

1/18/01	2/7/01		KW	PLC
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

102245824

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]

1633

[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

JAN 18

[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

*Letter of Notification is Attached.
Copies of Certified Return Receipts
will be forwarded upon receiving*

[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.

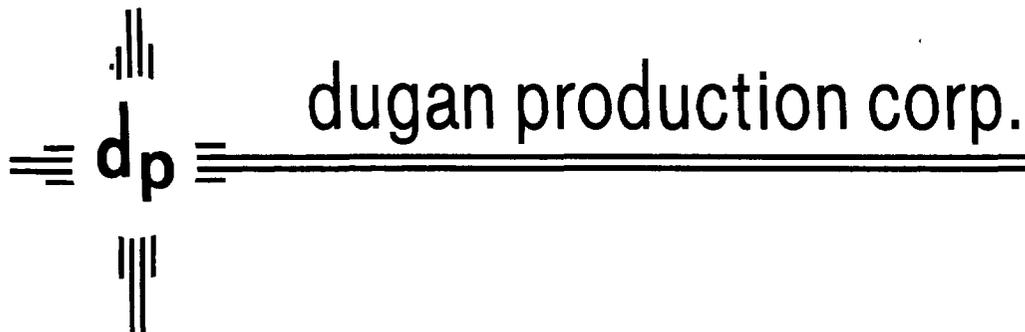
Note: Statement must be completed by an individual with supervisory capacity.

John D. Roe
Print or Type Name

John D. Roe
Signature

Engineering Manager
Title

1-16-01
Date



January 17, 2001

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

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

Re: Proposed Surface Commingling & Off-lease Measurement
Dugan Production Corp.'s Cuccia No. 1 (API No. 30-045-10776)
Dugan Production Corp.'s Cuccia Com No. 90 (API No. 30-045-30247)
Units G & A, Section 14, T-31N, R-13W
Federal Leases 024907 & Fee Lease
Basin Dakota & Basin Fruitland Coal Gas Pools
San Juan County, NM

Dear Ms. Wrotenbery and Mr. Otteni,

We are writing to request your approvals to surface commingle natural gas produced from the captioned wells plus the off-lease measurement for natural gas produced from the Cuccia Com No. 90. This will allow us to convert the existing natural gas sales meter for the Cuccia No. 1 (El Paso's meter no. 73286) to a central delivery sales meter (CDP) for the Cuccia No. 1 and Cuccia Com No. 90 wells. The spacing unit for each well comprises the east half (316.66 acres) of Section 14 and all interest ownership (working, royalty and overriding royalty) is common. We plan to install continuous recording dry flow meters at each well site which will provide a continuous measurement of all natural gas production from each well. These meters will be maintained to regulatory standards (currently BLM's Onshore Order No. 5) by Dugan Production and will provide the basis for determining allocation factors for the CDP sales volumes. Very little liquid hydrocarbon production is anticipated and any that does occur (along with any water production) will be separated, stored and either sold or disposed of at each well site. There will be no commingling of oil, condensate or water.

Attachment No. 1 was reproduced from the La Plata USGS Quadrangle Topography map and presents the proposed Cuccia CDP along with the subject leases and wells. Attachment No. 2 presents information for each of the wells proposed for this CDP and Attachment No. 3 presents C-102's for each well which also includes the dedicated spacing units. Dugan Production Corp. is the operator of both wells and holds 100% of the working interest. Attachment No. 4 presents the interest ownership for both wells.

The Cuccia No. 1 was completed in the Basin Dakota gas pool on 6-10-62 and had produced 450.0 mmcf of gas plus 1969 bbl condensate as of 12-1-00. The well is currently averaging 14 mcf/d plus very little condensate (a total of 12 bbl during the first 11 months of 2000). The production history is presented on Attachment No. 5. This well has produced fairly marginal rates since completion and is difficult to keep producing with the small volumes of liquids (water and condensate) which tend to accumulate in the wellbore

and log the well off. El Paso's gathering system currently averages ± 325 psi with pressures periodically approaching 400 psi. From Attachment No. 5, a significant drop in production occurred during 4/00. This was the result of the pipeline pressure increasing from ± 65 psia to the current ± 375 psi as a result of a down stream compressor being shut down. We plan to install a compressor at the Cuccia CDP for the commingled gas stream from the No. 1 and 90 wells, which hopefully will help the Cuccia No. 1 to produce more efficiently and at higher gas rates that existed prior to 4/00.

The Cuccia Com No. 90 was spudded on 1-3-01 and 4½" casing cemented at total depth of 2055' on 1-11-01. We plan to complete approximately 5' of Fruitland Coal and anticipate production to initially average 25 to 30 mcf/d plus 50 bwpd. As dewatering progresses, the gas production should increase to 100 to 150 mcf/d. We do not anticipate that the Cuccia Com #90 will have sufficient wellhead pressure to produce into El Paso's pipeline which ranges from 300 to 400 psi and thus wellhead compression will be necessary for the Cuccia Com No. 90 to produce.

All fluid production (water and condensate) will be separated from the gas, and will be stored, sold or disposed of at each well site. Only natural gas will be surface commingled. Each well will be equipped with continuous recording dry flow gas metering equipment and the volumes recorded at each well will be used to determine allocation factors for allocating the volumes recorded at the CDP sales meter to the individual wells. Each allocation meter will be installed and maintained by DPC and the charts from each meter will be integrated monthly by a commercial chart service. The proposed allocation procedures are presented on Attachment No. 6.

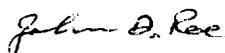
Gas production from both wells is believed to be compatible and mixing should not create any operational problems. Attachment No. 7 presents copies of representative gas analyses from both pools to be commingled.

We are sending copies of this application to all interest owners and Attachment No. 8 presents a copy of the transmittal letter.

In summary, we are proposing to convert the existing gas sales meter for Dugan's Cuccia No. 1 to a central delivery sales meter for two wells, Dugan's Cuccia No. 1 and Cuccia Com No. 90. This will require the surface commingling of natural gas production from both wells and off-lease measurement for the Cuccia Com No. 90 (the Cuccia No. 1 will be on-lease). The proposed surface commingling will allow us to install a compressor at the No. 1 well which will be shared by both wells, and will hopefully provide an increase in production for the No. 1 well and will allow the No. 90 well to produce into the pipeline which otherwise will likely not be possible without compression.

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

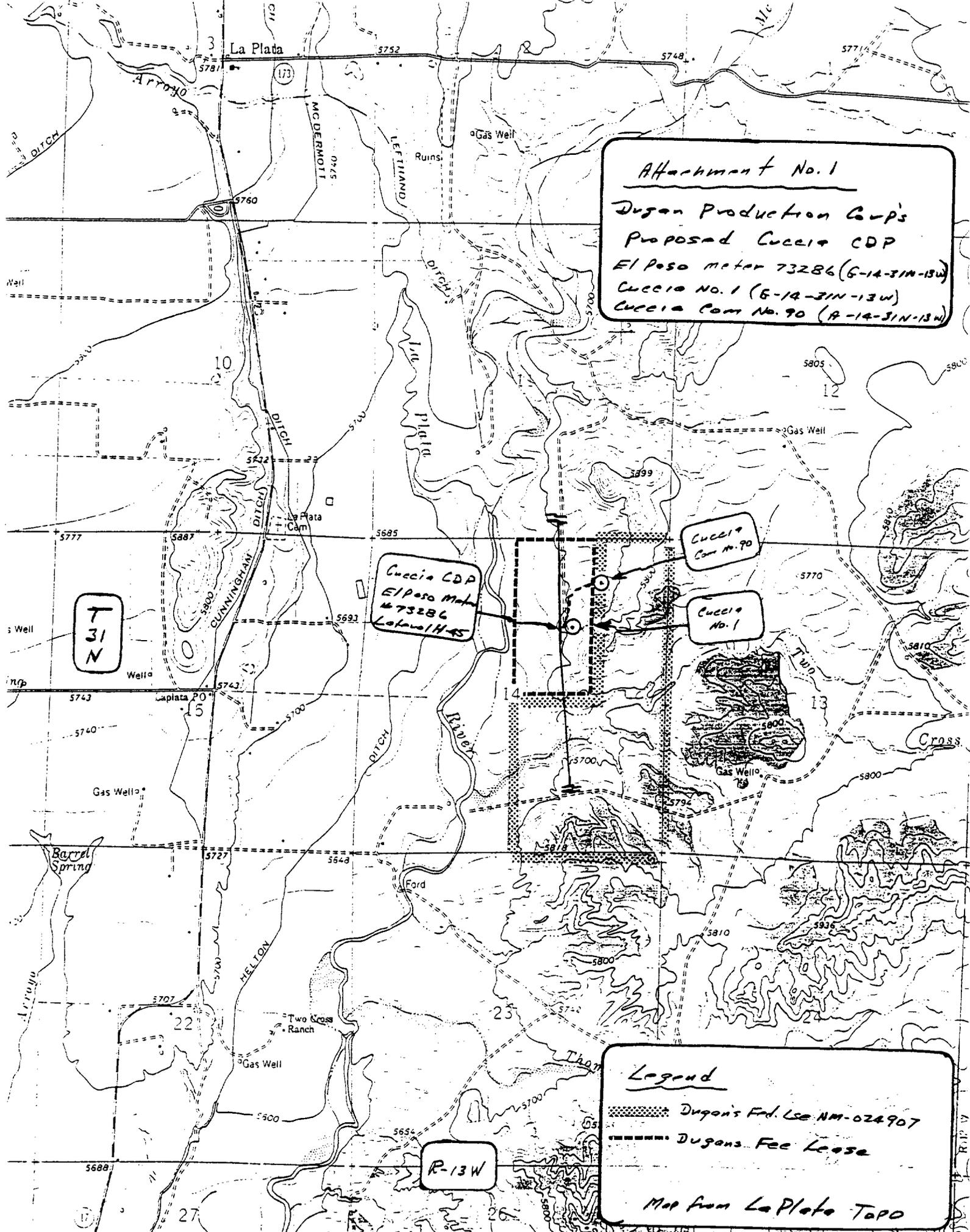
Sincerely,



John D. Roe
Engineering Manager

JDR/tmf

cc: NMOCD- Aztec
Interest owners



Attachment No. 1
 Dugan Production Corp's
 Proposed Cuccia CDP
 El Paso Meter 73286 (6-14-31N-13W)
 Cuccia No. 1 (6-14-31N-13W)
 Cuccia Com No. 90 (6-14-31N-13W)

Cuccia CDP
 El Paso Meter
 # 73286
 Lafayette H-45

Cuccia
 Com No. 90

Cuccia
 No. 1

T
 31
 N

R-13W

Legend
 Dugan's Fed. Use NM-024907
 Dugan's Fee Lease
 Map from La Plata TAPD

ATTACHMENT NO. 2
 DUGAN PRODUCTION CORP.
 PROPOSED CUCCIA CDP (G-14-31N-13W)
 SAN JUAN COUNTY, NEW MEXICO

Well Name	API Number	Well Location		Lease Type	CA Number	Pool	Completion Date	Current Prod.		Spacing Unit
		Unit	Sec-Twn-Rng					Lease No.	MCFD	
Cuccia #1	30-045-10776	G	14-31N-13W	FEE	SW5	Basin Dakota	6/10/62	14 (1)	0.03 (1)	0.03 (1)
Cuccia Com #90	30-045-30247	A	14-31N-13W	NM-024907 Federal	pending	Basin Fruitland Coal	Note (2)	Note (2)	Note (2)	Note (2)

Notes:

Note (1) - 3 month average production 9/2000 - 11/2000 @ pipeline pressures of 300 to 400 psia.

Note (2) - Not completed. Well spudded 1-3-01 and 4½" casing cemented @ 2055' on 1-11-01. We anticipate production typical to the Fruitland Coal in this area, initially averaging 25 to 30 mcf plus 50 BWPD increasing to 100 to 150 mcf as dewatering occurs.

c:\tjf\johnroel\cucciacdp\datt2

NUMBER	COUNTY
DATE	FILE
LAND OFFICE	TRANSPORTER
REGISTRATION OFFICE	OPERATOR

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT
 SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

FORM C-128
Revised 5/1/57

Attachment
No. 3
Pg 1 of 2

REVISED PLAT

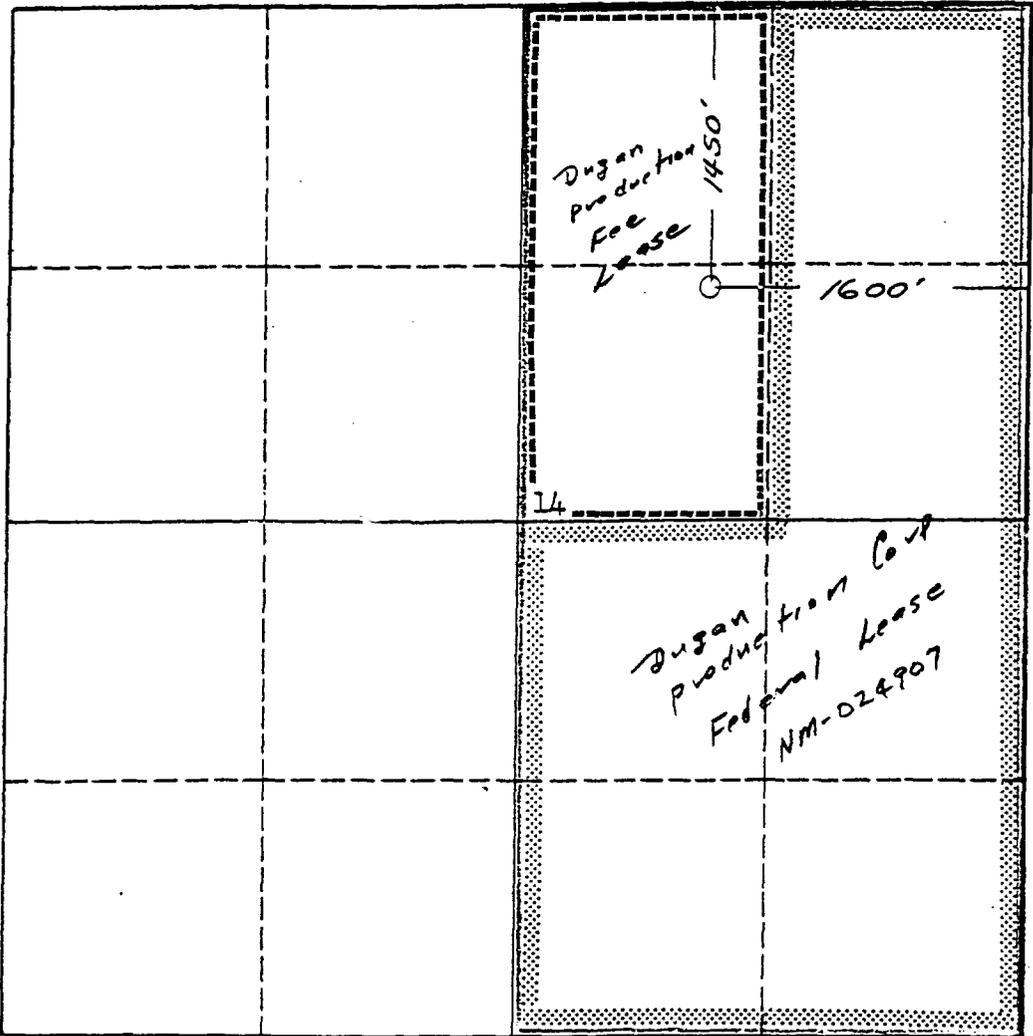
SECTION A

Operator <i>Dugan Production Corp 12/30/77</i> ADOBE OIL COMPANY	Lease <i>CUCCIA</i>	Well No. <i>1</i>
Unit Letter <i>G</i>	Section <i>14</i>	Township <i>31 NORTH</i>
		Range <i>13 WEST</i>
		County <i>SAN JUAN</i>
Actual Footage Location of Well: <i>7450</i> feet from the <i>NORTH</i> line and <i>1600</i> feet from the <i>EAST</i> line		
Ground Level Elev. <i>5723.0</i>	Producing Formation <i>DAKOTA</i>	Pool <i>Basin Dakota</i>
		Dedicated Acreage: <i>316.66</i> Acres

- Ref. GEO Plat dated 9 July 1954
- Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES NO ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. 155-3-29 (e) NMSA, 1935 Comp.)
 - If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES NO If answer is "yes," Type of Consolidation _____
 - If the answer to question two is "no," list all the owners and their respective interests below:

Owner	Land Description

SECTION B



CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

Name <i>A. T. Sindel</i>
Position <i>Vice-President</i>
Company <i>ADOBE OIL COMPANY</i>
Date <i>February 26, 1962</i>

I hereby certify that the well location shown on the plat in SECTION B 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 knowledge and belief.

Date Surveyed <i>27 October 1960</i>
Registered Professional Engineer and/or Land Surveyor <i>James P. Deese</i>
Certificate No. <i>1463</i>

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

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. 3
 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 30247		' Pool Code 71629		' Pool Name Basin Fruitland Coal	
' Property Code		' Property Name Cuccia Com			' Well Number 90
' OGRID No. 006515		' Operator Name ...Dugan Production Corporation			' Elevation 5739'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
A	14	31N	13W		737 -	North	1120	East	San Juan

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 316.66	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. Will be communitized
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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	Section	DPC Fee lease	737' 1120'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief John Alexander Signature John Alexander Printed Name Vice-president Title May 11, 2000 Date
		DPC NM 024907		

ATTACHMENT NO. 4

Cuccia #1
 Basin Dakota
 Well Location: SWNE (Unit G) 14, T-31N, R-13W
 Spacing Unit: E/2 Section 14, T-31N, R-13W (316.66A)
 San Juan County, New Mexico

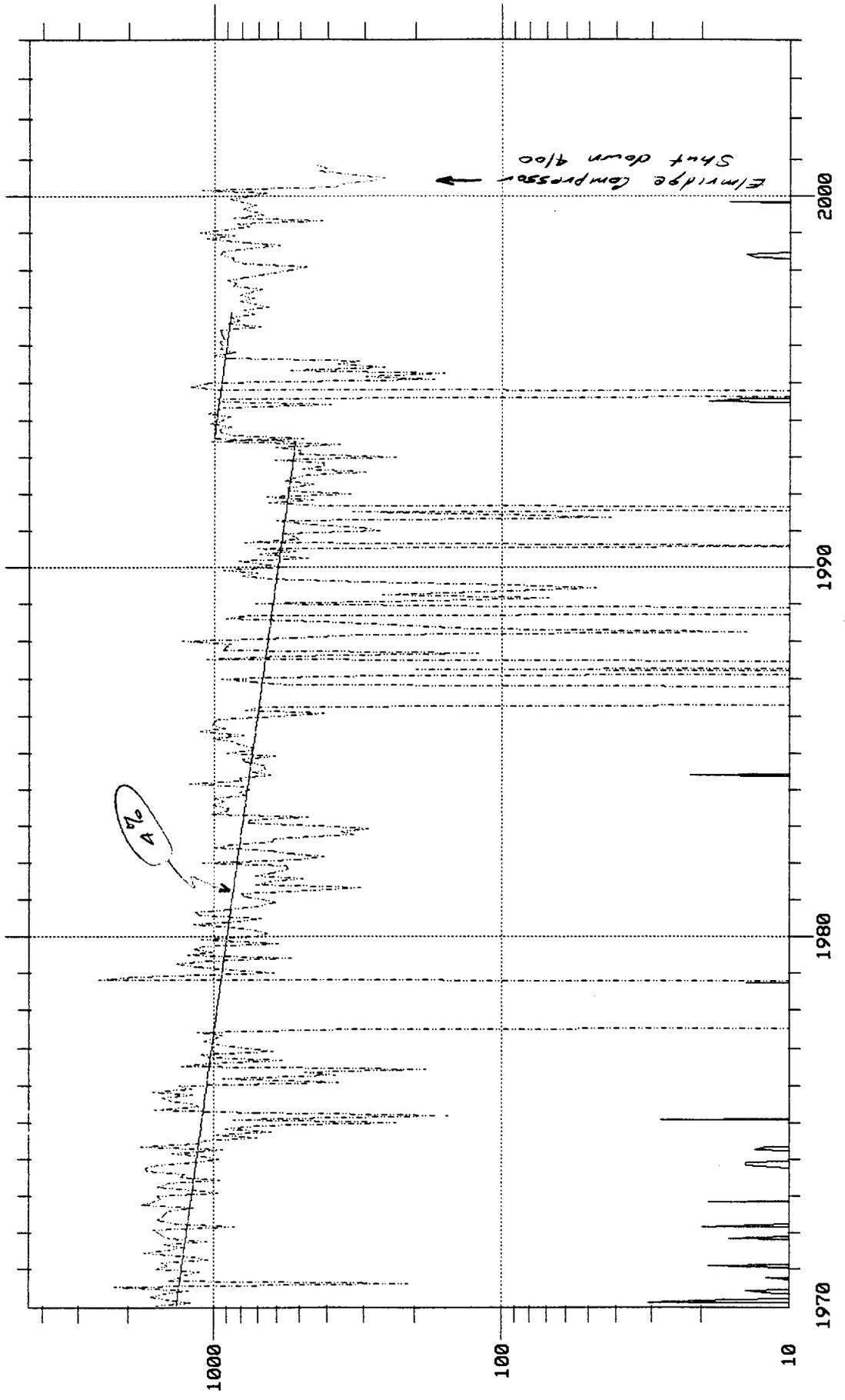
Cuccia Com #90
 Basin Fruitland Coal
 Well Location: NENE (Unit A) 14, T-31N, R-13W
 Spacing Unit: E/2 Section 14, T-31N, R-13W (316.66A)
 San Juan County, New Mexico

<u>INTEREST OWNER</u>	<u>INTEREST% (Both wells)</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u> Dugan Production Corp.	100.000000	78.736820
<u>Royalty</u> USA - Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	9.342040
Harold & Patricia Huggins Husband & Wife as Joint Tenant P. O. Box 217 La Plata, NM 87418	-0-	3.157960
<u>Overriding Royalty Interest</u> Paul D. Boe 7104 Wonderberry Street Las Vegas, NV 87131	-0-	0.473690
Dorothea J. Caulfield Trust Dorothea J. Caulfield, Trustee 14647 Ranchview Terrace Chino Hills, CA 91710	-0-	0.473690
George E. Conley P. O. Box 99 Parker, CO 80134	-0-	5.605220
Debra Ruth Cox 7500 Mesquite Wood Dr. Albuquerque, NM 87120	-0-	0.157900
Cross Timbers Oil Company P. O. Box 840287 Dallas, TX 75284-0287	-0-	1.894780
Margaret Munder Hicks 8719 Woodland Ave., N.E. Albuquerque, NM 87112	-0-	0.157900
TOTAL WELL	<u>100.000000</u>	<u>100.000000</u>

Production
 Oil ———
 Gas - - - -
 Water ······

Attachment
 No. 5
 P3101

DUGAN PRODUCTION CORP.
 Production Rate vs Time
 BBI/Mo or Mcf/Mo vs Months
 CUCCIA NO. 1
 BASIN DAKOTA (G-14-31N-13W)



Attachment No. 6
Proposed Allocation Procedures
Dugan Production Corp.'s
Cuccia CDP
SWNE 14, T-31N, R-13W
San Juan County, New Mexico

Base Data for Gas Production, BTU & Revenue Allocations:

W=Volume (MCF) from Well Allocation Meter

X=Volume (MCF) from CDP Sales Meter

Y=BTU's from CDP Sales Meter

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

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

A = Allocated Sales Volume, MCF
= (W/SUM W) x X

B = Fuel used on lease, 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 benefitting from the equipment using allocation factors determined by W / 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 / Sum W.

2. Allocated Individual Well BTU's = ((W x Individual well BTU) / Sum (W x individual well BTU)) x Y.

Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).

3. Allocated Individual Well Gas Revenues = (Allocated Individual wells BTU's / Sum Allocated individual well BTU's) x Z

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 12/04/98

CHROMATOGRAPHIC GAS ANALYSIS REPORT

Attachment
No. 7
pg 1 of 2

MAILEE
26750

THOMAS A DUGAN
P O BOX 420
FARMINGTON, NM 87499-0420

METER NUMBER 73286 - CUCCIA #1
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 10/28/98 TYPE CODE 2 - ACTUAL
SAMPLE DATE 10/26/98 H2S GRAINS 0
EFFECTIVE DATE 11/01/98 LOCATION F - FARM BECK
EFFECTIVE FOR 6 MONTHS

COMPONENTS	NORMALIZED MOL %	GPM
CO2	1.45	.000
H2S	.00	.000
N2	.31	.000
METHANE	84.02	.000
ETHANE	8.69	2.325
PROPANE	3.21	.885
ISO-BUTANE	.57	.186
NORM-BUTANE	.80	.252
ISO-PENTANE	.31	.113
NORM-PENTANE	.23	.083
HEXANE PLUS	<u>.41</u>	<u>.172</u>
	100.00	4.023

SPECIFIC GRAVITY .686
MIXTURE HEATING VALUE
(BTU @ 14.73 DRY) 1177
RATIO OF SPECIFIC HEATS .000
NO TEST SECURED FOR H2S CONTENT



2030 Arton Place
 Farmington, N.M. 87401
 (505) 325-6622

Analysis No. DUG70350
 Cust. No. 23000-10955

*Attachment
 No 7
 pg 2 of 2*

WELL/LEASE INFORMATION

Company	: DUGAN PRODUCTION CORP.	Source	: CASING
Well Name	: FIVE OF DIAMONDS 90	Pressure	: 55 PSIG
County	: SAN JUAN	Sample Temp.	: N/A DEG.F
State	: NM	Well Flowing	: N/A
Location	: <u>10L-30N-13W</u>	Date Sampled	: 08/12/97
Fld/Formation	: <u>BASIN FC</u>	Sampled By	: WAYNE JOHNSON
Cust.Stn.No.	:	Foreman/Engr	: TOM BLAIR

Remarks: LEASE: NM 030555A

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR.*
NITROGEN	2.225	0.0000	0.00	0.0215
CO2	0.105	0.0000	0.00	0.0016
METHANE	97.454	0.0000	986.53	0.5398
ETHANE	0.112	0.0300	1.99	0.0012
PROPANE	0.057	0.0157	1.44	0.0009
I-BUTANE	0.015	0.0049	0.49	0.0003
N-BUTANE	0.013	0.0041	0.43	0.0003
I-PENTANE	0.004	0.0015	0.16	0.0001
N-PENTANE	0.003	0.0011	0.12	0.0001
HEXANES	0.012	0.0052	0.62	0.0004
TOTAL	100.000	0.0625	991.76	0.5661

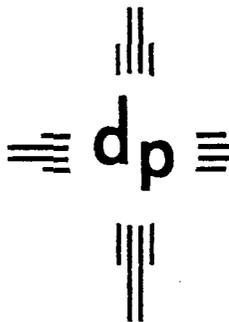
* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY
 ** @ 14.730 & 60 DEG. F

COMPRESSIBILITY FACTOR	(1/Z)	1.0020
BTU/CU.FT. (DRY) CORRECTED FOR	(1/Z)	993.7
BTU/CU.FT. (WET) CORRECTED FOR	(1/Z)	976.5
REAL SPECIFIC GRAVITY		0.5670

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

CYLINDER #	: 032
CYLINDER PRESSURE	: 50 PSIG
DATE RUN	: 08/12/97
ANALYSIS RUN BY	: DAVE MARTIN

*Since Dugan's Cuccia Com No 90
 has not been completed & a
 Representative gas Sample is Not
 available, it is believed this gas
 Analysis is representative of the
 gas to be produced from the Cuccia No.90 Frontland Coal*



dugan production corp.

Attachment
No. 8
Pg 1 of 2

January 17, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Royalty & Overriding Royalty Interest Owners (Address list attached)

Re: Dugan Production Corp.'s
Cuccia No. 1 (G-14-31N-13W)
Cuccia Com No. 90 (A-14-31N-13W)
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division and the Bureau of Land Management to surface commingle natural gas produced from the captioned wells in which you have a royalty or overriding royalty interest ownership. The proposed surface commingling will allow us to place the recently drilled Cuccia Com No. 90 on production, hopefully will improve production from the Cuccia No. 1 and will allow both wells to share the cost of operating a central compressor.

This proposal should not affect your interest in these wells and should provide an increase in your revenues from these wells.

Should you have any questions, need additional information or have any concern as to our proposal, please let me know. Should you have an objection, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 2040 South Pacheco Street in Santa Fe, New Mexico 87505. Any objection should be filed within 20 days of receiving this letter, and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Ree
Engineering Manager

JDR/tmf

Interest Owner List
Dugan Production's Cuccia No. 1 & Cuccia Com No. 90

Attachment
No. 8
Pg 2 of 2

Working Interest Owners

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

Royalty Interest Owners

USA - Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Harold & Patricia Huggins
Husband & Wife as Joint Tenants
P. O. Box 217
La Plata, NM 87418

Overriding Royalty Interest Owners

Paul D. Boe
7104 Wonderberry Street
Las Vegas, NV 87131

Dorothea J. Caulfield Trust
Dorothea J. Caulfield, Trustee
14647 Ranchview Terrace
Chino Hills, CA 91710

George E. Conley
P. O. Box 99
Parker, CO 80134

Debra Ruth Cox
7500 Mesquite Wood Dr.
Albuquerque, NM 87120

Cross Timbers Oil Company
P. O. Box 840287
Dallas, TX 75284-0287

Margaret Munder Hicks
8719 Woodland Ave., N.E.
Albuquerque, NM 87112