

POC 8/18/97



July 28, 1997

JUL 29 1997

Mr. Bill LeMay, Director
New Mexico Oil Conservation Div.
2040 South Pacheco St.
Santa Fe, NM 87505

Mr. Duane Spencer, Fluid Minerals, Br. Mgr.
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Re: Surface Commingling
Proposed Davis Central Gas Delivery System
Dugan Production Corp.'s
Davis Federal No. 1 and Platero Navajo Wells No. 1 and 2
Federal Lease No. SF078937 & Navajo Allotted Leases No. 14-20-603-1445 (CA SW-64)
and 14-20-603-1443 (CA SW-65)
San Juan County, New Mexico

Dear Mr. LeMay and Mr. Spencer:

We are writing to request your administrative approval for the proposed surface commingling of natural gas production from the subject 3 wells; all are operated by Dugan Production.

Attachments No. 1 and No. 2 present these 3 wells along with their respective spacing units, completion and lease information. All 3 wells are located on Federal lease SF 078937 and are completed in the Basin Dakota gas pool. In addition, one well, the Davis Federal No. 1 is also dually completed in the Gallegos Gallup oil pool. The proposed surface commingling of natural gas entails converting the existing gas sales meter for Dugan's Davis Federal No. 1 to a central delivery sales meter for the Davis Federal No. 1 (Gallup and Dakota), plus the Platero Navajo wells No. 1 and 2 and will allow the use of one central compressor located at the Davis Federal No. 1, will eliminate the operation of 2 wellhead compressors (currently at the Platero Navajo No. 1 and 2) along with their associated expenses (approximately \$2,340/month), will reduce lease fuel requirements (and correspondingly increase gas sales) by approximately 16 MCFD, and most importantly, hopefully will allow each well to be more efficiently produced, thereby increasing the ultimate recoveries of oil and gas.

Currently each well is connected to El Paso Field Service's system with a gas sales meter located at each well. Pipeline pressures range from 175 to 250 psi and have been as high as 400 psi which has had a tremendous affect upon each wells ability to produce considering that each well has been producing for approximately 35 years. Attachments No. 3 thru 6 present the production histories for each completion and exhibit the erratic production that has occurred as a result of the

high and fluctuating pipeline pressures. Dugan Production has recently installed wellhead compressors on each well which has provided a fairly substantial production increase for all 4 completions (ranging from 229 MCF/month to 3531 MCF/month). Attachment No. 7 presents monthly production data for all 4 Completions prior to and subsequent to the compressor installations. In addition to increasing gas production a total of 6416 MCF/month, condensate production on the Davis Federal No. 1 Gallup also increased from 11 to 22 bbl/month, however the other 3 completions had either no change or a reduction in condensate production and condensate production month-to-month suggests that liquid loading is becoming more significant. Liquid loading is also evident as we are having more trouble keeping the wells flowing and they all are showing a greater tendency to log-off and die. We currently unload the Platero Navajo wells 2-6 times a month (we are reporting this gas as vented on our 3160's) which not only wastes gas but takes time and results in a very difficult compressor operation. Liquid loading on the Davis Federal No. 1 has not been as bad, however it is a problem and will become worse in the future. It is very likely that the Platero Navajo No. 1 and 2 wells will not be able to continue using wellhead compression unless some method of artificial lift such as a plunger is installed which will also create in a difficult wellhead compressor operation.

To deal with this increasing problem, we propose to use one compressor for all four completions and to alternate the unloading cycle so that only one well at a time is off. This hopefully will allow the wells to be produced more efficiently, will provide a better compressor operation, will allow 2 compressors to be removed from service which will increase gas sales by approximately 16 MCFD (currently being used as compressor fuel) and will allow the cost of operating the central compressor to be distributed between 4 completions which will lower individual well operating expenses and will allow for the recovery of increased oil and gas reserves. Attachment No. 8 presents the current lease equipment and corresponding fuel requirements. If our proposed CPD is approved, the compressor currently on the Davis Fed. No. 1 will be used for all 3 wells and the compressors on the Platero Navajo No. 1 and 2 wells will be removed from service.

Dugan Production has negotiated an arrangement with El Paso Field Services (EPFS) that will allow us to use their system for our operation which will include converting the existing sales meters at the Platero Navajo No. 1 and 2 , plus the Davis Federal No. 1 (Gallup and Dakota commingled stream) to allocation meters and the currently idle meter, which had been the Davis Federal No. 1 Dakota sales meter prior to commingling the Gallup and Dakota gas streams (NMOCD amended order PC-936), will be converted to the Central Delivery Sales meter. All meters, including the proposed CPD meter are located on Federal lease SF 078937, and will be maintained according to NMOCD and BLM regulations (Allocation meters by Dugan and CPD meter by EPFS). All liquid hydrocarbons and water will continue to be separated, stored and sold at each well as it has been. Only the natural gas will be commingled after being measured at the allocation meter. Gas sales volumes and revenues will be allocated from the CPD meter to each completion based upon allocation factors and procedures set out on attachment No. 9. The gas system integrity will be periodically monitored using DPC's gas detector.

The gas from each completion is compatible and very similar in composition. Attachments No. 10

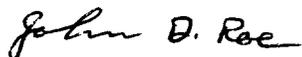
The gas from each completion is compatible and very similar in composition. Attachments No. 10 thru 13 present representative analysis from each completion and individual gas samples will continue to be taken to insure the accurate allocation of BTU's.

The interest ownership is presented on Attachment No. 14 and all interest owners have received notice of this proposal. Attachment No. 15 presents the letters providing notice to our working and overriding royalty interest owners. All royalty interest is either federal or Navajo Allotted and subject to BLM approval. Dugan Production Corp. is the operator of all 3 wells and holds a 100% working interest in the Davis Federal No. 1 (Gallup and Dakota), plus a 50% working interest in the Platero Navajo No. 1 and 2 wells.

In summary, Dugan Production proposes to use one compressor to operate 3 wells all of which are located on Federal Lease SF078937. Two of the wells have Navajo Allotted leases included in their communitized 320 acre Dakota spacing units. All 3 wells were recently equipped with wellhead compressors and have demonstrated increases in gas production rates. Liquid loading is occurring in each well and it is very difficult to keep the wells flowing through the wellhead compressors. We propose to convert the Davis Federal No. 1 (commingled Gallup and Dakota) sales meter to a CPD which will allow the compressor at the Davis Federal No. 1 to also serve the Platero Navajo No. 1 and 2. Existing gas sales meters at the Navajo Platero No. 1 and 2 and the idle Davis Federal No. 1 Dakota sales meter will serve as allocation meters which will help to insure the accurate allocation of CPD gas sales volumes and revenues to each well. Only the gas will be commingled and all liquid production will continue to be stored and sold from each individual well.

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

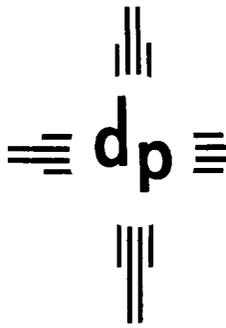
Sincerely,



John D. Roe
Engineering Manager

JDR/tmf

attachments



dugan production corp.

October 13, 1997

OCT 15 1997
NEW MEXICO
STATE DEPARTMENT OF
NATURAL RESOURCES

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

Re: NMOCD Amended Commingling order PC-936 (2nd Amendment)
Dugan's Federal Lease SF-078937
Davis Federal No. 1 (Gallegos Gallup & Basin Dakota)
Plus Platero Navajo wells No. 1 & 2 (Basin Dakota)

Dear Mr. Stone:

The acreage description of the captioned amended order dated 10-3-97 did not include the N/2 of Section 24 for the Dakota. Since our application and the lease description of your order does include the Platero Navajo No. 1 well and the Dakota spacing unit for this well is the N/2 of Section 24, it appears that the N/2 description was simply left out.

I have noted this on our copy of this order (copy attached) and do not see the need for an additional amendment if you'll see that a similar note is made for NMOCD's records.

Please let me know if I can help in any way. Thank you for your efforts in this matter.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attach.

ATTACHMENT NO. 2
 DUGAN PRODUCTION CORP.
 PROPOSED DAVIS C.P.D.
 SAN JUAN COUNTY, NEW MEXICO

Well Name	Well Location		Well Location		Communitization Agreement Number	Pool	Completion Date	Average Production 1st 5 months 1997		Spacing Unit
	1/4 1/4	Sec-Twn-Rng	Lease Number	Type Lease				BOPD	MCFD	
Davis Federal #1 GA	NWSW	24-26N-11W	SF078937	Fed.	N/A	Gallegos Gallup	8/21/62	0.8	192	NWSW-40A
Davis Federal #1 DK	NWSW	24-26N-11W	SF078937	Fed.	N/A	Basin Dakota Gas	8/21/62	0.3	63	S/2-320A
Platero Navajo #1	SWNW	24-26N-11W	SF078937	Fed.	SW-64(1)	Basin Dakota Gas	8/9/62	0.2	157	N/2-320A
Platero Navajo #2	SWSW	13-26N-11W	SF078937	Fed.	SW-65(2)	Basin Dakota Gas	7/27/62	0.3	64	W/2-320A

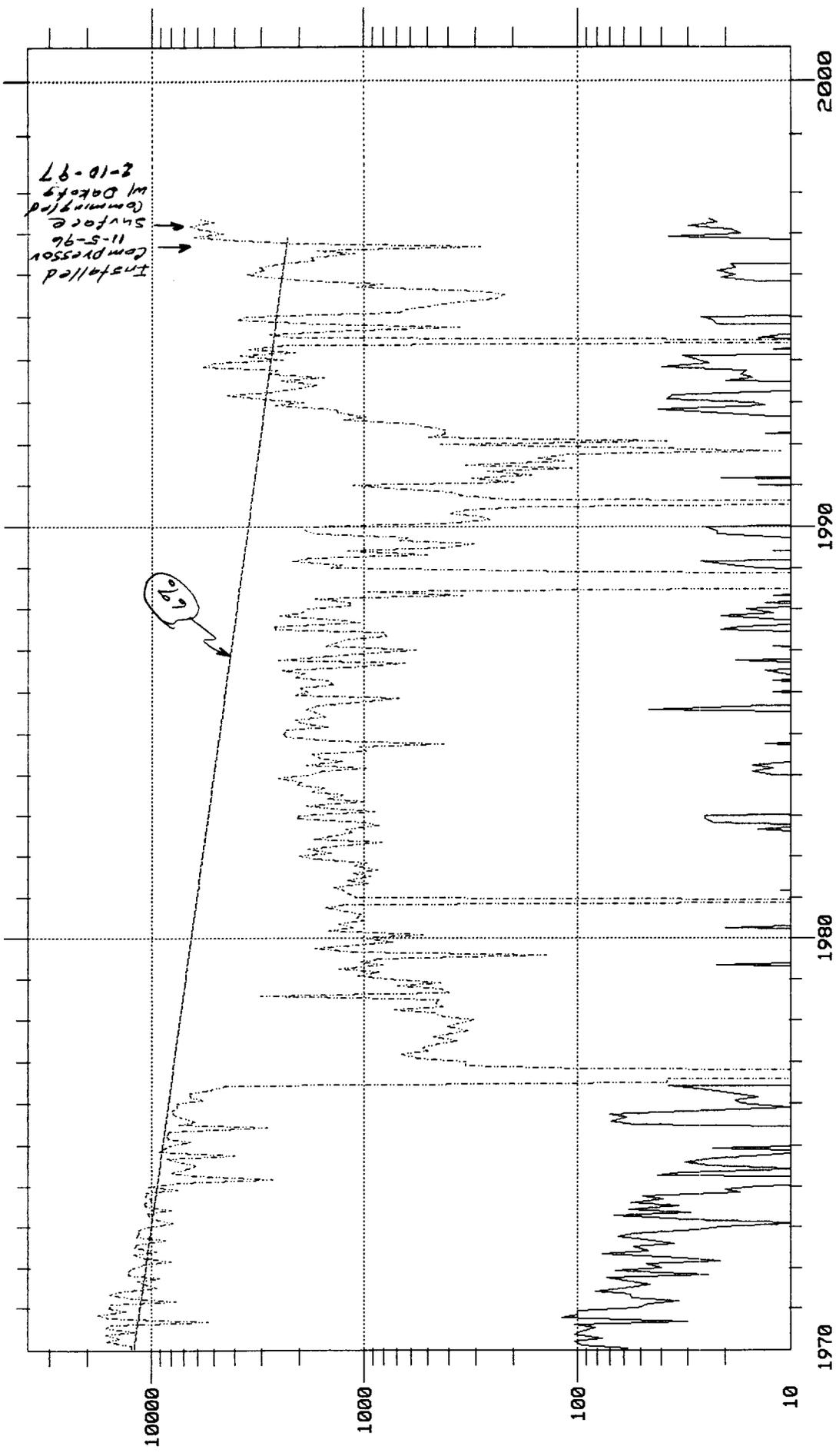
N/A - Not Applicable

- (1) - Communitization Agreement SW-64, effective 6/22/62, communitizes the NW/4 (160A) Federal lease SF 078937 with the NE/4 (160A) of Navajo Allotted lease 14-20-603-1445 to form a 320 acre Dakota spacing unit.
- (2) - Communitization Agreement SW-65, effective 6/1/62, communitizes the SW/4 (160A) Federal lease SF 078937 with the NW/4 (160A) of Navajo Allotted lease 14-20-603-1443, to form a 320 acre Dakota spacing unit.

Calculated
 Oil
 Gas
 Water - - - -

GALLEGOS GALLUP (ASSOCIATED)
 Production Rate vs Time
 BBl/Mo or Mcf/Mo vs Months
 DAVIS FEDERAL #1 GP C
 L-24-26N-11W

Production
 Oil
 Gas
 Water
 No. 3

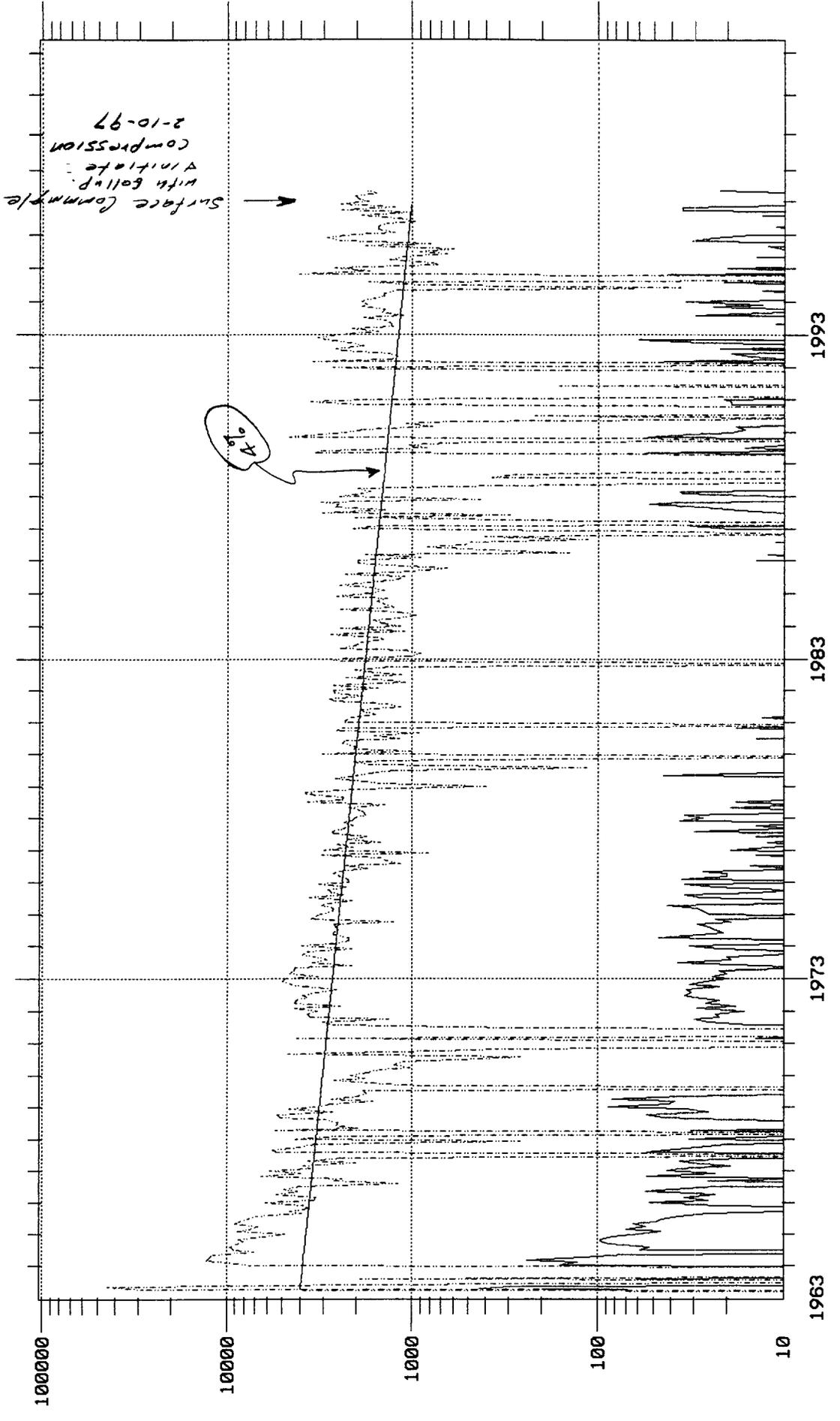


Reported Oil Production = 9783 Bbls 6-1-97
 Reported Gas Production = 2087411 Mcf "
 Reported Water Production = 1091 Bbls "

Calculated
 Oil
 Gas
 Water - - - -

BASIN DAKOTA
 Production Rate vs Time
 Bbl/Mo or Mcf/Mo vs Months
 DAVIS FEDERAL #1 DK C*
 L-24-26N-11W

Production
 Oil
 Gas
 Water
 Attachment
 No. 7



Reported Oil Production = 7150 Bbls
 Reported Gas Production = 993895 Mcf
 Reported Water Production = 663 Bbls

1993

1983

1973

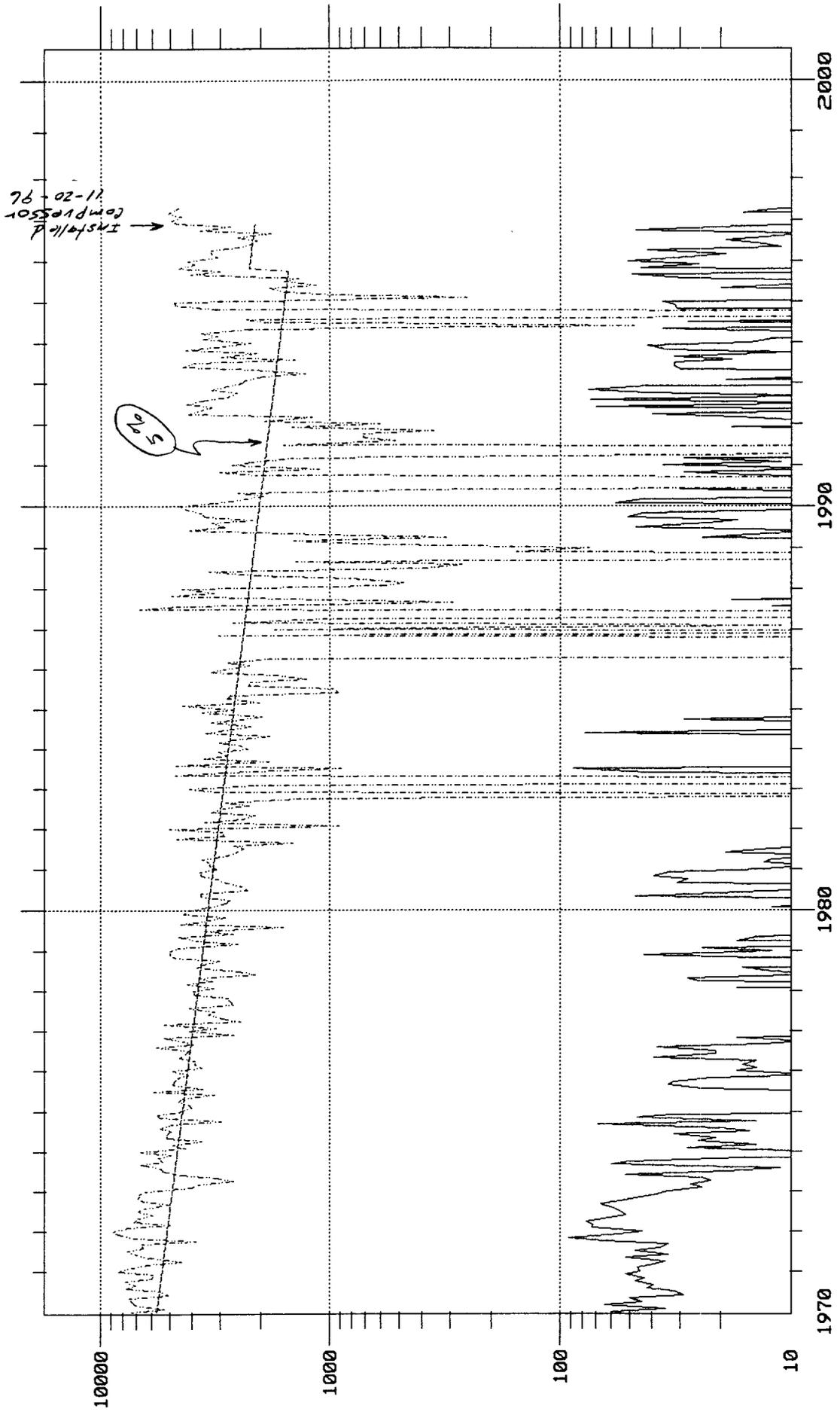
1963

Calculated
 Oil
 Gas
 Water - - - -

BASIN DAKOTA
 Production Rate vs Time
 BBl/Mo or Mcf/Mo vs Months
 PLATERO NAVAJO:1:1 *
 E-24-26N-11W

Attachment
 No. 5

Production
 Oil
 Gas
 Water



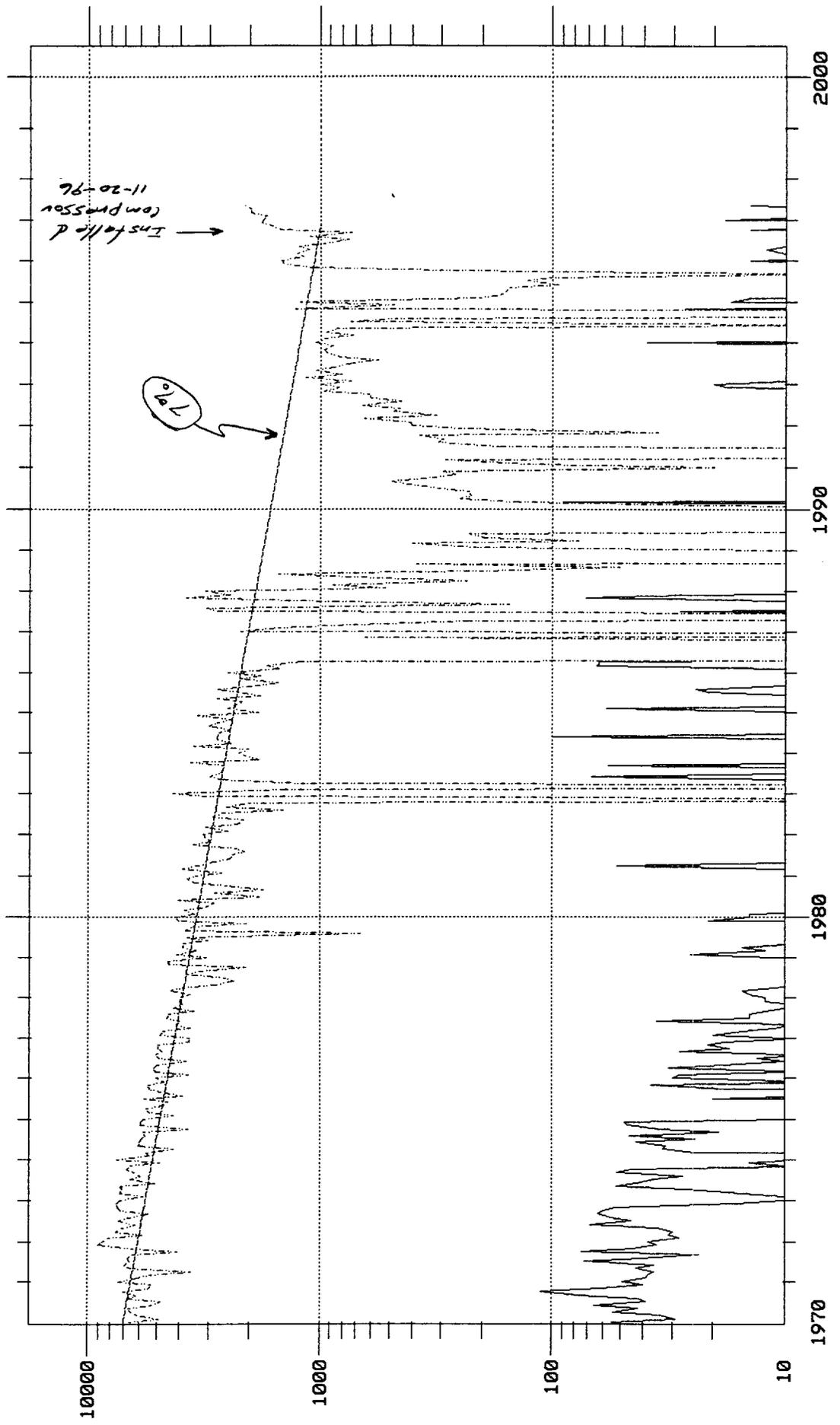
Reported Oil Production = 13765 Bbls
 Reported Gas Production = 1792422 Mcf
 Reported Water Production = 1023 Bbls

Calculated
 Oil
 Gas
 Water - - -

BASIN DAKOTA
 Production Rate vs Time
 BBl/Mo or Mcf/Mo vs Months
 PLATERO NAVAJOS 2 *
 M-13-26N-11W

Production
 Oil
 Gas
 Water

Attachment
 No. 6



Reported Oil Production = 12106 Bbls
 Reported Gas Production = 1497133 Mcf
 Reported Water Production = 1106 Bbls

Attachment No. 7
 Gas & Condensate Production
 Proposed Davis CPO System

Month	Davis Federal No. 1			Ploteau Newdollar #1			Ploteau Newdollar #2		
	Gallegos Gallup	Basin Dakota	Basin Dakota	Basin Dakota	Basin Dakota	Basin Dakota	Basin Dakota	Basin Dakota	Basin Dakota
	1 bbl	2 MCF	3 bbl	4 MCF	5 bbl	6 MCF	7 bbl	8 MCF	
1/96	18	3529	15	2095	51	975	14	1475	
2	22	2928	2	1244	28	3086	5	1190	
3	18	3073	7	1520	19	3279	10	1256	
4	19	2402	11	1523	42	3312	17	1121	
5	1	1708	3	1369	11	2537	10	1234	
6	6	1754	1	969	13	2224	4	965	
7	4	1092	0	1166	19	2085	7	753	
8	10	1654	13	1877	13	2520	7	1107	
9	0	285	3	1004	7	1807	0	732	
10	0	2016	35	2405	* 47	3688	* 14	1465	
11	9	4470	35	1237	16	2728	5	1622	
12/96	37	6268	8	2444	6	4708	1	1781	
1/97	17	4568	* 4	1728	3	4950	18	1770	
2	19	5865	4	1946	0	4494	4	1698	
3	30	6522	7	2041	16	5078	0	1987	
4	22	5078	5	1564	11	4697	4	1988	
5/97	24	5842	22	1795	6	4492	14	2134	
11-5-96			2-10-97		11-20-96				
* Compressor installed									
Production prior to Compressor	10	2044	11	1571	25	2871	8	1130	
Production After Compressor	22	5575	11	1800	7	4742	8	1915	
Change in Production	+12	+3531	0	+229	-18	+1871	0	+785	
Production									
30									
31									

Production data from NMOCD Records - gas = 15,025 P31

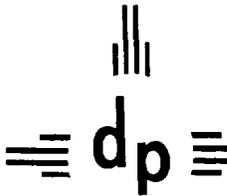
ATTACHMENT NO. 8
 GAS USED ON LEASE ①
 DUGAN PRODUCTION CORP.
 PROPOSED DAVIS CPD
 SAN JUAN COUNTY, NEW MEXICO

Well Name	Lease Equipment						Gas Purged to Unload Accumulated Liquids			
	Separator Burner BTU/hr	HP of Pump Unit Engine	HP of Compressor Engine	Lease Fuel MCFD ②		Normal Tubing Size -Inch	Average Wellhead Press - psia	MCF per Cycle		
				Summer Months	Winter Months					
Davis Federal #1 GA	250M	----	60	15.1	17.0	1 1/2	300	1.66		
Davis Federal #1 DK	Note ③	----	Note ③	Note ③	Note ③	1 1/2	300	1.84		
Platero Navajo #1	250M	----	32	8.1	9.5	2-3/8	320	3.08		
Platero Navajo #2	250M	----	32	8.1	9.5	1 1/2	306	1.84		

WELLS TO BE ADDED TO SYSTEM

Notes:

- ① Data reflects information as of 7-1-97. As descriptions &/or equipment change, fuel uses will also change.
- ② Summer Months = May thru October. Winter Months = November thru April. Lease fuel is calculated from stated burner requirements and horsepower.
- ③ Gallup & Dakota production commingled at the surface 2/10/97 under NMOCD Amended Order PC-936 dated 1/15/97. Fuel for lease equipment is allocated between the Gallup & Dakota zones using current allocation factors.



dugan production corp.



August 13, 1997

To: NMOCD, Working & Royalty Interest Owners (address list attached)
Dugan's proposed Davis CPD

Re: Revised attachment to
7-28-97 Surface Commingling Application
Proposed Davis Central Gas Delivery System
Davis Federal No. 1 and Platero Navajo Wells No. 1 and 2
Federal Lease No. SF078937 and Navajo Allotted Leases
No. 14-20-603-1445 (CA SW-64), and 14-20-603-1443 (CA SW-65)
San Juan County, NM

Gentlemen:

Enclosed is Attachment No. 9 for the subject application which has been revised to correct formula No. 2 for Allocated Individual Well BTU's.

Please call if you have questions.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

Attachment No. 9 (Revised)
Proposed Allocation Procedures
Dugan Production Corp.'s Proposed
Davis Federal CPD
NW SW 24, T-26-N, R-11-W
San Juan County, New Mexico

Base Data:

W=Volume (MCF) from Well Allocation Meter

X=Volume (MCF) from CPD Sales Meter

Y=BTU's from CPD Sales Meter

Z=Gas Revenue (\$) from CPD Sales Meter

1. **Individual Well Production** = A+B+C+D+E

A = Allocated Sales Volume, MCF.

$$= (W/\text{SUM } W) \times X$$

B = On lease fuel usage, MCF. Determined from equipment specifications and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by $W / \text{Sum } W$ for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by $W / \text{Sum } W$.

2. **Allocated Individual Well BTU's** = $(W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU}) \times Y$.

Individual well gas heating values to be determined in accordance with BLM's On Shore Order No. 5.

3. **Allocated Individual Well Gas Revenues** = $(\text{Allocated Individual well BTU's} / \text{Sum Allocated individual well BTU's}) \times Z$

8/13/97 Letter Distribution
Proposed Davis Central Gas Delivery System
Dugan Production Corp.'s
Davis Federal No. 1 & Platero Navajo Wells No. 1 and 2

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

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Royalty Interest Owner & Trustee for Navajo Allotted Royalty Owners

Mr. Duane Spencer, Fluid Minerals Branch Manager
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Working Interest Owners

Burlington Resources Oil & Gas
P. O. Box 4289
Farmington, NM 87499-4289

Conoco Inc.
10 Desta Dr. W., Suite 100W
Midland, TX 79705

EL PASO NATURAL GAS COMPANY
 VOLUME ACCOUNTING DEPARTMENT
 MEASUREMENT DIVISION
 POST OFFICE BOX 1492
 EL PASO, TEXAS 79978
 PHONE: (915) 541-2595

DATE 8/09/96

CHROMATOGRAPHIC GAS ANALYSIS REPORT

*Attachment
No. 10*

MAILEE
26730

DUGAN PRODUCTION CORPORATION
 P O BOX 420
 FARMINGTON, NM 87499-0420

METER NUMBER 73550 - DAVIS FEDERAL #1 GL (Gallup)
 OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 3/20/96 TYPE CODE 2 - ACTUAL
 SAMPLE DATE 3/19/96 H2S GRAINS 0
 EFFECTIVE DATE 7/01/96 LOCATION D - DANIELS FM
 EFFECTIVE FOR 6 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.89	.000
H2S	.00	.000
N2	.55	.000
METHANE	80.02	.000
ETHANE	10.07	2.694
PROPANE	5.26	1.450
ISO-BUTANE	.68	.222
NORM-BUTANE	1.38	.435
ISO-PENTANE	.38	.139
NORM-PENTANE	.33	.120
HEXANE PLUS	<u>.44</u>	<u>.192</u>
	100.00	5.252

SPECIFIC GRAVITY .721
 MIXTURE HEATING VALUE
 (BTU @ 14.73 DRY) 1243
 RATIO OF SPECIFIC HEATS .000
 NO TEST SECURED FOR H2S CONTENT

EL PASO NATURAL GAS COMPANY
 VOLUME ACCOUNTING DEPARTMENT
 MEASUREMENT DIVISION
 POST OFFICE BOX 1492
 EL PASO, TEXAS 79978
 PHONE: (915) 541-2595

DATE 8/09/96

CHROMATOGRAPHIC GAS ANALYSIS REPORT

Attachment
 No. 11

MAILEE
 26730

DUGAN PRODUCTION CORPORATION
 P O BOX 420
 FARMINGTON, NM 87499-0420

METER NUMBER 73460 - DAVIS FEDERAL #1 DK (Dakota)
 OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 3/20/96 TYPE CODE 2 - ACTUAL
 SAMPLE DATE 3/19/96 H2S GRAINS 0
 EFFECTIVE DATE 7/01/96 LOCATION D - DANIELS FM
 EFFECTIVE FOR 6 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.72	.000
H2S	.00	.000
N2	1.07	.000
METHANE	79.95	.000
ETHANE	11.02	2.948
PROPANE	4.61	1.271
ISO-BUTANE	.62	.203
NORM-BUTANE	1.06	.334
ISO-PENTANE	.25	.092
NORM-PENTANE	.17	.062
HEXANE PLUS	<u>.53</u>	<u>.231</u>
	100.00	5.141

SPECIFIC GRAVITY .711
 MIXTURE HEATING VALUE
 (BTU @ 14.73 DRY) 1222
 RATIO OF SPECIFIC HEATS .000
 NO TEST SECURED FOR H2S CONTENT

EL PASO NATURAL GAS COMPANY
 VOLUME ACCOUNTING DEPARTMENT
 MEASUREMENT DIVISION
 POST OFFICE BOX 1492
 EL PASO, TEXAS 79978
 PHONE: (915) 541-2595

Attachment
 No. 12

DATE 4/08/96

CHROMATOGRAPHIC GAS ANALYSIS REPORT

MAILEE
 26730

DUGAN PRODUCTION CORPORATION
 P O BOX 420
 FARMINGTON, NM 87499-0420

METER NUMBER 73461 - PLATERO NAVAJO #1 (Dakota)
 OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 3/20/96 TYPE CODE 2 - ACTUAL
 SAMPLE DATE 3/19/96 H2S GRAINS 0
 EFFECTIVE DATE 4/01/96 LOCATION D - DANIELS FM
 EFFECTIVE FOR 6 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.73	.000
H2S	.00	.000
N2	1.18	.000
METHANE	75.26	.000
ETHANE	11.73	3.138
PROPANE	6.67	1.838
ISO-BUTANE	.99	.324
NORM-BUTANE	1.85	.583
ISO-PENTANE	.57	.209
NORM-PENTANE	.49	.177
HEXANE PLUS	<u>.53</u>	<u>.231</u>
	100.00	6.500

SPECIFIC GRAVITY .766
 MIXTURE HEATING VALUE
 (BTU @ 14.73 DRY) 1306
 RATIO OF SPECIFIC HEATS .000
 NO TEST SECURED FOR H2S CONTENT

EL PASO NATURAL GAS COMPANY
 VOLUME ACCOUNTING DEPARTMENT
 MEASUREMENT DIVISION
 POST OFFICE BOX 1492
 EL PASO, TEXAS 79978
 PHONE: (915) 541-2595

Attachment
 No. 13

DATE 8/09/96

CHROMATOGRAPHIC GAS ANALYSIS REPORT

MAILEE
 26730

DUGAN PRODUCTION CORPORATION
 P O BOX 420
 FARMINGTON, NM 87499-0420

METER NUMBER 73462 - PLATERO NAVAJO #2 (Dakota)
 OPERATOR 1862 - DUGAN PRODUCTION CORP

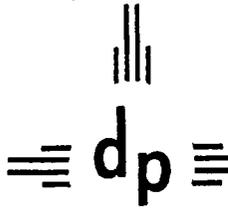
ANALYSIS DATE 3/20/96 TYPE CODE 2 - ACTUAL
 SAMPLE DATE 3/19/96 H2S GRAINS 0
 EFFECTIVE DATE 7/01/96 LOCATION D - DANIELS FM
 EFFECTIVE FOR 12 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.74	.000
H2S	.00	.000
N2	1.21	.000
METHANE	76.34	.000
ETHANE	11.44	3.060
PROPANE	6.33	1.745
ISO-BUTANE	.92	.301
NORM-BUTANE	1.70	.536
ISO-PENTANE	.45	.165
NORM-PENTANE	.39	.141
HEXANE PLUS	.48	.209
	100.00	6.157

SPECIFIC GRAVITY .751
 MIXTURE HEATING VALUE
 (BTU @ 14.73 DRY) 1283
 RATIO OF SPECIFIC HEATS .000
 NO TEST SECURED FOR H2S CONTENT

**ATTACHMENT NO. 14
INTEREST OWNERSHIP
WELLS DELIVERING GAS TO DUGAN'S PROPOSED DAVIS CPD**

	Davis Federal No.1 (GA & DK)		Platero Navajo No. 1 & 2	
	WI%	NI%	WI%	NI%
<u>Working Interest Owners</u>				
Burlington Resources	0	0	25.00	17.50
Conoco, Inc.	0	0	25.00	17.50
Dugan Production Corp.	100	70.000	50.00	35.00
<u>Royalty Interest Owners</u>				
Minerals Management Service-Federal-C/O BLM	0	12.500	0	6.250
Minerals Management Service-Navajo Allotted-C/O BLM	0	0	0	6.250
<u>Overriding Royalty Owners</u>				
Charter Royalty Co.	0	0.750	0	0.3750
Collins Partners	0	0.750	0	0.3750
F. Farrell Davis	0	0.375	0	0.1875
Paul L. Davis	0	0.375	0	0.1875
Four Star Oil & Gas Co.	0	14.500	0	7.2500
Lucy Lawson	0	0.750	0	0.3750
Louis Dreyfus Natural Gas Cop.	0	0	0	2.1875
Marathon Oil Co.	0	0	0	2.1875
Wilson Oil	0	0	0	4.3750
TOTAL OWNERSHIP	100.000	100.000	100.000	100.000



dugan production corp.



July 28, 1997

Attachment
No. 15
Pg 1 of 3

To: Working Interest Owners (address list attached)
Dugan's Platero Navajo Wells No. 1 and 2
Unit E of Section 24, and Unit M of Section 13
Township 26N, R 11W
Federal Lease SF078937
San Juan County, New Mexico

Gentlemen:

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to surface commingle natural gas produced from the captioned jointly owned wells with natural gas produced from Dugan's Davis Federal No. 1. All three wells are located on Federal Lease SF078937, however the Platero Navajo wells also have Navajo Allotted leases within their spacing units.

We anticipate total expenditures related to this proposal to be minimal (approximately \$1,500.00) and less than the JOA expenditure limits on the Platero Navajo #1 and 2 wells. The compressors currently being used are being rented and thus monthly operating expenses for the Platero Navajo No. 1 and 2 wells will be reduced by approximately \$1,038.00/month per well, and the compressor at the Davis Federal No. 1 will be allocated to the 3 wells (4 completions) based upon volumes produced. In addition, lease fuel requirements will be reduced by approximately 16 MCFD which will correspondingly increase volumes available for sale.

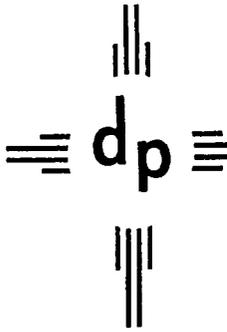
Should you have any questions, need additional information or have any concern as to our proposal, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf



dugan production corp.

Attachment
No. 15
pg 2 of 3

July 28, 1997

To: Overriding Royalty Interest Owners (address list attached)
Dugan Production Corp.'s
Davis Federal No. 1 (L-24-26N-11W)
Platero Navajo No. 1 (E-24-26N-11W)
Platero Navajo No. 2 (M-13-26N-11W)
San Juan County, New Mexico

Gentlemen:

Dugan Production Corp. has filed an application with the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM) requesting their approvals to surface commingle natural gas produced from each of the 3 captioned wells. This will allow us to use one compressor for all 3 wells and will hopefully improve the production operations on each well. In addition, we will be able to remove 2 wellhead compressors from operation which will increase gas sales by approximately 16 MCFD (which is currently being consumed for compressor fuel), and the individual well operating expenses will be reduced which will in turn provide a lower economic limit and thus will increase the recoveries of oil and natural gas.

If approved, we will continue to meter the gas at each well, however the wellsite meter rather than being a sales meter, will be used to determine allocation factors for the sales volumes and revenues from the central delivery meter. This proposal should not reduce your interest or revenue flow, and may provide an increase in the current gas sales volumes as well as in ultimate recoveries.

We would be happy to provide a complete copy of our application should you desire to have it. Should you have questions, need additional information or have concerns, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

Interest Owners

Sheet1

Davis Fed #1 and Platero Navajo #1 and #2

Attachment
No. 15
Pg 3 of 3

Burlington Resources Oil & Gas
P. O. Box 4289
Farmington, NM 87499-4289

Conoco, Inc.
10 Desta Dr. W., Suite 100W
Midland, TX 79705

Minerals Management Service-Federal
c/o Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87499

Minerals Management Service-Navajo Allotted
c/o Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87499

Charter Royalty Company
P. O. Box 2865
Midland, TX 79702-2865

Collins Partners, LTD
5000 Burnet Road
Austin, TX 78756

F. Farrell Davis
P. O. Box 3061
Midland, TX 79702-3061

Paul L. Davis, Jr.
P. O. Box 1811
Midland, TX 79702-1811

Lucy E. Lawson
P. O. Box 3786
Midland, TX 79702-3786

Louis Dreyfus Natural Gas Corp.
P. O. Box 960116
Oklahoma City, OK 73196-0116

Marathon Oil Company
P. O. Box 3128
Houston, TX 77253-3128

Wilson Oil Company LTD
P. O. Box 1297
Santa Fe, NM 87504-1297

Four Star Oil & Gas Company
P. O. Box 46513
Denver, CO 80201-6513



July 29, 1997

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Surface Commingling
Proposed Davis Central Gas Delivery System
Dugan Production Corp.'s
Davis Federal No. 1 and Platero Navajo Wells No. 1 and 2
Federal Lease No. SF078937 & Navajo Allotted Leases No. 14-20-603-1445 (CA SW-64)
and 14-20-603-1443 (CA SW-65)
San Juan County, New Mexico

Dear Mr. Chavez:

Attached for your information and file is a copy of the subject application. I inadvertently did not include the copy distribution on the letter. Copies of the complete application were also sent to the working and royalty interest owners and notice of our application was sent to the overriding royalty interest owners. Upon receiving the "return receipt" cards, I will provide copies to the NMOCD as evidence of notice.

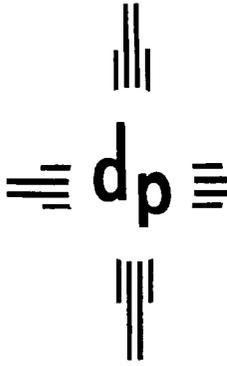
Please let me know if you have questions or need additional information.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

cc: Mr. Bill LeMay, NMOCD-Santa Fe



dugan production corp.

August 15, 1997

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

Re: 7/28/97 Commingling Application
Proposed Davis Central Gas Delivery System
Dugan Production Corp.'s
Davis Federal No. 1 and Platero Navajo Wells No. 1 and 2
Federal Lease No. SF078937 & Navajo Allotted Leases No. 14-20-603-1445 (CA SW-64)
and 14-20-603-1443 (CA SW-65)
San Juan County, New Mexico

Dear Mr. LeMay:

Attached for your use and file, as evidence of notification, are copies of the certified mail receipts for each interest owner (working, royalty and overriding royalty) in the subject application.

Please let me know if you have any questions or need additional information.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

BURLINGTON RESOURCES OIL & GAS
 P. O. BOX 4289
 FARMINGTON, NM 87499-4289

4a. Article Number
 P 358 644 395

4b. Service Type

Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 07-30-97

5. Received By: (Print Name)
 Judith Dee

6. Signature: (Addressee or Agent)
 X Judith Dee

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

CONOCO, INC.
 10 DESTA DR. W., SUITE 100W
 MIDLAND, TX 79705

4a. Article Number
 P 358 644 396

4b. Service Type

Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 Aug 8-9

5. Received By: (Print Name)
 Anita Gonzalez

6. Signature: (Addressee or Agent)
 Anita Gonzalez

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
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I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Charter Royalty Company
 P. O. Box 2865
 Midland, TX 79702-2865

4a. Article Number
 P 358 644 397

4b. Service Type

Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 8-5-97 HB

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X Mariana Brown

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Davis Fed. CPD

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mailpiece, or on the back if space does not permit.
 ■ Write "Return Receipt Requested" on the mailpiece below the article number.
 ■ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Collins Partners, LTD
 5000 Burnet Road
 Austin, TX 78756

4a. Article Number
 P 358 644 398

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 080297

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X *MB Collins*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Davis Fed CPD

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mailpiece, or on the back if space does not permit.
 ■ Write "Return Receipt Requested" on the mailpiece below the article number.
 ■ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 F. Farrell Davis
 P. O. Box 3061
 Midland, TX 79702-3061

4a. Article Number
 P 358 644 399

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 8-4-97

5. Received By: (Print Name)
 DONNA EGGMAYER

6. Signature: (Addressee or Agent)
 X *Donna Eggeneyer*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Davis Fed CPD

SENDER:
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 ■ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Paul L. Davis, Jr.
 P. O. Box 1811
 Midland, TX 79702-1811

4a. Article Number
 P 358 644 400

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

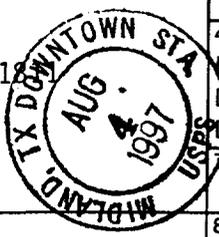
7. Date of Delivery

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X *Paul L Davis Jr*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt



Thank you for using Return Receipt Service.

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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Lucy E. Lawson
 P. O. Box 3786
 Midland, TX 79702-3786

4a. Article Number
 P 358 644 401

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 8.4.97

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X *Charles Easton*

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Louis Dreyfus Natural Gas Corp.
 P. O. Box 960116
 Oklahoma City, OK 73196-0116

4a. Article Number
 P 358 644 402

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 JUL 31 1994

5. Received By: (Print Name)
 No

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

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SENDER:

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Marathon Oil Co.
 P. O. Box 3128
 Houston, TX 77253-3128

4a. Article Number
 P 358 644 403

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 AUG 01 1997

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X *Chris A*

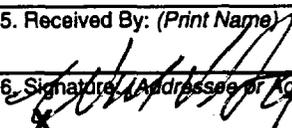
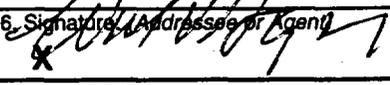
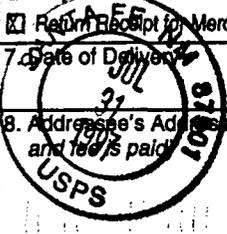
PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Davis Fed CPD

Is your RETURN ADDRESS completed on the reverse side?

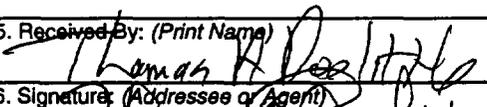
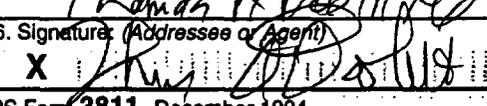
SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Wilson Oil Co. LTD P. O. Box 1297 Santa FE, NM 87504-3128		4a. Article Number P 358 644 404	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery JUL 31 1997	
5. Received By: (Print Name) 		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) 			

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Four Star Oil & Gas Co. P. O. Box 46513 Denver, CO 80201-6513		4a. Article Number P 358 644 405	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 7-31	
5. Received By: (Print Name) 		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) 			

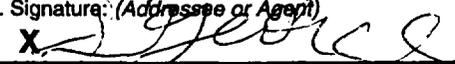
PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Davis COP

Is your RETURN ADDRESS completed on the reverse side?

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: BUREAU OF LAND MANAGEMENT ATTN: DUANE SPENCER 1235 LA PLATA HIGHWAY FARMINGTON, NM 87401		4a. Article Number P 358 644 406	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 7-30-97	
5. Received By: (Print Name) 		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) 			

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.