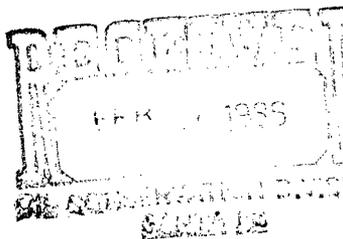
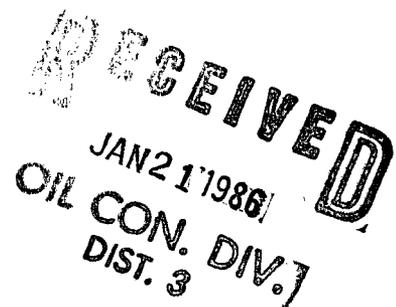


dugan production corp.



January 17, 1986

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



RE: Application of Administrative Approval for
40 Acre Non-Standard Spacing Unit for Dugan
Production Corp.'s Fairway #1 Well
SW/4 SW/4 Section 1-23N-10W

Dear Mr. Chavez:

We hereby request approval of a non-standard proration unit consisting of 40 acres, which is a governmental quarter quarter section as described above for the Fairway #1 well. Copies of the well location plat and production map showing offsetting operators are attached for your reference.

The Fairway #1 well was spudded at a legal location in Undesignated Gallup on January 14, 1985, and it was completed as a Gallup producer on February 19, 1985. The original Form C-104 showing the above proration unit was approved by the Oil Conservation Division.

Subsequent to completion of the Fairway #1, Dugan Production made application in NMOCD Case No. 8685 for the creation of a new Gallup Oil Pool, the horizontal and vertical limits of which include the Fairway #1 well. In its application, Dugan requested a non-standard proration unit for the well and at the Examiner's hearing held on August 28, 1985, we presented evidence in support of this non-standard unit.

On December 4, 1985, the Division entered Order R-8090 in Case 8685 which established the South Bisti Gallup Oil Pool with 80 acre spacing, but the Division denied Dugan's request for a non-standard 40 acre spacing unit for the Fairway #1 well on the grounds that the advertising for the hearing did not give public notice of the Applicant's request for the non-standard unit. Rule 3 of Order R-8090 authorizes administrative approval of a non-standard government quarter section.

We are furnishing a copy of this application to all offset operators by certified mail with request that they furnish your office with a waiver of objection.

Frank Chavez, NMOCD
January 17, 1986
Page 2

We hereby respectfully request your approval of this non-standard proration unit.

Sincerely,



Robert G. Stovall
General Counsel

RGS:jfr

Enclosures

cc: Bureau of Land Management - Santa Fe
Chorney Oil Company
Champlin Petroleum
Norcen Energy

WAIVER

_____ hereby waives objection to the above application for a non-standard proration unit.

Date _____

By: _____

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

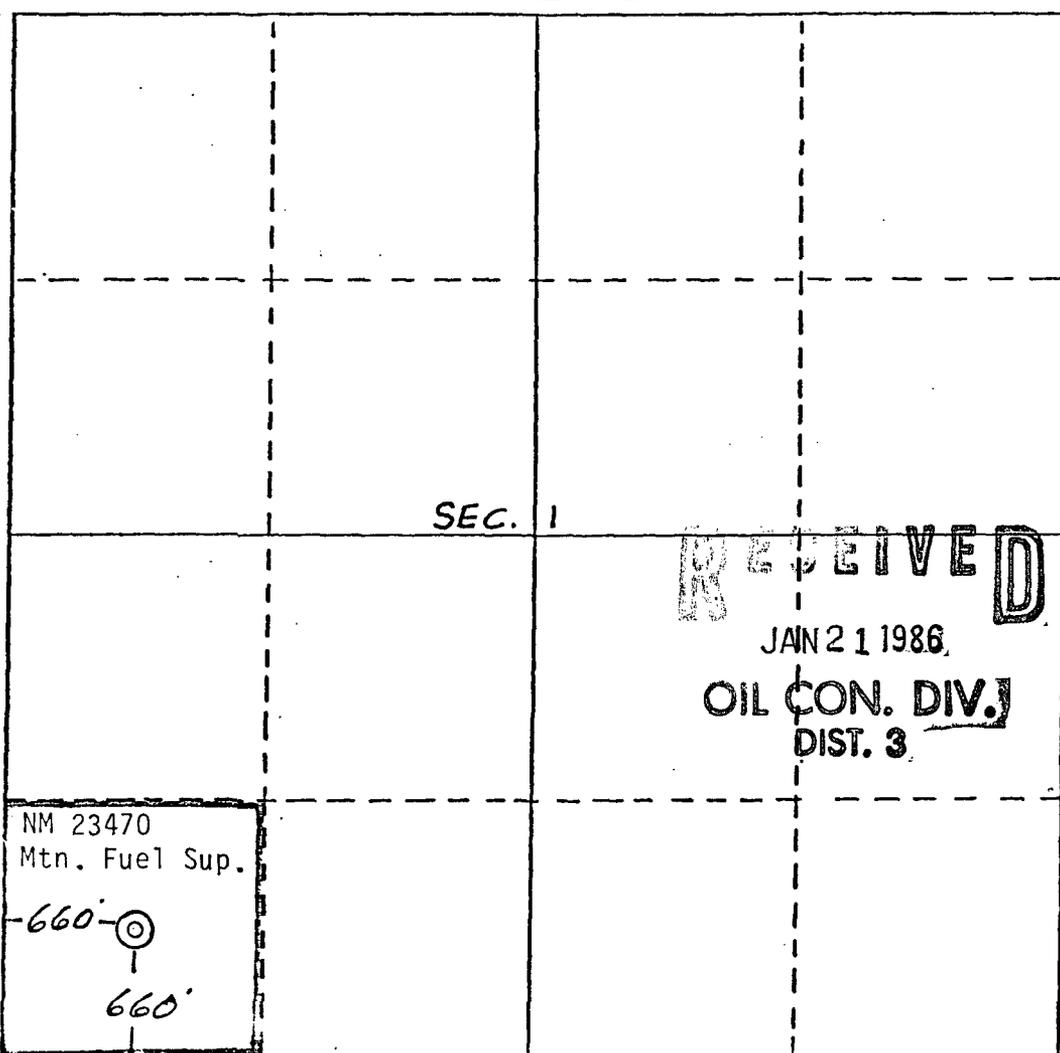
Operator Dugan Production Corporation		Lease Fairway			Well No. 1
Unit Letter M	Section 1	Township 23 North	Range 10 West	County San Juan	
Actual Footage Location of Well: 660 feet from the South line and 660 feet from the West line					
Ground Level Elev. 6798	Producing Formation Gallup		Pool Undesignated Gallup	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



RECEIVED
JAN 21 1986
OIL CON. DIV.
DIST. 3

CERTIFICATION

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

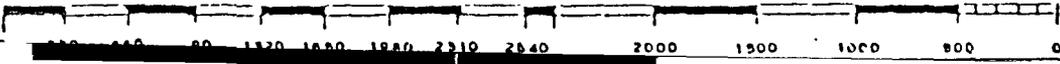
Sherman E. Dugan

Name
Sherman E. Dugan
Position
Geologist
Company
Dugan Production Corp.
Date
12-7-84

EDGAR L. RISENHOOVER
NEW MEXICO
5979
I hereby certify that the location shown on this plat was plotted from field notes of actual survey made by me or under my supervision, and that the same is true to the best of my knowledge.

Date Surveyed
November 30, 1984
Registered Professional Engineer
and/or Land Surveyor

Edgar L. Risenhoover
Certificate No. 5979
Edgar L. Risenhoover, L.S.

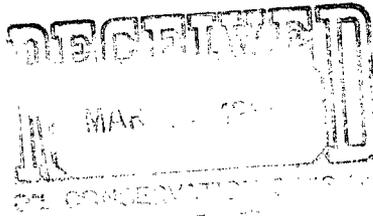


R-10-W

*Fairway #1 Well

						CHORNEY 25% CHAMPLIN 50% NORCEN 25%
	6 Yates Pet Dorothy R-X Fed	5	4	3 Dugan Olympic	2 DUGAN	DUGAN *
	7	Yates Pet Kim bato R.G. Fed. 8	9 Benson Mineral Fed.	10	UNLEASED FEDERAL 11	4 12 Dugan Prod Witty
	18	17 Dugan Prod McDougall	16	15	14	13
	19	20	21	22	23	24
	30	29	28	27	26	25
	31	32	33	34	35	36
	6	5	4	3	2	1

Frank Chavez, NMOCD
January 17, 1986
Page 2



JAN 21 11 23 AM '86
S. J. ...

We hereby respectfully request your approval of this non-standard proration unit.

Sincerely,

**ORIGINAL SIGNED
BY ROBERT G. STOVALL**

Robert G. Stovall
General Counsel

RGS:jfr

Enclosures

cc: Bureau of Land Management - Santa Fe
Chorney Oil Company
Champlin Petroleum
Norcen Energy

RECEIVED

JAN 30 1986

**BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA**

WAIVER

Bureau of Land Mgmt. hereby waives objection to the above application for a non-standard proration unit.

Date 1/30/86

By: [Signature]

OIL CONSERVATION DIVISION

P. O. BOX 2088

Form C-102
Revised 10-1-78

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

SANTA FE, NEW MEXICO 87501

All distances must be from the outer boundaries of the Section.

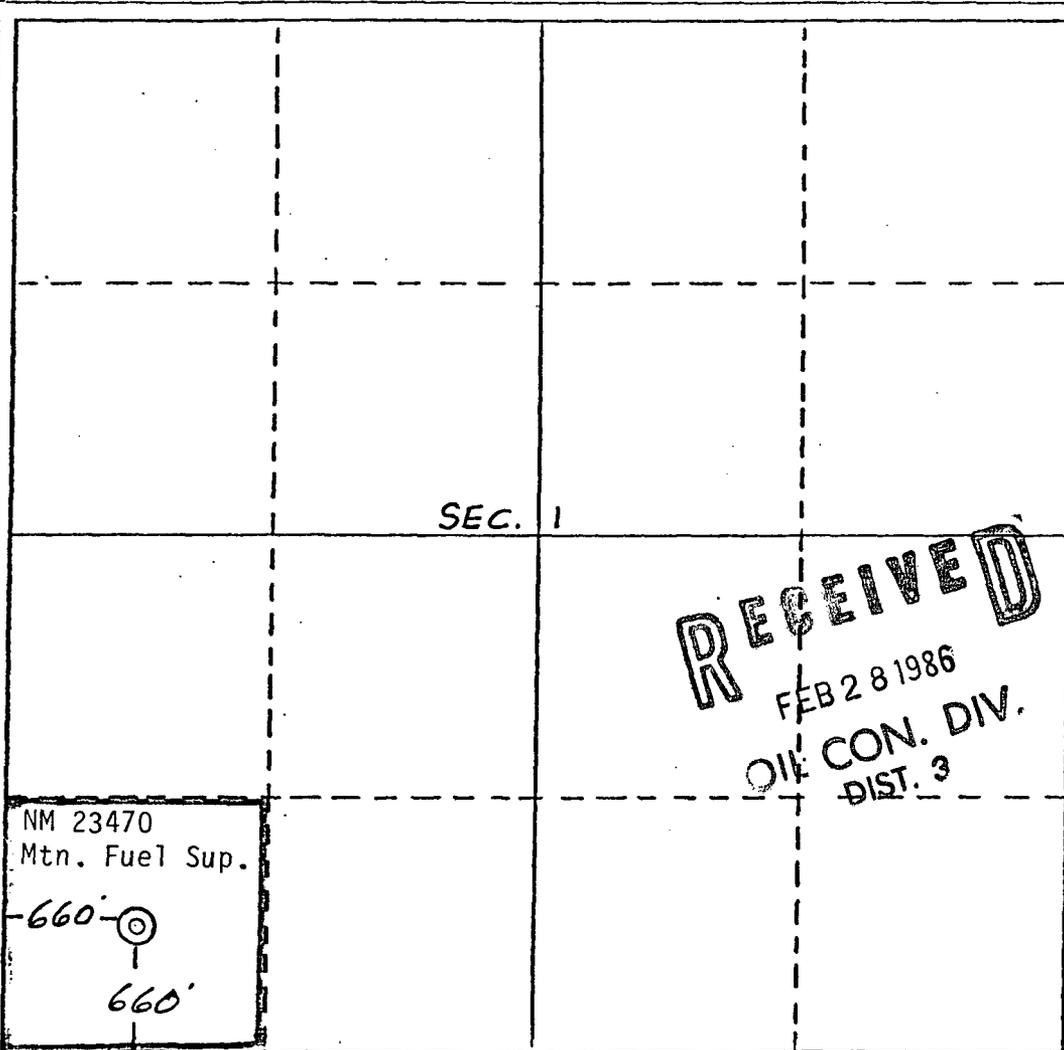
Operator Dugan Production Corporation		Lease Fairway		Well No. JAN 21 11 22 AM '84	
Unit Letter M	Section 1	Township 23 North	Range 10 West	County San Juan	
Actual Footage Location of Well: 660 feet from the South line and 660 feet from the West line					
Ground Level Elev. 6798	Producing Formation Gallup		Pool Undesignated Gallup	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
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3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

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

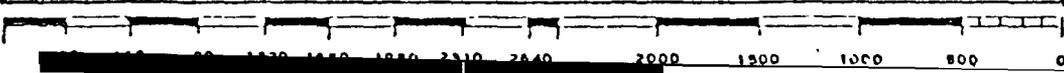
Sherman E. Dugan

Name
Sherman E. Dugan
Position
Geologist
Company
Dugan Production Corp.
Date
12-7-84

EDGAR L. RISENHOVER
NEW MEXICO
REGISTERED PROFESSIONAL ENGINEER AND LAND SURVEYOR
5979
I hereby certify that the location shown on this plat was obtained 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.

Date Surveyed
November 30, 1984
Registered Professional Engineer and/or Land Surveyor

Edgar L. Risenhoover
Certificate No. 5979
Edgar L. Risenhoover, L.S.





dugan production corp.

March 6, 1986

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

Mike Stogner
RECEIVED
MAR 07 1986
OIL CON. DIV. 1
DIST. 3

RE: Application of Administrative Approval for
40 Acre Non-Standard Spacing Unit for
Dugan Production Corp.'s Fairway #1 Well
SW/4 SW/4 Section 1-T23N-R10W

Dear Mr. Chavez:

On January 17, 1986, Dugan Production Corp. sent you the referenced application for Non-Standard Spacing Unit. On that same date we sent notice to all offset operators. Enclosed herewith is a copy of the return receipts from Champlin Petroleum, Chorney Oil Company and the Bureau of Land Management. Also enclosed is a copy of the certificate showing the mailing of the notice to Norcen Energy. We have received neither the return receipt card nor the letter itself from the Post Office. Based on past experience, I am going to guess that the Postal Service either did not get the card signed or just failed to return it.

We have also received waivers signed by the Bureau of Land Management. Our waiver was a copy and I am going to assume that you have received the original. If you did not, please let me know and I will provide you with a copy of my copy.

Inasmuch as the 30 days has passed since the filing of the application and to the best of our knowledge no objection has been filed, we would request that you grant administrative approval to the application. If there is any difficulty with this or there are any questions, please feel free to call me.

Sincerely,

Robert G. Stovall
General Counsel

RGS:jfr

Enclosures

P 064 535 461

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

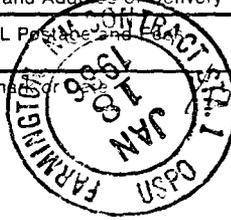
(See Reverse)

U.S.G.P.D. 1984-446-014

1982

PS Form 3800

Sent to Bureau of Land Management	
Street and No. Oil & Gas Section P. O. Box 1449	
P.O., State and ZIP Code Santa Fe, NM 87504-1449	
Postage	\$ 0.22
Certified Fee	0.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.70
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL POSTAGE	\$ 1.67
Postmaster's Office	86



PS Form 3811, July 1983

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) service(s) requested.

- Show to whom, date and address of delivery.
- Restricted Delivery.

3. Article Addressed to:

Bureau of Land Management
Oil & Gas Section
P.O. Box 1449
Santa Fe, NM 87504-1449

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured <input type="checkbox"/> COD P 064 535 461

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee

6. Signature - Agent
X MONICA L MARTINEZ

7. Date of Delivery

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

RECEIVED
MAR 07 1986
OIL CON. DIV.
DIST. 3

P 064 535 462

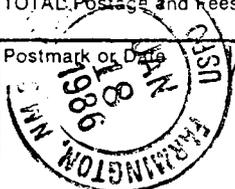
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, J. 1982
* U.S.G.P.O. 1984-446-014

Sent to CHAMPLIN PETROLEUM	
Street and No. P. O. Box 1257	
P.O., State and ZIP Code Englewood, CO 80111	
Postage	\$ 0.22
Certified Fee	0.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.70
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 0.97 1.67
Postmark or Date	1/17/86



PS Form 3811, July 1983

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
**Champlin Petroleum
P.O. Box 1257
Englewood, CO 80111**

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 064 535 462

Always obtain signature of addressee or agent and **DELIVERED.**

5. Signature - Addressee
X *Marcus Probst*

6. Signature - Agent
X

7. Date of Delivery
1-22-86

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

DOMESTIC RETURN RECEIPT

Non-Standard Mail
 P 064 535 464 *Free*

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1984-446-014

Sent to		CHORNEY OIL CO.
Street and No.		555 17th Street, Suite 1000
P.O., State and ZIP Code		Denver, CO 80202-3910
Postage	\$	22¢
Certified Fee		75¢
Special Delivery Fee		
Restricted Delivery Fee		70¢
Return Receipt Showing to whom and Date Delivered		
Return receipt showing to whom, Date, and Address of Delivery		
TOTAL Postage and Fees	\$	1.67
Postmark or Date		

PS Form 3800, Feb. 1, 1982

303 5

P 064 535 463

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1984-446-014

Sent to		CHORNEY OIL COMPANY
Street and No.		401 Lincoln Tower Bldg.
P.O., State and ZIP Code		Denver, CO 80295
Postage	\$	0.22.39
Certified Fee		0.75
Special Delivery Fee		
Restricted Delivery Fee		
Return Receipt Showing to whom and Date Delivered		.70
Return receipt showing to whom, Date, and Address of Delivery		
TOTAL Postage and Fees	\$	0.97
Postmark or Date		JAN 1982

PS Form 3800, J. 1982



PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).

Show to whom and date delivered 70 ¢

Show to whom, date, and address of delivery .. _____ ¢

2. RESTRICTED DELIVERY _____ ¢
 (The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ 70¢

3. ARTICLE ADDRESSED TO:
 CHORNEY OIL COMPANY
 555 17th Street, Suite 1000
 Denver, CO 80202-3910

4. TYPE OF SERVICE: ARTICLE NUMBER

REGISTERED INSURED P064 535 464

CERTIFIED COD

EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

5. DATE OF DELIVERY POSTMARK (may be on reverse side)

6. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE: 7a. EMPLOYEE'S INITIALS

RETURN RECEIPT

P 064 35 460

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, Jan. 1982
* U.S.G.P.O. 1984-446-014

Sent to NORCEN ENERGY	
Street and No. 5775 DTC Pkwy, Ste. 320	
P.O., State and ZIP Code Englewood, CO 80111	
Postage	\$ 0.22 .39
Certified Fee	0.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.70 [†]
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.24 0.97
Postmark Date	 1/17/86