pooling order pooling all of Section 22, then in the alternative Applicant asks that the Division enter

a compulsory pooling order for the W/2 of said Section 22 and approve said 320-acre unit as a non-standard spacing and proration unit in the Gavilan Mancos Oil Pool.

7. The pooling of all interest underlying Section 22 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. In accordance with Division notice rules, the applicant has provided a copy of this application and notice to all parties listed on Exhibit A hereto.

WHEREFOFE, applicant requests that the Division set this matter for hearing on March 2, 1988 and that after hearing the Division enter an order pooling the interest in Section 22 and provide for a fair and equitable means for participation in the costs and production from the subject well.

In the alternative, applicant seeks the formation of a non-standard spacing and proration unit consisting of the W/2 of said Section 22 and the compulsory pooling of all interest therein for the drilling of a Gavilan Mancos Well in the W/2 of said section.

Respectfully submitted,

  
By W. Thomas Kellehin  
W. Thomas Kellehin, Esq.  
P. O. Box 2265  
Santa Fe, New Mexico 87504

Attorneys for Dugan  
Production Corporation

WORKING INTEREST OWNERS

Section 22, T-26N, R-2W  
Rio Arriba County, NM  
(Page 1 of 2)

East Half (Currently dedicated to Amoco Production  
Section Company's Seifert Gas Com A Well No. 1  
Located in the SESE of Sec.22,T-26N,R-2W)

Amoco Production Company	57.26562%
17th & Broadway	
P.O. Box 800	
Denver, CO 80201	
Sun Exploration & Production	36.48438%
Attn: Mr. Frank Syfan	
P. O. Box 5940-TA	
Denver Colorado 80217-5940	
Meridian, Inc.	6.25000%
Attn: Van Goebel	
P.O. Box 4289	
Farmington, NM 87499	

West Half Section

<u>NW/4</u>	Dugan Production Corp.	50.000000%
	Attn: Rich Corcoran	
	P.O. Box 208	
	Farmington, NM 87499	
<u>SW/4</u>	Reading & Bates Petroleum Co.	16.666665%
	Attn: Eric Koelling	
	3200 Mid-Continent Tower	
	Tulsa, OK 74103	
	Hooper, Kimball & Williams, Inc.	16.666665%
	Attn: Greg Owens	
	P.O. Box 520970	
	Tulsa, OK 74152	
	Ibex Partnership	7.804365%
	Attn: Ron Holloway	
	P.O. Box 911	
	Breckenridge, Texas 76024-0911	

**WORKING INTEREST OWNERS**

Section 22, T-26N, R-2W  
Rio Arriba County, NM  
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PC, Ltd. Attn: Ron Holloway P.O. Box 911 Breckenridge, Texas 76024-0911	7.804365%
Carolyn Clark Oatman P.O. Box 1846 Austin, Texas 78767	0.437420%
Warren Clark Trust P.O. Box 1846 Austin, Texas 78767	0.406900%
Warren Clark Testamentary Trust P.O. Box 1846 Austin, Texas 78767	0.213620%

CASE

Application of Dugan Production Corporation for Compulsory Pooling, Rio Arriba County, New Mexico.

Applicant in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 22, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit in the Amoco Production Company Seifert Well No. 1 located in Unit P of said Section 22 which is presently completed in and producing from the Gavilan-Mancos Oil Pool. Also to be considered will be the cost of participation in the said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Applicant further requests that Amoco Production Company remain as operator of the well and that the effective date of any order issued in the case be retroactive to June 8, 1987. In the alternative, applicant seeks the formation of a 320-acre non-standard spacing and proration unit consisting of the W/2 of said Section 22 and an order pooling all mineral interests in the Gavilan-Mancos Oil Pool thereunder. Also to be considered will be the costs of drilling, completing, and equipping said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Dugan Production Corporation as operator, and the charge for risk involved in drilling and completing said well. Said well is located approximately 4.5 miles east-northwest of the Ojito Post Office, New Mexico.