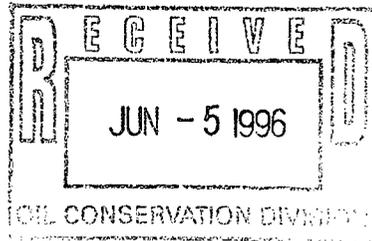


dugan production corp.



June 3, 1996



Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

**Re: Administrative Approval to Downhole Commingle
Dugan Production Corp's Blanco Wash #1
Unit J, Sec. 2, T24N, R9W
White Wash Mesa Verde and White Wash Mancos-Dakota Pools
San Juan County, NM**

Dear Mr. LeMay:

Attached please find our application for administrative approval to downhole commingle the White Wash Mesa Verde and White Wash Mancos-Dakota pools in Dugan Production's Blanco Wash #1 (Form C-107-A, C-102s for each zone, production decline curve for the Mancos-Dakota pool and a map showing all offsetting operators).

The White Wash Mesa Verde pool was recently completed and following a thirty (30) day production test, the rates have stabilized as shown on Form C-107-A. Each zone is marginally productive and downhole commingling is the most economical means of production.

A copy of this application is being submitted to all offset operators by certified mail.

Sincerely,

Gary Brink
Petroleum Engineer

GB/cg

encs.

cc: New Mexico Oil Conservation Division, Aztec, NM
Bureau of Land Management, Farmington, NM
Offsetting Operators (Bureau of Indian Affairs, Farmington)

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

Administrative Hearing

EXISTING WELLBORE

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator: Dugan Production Corp. Address: P.O. Box 420, Farmington, NM 87499
Blanco Wash No. 1 Unit Ltr. - Sec - Twp - Rge: J- 2, T24N, R9W County: San Juan
 Well No. _____ Spacing Unit Lease Types: (check 1 or more)
 OGRID NO. 006515 Property Code 003596 API NO. 30 045 22473 Federal State _____ (and/or) Fee _____

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	White Wash MV 96552		White Wash Mancos Dakota- 64290
2. Top and Bottom of Pay Section (Perforations)	4098 - 4105'		5132 - 6128'
3. Type of production (Oil or Gas)	Oil		Oil
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 202 (Calc)	a.	a. 228 (Calc)
	b. (Original)	b.	b.
6. Oil Gravity (°API) or Gas BTU Content	38.1°		38.5°
7. Producing or Shut-In?	Producing		Isolated w/B.P.
Production Marginal? (yes or no)	Yes		Yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: 5/95 Rates: 2/6.5/0
	Date: 5/96 Rates: 12/0/28	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 85 % Gas: 0 %	Oil: % Gas: %	Oil: 15 % Gas: 100 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
 If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
 Have all offset operators been given written notice of the proposed downhole commingling? Yes No
11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? Yes No
13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No
15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____
16. ATTACHMENTS:
 * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 * Production curve for each zone for at least one year. (If not available, attach explanation.)
 * For zones with no production history, estimated production rates and supporting data.
 * Data to support allocation method or formula.
 * Notification list of all offset operators.
 * Notification list of working, overriding, and royalty interests for uncommon interest cases.
 * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Petroleum Engineer DATE 6/3/96
 TYPE OR PRINT NAME Gary Brink TELEPHONE NO. (505) 325-1821

District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesa, 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

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

API Number 30 045 22473		Pool Code 64290	Pool Name White Wash Mancos/Dakota
Property Code 003596	Property Name Blanco Wash		Well Number 1
OGRID No. 006515	Operator Name Dugan Production Corp.		Elevation 6588' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
J	2	24N	9W		1550	South	1490	East	San Juan

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	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.
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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

16	Sec. 2	Navajo Allotted 14-20-0603- 1404	1490'	1550'	¹⁷ OPERATOR CERTIFICATION
					<p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <p> Signature Gary Brink Printed Name Petroleum Engineer Title 6/3/96 Date</p>
					¹⁸ SURVEYOR CERTIFICATION
					<p><i>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.</i></p> <p>March 16, 1977 Date of Survey Signature and Seal of Professional Surveyor: Surveyed by E.V. Echohawk, L.S. (see original plat for signature) 3602 Certificate Number</p>

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

State of New Mexico
 Energy, Minerals & Natural Resources Department

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 Santa Fe, NM 87504-2088

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30 045 22473		Pool Code 96552	Pool Name White Wash Mesa Verde (Oil)
Property Code 003596	Property Name Blanco Wash		Well Number 1
OGRID No. 006515	Operator Name Dugan Production Corp.		Elevation 6588' GL

10 Surface Location

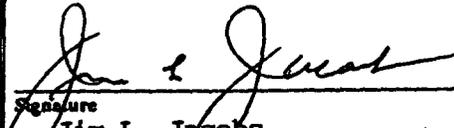
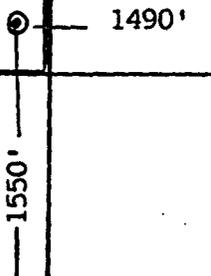
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
J	2	24N	9W		1550	South	1490	East	San Juan

11 Bottom Hole Location If Different From Surface

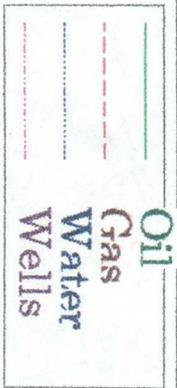
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

13 Dedicated Acres 40	14 Joint or Infill	15 Consolidation Code	16 Order No. Application for Unorthodox Location filed
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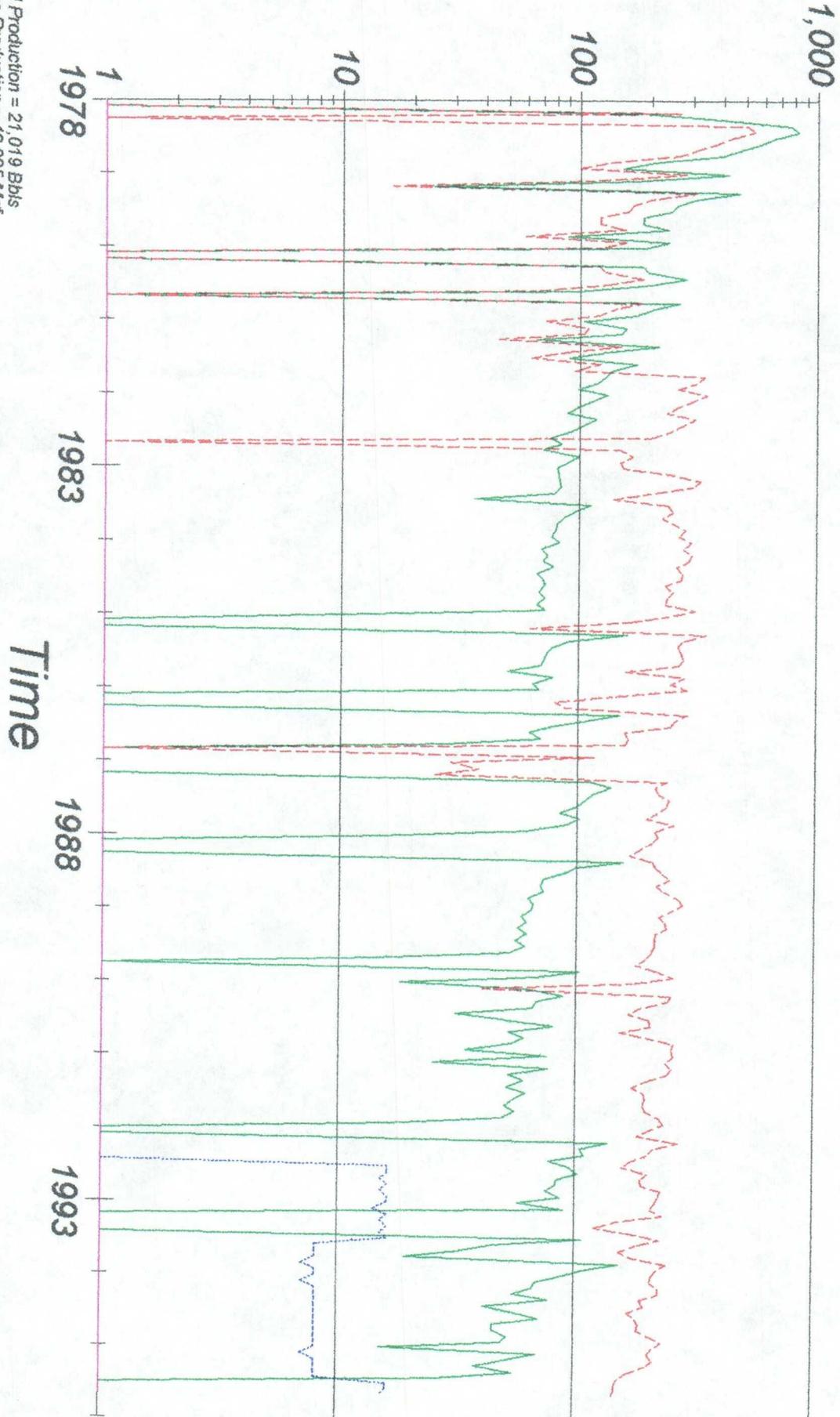
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>  Signature Jim L. Jacobs Printed Name Vice President Title 5/17/96 Date
			Nav. Alltd. 14-20-0603- 1404	18 SURVEYOR CERTIFICATION <i>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.</i> March 16, 1977 Date of Survey Signature and Seal of Professional Surveyer: Surveyed by E.V. Echohawk, L.S. (see original plat) 3602 Certificate Number
			Sec. 2 	

BBI/Mo or Mcf/Mo

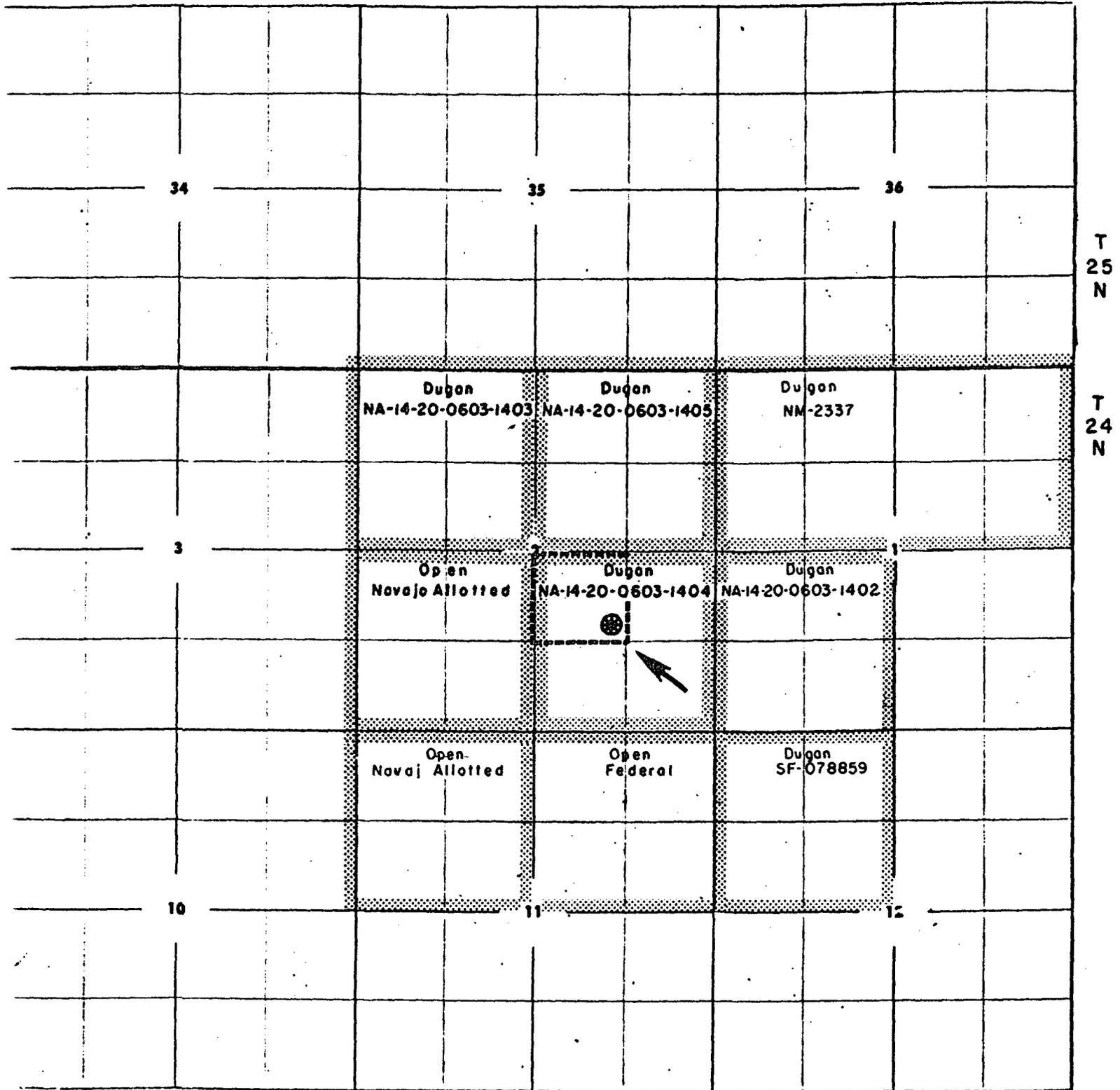


Field: WHITE WASH BLANCOS | DAKOTA
 Lease: BLANCO WASH | Well #1
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs Time
 For the Period 03/1978 to 09/1995 | API: 30045224730000



Reported Oil Production = 21,019 Bbls
 Reported Gas Production = 42,025 Mcf
 Reported Water Production = 430 Bbls

R-9-W



Application For Administrative Approval To Downhole Commingle
Dugon Production Corp.
Blanco Wash #1
1550' FSL & 1490' FEL, Sec 2, T24N, R9W
San Juan County, New Mexico
Whitewash Mesa Verde & Whitewash Mancos-Dakota Pools
Offset Operator Map