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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [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]

1535

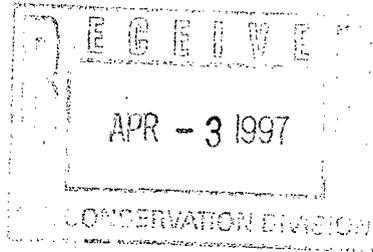
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD 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



[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

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Gary Brink

 Print or Type Name

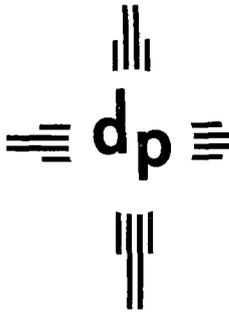
 Signature

Operations Manager

 Title

4/1/97

 Date



dugan production corp.

April 1, 1997

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

*Re: Administrative Approval to Downhole Commingle
Dugan Production Corp's September #15
Unit A, Sec. 24, T24N, R10W
San Juan County, New Mexico*

Dear Mr. LeMay:

Enclosed please find our application for administrative approval to complete the Lower Bisti Gallup and downhole commingle it with the existing Basin Dakota production in our September #15 well. A production decline curve for each zone, Form C-107-A, Forms C-102 for each zone, and a map showing all offsetting operators is attached.

Dugan Production Corp. operates all offsetting proration units.

Sincerely,

Gary Brink
Operations Manager

GB/cg

encs.

cc: NMOCD, Aztec
Bureau of Land Management, 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

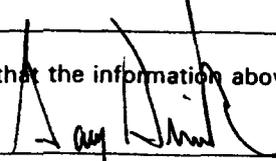
Dugan Production Corp. P.O. Box 420, Farmington, NM 87499

Operator: September #15 Address: A-24-T24N-R10W San Juan County, NM
Lease: Well No. Unit Ltr. - Sec - Twp - Rge County
OGRID NO. 006515 Property Code 003833 API NO. 30 045 26518 Spacing Unit Lease Types: (check 1 or more)
Federal State land/or Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	5890 Lower Bisti Gallup		71599 Basin Dakota
2. Top and Bottom of Pay Section (Perforations)	5129-5397'		6271-6290'
3. Type of production (Oil or Gas)	Oil		Gas
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 800 est.	a.	a. 511
	b. (Original)	b.	b. 1622 (calc.)
6. Oil Gravity (°API) or Gas BTU Content	38° est.		
7. Producing or Shut-In?	Not completed yet		
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: Rates:
	Date: Rates: 7/10/0 est	Date: Rates:	Date: 6/96 Rates: 0/20/0
8. Fixed Percentage Allocation Formula -% for each zone	Gallup=Total production-Dakota production Oil: % Gas: %	Oil: % Gas: %	Oil: % Gas: %

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 4/1/97
TYPE OR PRINT NAME Gary Brink TELEPHONE NO. (505) 325-1821

Application For Downhole Commingling
Offsetting Operators
Lower Bisti Gallup-Basin Dakota
Dugan Production Corp.
September #15
Unit A, Sec 24, T 24 N, R 10 W
San Juan Co., N.M.

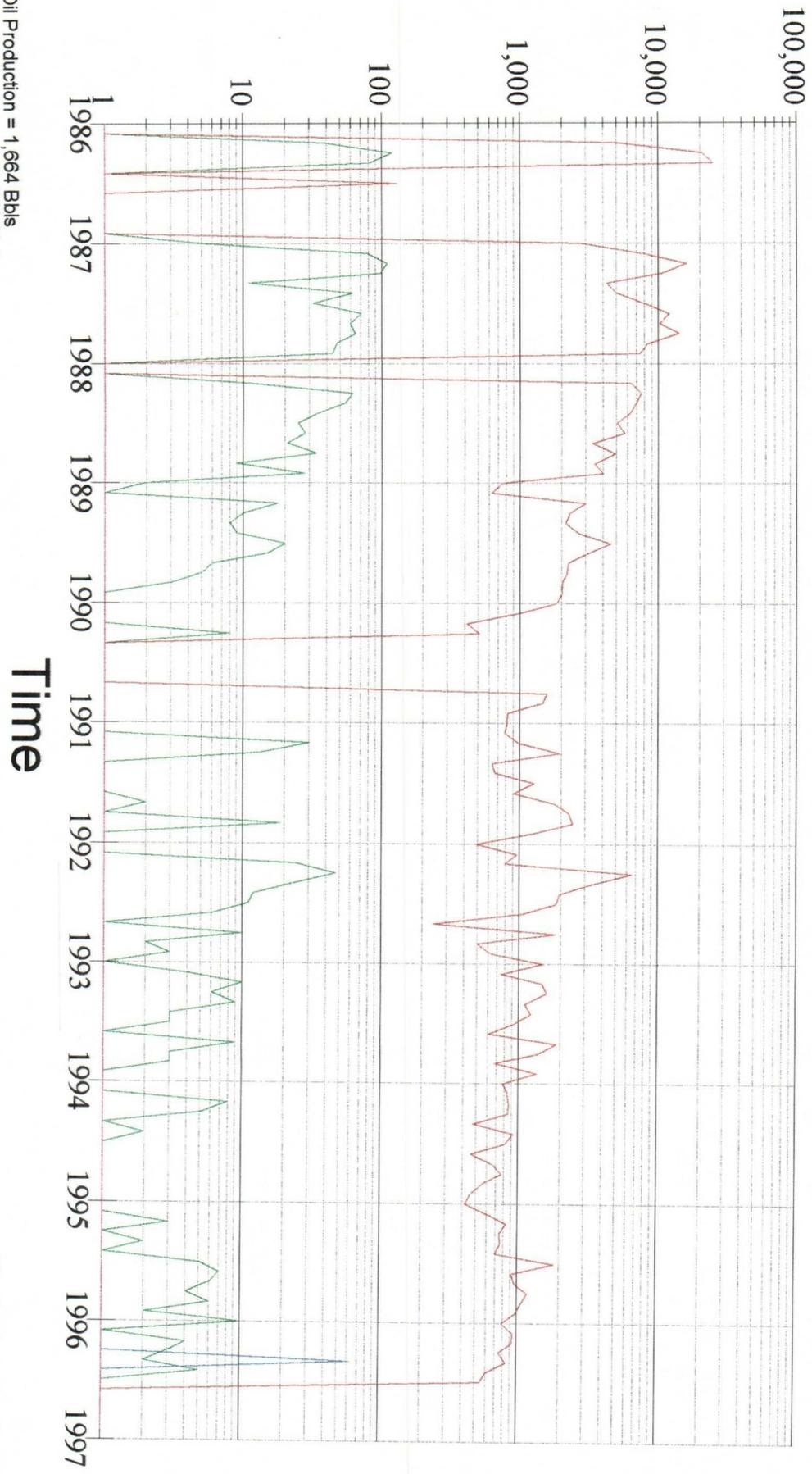
DUGAN 14	DUGAN 13	DUGAN 18
FEDERAL OPEN 23	DUGAN 24	DUGAN 19

* September 15



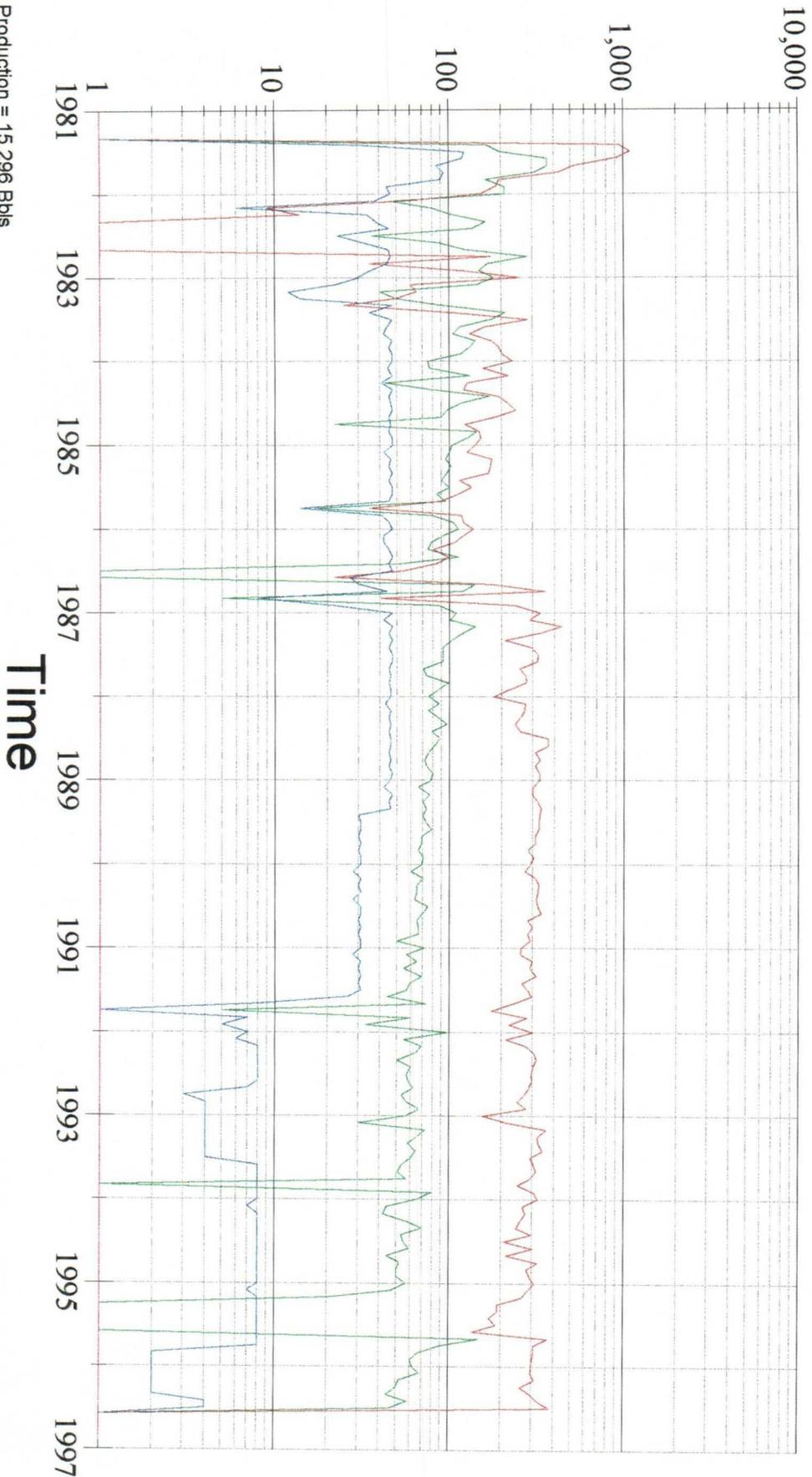
Field: BASIN DK
 Lease: SEPTEMBER | Well #15
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs Time
 For the Period 01/1986 to 12/1996 | API: 30045265180000

BBI/Mo or Mcf/Mo



Reported Oil Production = 1,664 Bbls
 Reported Gas Production = 320,748 Mcf
 Reported Water Production = 62 Bbls

BBI/Mo or Mcf/Mo



Oil
Gas
Water
Wells

Field: BISTI Lower Gallup
Lease: MERRY MAY | Well #1
Operator: DUGAN PRODUCTION CORPORATION
Production Rate vs Time
For the Period 01/1981 to 12/1996 | API: 30045244210000

Reported Oil Production = 15,296 Bbls
Reported Gas Production = 44,593 Mcf
Reported Water Production = 5,448 Bbls

Plot Displays Monthly Totals
Copyright (C) 1997 by Petroleum Information Corporation

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

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

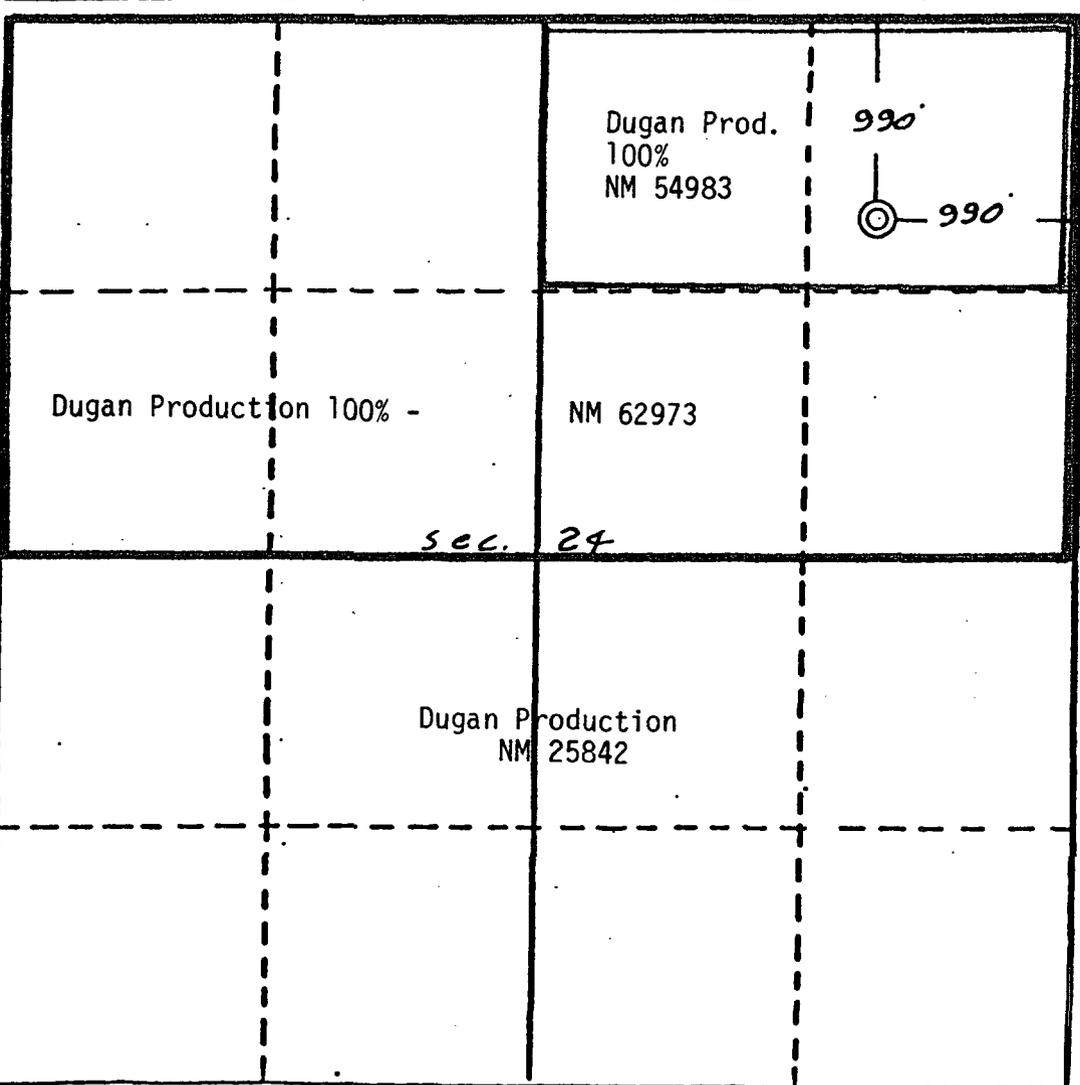
Operator Dugan Production Corporation		Lease September			Well No. 15
Unit Letter A	Section 24	Township 24 North	Range 10 West	County San Juan	
Actual Footage Location of Well: 990 feet from the North line and 990 feet from the East line					
Ground Level Elev. 6935	Producing Formation Dakota		Pool Basin Dakota		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?

Communitization No. NM015P35-86C-513
 Effective March 15, 1986
- Yes No If answer is "yes," type of consolidation _____

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 Division.



CERTIFICATION

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

Jim L. Jacobs

Name
Jim L. Jacobs

Position
Geologist

Company
Dugan Production Corp.

Date
5-15-86

EDGAR L. RISENHOWER
REGISTERED LAND SURVEYOR
NEW MEXICO
5979

I hereby certify that the location shown on this plat was established in the field of actual survey made by me or under my supervision, and that the same is true, correct to the best of my knowledge.

Date Surveyed
July 29, 1985

Registered Professional Engineer
and/or Land Surveyor

Edgar L. Risenhower

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

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

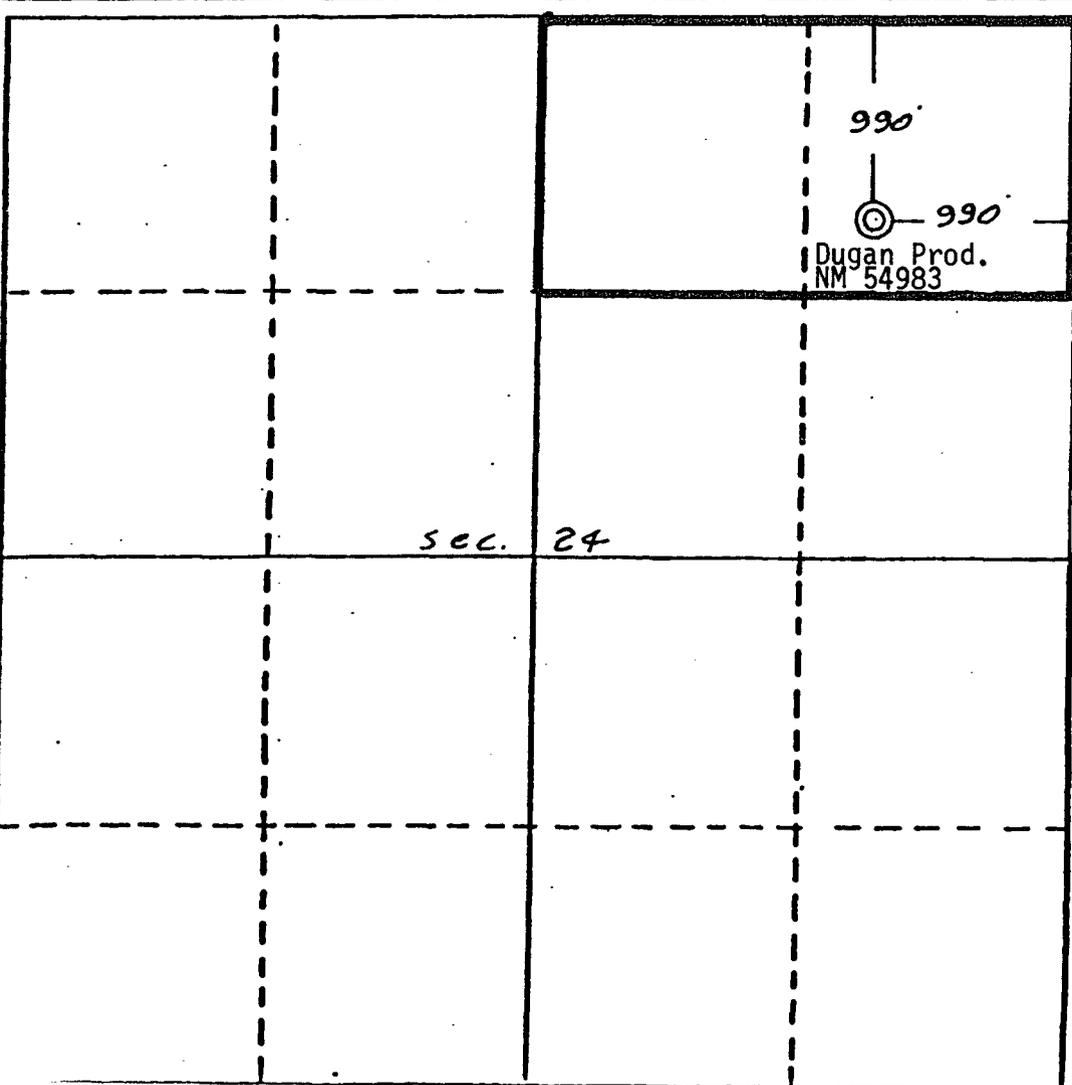
Operator Dugan Production Corporation		Lease September			Well No. 15
Unit Letter A	Section 24	Township 24 North	Range 10 West	County San Juan	
Actual Footage Location of Well:					
990 feet from the North line and		990 feet from the East line			
Ground Level Elev. 6935	Producing Formation Gallup	Pool Bisti Lower Gallup	Dedicated Acreage: 80 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 _____

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 Division.



CERTIFICATION

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

Sherman E. Dugan

Name
Sherman E. Dugan

Position
Geologist

Company
Dugan Production Corp.

Date
8-19-85



Date Surveyed
July 29, 1985

Registered Professional Engineer
and/or Land Surveyor

Edgar L. Risenhoover