

dugan production corp.

PLC-149

PLC-149

PLC-149

February 12, 2001

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

Re: NMOCD's 2nd Amended Commingling Order PLC-149
Dugan's application to add the Sixteen G's No. 90 to
Dugan's Goodtimes Gas Gathering System
San Juan County, NM

Dear Ms. Wrotenbery,

The subject amended commingling order included a stipulation that like approvals would also be obtained from the Bureau of Land Management and the New Mexico State Land Office. We received these approvals and copies of each are attached for your information and file.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

enclosures

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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



IN REPLY REFER TO:
3162.7-3 (07100)

Mr. John Roe
Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499-0420

Dear Mr. Roe:

Reference is made to your letter dated December 1, 1999, requesting approval to add the following well to the previously approved Goodtimes Gas Gathering System (GGGS):

No. 90 Sixteen G's, located 1400' FNL and 2300' FEL section 7, T.24N., R. 9W., San Juan County, New Mexico on Federal Lease No. NM-25433.

Dugan is hereby authorization to include this well in the GGGS conditioned by fully complying with all the terms and conditions outlined in the original GGGS approval dated August 12, 1999.

If you have any question regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

Stephen Mason
Acting Team Lead, Petroleum Management

Per ELM of Beckov - BLM approval dated 12-14-99

DEC 1999
RECEIVED

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245
Fax (505) 827-5766



COMMERCIAL RESOURCES

Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

December 18, 2000

Add 16 G's # 90

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420

Attn: Mr. John D. Roe

Re: Addition of one well to existing approvals for Surface Commingling,
Off-lease Measurement, Storage, and Sale of Produced Natural Gas plus
Gathering System Drip Accumulations
Dugan Production's Goodtimes Gas Gathering System
San Juan County, New Mexico

Dear Mr. Roe:

We are in receipt of your letters of December 13, 2000 and December 1, 1999 requesting our approval to add the Sixteen G's Well No. 90 (API No. 30-045-29709) to Dugan's Goodtimes Gas Gathering System. The addition of this well will require the surface commingling, plus off-lease measurement and sale of natural gas production along with a small amount of liquid hydrocarbons that may accumulate in the gathering system drip traps.

It is our understanding that this is the thirteenth expansion to the Goodtimes Gas Gathering System, which will now contain a total of 152 Federal, State and Navajo Allotted wells.

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Please submit a \$30.00 dollar filing fee.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

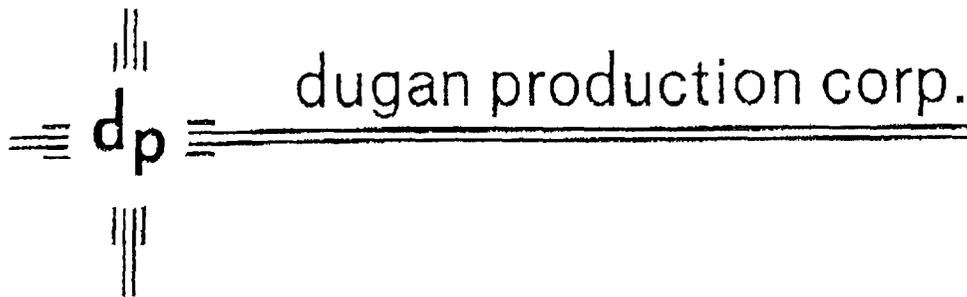
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm

pc: Reader File, OCD-Attention: Mark Ashley
BLM-Farmington Attn: Mr. Duane Spencer



"WE WORK FOR EDUCATION"

210 Old Santa Fe Trail, P. O. Box 1148 Santa Fe, New Mexico 87504-1148



December 1, 1999

Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Mr. Ray Powell
New Mexico State Land Office
P. O. Box 1148
Santa Fe, NM 87504-1148

Mr. Lee Otteni, District Manager
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Re: Addition of one well to existing approvals for Surface Commingling,
Off-lease Measurement, Storage, and Sale of Produced Natural Gas plus
Gathering System Drip Accumulations
Dugan Production's Goodtimes Gas Gathering System
San Juan County, New Mexico

Dear Ms. Wrotenbery, Mr. Powell, and Mr. Otteni:

We are writing to request your approvals for the addition of one well to Dugan's Goodtimes Gas Gathering System (GGGS) which will require the surface commingling, plus off-lease measurement and sale of natural gas production along with a small amount of liquid hydrocarbons (drip) that may accumulate in the gathering system drip traps. This application is the thirteenth expansion to the GGGS which was initially approved by the BLM on 1-18-84 and was most recently approved (Dugan's 6-22-98 application) by the NMSLO on 7-20-98, the NMOCD on 12-4-99 (Commingling Order PLC-149), and the BLM on 8-12-99.

The well to be added is Dugan Production's Sixteen G's No. 90 (API No. 30 045 29709) which was spudded on 6-21-99 and completed in the Basin Fruitland Coal Pool on 10-6-99. The Fruitland Coal perforations 1705'-1715' were stimulated using a foam frac and testing to date has been limited to the recovery of frac fluids. The well was shut in on 10-18-99 after swab testing 65 bbl of highly gas cut water and a shut in surface pressure of 340 psig. We are encouraged by our testing to date and prior to further testing and venting of produced natural gas, we propose to connect this well to our GGGS so that the produced natural gas can be sold.

Based upon our experience with the other Fruitland Coal wells in this area, we anticipate gas production to average ± 50 MCFD with a heating value of ± 1020 BTU/cf. The gas is believed to be compatible with other gasses in the GGGS. Water production will probably average ± 70 BWPD initially and hopefully will decrease as production continues. We do not anticipate any liquid hydrocarbons will be produced, however should there be some, they will be separated, stored and sold at the well. It is possible that there

may be some drip, condense from the gas stream and accumulate in the GGS system drip traps. If this occurs, the drip will be allocated back to the wells producing the drip based upon individual well gas stream liquid content (GPM's) as outlined in the allocation procedures presented as Attachment No. 6 of our application dated 6-22-98. Gas production from the Sixteen G's No. 90 will flow through GGS drip traps No. 3 and 4 and the Goodtimes and Mountain Spur System Compressors.

The Sixteen G's No. 90 is located in SW NE (Unit G) of Section 7, T-24N, R-9W and the 320.64 acre spacing unit comprises the north half of Section 7. Federal Lease No. NM-25433 makes up the entire spacing unit and the working interest is held 100% by Dugan Production Corp. Attachment A is a copy of a portion of Map No. 2 from our 6-22-98 application. On Attachment A, we've indicated the Sixteen G's No. 90 along with the pipelines necessary to connect this well to the GGS. Also indicated are the pipelines which will connect the Phillips No. 1, the Sanchez O'Brien No. 90 and the Mo Valley No. 90 to the GGS. All three of these wells were included in our 6-22-98 application, however none of the lines were installed at the time of our 6-22-98 application. All new lines subsequent to our 6-22-98 application are highlighted in blue.

The Sixteen G's No. 90 will be operated and production allocated as set out in our detailed application dated 6-22-98. The addition of the Sixteen G's No. 90 will bring the total number of wells approved for the GGS to 180 (188 completions), 176 of which are operated by Dugan Production and 4 of which are operated by Questar Exploration & Production Co. (successor to Universal Resources Corp.). Attachment No. 1 to our 6-22-98 application was a participation statement by Universal Resources Corp. We have discussed this proposed addition of Dugan's Sixteen G's No. 90 to the GGS with Questar and it is our understanding that Questar has no objections. We will provide a copy of this application to Questar and should there be a problem, we will work with Questar to resolve any concerns that might exist.

Should there be any questions, or if additional information is needed, please let us know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

cc: NMCCD - Aztec
Questar Exploration & Production Co.

