

ABOVE THIS LINE FOR DIVISION USE ONLY

RECEIVED

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



MAY 19 2003
 CONSERVATION DIVISION

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners

- [B] Offset Operators, Leaseholders or Surface Owner

- [C] Application is One Which Requires Published Legal Notice

- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,

- [F] Waivers are Attached

** - Notice was sent Certified, Return-Receipt + copy of transmittal letter is attached. Upon receiving Receipts & Waivers, copies will be sent to NMOCB.*

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

John P. Roe
 Print or Type Name

John P. Roe
 Signature

ENGR mgr.
 Title

5/16/03
 Date

johnroe@duganproduction.com
 e-mail Address



dugan production corp.



May 16, 2003

Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Request for 160A NSP
Dugan Production Corp.'s
Rachel No. 91 (API No. 30-045-29835)
Unit K, Section 34, T26N, R12W
Basin Fruitland Coal Gas Pool
San Juan County, NM

Dear Ms. Wrotenbery,

Dugan Production Corp. requests your administrative approval for a 160 non-standard spacing unit comprising the SW/4 of Section 34 for the subject well. This non-standard spacing unit is necessary since the east half of Section 34 is dedicated to Dugan's Rachel No. 90 Fruitland Coal well and the NW/4 of Section 34 is dedicated, (NSP-1569) to the Ruby No. 1 (API No. 30-045-23839) operated by Pendragon Energy Partners Inc.

Dugan Production completed the Rachel No. 91 at an orthodox location in the Basin Fruitland Coal pool on 12-12-02. The APD for drilling the Rachel No. 91 was submitted in 1998 with plans to obtain a 160A NSP, however drilling was delayed until 2002 as the result of extended negotiations with the Navajo Agricultural Products Industry (NAPI) Board and the Navajo Nation concerning surface use issues. During the extended negotiations, Dugan Production inadvertently has not secured a 160A NSP for this well and now request your approval.

Attachment No. 1 presents the C-102 for the Rachel No. 91 and Attachment No. 2 presents the offset well and operator information for the Basin Fruitland Coal. All offset operators are being sent a copy of this request. Please note that Dugan Production holds the leasehold interest to the northeast, east, southeast, south and west plus Pendragon is the offsetting operator to the north and northeast and both Pendragon wells have 160A NSP's. The only other offset operator is Elm Ridge's Bisti Coal 4 No. 1 to the southwest. We have requested waivers from Pendragon and Elm Ridge and will forward to you upon receiving.

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

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

cc: NMOCD - Aztec

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Attachment
 No. 1
 P5 1061

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* AIT Number 30 045 29835		* Pool Code 71629	* Pool Name Basin Fruitland Coal
* Property Code 003812	* Property Name Rachel		* Well Number 91
* OGRID No. 006515	* Operator Name Dugan Production Corporation		* Elevation 6222' Estimated

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	34	26N	12W	K	1620	South	1760	West	San Juan

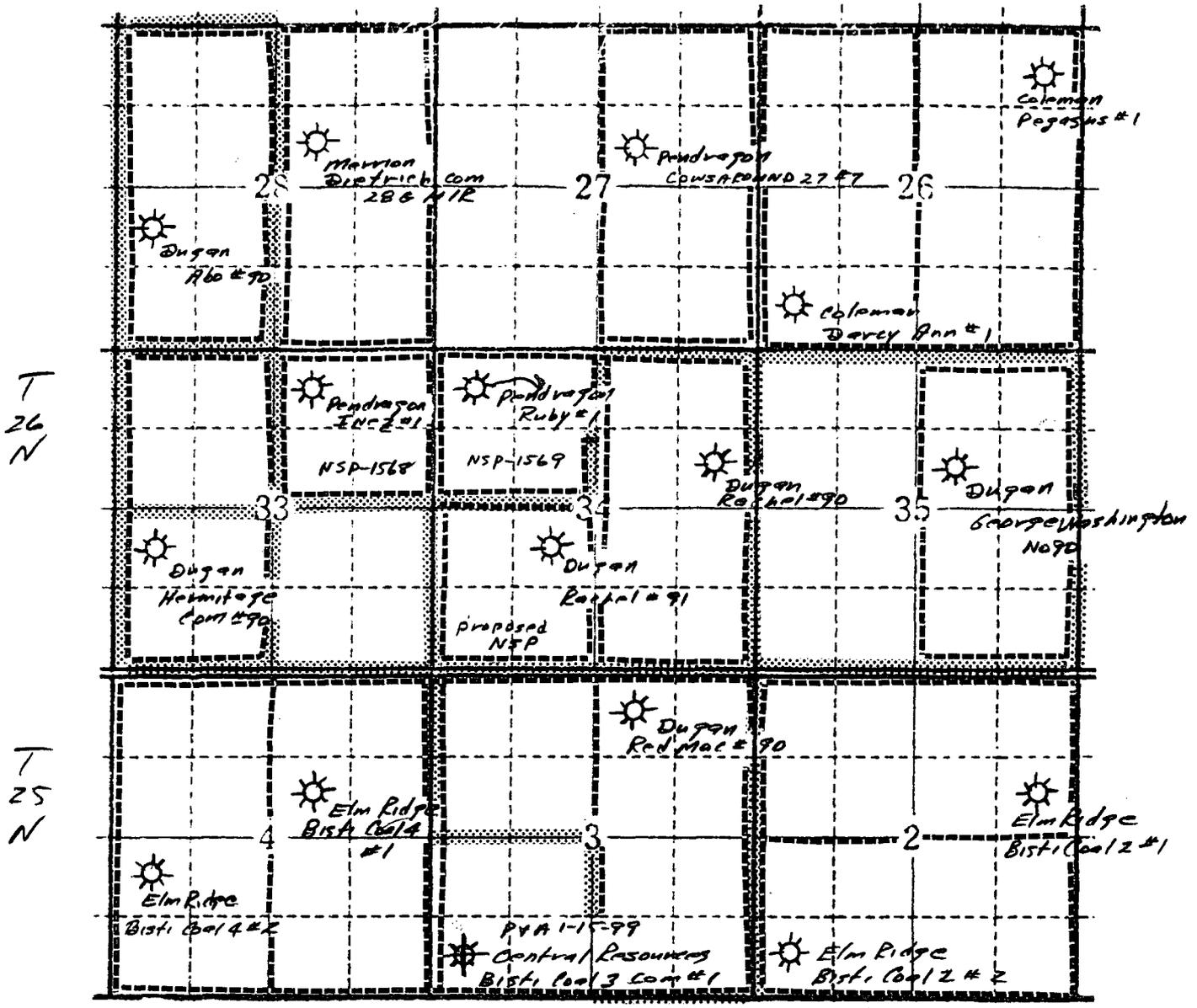
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

* ¹² Dedicated Acres 160	* ¹³ Joint or Infill	* ¹⁴ Consolidation Code	* ¹⁵ Order No. Non-Standard Proration Unit Application to be submitted.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

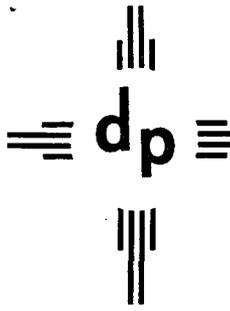
<p>16</p> <p>Section 34</p> <p>1760'</p> <p>1620'</p> <p>Dugan Production NM-61</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Sherman E. Dugan</i></p> <p>Signature</p> <p>Sherman E. Dugan Printed Name</p> <p>Vice-President Title</p> <p>8/31/91 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>March 8, 1998 Date of Survey</p> <p>Signature and Seal of <i>Edgar Risen Hoover</i></p> <p>EDGAR RISEN HOOPER NEW MEXICO 5979 PROFESSIONAL SURVEYOR</p> <p>Edgar Risen Hoover Certificate Number</p>



R-12 W

- ☀ - Approximate well Location - Exact Footage Not Plotted
- ▨ - Dugan production Leasehold Interest -
 - 28-26N-12W - W/2-320A NM-17018
 - 33-26N-12W - NW/4 + SE/4 - NM-0557296-A
 - 33-26N-12W - SW/4 - NOG-9909-1355
 - 34-26N-12W - S/2 + NE/4 NM-61
 - 35-26N-12W - R 11 - NM-61
 - 3-25N-12W - N/2 + SE/4 - NM-25443
- - Fruitland Coal Spacing Unit

Attachment No. 2
PS1 of 1



dugan production corp.

SIGN & RETURN
THIS COPY

May 16, 2003

CERTIFIED RETURN RECEIPT

Pendragon Energy Partners Inc.
621 17th Street Suite 750
Denver, CO 80293

Elm Ridge Resources Inc.
P. O. Box 189
Farmington, NM 87499-0189

Re: Waiver Request – 160A NSP
Dugan's Rachel No. 91
Unit K, Section 34, T-26N, R-12W
Basin Fruitland Coal Gas Pool
San Juan County, NM

Dear Offset Operator,

Dugan Production Corp. has requested NMOCD approval for a 160A non-standard spacing unit (NSP) comprising the SW/4 of Section 34, T-26N, R-12W for the Fruitland Coal completion in our recently completed Rachel No. 91. This request is necessary since the E/2 of the section is dedicated to Dugan's Rachel No. 90 and the NW/4 of Section 34 is dedicated to Pendragon's Ruby No. 1. A copy of our application is attached for your information and review.

As offset operator, we would appreciate your signing and returning a copy of this letter indicating you have no objection to Dugan's request for this 160A NSP.

Should you have questions or concerns, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

_____ (Name of Operator) has received a copy of Dugan Production Corp.'s application dated 5-16-03 requesting approval for a 160A NSP comprising the SW/4 of Section 34, T-26N, R-12W for the Basin Fruitland Coal completion in Dugan's Rachel No. 91 well and has no objection to the granting of the requested 160A NSP.

Signed by: _____

Date: _____

Printed Name: _____



State of New Mexico
OIL CONSERVATION COMMISSION

From

MICHAEL E. STOGNER
PETROLEUM ENGINEER

9:47am Friday, May 16, 2003

Memo

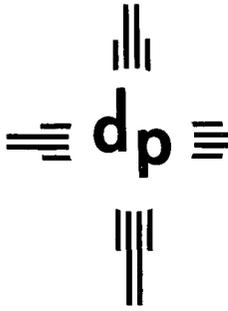
To

Voice Mail Message from
John Ree concerning this filing.

325-1821.

Not necessary to call back
since application is duly filed and
reviewed. *MSB, 5/21/03*

P.O. BOX 2088
LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
505-827-5811



dugan production corp.

May 28, 2003

RECEIVED
MAY 20 2003
OIL CONSERVATION
DIVISION

Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Dugan's application dated 5/16/03
Request for 160A NSP
Dugan Production Corp.'s
Rachel No. 91 (API No. 30-045-29835)
Unit K, Section 34, T26N, R12W
Basin Fruitland Coal
San Juan County, NM

Dear Ms. Wrotenbery,

Attached for your consideration of the subject application is a copy of the return receipt cards for offsetting operators as evidence of their receiving Dugan's application. To date, neither offset operator has returned the waiver requested. Should we receive either waiver, we will forward copies to you.

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

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachment

Receipt #91 n.s.p

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature <i>[Signature]</i>	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
	B. Received by (Printed Name) <i>[Signature]</i>	C. Date of Delivery <i>5/18/01</i>
1. Article Addressed to: <i>Leadragon Energy Partners Inc 621 17th Street Suite 750 Denver, CO 80293</i>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" type="checkbox"/> No	
2. Article Number (Transfer from service label)	7002 2410 0001 0133 8655	
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-0835

Receipt #91

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature <i>[Signature]</i>	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
	B. Received by (Printed Name) <i>[Signature]</i>	C. Date of Delivery
1. Article Addressed to: <i>Elm Ridge Resources Inc. P.O. Box 189 Farmington, NM 87499-0189</i>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" type="checkbox"/> No	
2. Article Number (Transfer from service label)	7002 2410 0001 0133 8662	
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-0835