

dugan production corp.

1 LC 2/22/99
FEB 1 1999
CONSERVATION DIV.

January 29, 1999

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

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

Re: Request for Surface Commingling plus off-lease measurement and sale of gas
Dugan Production Corp.'s
State Com Well No. 2 & Well No. 90
API Nos. 30-045-21128 & 30-045-29680
Units G & H of Section 16, T-32N, R-12W
State Leases B-11571, E-3555-13, E-4426 & LG-0038-1
Blanco Mesaverde & Basin Fruitland Coal Pools
San Juan County, New Mexico

Dear Ms. Wrotenbury and Mr. Powell,

We are writing to request your administrative approvals to surface commingle natural gas production from the captioned wells plus the off-lease measurement and sale of gas from the No. 90. Both wells are operated by Dugan Production Corp. and have a common spacing unit comprising four State leases and 320 acres in the north half of Section 16, T-32N, R-12W. Attachment No. 1 presents the C-102 for each well. All liquids (water and condensate) will be separated, stored and sold or disposed of at each well. Only natural gas will be commingled after being measured with conventional, continuous recording allocation meters located at each well. The commingled gas stream will then be compressed and delivered to El Paso Field Services at their CDP meter which is currently the sales meter for the State Com No. 2 well and is located at the No. 2 well. Attachment No. 2 presents a map and sketch of the proposed system and well site facilities.

Although both wells share a common spacing unit, the working interest ownership in the Mesaverde is not the same as in the Fruitland Coal. The royalty and overriding royalty is the same for both wells. Attachment No. 3 presents a breakdown of the interest ownership. Since there is a difference in working interest ownership, all gas production will be individually metered prior to commingling using allocation meters installed and maintained at each well by Dugan Production Corp. Both allocation meters will be continuous recording dry flow chart recorders and the monthly charts will be integrated using a contract service to determine volumes for allocating CDP sales volumes to the

individual wells. The gas streams from each well are believed to be compatible. Annual gas analyses will be taken to establish the individual gas heating values which will be used to allocate CDP revenues to individual wells based upon each wells' produced BTU's. All interest owners will receive a copy of this application by certified, return-receipt mail. Attachment No. 4 is a copy of the notice letter sent to interest owners.

The State Com No. 2 well was completed on 9-24-74 in the Blanco Mesaverde gas pool and has produced a total of 767,414 MCF of gas plus 2,401 bbl of condensate as of 12-1-98. During the first 11 months of 1998, production has averaged 154 MCFD + 0.25 bbl condensate per day. Attachment No. 5 presents the production history and Attachment No. 6 presents a current gas analysis for the State Com No. 2 well.

The State Com No. 90 was spudded on 1-5-99 and is currently being completed in the Basin Fruitland Coal. Based upon testing during our cavitation efforts, we anticipate that El Paso will not set a sales meter at the well but will accept the gas at a CDP site. We propose to convert the existing sales meter for our State Com No. 2 well to a CDP for the State Com No. 2 and State Com No. 90 which will require Dugan to lay approximately 940' of line to deliver gas from the No. 90 location to the No. 2 well site. This will also allow both wells to use the existing compressor currently on the No. 2 well, and will eliminate the installation of a separate compressor for the No. 90 and will save the fuel and eliminate the additional exhaust emissions and noise that would have occurred had a separate compressor been necessary. We do not have a gas analysis from the No. 90 completion, however based upon offset Fruitland Coal wells, we do not anticipate treating the gas for CO₂ removal. Should treating be necessary, we will install a unit at the well.

In summary, Dugan Production Corp. is currently completing our State Com No. 90 in the Basin Fruitland Coal and propose to convert the existing gas sales meter for our State Com No. 2 well to a central delivery sales meter for both wells. This will necessitate the surface commingling of natural gas from the State Com No. 2 and No. 90 wells plus the off-lease measurement and sale of gas from the No. 90 well. The CDP sales meter is located at the No. 2 well, thus gas measurement and sale for the No. 2 well will be on lease. This will allow using a single compressor (currently on the No. 2 well) for both wells and will produce a savings in compressor fuel, exhaust emissions and noise. Should there be questions or additional information needed, please let me know.

Sincerely,



John D. Roe
Engineering Manager

JDR/tmf

cc: All interest owners (Attachment No. 4)
NMOCD - Aztec

attach.

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

Attachment
 No. 1
 Pg 1 of 2

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-21128	² Pool Code 72319	³ Pool Name Blanco Mesaverde
⁴ Property Code 003850	⁵ Property Name State Com	⁶ Well Number 2
⁷ OGRID No. 006515	⁸ Operator Name Dugan Production Corp.	⁹ Elevation 6013'

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
G	16	32N	12W		1850	North	1730	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 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. all communitized except NW NE (Griffin) which was forced pooled by Order No. R-4427 on 10-27-72
--------------------------------------	-------------------------------	----------------------------------	---

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

Williams E-4426	DPC E-3555-13	Griffin Trusts B-11571 1850'	DPC LG 0038-1	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> <u>John D Roe</u> Signature <u>John Roe</u> Printed Name <u>Engineering Manager</u> Title <u>January 29, 1999</u> Date
DPC LG-0038-1	Williams E-4426	Williams B-11571 1730'		
				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> <u>11-13-72</u> Date of Survey Signature and Seal of Professional Surveyer: Original survey made & signed by James P. Leese Certificate Number 1463

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, 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

Attachment
NO. 1
Pg 2 of 2

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number 30 045 29680		* Pool Code 71629	* Pool Name Basin Fruitland Coal
* Property Code 003850	* Property Name State Com		* Well Number 90
* OGRID No. 006515	* Operator Name Dugan Production Corporation		* Elevation 6043' Estimated

10 Surface Location

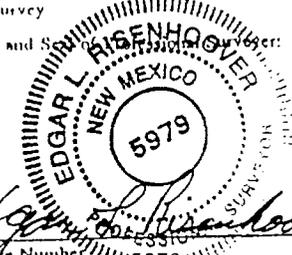
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	16	32N	12W	H	1850	North	790	East	San Juan

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

* Dedicated Acres 320	* Joint or Infill	* Consolidation Code	* Order No. To be communitized
--------------------------	-------------------	----------------------	-----------------------------------

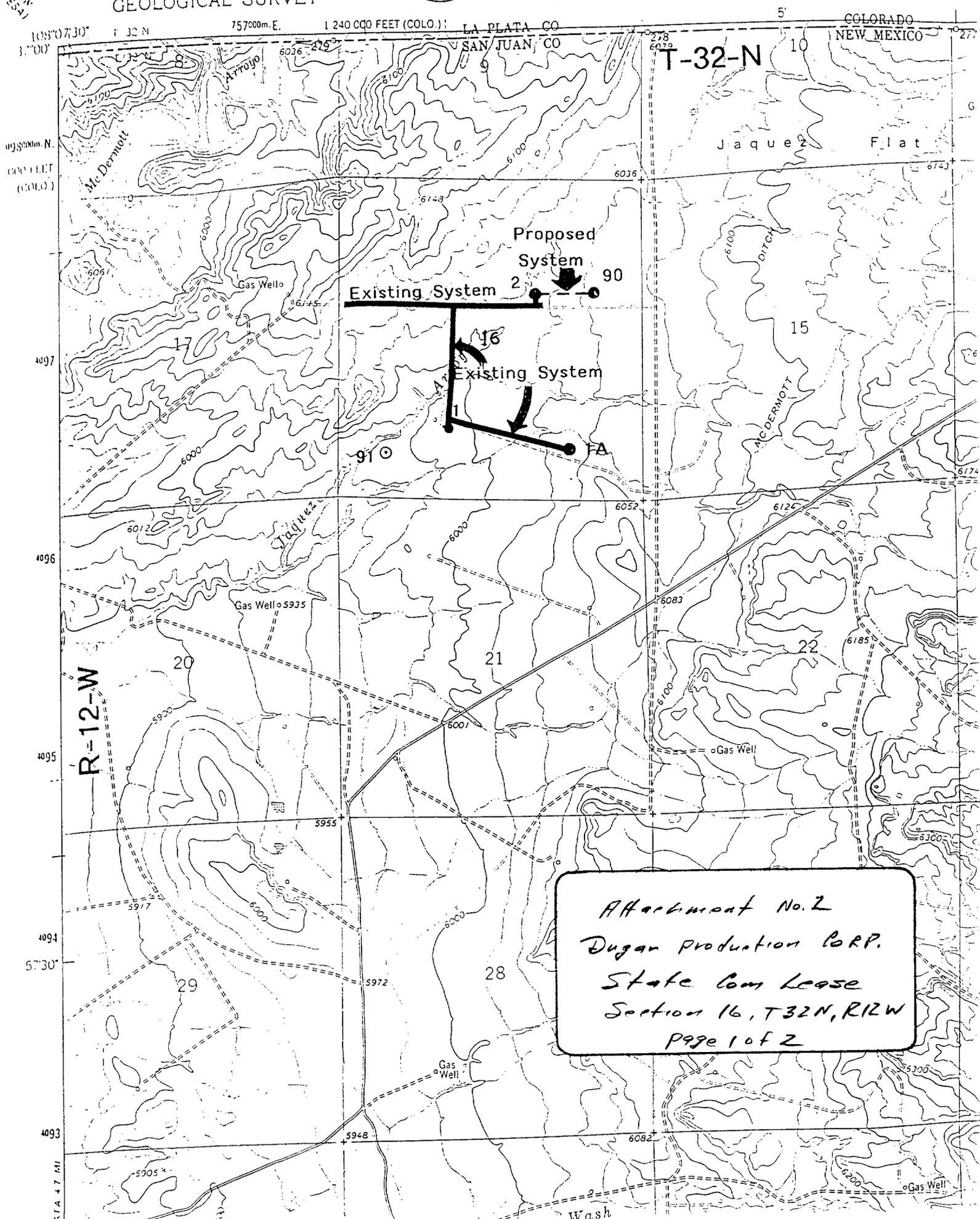
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

DPC E-4426	DPC E-3555-13	Griffin Trusts B-11571	DPC LG-0038-1 1850'	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>John D. Roe</i></p> <p>Signature John D. Roe Printed Name Engineering Manager Title January 29, 1999 Date</p>
DPC LG-0038-1	DPC E-4426	DPC B-11571	790'	
				<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>September 1, 1998 Date of Survey</p> <p>Signature and Seal of Surveyor:  <i>Edgar L. Risenhoover</i> Certificate Number 5979</p>

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY



3.15.54



Attachment No. 2
Dugan Production Corp.
State Com Lease
Section 16, T32N, R12W
Page 1 of 2

T-32N, R-12W

Section 9 Section 10

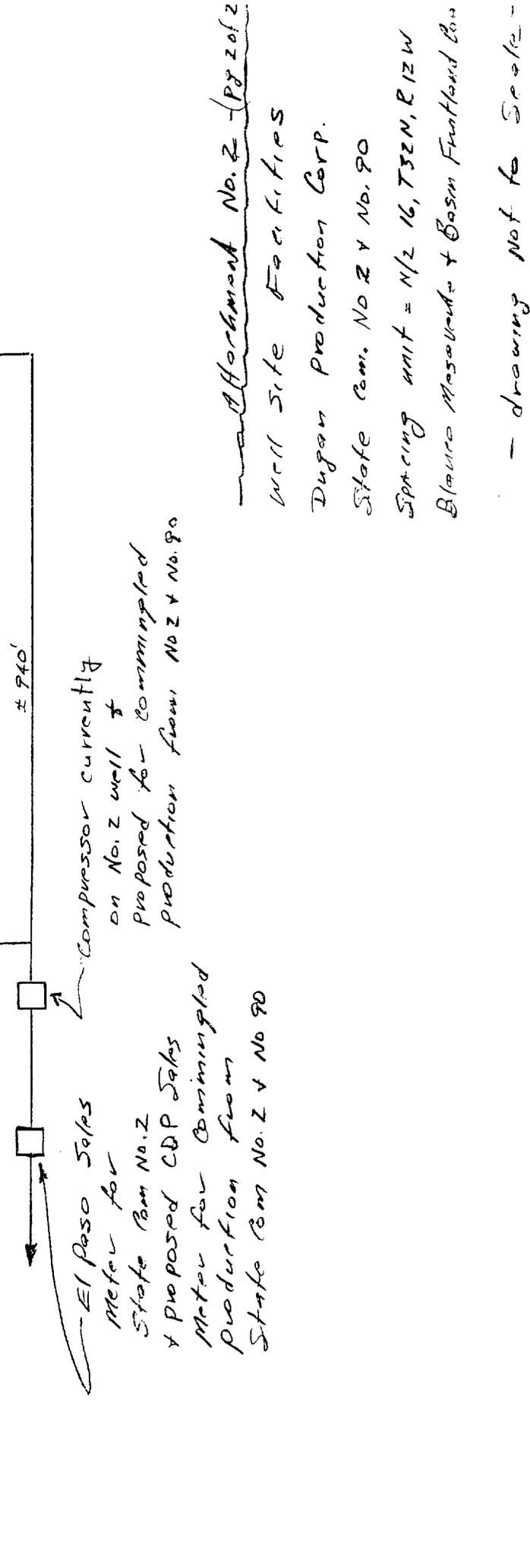
Section 16 Section 15

State Com No. 90
1850' FNL + 790' FEL

Water Storage Tank
2 phase Separator
CO₂ extraction unit
- if needed
Allocation Meter

State Com No. 2
1850' FNL + 1730' FEL

3 phase Separator
210 bbl Condensate Storage Tank
50 bbl water Storage Tank
Allocation Meter to be installed



Attachment No. 2 (Pg 2 of 2)

Well Site Facilities

Dugan Production Corp.

State Com. No. 2 + No. 90

Spacing unit = N/2 16, T32N, R12W

Blanco Mesquite + Basin Fruitland Co.

- drawing Not to Scale -

**Attachment No. 3
Interest Ownership
320 Acre N/2 Spacing Unit
Section 16, T-32N, R-12W
San Juan County, New Mexico**

	<u>State Com #90</u> Basin Fruitland Coal <u>H-16-T32N-R12W</u>		<u>State Com #2</u> Blanco Mesaverde <u>G-16-T32N-R12W</u>	
	<u>WI-%</u>	<u>NI-%</u>	<u>WI-%</u>	<u>NI-%</u>
<u>Working Interest Owners</u>				
Dugan Production Corp.	87.50	76.187500	50.00	43.3750
Williams Production Co.	0	0	37.50	32.8125
Paul T. Griffin Trust	12.50*	10.937500	12.50	10.9375
<u>Royalty Interest Owners</u>				
State of New Mexico	0	12.500000	0	12.500000
<u>Overriding Royalty Owners</u>				
Thelma Atkins	0	0.093750	0	0.093750
John W. Barringer	0	0.140625	0	0.140625
Lewis T. Barringer	<u>0</u>	<u>0.140625</u>	<u>0</u>	<u>0.140625</u>
Totals	100.0	100.0	100.0	100.0

* - Interest owner elected to go non-consent and is being carried by Dugan Production during payout.

Addresses

Thelma Atkins
c/o Mr. & Mrs. Jim Callan
1028 Santa Florencia
Solano Beach, CA 92075

State of New Mexico
P. O. Box 1148
Santa Fe, NM 87504-1148

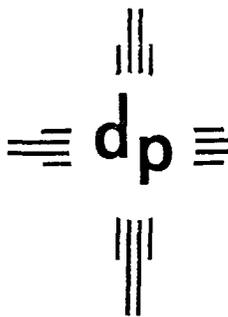
John W. Barringer
1054 Lynnwood Blvd.
Nashville, TN 37215

Dugan Production Corp.
P. O. Box 420
Farmington, NM 87499-0420

Lewis T. Barringer, Jr.
192 Sayre Drive
Princeton, NJ 08540

Paul T. Griffin Trust
Charles E. Griffin, Trustee
732 Bison Ave.
Newport Beach, CA 92660

Williams Production Company
P. O. Box 58900
Salt Lake City, UT 84158-0900



dugan production corp.

Attachment
NO. 4
pg 1 of 2

CERTIFIED - RETURN RECEIPT

January 29, 1999

Interest Owners (Address List Attached)
Dugan Production Corp.'s
State Com No. 2 & State Com No. 90
Units G & H, Section 16, T32N, R12W
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information and file is a copy of our application requesting authorization to convert the existing gas sales meter for the State Com No. 2 well to a central delivery gas sales meter (CDP) for the State Com No. 2 and No. 90. Both wells are operated by Dugan Production Corp. and the spacing unit for each well is the north half of Section 16. The royalty and overriding royalty interest is the same for both wells, however the working interest is not the same in both wells. To ensure the accurate allocation of natural gas volumes and revenues from the CDP to each well, allocation meters will be installed at each well and the volumes produced from each well will be continuously recorded. CDP gas sales volumes will be allocated to the individual wells using factors determined by dividing the individual allocation meter volume by the total volume from both allocation meters. CDP gas sales revenues will be allocated to the individual wells using factors determined by dividing the individual allocation meter volume times that wells gas heating value by the total BTU's delivered through both allocation meters.

Compressor fuel will be allocated to each well based upon the factors used for allocating gas volumes.

All condensate and water will be handled separately at each well and will not be commingled.

There should be no loss of revenue to either well and by having both wells use the same compressor, each well will benefit from a reduced fuel consumption.

Should you have questions, concerns, or objections, please let us know. Should you object to our proposal, you should let the New Mexico Oil Conservation Division know of your objection on or before February 18, 1999.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachs.

Attachment
No. 4
Pg 2 of 2

**Interest Ownership
320 Acre N/2 Spacing Unit
Section 16, T-32N, R-12W
San Juan County, New Mexico**

	<u>State Com #90</u> <u>Basin Fruitland Coal</u> <u>H-16-T32N-R12W</u>		<u>State Com #2</u> <u>Blanco Mesaverde</u> <u>G-16-T32N-R12W</u>	
	<u>WI-%</u>	<u>NI-%</u>	<u>WI-%</u>	<u>NI-%</u>
<u>Working Interest Owners</u>				
Dugan Production Corp.	87.50	76.187500	50.00	43.3750
Williams Production Co.	0	0	37.50	32.8125
Paul T. Griffin Trust	12.50*	10.937500	12.50	10.9375
<u>Royalty Interest Owners</u>				
State of New Mexico	0	12.500000	0	12.500000
<u>Overriding Royalty Owners</u>				
Thelma Atkins	0	0.093750	0	0.093750
John W. Barringer	0	0.140625	0	0.140625
Lewis T. Barringer	<u>0</u>	<u>0.140625</u>	<u>0</u>	<u>0.140625</u>
Totals	100.0	100.0	100.0	100.0

* - Interest owner elected to go non-consent and is being carried by Dugan Production during payout.

Addresses

Thelma Atkins
c/o Mr. & Mrs. Jim Callan
1028 Santa Florencia
Solano Beach, CA 92075

State of New Mexico
P. O. Box 1148
Santa Fe, NM 87504-1148

John W. Barringer
1054 Lynnwood Blvd.
Nashville, TN 37215

Dugan Production Corp.
P. O. Box 420
Farmington, NM 87499-0420

Lewis T. Barringer, Jr.
192 Sayre Drive
Princeton, NJ 08540

Paul T. Griffin Trust
Charles E. Griffin, Trustee
732 Bison Ave.
Newport Beach, CA 92660

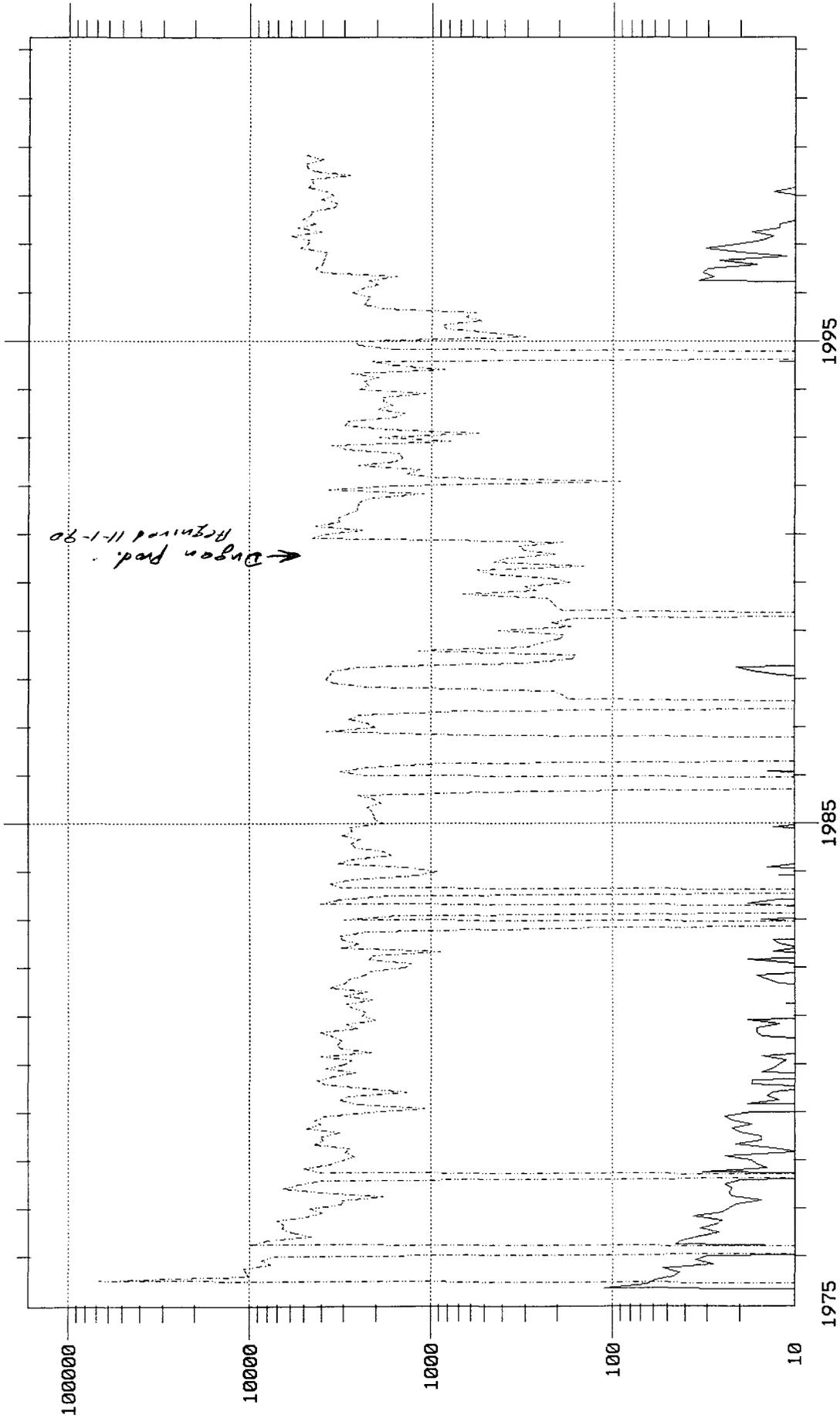
Williams Production Company
P. O. Box 58900
Salt Lake City, UT 84158-0900

Agreement No. 5

Calculated
 Oil
 Gas
 Water

Dugan Production Corp.
 Production Rate vs Time
 BBl/Mo or Mcf/Mo vs Months
 State Com Well No. 2 (G-16-32N-12W)
 Blanco Mesaverde Gas Pool

Production
 Oil
 Gas
 Water



Reported Oil Production = 2401 Bbls to 12-1-98
 Reported Gas Production = 767414 Mcf "
 Reported Water Production = 2387 Bbls "

CO.CD 23 EL PASO NATURAL GAS
CUSTOMER ACCOUNTING SERVICES DEPARTMENT
VOLUME CALCULATION DIVISION
POST OFFICE BOX 1492
EL PASO, TEXAS 79978

CONTACTS:
EL PASO FIELD SERVICES
(713) 757-5953
EL PASO MAINLINE
(915) 496-2595

DATE 6/05/98

CHROMATOGRAPHIC GAS ANALYSIS REPORT

Attachment
No. 6
Pg 1 of 1

MAILEE
26730

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

METER NUMBER 89175 - STATE COM 2
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 4/06/98 TYPE CODE 2 - ACTUAL
SAMPLE DATE 4/16/98 H2S GRAINS 0
EFFECTIVE DATE 5/01/98 LOCATION F - FARM BECK
EFFECTIVE FOR 6 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.85	.000
H2S	.00	.000
N2	.31	.000
METHANE	81.30	.000
ETHANE	10.31	2.758
PROPANE	4.22	1.163
ISO-BUTANE	.61	.200
NORM-BUTANE	1.19	.375
ISO-PENTANE	.39	.143
NORM-PENTANE	.31	.112
HEXANE PLUS	<u>.51</u>	<u>.223</u>
	100.00	4.974

SPECIFIC GRAVITY .710
MIXTURE HEATING VALUE
(BTU @ 14.73 DRY) 1230
RATIO OF SPECIFIC HEATS .000
NO TEST SECURED FOR H2S CONTENT



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5795

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

March 3, 1999

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

Attn: Mr. John D. Roe

Re: Request for Surface Commingling, Off-Lease Measurement, and Sale of Gas
Dugan Production Corp.'s- State Com Well Nos. 2 and 90
Units G & H of Section 16-32N-12W
State Lease Nos. B-11571, E3555-13, E-4426 & LG-0038-1
Blanco Mesaverde and Basin Fruitland Coal Pools
San Juan County, New Mexico

Dear Mr. Roe:

We are in receipt of your letter of January 29, 1999 requesting our approval to surface commingle the Blanco Mesaverde and Basin Fruitland Coal production from the captioned wells. You are also requesting our approval for off-lease measurement and sale of gas from the Well No. 90. It is our understanding that only natural gas will be commingled after being measured with conventional, continuous recording allocation meters located at each well. The commingled gas stream will then be compressed and delivered to El Paso Field Services at their CDP meter which is currently the sales meter for the State Com No. 2 Well located in the SW/4NE/4 of Section 16.

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.

Your \$30.00 dollar filing has been received.

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: David Catanach, Ben Stone.