



dugan production corp.

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June 16, 2009

Mr. Mark Fesmire, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

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

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

Re: Proposed Allocation Meter Modification
23 Wells on 8 Gathering Systems
Operated by Dugan Production Corp.

Dear Mr. Fesmire, Mr. Henke and Mr. Lyons,

We are writing to advise that Dugan Production is planning to replace the Barton Dry Flow Chart recorders with Total Flow 6610 Electronic Flow computers (EFC) on 23 wells currently approved for operation on one of eight gathering systems and/or central delivery sales meters all operated by Dugan Production Corp. Attachment No. 1 presents a list of the wells along with gathering system and well information for each well.

Each of these wells is currently equipped with a plunger lift or intermitter and produces a paper chart that is difficult to integrate. We are hopeful that the EFC will provide an improved recording of production data and result in a corresponding improved allocation factor. The EFC will continue to use the existing meter run and orifice plate currently installed for the dry flow meter and the EFC will be installed, tested and maintained using BLM's NTL-2008-01.

It is our understanding that the proposed modification to the existing allocation meter will result in a data recording that is at least as good as the current commercially integrated paper chart and does not need formal regulatory approval. If this is not so, we can easily return to using the chart recorder.

Should additional information be needed or specific approvals required, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

Attachment

cc: NMOCD - Aztec

ATTACHMENT NO. 1
WELLS PROPOSED FOR ALLOCATION METER MODIFICATIONS
DUGAN PRODUCTION CORP.

GATHERING SYSTEM OR CDP	WELL NAME	API NO.	LEASE # OR CA #	LOCATION 1/4 1/4-U-S-T-R	POOL
Davis	Davis Federal #1E	30-045-30714	SF-078937	NW SE J-24-26N-11W	Basin Dakota/Gallegos GA
Five of Diamonds	Five of Diamonds #90	30-045-29425	NM030555A	NWSW L-10-30N-13W	Flora Vista FR Sand
	Mexico Federal L #1R	30-045-25461	NM030555A	NESW K-10-30N-13W	Basin Dakota
Garrett	Garrett Federal Com #1E	30-045-24302	140800017547	NWNE B-12-29N-11W	Basin Dakota/Blanco MV
	Garrett Federal A #1	30-045-23113	SRM1425	SWNE G-12-29N-11W	Otero Chacra
Kenny	Kenny #1	30-043-20808	LG3925	NWNE B-36-23N-7W	Lybrook GA
	Little Sis #1	30-043-20940	NM89021	NESW K-31-23N-6W	Lybrook GA
Pinon Mesa	Big Field #1	30-045-22763	NM10561	SESE P-10-30N-14W	Basin Dakota
	Pinon #1	30-045-20956	NM6899	SENW F-13-30N-14W	Basin Dakota
	Pinon #1E	30-045-24186	NM6899	NWSW L-13-30N-14W	Basin Dakota
Rusty Chacra	Chacra #2	30-043-20309	NM25821	SWSE O-21-22N-7W	Rusty Chacra
	Dome Navajo 28-22-6 #2	30-043-20477	NO-O-C-14-20-5044	NESE I-28-22N-6W	Rusty Chacra
	Dome Navajo 34-22-6 #1	30-043-20478	NO-O-C-14-20-5051	NENW C-34-22N-6W	Rusty Chacra
	Navajo #1	30-043-20797	NO-O-C-14-20-5048	SESW N-33-22N-6W	W/C Rusty South, GA
State Com	State Com #1A	30-045-22218	LG-038	SESE P-16-32N-12W	Blanco MV
	State Com #1C	30-045-32630	B-11571	NWSE J-16-32N-12W	Blanco MV
	State Com #2B	30-045-32631	E-4426	NWNW D-16-32N-12W	Blanco MV
Turks Toast	Lisbon Com #1	30-045-28768	NMNM89333	NESE I-5-30N-14W	Basin Dakota
	Monte Carlo #2	30-045-26077	NM015P3585C417	SWSW M-24-30N-15W	Basin Dakota
	Nice #1	30-045-26499	NM015P3586C514	SESE P-7-30N-14W	Basin Dakota
	Nice #2	30-045-27025	NMNM80712	NWNE B-4-30N-14W	Basin Dakota
	Riviera #1	30-045-25819	NMA0069	NWNE B-18-30N-14W	Basin Dakota
	Turks Toast #3	30-045-27321	NM19163	NWNW D-17-30N-14W	Basin Dakota