DATE 6/25/02	SUSPENSE NA	ENGINEER WJ	LOGGED KV	TYPE PC	APP NO. pWVJ0217653594

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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]

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

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

RECEIVED
JUN 25 2002

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

[D] Other: Specify _____

[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

* Copy of Notification letter is presented on Attachment No. B. Copies of Return Receipts will be mailed to NMOCD upon Receiving

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

John D. Roe	John D Roe	Engineering Manager	06/24/02
Print or Type Name	Signature	Title	Date

johnroe@duganproduction.com
e-mail Address

dugan production corp.

June 24, 2002

Mr. William Jones
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Steve Henke
Bureau of Land Management
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, NM 87401

Re: Request for Surface Commingling of Natural Gas
Dugan Production Corp.'s
Bengal C Wells No. 6 & No. 90
API Nos. 30-045-29830 & 30-045-29455
Units P & H of Section 36, T-27N, R-13W
Federal Lease NM-16476
WAW Fruitland Sand-PC & Basin Fruitland Coal Gas Pools
San Juan County, New Mexico

Dear Mr. Jones and Mr. Henke,

We are writing to request administrative approval from the NMOCD to convert the existing El Paso Gas sales meter (Meter No. 99466) for Dugan Production's Bengal C No. 90 to a central delivery sales meter (CDP) for Dugan's Bengal C No. 6 & No. 90 wells. This will also require the surface commingling of natural gas production from both wells. Since the CDP sales meter is located on the No. 90 location and is "on lease", and since both wells are located on the same Federal lease (No. NM-16476), there is only one lease involved, and since all interest ownership (working, royalty, and overriding royalty) is common, it is our understanding that BLM approval is not required. This application is being sent to the BLM for informational purposes only.

Both wells are operated by Dugan Production Corp., and Dugan Production holds 100% of the working interest. Neither well has produced any oil or condensate, and none is anticipated. In addition to gas, both wells do produce water, which will be moved from each well to the CDP facility by a separate pipeline. At the CDP facility, the water from both wells will be commingled in a common two-phase separator. All water will be separated and stored/disposed of at the No. 90 well.

Attachment No. 1 presents a map of the gathering system, along with Dugan's lease No. NM-16476. Attachment No. 2 presents copies of the C-102 for each well, along with location, lease, and spacing unit dedications. Attachment No. 3 presents a summary of the interest ownership, and as previously stated, all ownership in each well is common.

Each well is equipped with rod pump artificial lift equipment. Our current plans are to install two flow lines for each well; one to move primarily water which is produced up the tubing, and one to move primarily gas which is produced up the casing-tubing annulus. Each well will be equipped with conventional dry flow gas meters on the gas flow line to continuously measure gas produced from each well. The charts from these meters will be integrated each month by a commercial integration service, and the volumes recorded will be used to determine allocation factors for allocating the CDP sales meter volumes to each well. These allocation meters will be operated and maintained by Dugan Production.

The water from each well will go to a central two-phase separator located at the CDP facility. The water will be separated and stored in a 500 bbl. steel tank and will then be disposed of by trucking to an OCD approved water disposal facility (probably a Dugan Production operated water disposal well). The water recovered at the CDP facility will be allocated to each well using allocation factors determined from periodic well tests. Each well will be tested at the wellhead using Dugan Production's portable three-phase tester on a frequency necessary to monitor any changes in the total water volumes recovered. Attachment No. 4 presents our proposed allocation procedures. Attachment No. 5 presents a sketch of the gathering system and CDP facilities. We anticipate all gas and water to be compatible and no problems to result from the proposed surface commingling.

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

The Bengal C No. 90 was completed 08/02/97 in the Basin Fruitland Coal gas pool. The 320-acre spacing unit comprises the E/2 of Section 36 and encompasses only one lease, Federal lease NM-16476. This well was connected to El Paso's pipeline with El Paso's sales meter No. 99466 located at the well. First production occurred during 09/97, and as of 05/01/02, a total of 469,450 mcf of gas, plus 30, 263 bbls. of water, have been produced. Production during the first four months of 2002 has averaged 204 mcfd plus 4 BWPD. Attachment No. 6 presents the production history for this well.

The Bengal C No. 6 was completed on 09/20/00 in the WAW Fruitland Sand-PC gas pool. The spacing unit for this well comprises the SE/4 of Section 36 and encompasses only Federal lease NM-16476. Prior to completion of the No. 6 well, the SE/4 had been dedicated to Dugan's Bengal C No. 5, which is also completed in the WAW Fruitland Sand-PC gas pool. Production from the Bengal C No. 5 was averaging only 1 to 3 mcfd, and the Bengal C No. 5 is currently shut in. The Bengal C No. 5 is connected directly to El Paso's pipeline (Meter No. 89931) and has never been a very good producing well. The well first produced during 02/92 and has a cumulative production of 11,557 mcf. The maximum rate of production (11.0 mcfd) occurred during 06/94, and the well has been shut in since 05/00. The production history is presented on Attachment No. 7. We will either plug or temporarily abandon the Bengal C No. 5. It is our intention to separately seek amendments to the WAW Fruitland Sand-PC pool rules to allow more than one well within a 160-acre spacing unit. If approved, we hope to return the Bengal C No. 5 to production, and if not approved, the Bengal C No. 5 will be permanently plugged.

Based upon production testing to date, we anticipate the Bengal C No. 6 well will average 15 to 20 mcfd plus 75 to 100 BWPD. To date, most gas production from the Bengal C No. 6 has been used to supplement the fuel requirements for the pumping unit engine. Initially, all fuel was supplied by commercial propane. However, natural gas production from the Bengal C No. 6 is gradually increasing and currently is providing 100% of the fuel requirements, plus we are starting to vent a small amount of gas. We are optimistic that upon connection for sales, production will continue to improve.

Upon approval of the surface commingling and CDP, we plan to utilize the compressor currently serving the Bengal C No. 90 well, which does have additional capacity for the Bengal C No. 6 well. This will allow both wells to use the existing production facilities (separator, compressor, and water storage tank) currently serving the Bengal C No. 90 and will eliminate the need to install a separate compressor for the Bengal C No. 6, which currently is not economically viable.

In summary, Dugan Production Corp is proposing to convert the gas sales meter for Dugan Production's Bengal C No. 90 to a CDP sales meter for Dugan's Bengal C No. 6 and No. 90 wells. This will necessitate the surface commingling of natural gas from the Bengal C No. 6 and No. 90 wells, plus will eliminate installing separate production facilities for the No. 6 well and will allow the No. 6 well to be placed on production. The No. 6 well is anticipated to average 15 to 20 mcfd, which will not support the installation of separate production and compression facilities. The CD sales meter is located at the No. 90 well and will be on lease for both wells. This will allow using a single compressor (currently on the No. 90 well) for both wells and will produce a saving in compressor fuel, exhaust emissions, and noise. Should there be questions or additional information needed, please let me know.

Sincerely,

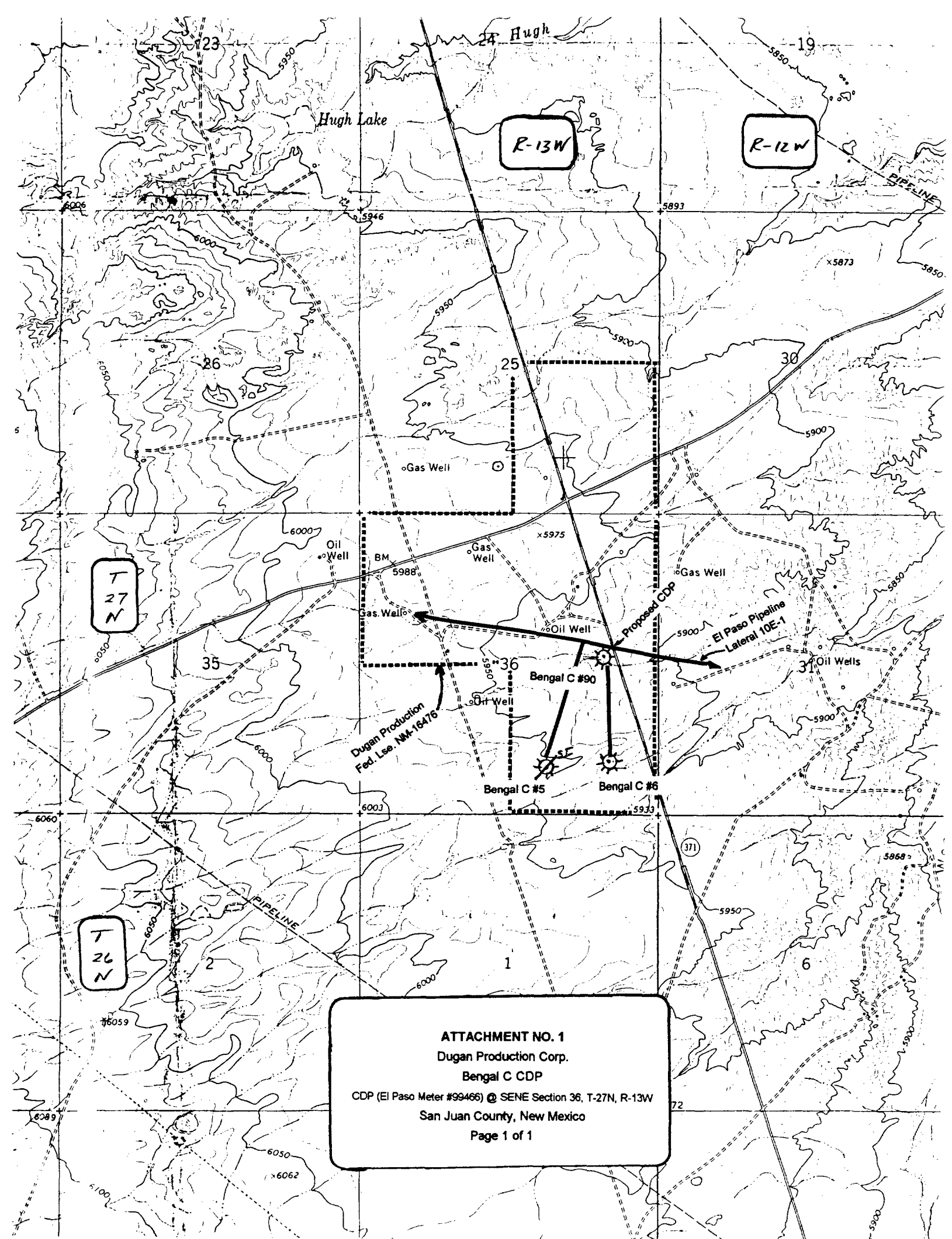
John D. Roe

John D. Roe
Engineering Manager

JDR:sh

cc: All interest owners (Attachment No. 8)
NMOCD – Aztec

Attachments



ATTACHMENT NO. 1

Dugan Production Corp.

Bengal C CDP

CDP (El Paso Meter #99466) @ SENE Section 36, T-27N, R-13W

San Juan County, New Mexico

Page 1 of 1

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

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

Attachment No. 2 Pg 1 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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
30 045 29830	87190	WAW Fruitland Sand PC

⁴ Property Code	⁵ Property Name	⁶ Well Number
003586	Bengal C	6

⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
006515	Dugan Production Corporation	5930' 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
P	36	27N	13W	P	900	South	900	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	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
160			

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 36

Dugan Prod.
NM-16476

900'
900'

¹⁷ OPERATOR CERTIFICATION

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

Signature: Sherman E Dugan

Sherman E. Dugan
Printed Name

Vice-President
Title

8/28/98
Date

¹⁸ SURVEYOR CERTIFICATION

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.

March 2, 1998
Date of Survey

Signature and Seal of Professional Surveyor: EDGAR L. RISENHOOVER, NEW MEXICO, 5979, PROFESSIONAL SURVEYOR

Edgar L Risenhoover

Certificate Number 5979

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

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

Attachment No 2 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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30 045 29455	71629	Basin Fruitland Coal

[4] Property Code	[5] Property Name	[6] Well Number
003586	Bengal C	90

[7] OGRID No.	[8] Operator Name	[9] Elevation
006515	Dugan Production Corporation	5917 Estimated

[10] Surface Location

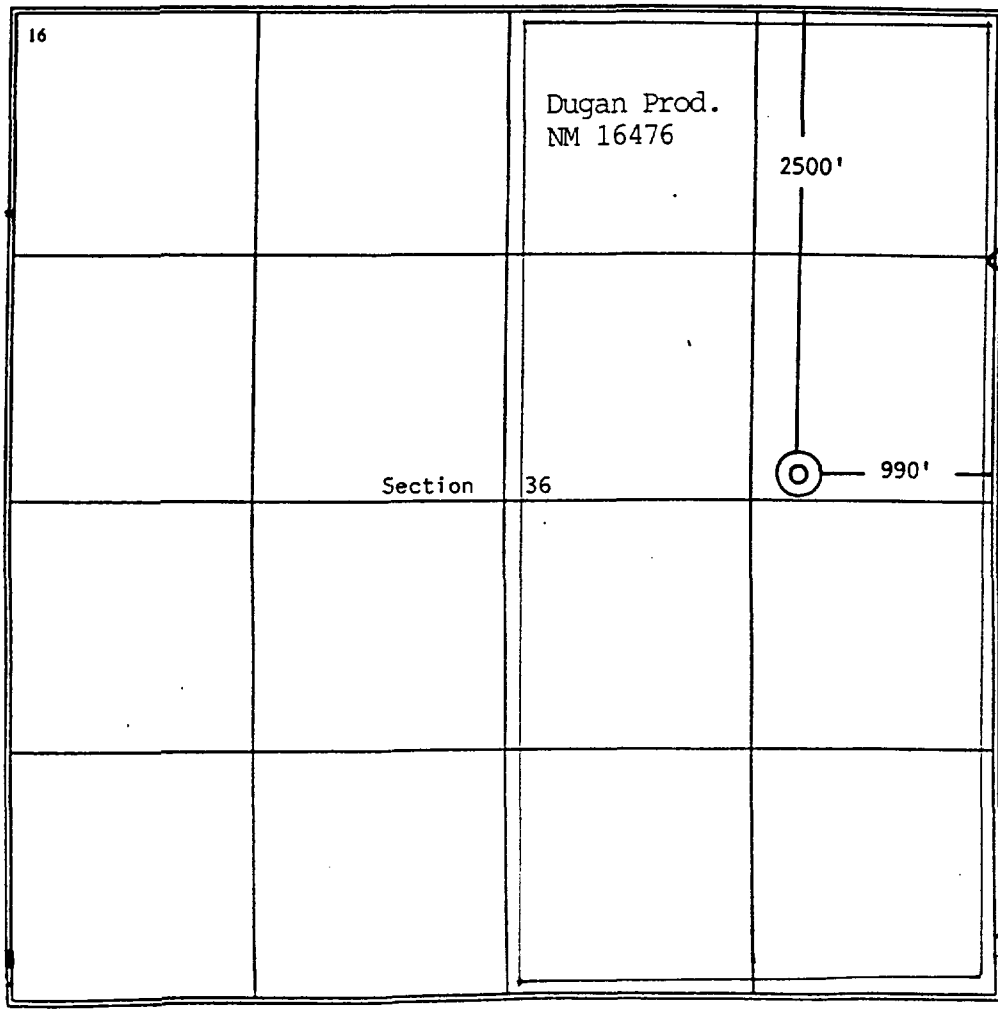
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	27N	13W		2500	North	990	East	San Juan

[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	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320			

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



[17] OPERATOR CERTIFICATION

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

Signature
Sherman E. Dugan
Printed Name
Vice-President
Title
6/19/96
Date

[18] SURVEYOR CERTIFICATION

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.

August 2, 1995
Date of Survey

Signature and Seal of Professional Surveyer:
EDGAR L. RISENHOOVER
NEW MEXICO
5979
PROFESSIONAL SURVEYOR

Certificate Number 5979

ATTACHMENT NO. 3
Interest Ownership
Dugan Production Corp.'s
Bengal C Wells No. 6 & No. 90

Well Name	Pool	Location	Spacing Unit	Lease Type & No.
Bengal C No. 6	WAW Fruitland Sand-PC	SESE 16, T-27N, R-13W	SE/4-160A	Federal NM-16476
Bengal C No. 90	Basin Fruitland Coal	SENE 16, T-27N, R-13W	E/2-160A	Federal NM-16476

INTEREST OWNERSHIP	INTEREST%	
	Gross	Net
Working Interest		
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	100.0000	83.5000
Royalty		
USA - Bureau of Land Management 1235 La Plata Hwy., Suite A Farmington, NM 87401	0.0000	12.5000
Overriding Royalty		
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	0.0000	3.0000
Jo Ann Kruse 2757 South Jackson Denver, CO 80210	0.0000	1.0000
TOTAL WELL	**100.0000**	**100.0000**

ATTACHMENT NO. 4
Proposed Allocation Procedures
Dugan Production Corp.'s
Bengal C CDP Gas Sales Meter
CDP Meter: SENE 36-27N-13W (El Paso Meter # 99466)
San Juan County, New Mexico

Base Data:

U = Periodic water test of each well, BWPD
V = Water volume recovered @ CDP facility during allocation period, bbl.
W = Gas Volume (MCF) from allocation meters at individual wells during allocation period.
X = Gas Volume (MCF) from CDP Sales Meter during allocation period.
Y = BTU's from CDP Sales Meter during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A + B + C + D + E
   A = Allocated Sales Volume, MCF. = (W/SUM W) x X

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

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

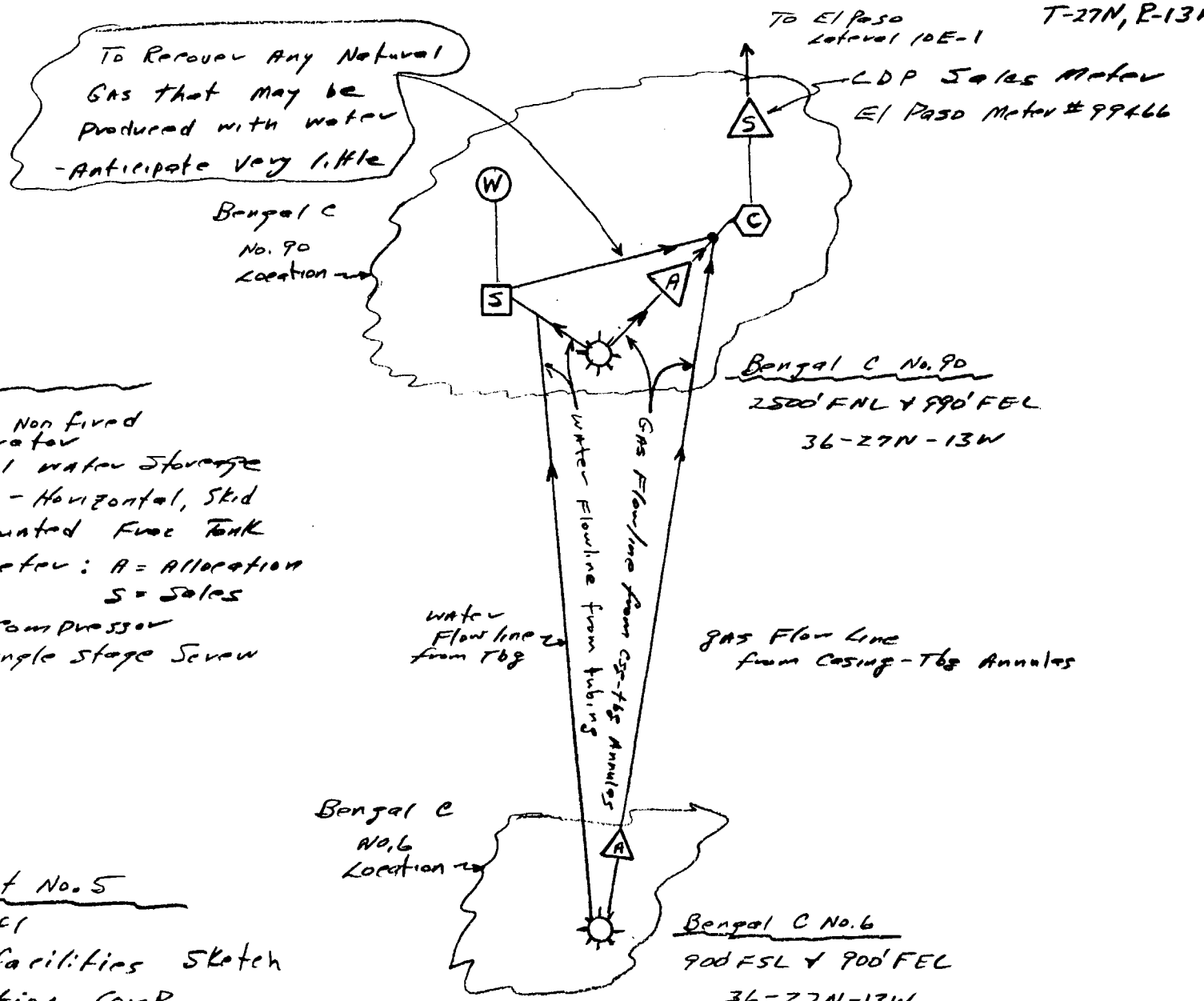
   D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by W/SUM W for the wells involved.

   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 On shore Order No. 5).

3. Allocated Individual Well Water Production = (U/Sum U) x V.

Section 36
T-27N, R-13W



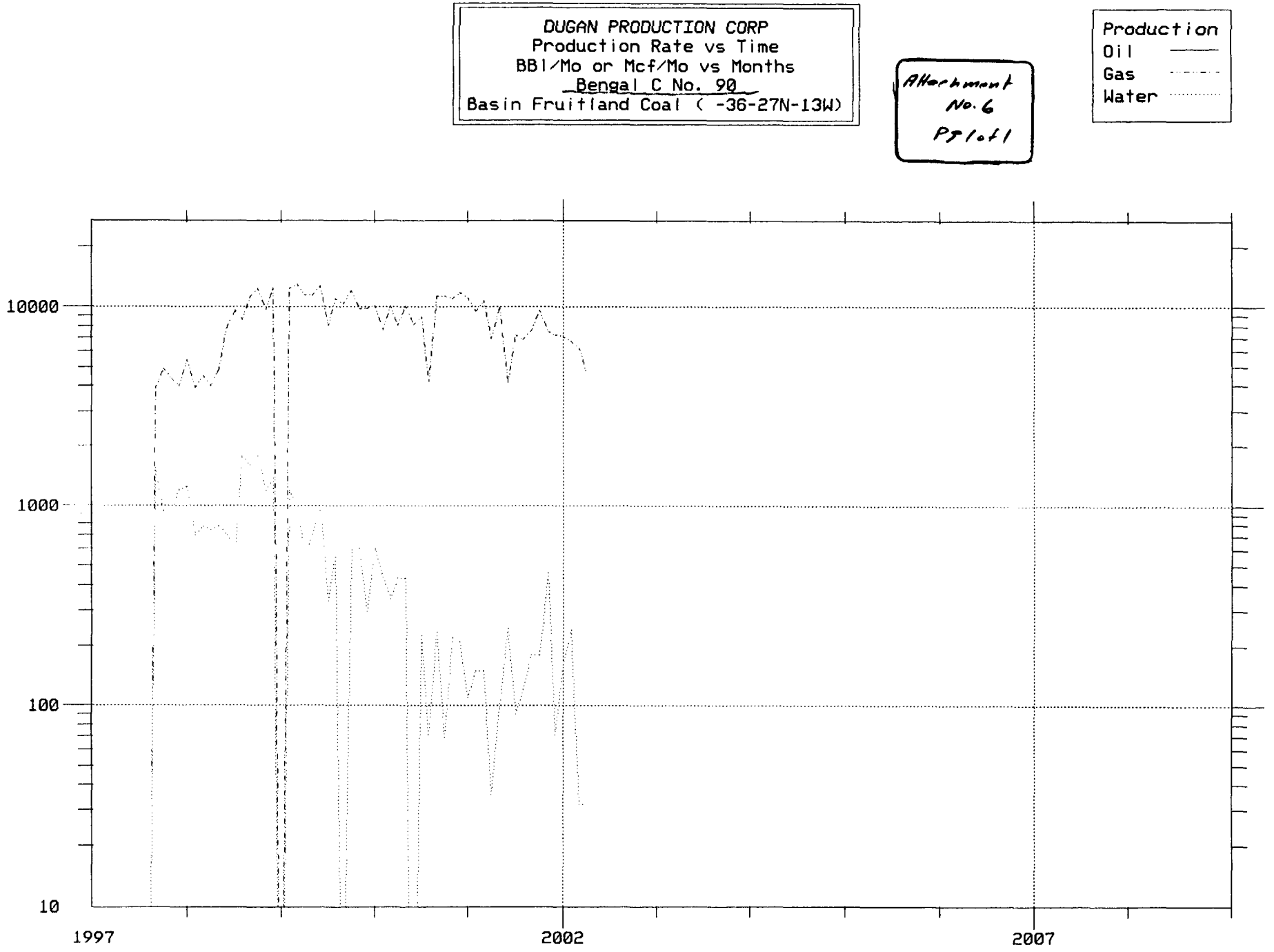
Legend

- S - 2 Phase Non fired Separator
- W - 500 bbl water Storage tank - Horizontal, Skid Mounted Frac Tank
- Gas meter: A = Allocation, S = Sales
- C - Gas Compressor Single Stage Screw

Attachment No. 5
Page 1 of 1
well & CDP facilities Sketch
Dugan Production Corp
Not Drawn to Scale

DUGAN PRODUCTION CORP
Production Rate vs Time
BBl/Mo or Mcf/Mo vs Months
Bengal C No. 90
Basin Fruitland Coal (-36-27N-13W)

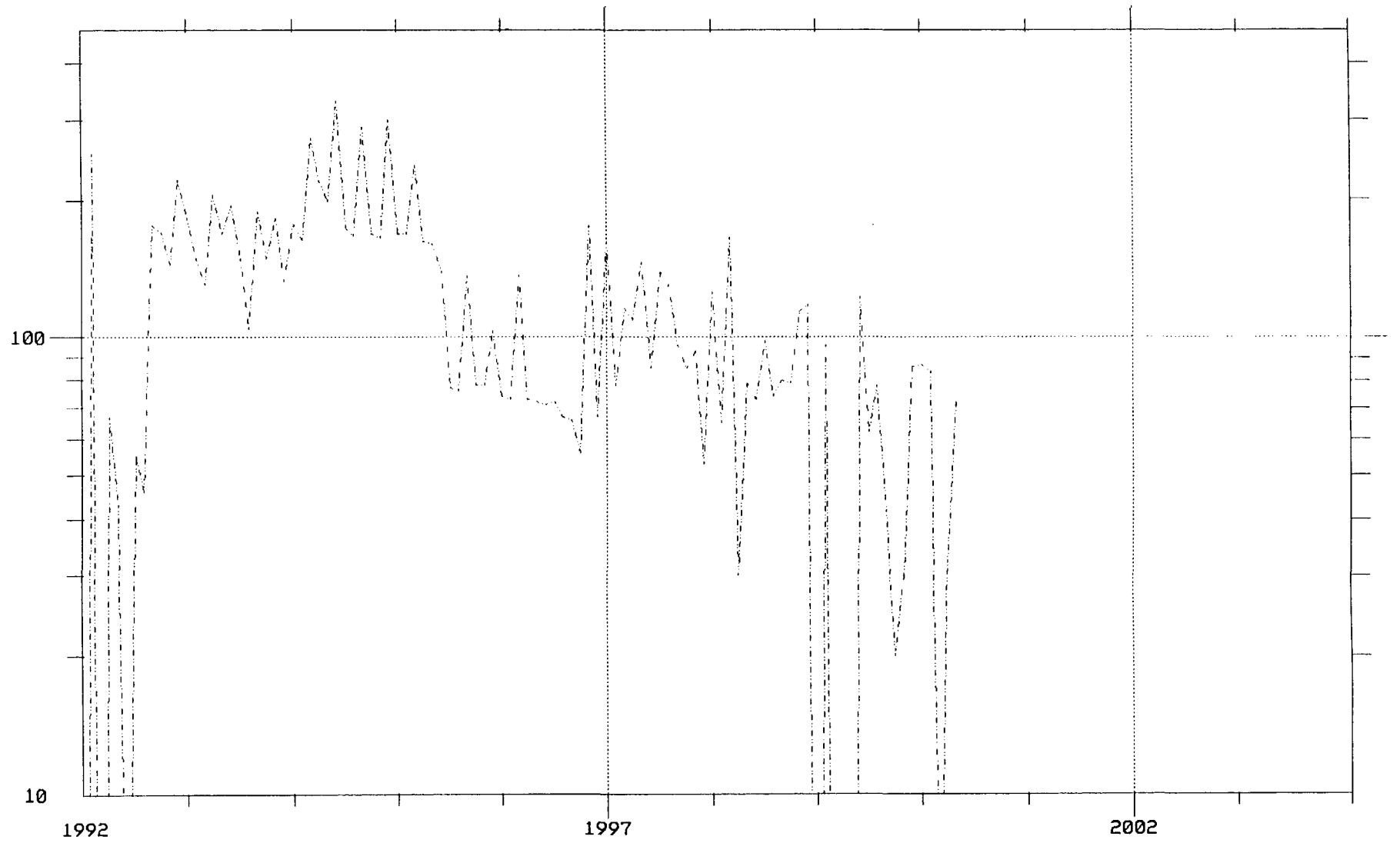
Attachment No. 6 Pg 1 of 1



Cum. Gas 5-1-02 =469,450 mcfcf
Cum. Water 5-1-02 =30,263 bbl
Cum. Oil 5-1-02 =0 bbl

DUGAN PRODUCTION CORP
Gas Production Rate vs Time
Mcf/Mo vs Months
Bengal C No. 5
WAW Fruitland Sand-PC Gas Pool(O-36-27N-13W)

Attachment No. 7 Pg 1 of 1



Reported Oil Production = 0 Bbls
Reported Gas Production= 11557 Mcf
Reported Water Production =54 bbl

dugan production corp.

CERTIFIED – RETURN RECEIPT

June 24, 2002

Attachment No. 8 Pg 1 of 1

Ms. JoAnn Kruse
2757 South Jackson
Denver, CO 80210

Re: Interest Owner Notification
Proposed Surface Commingling
Dugan Production Corp.'s
Bengal C Wells No. 6 & No. 90
San Juan County, New Mexico

Dear Ms. Kruse:

Attached for your information and file is a copy of our application requesting authorization to convert the existing gas sales meter for the Bengal C No. 90 well to a central delivery gas sales meter (CDP) for the Bengal C No. 6 and No. 90. Both wells are operated by Dugan Production Corp. Our records reflect you have a 1% overriding royalty interest in both wells.

There is no cost to you for this proposal, and there should be no loss of revenue to either well. By having both wells use the same compressor, each well will benefit from a reduced fuel consumption, plus the additional revenue from the Bengal C No. 6 production should increase your revenue.

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 as soon as possible (and prior to 07/15/02).

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR:sh

Attachment

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX # (505) 327-4613