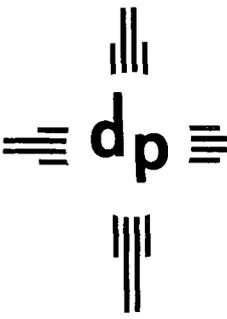


DHC 12/2/96



dugan production corp.

OIL CONSERVATION DIVISION
REGISTERED

NOV 8 1996

14/6

November 6, 1996

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

**Re: Application for Administrative Approval to Downhole Commingle
Dugan Production Corp's Ms. Nona #2
Unit A, Section 15, T-30N, R-14W
Greek Gallup and Basin Dakota Pools
San Juan County, NM**

Dear Mr. LeMay,

Attached please find our application for administrative approval to complete the Greek Gallup and downhole commingle it with the existing Basin Dakota production in our Ms. Nona #2 well. Since the Greek Gallup pool is limited, it is recommended the production allocation be made off anticipated production rates as produced from our Pole's Paradise #2 well located in Unit K, Sec. 9, T30N, R14W, San Juan County, New Mexico. The Pole's Paradise No. 2 Gallup production has stabilized at 3 BOPD and 6 MCFD. A production decline curve is attached.

Production decline curves and C-102s for each zone, Form C-107A and a map showing all offsetting operators are attached. Dugan Production Corp. operates all offsetting proration units.

Sincerely,

Gary Brink
Operations Manager

GWB/cg

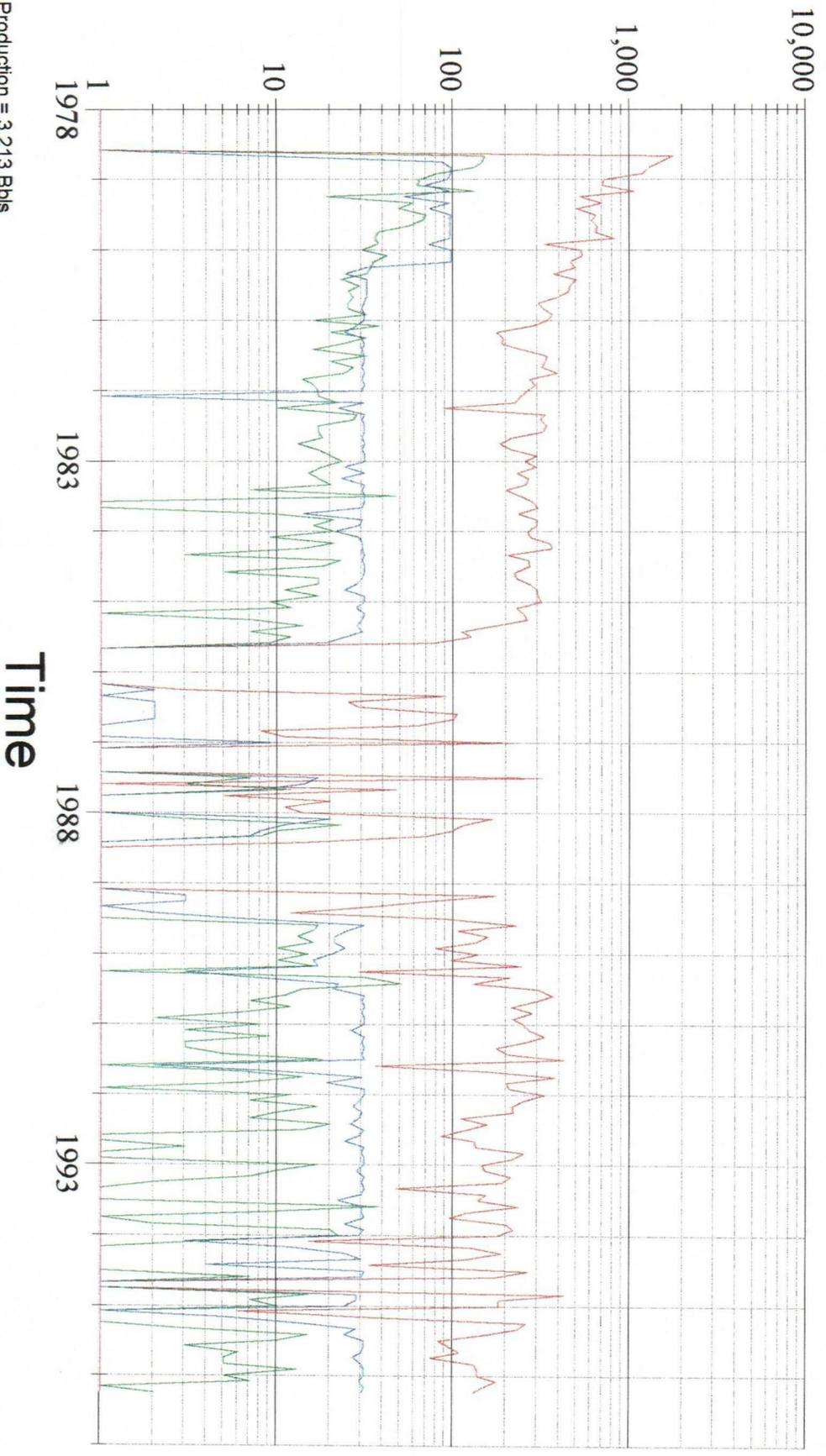
encs.

cc: NMOCD, Aztec
BLM, Farmington



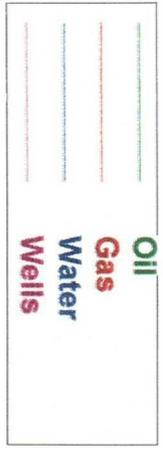
Field: BASIN
 Lease: MS NONA | Well #2
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs Time
 For the Period 09/1978 to 04/1996 | API: 30045227640000

BBI/Mo or Mcf/Mo

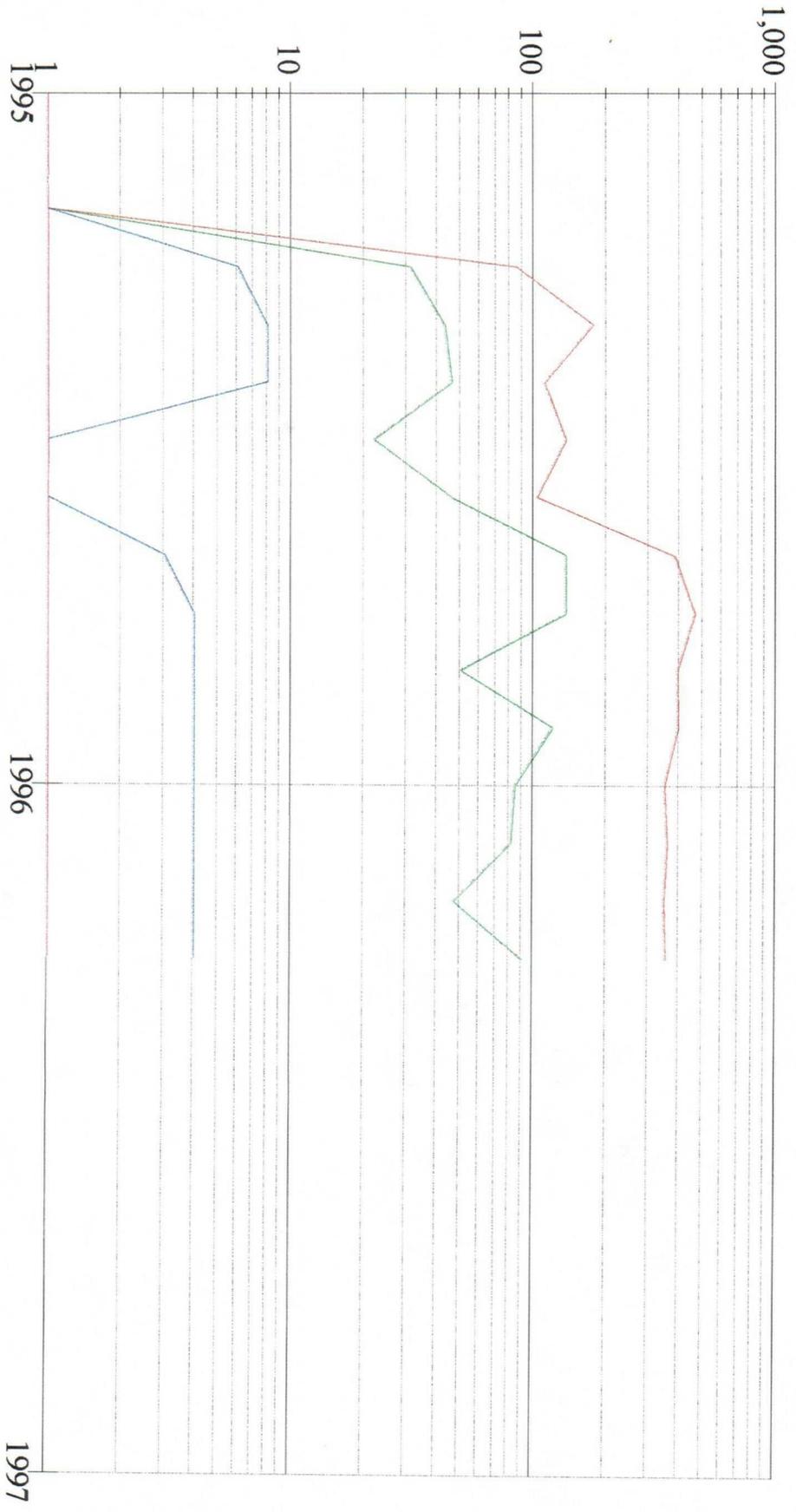


Reported Oil Production = 3,213 Bbls
 Reported Gas Production = 49,248 Mcf
 Reported Water Production = 5,586 Bbls

BBI/Mo or Mcf/Mo



Field: WILDCAT GL
 Lease: POLE'S PARADISE | Well #2
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs Time
 For the Period 04/1995 to 04/1996 | API: 30045254080000



Reported Oil Production = 933 Bbls
 Reported Gas Production = 3,661 Mcf
 Reported Water Production = 55 Bbls

Time

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

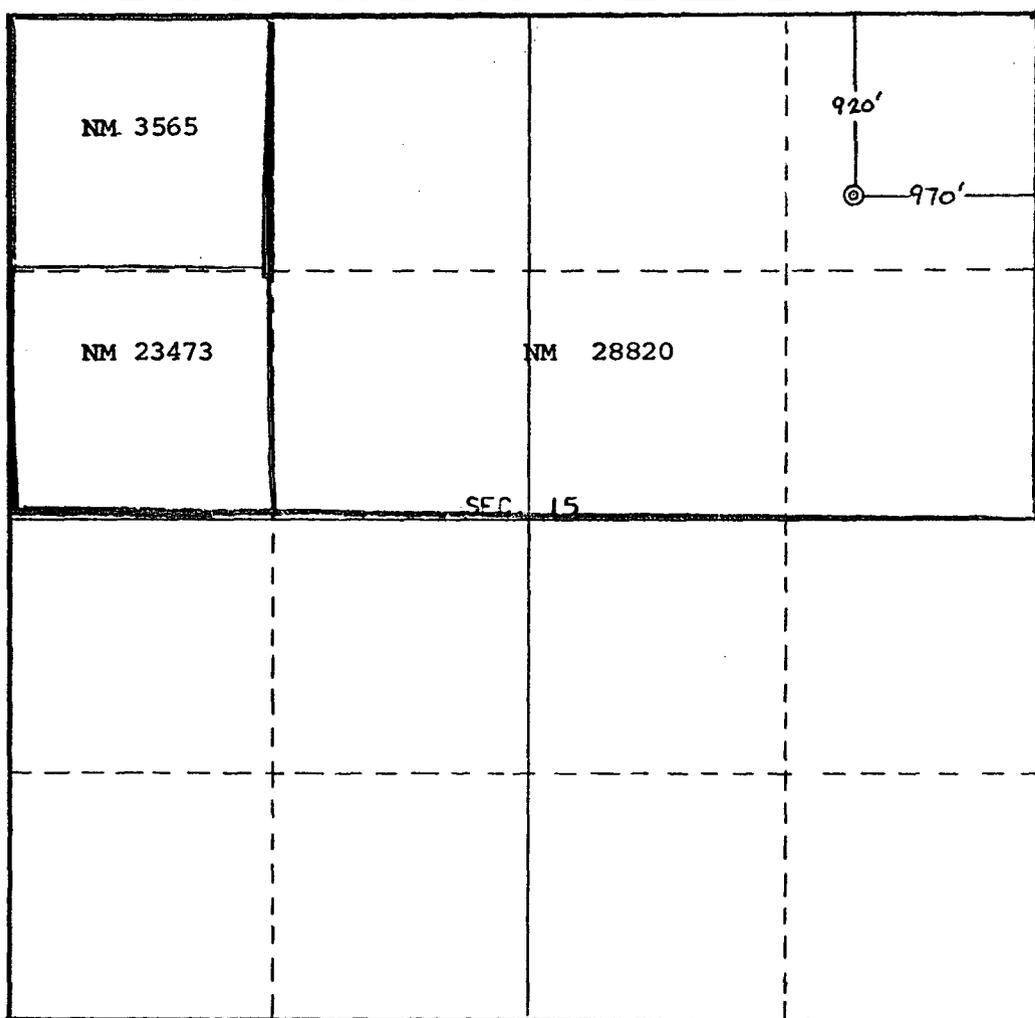
| | | | | | | | | |
|--|--------------------------------------|-----------------------------|-------------------------|---------------------------|--|--|--|--|
| Operator Dugan Production Corporation | | | Lease Ms Nona | | | Well No. 2 | | |
| Unit Letter A | Section 15 | Township 30 North | Range 14 West | County San Juan | | | | |
| Actual Footage Location of Well: 920 feet from the North line and 970 feet from the East line | | | | | | | | |
| Ground Level Elev. 6102 | Producing Formation Dakota | | Pool Basin | | | Dedicated Acreage: 320 Acres | | |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation: Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Thomas A. Dugan
Name
Thomas A. Dugan
Position
President
Company
Dugan Production Corp.
Date
10-5-77

REGISTERED LAND SURVEYOR
STATE OF NEW MEXICO
3602
ERNEST V. ECHOHAWK

Date Surveyed
September 18, 1977
Registered Professional Engineer
and/or Land Surveyor
E. V. Echohawk
Certificate No. **3602**
E.V. Echohawk LS



District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1600 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

| | | | | | |
|------------------------------|--|---|--|---------------------------------|-------------------------|
| 1 API Number 30 045 22764 | | 2 Pool Code 96219 | | 3 Pool Name W/C Greek Gallup | |
| 4 Property Code 003775 | | 5 Property Name Ms. Nona | | | 6 Well Number 2 |
| 7 OGRID No. 006515 | | 8 Operator Name Dugan Production Corp. | | | 9 Elevation 6102' GL |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| A | 15 | 30N | 14W | | 920 | North | 970 | East | 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 40 13 Joint or Infill 14 Consolidation Code 15 Order No.

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 | | | | 920' | 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 Gary Brink Printed Name Operations Manager Title 11/6/96 Date |
| | | | | 970' | |
| | | | Sec 15 | | |
| | | | | | 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> September 18, 1977 Date of Survey Signature and Seal of Professional Surveyer: Original signed by E.V. Echohawk, L.S. 3602 Certificate Number |

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

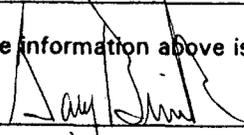
Lease Ms. Nona Well No. 2 Unit Ltr. - Sec - Twp - Rge A 15-T30N-R14W County San Juan

OGRID NO. 006515 Property Code 003775 API NO. 30 045 22764 Spacing Unit Lease Types: (check 1 or more)
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 | Greek Gallup 96219 | | Basin Dakota 71599 |
| 2. Top and Bottom of Pay Section (Perforations) | 5527-5843 | | 6398-6484 |
| 3. Type of production (Oil or Gas) | Oil | | Gas |
| 4. Method of Production (Flowing or Artificial Lift) | Pumping | | Flowing |
| 5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original | a. (Current) | a. | a. 1230 calc. |
| | b. (Original) | b. | b. 2365 calc. |
| 6. Oil Gravity (° API) or Gas BTU Content | 41° est. | | 1212 |
| 7. Producing or Shut-In? | | | Producing |
| 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: 3/6/0 est. from offset production | Date: Rates: offset production | Date: Rates: |
| | Date: Rates: | Date: Rates: | Date: 8/96 Rates: 1/2/4/1 |
| 8. Fixed Percentage Allocation Formula - % for each zone | Oil: 80 % Gas: 60 % | Oil: % Gas: % | Oil: 20 % Gas: 40 % |

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  TITLE Operations Manager DATE 11/6/96

TYPE OR PRINT NAME Gary Brink TELEPHONE NO. (505) 325-1821

Application For Downhole Commingling
Offsetting Operators
Greek Gallup-Basin Dakota
Dugan Production Corp
Ms Nona #2
Unit A, Sec 15, T 30 N, R 14 W
San Juan Co, NM

| | |
|-----------------------|-------------|
| 10 Dugan | 11 Dugan |
| Dugan Ms Nona #2 ● | Dugan |
| 15 Dugan | 14 Dugan |