



dugan production corp.



July 31, 1991

RECEIVED

AUG 1 1991

**OIL CON. DIV.
DIST. 3**

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

**Re: Dugan Production Corp.
Grand Gulch #2
Unit D, Sec. 6, T24N, R7W, NMPM
Basin Dakota Gas Pool
Rio Arriba County, New Mexico**

Dear Mr. Chavez:

We are writing to request that you reclassify the captioned well from the Basin Dakota Gas Pool to the Dufers Point Gallup Dakota Oil Pool in the next general nomenclature hearing for the Aztec NMOCD office.

The Grand Gulch #2 was completed on June 11, 1982 from Dakota perforations 6941-7189' with an initial potential of 52 BOPD + 225 MCFD (GOR = 4327). With reference to Attachment No. 1, the production history for the Grand Gulch #2 is presented, and as can be seen, the performance is not typical to the Basin Dakota Gas Pool. Cumulative production as of January 1, 1991 was 10,996 BO + 12,775 MCF of gas, for an all time average producing GOR of 1162.

From August 1983 thru May 1986 gas was sold into a gas gathering system operated by Northwest Pipeline Corp. (NWPL). Since May 1986 efforts to sell gas have been discontinued because there were not sufficient volumes being produced to continue operating the compressor that was required to deliver gas into the gas sales line.

The Grand Gulch #2 is located approximately one mile to the east of the current boundary for the Dufers Point Gallup Dakota Oil Pool. Attachment No. 2 presents the current pool boundaries for the Dufers Point Gallup Dakota Oil Pool as well as Dugan Production Corp's Grand Gulch #2. I have also identified Dugan Production's Grand Gulch lease on Attachment No. 2 which comprises 504.50 acres in Section 6, T24N, R7W. The current Basin Dakota spacing unit comprises the N/2 of Section 6, and includes 344.26 acres. Our proposed reclassification from Basin Dakota to Dufers Point Gallup Dakota Oil Pool will not effect the ownership in the well (past,

present or future) since there is only one lease involved which is held 100% by Dugan Production Corp. The new spacing unit for the Grand Gulch #2 will be the NW/4 of Section 6.

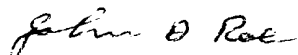
Attachment No. 3 presents a summary of well and production data for five wells in the Dufers Point Gallup Dakota Oil Pool, all in the general vicinity of Dugan Production's Grand Gulch #2. As can be seen, of the five wells, three have produced significantly longer than the Grand Gulch #2, however, all five wells have exhibited similar production characteristics as has Dugan's Grand Gulch #2. It should be noted that only one of the five was initially completed in the Gallup and Dakota with four of the wells having the Gallup added subsequent to the initial completion in the Dakota. Although the Gallup has not been completed in Dugan's Grand Gulch No. 2, there appears to be similar Gallup potential as exists in the wells in the Dufers Point Gallup Dakota wells.

Attachments No. 4 and 5 present the open hole log recorded over the Gallup and Dakota horizons in Dugan's Grand Gulch #2. Attachments No. 6 and 7 present the Gallup and Dakota intervals respectively in the Nancy No. 4 well operated by BCO, Inc. (F-12-24N-8W). Attachments No. 8 and 9 present the Gallup and Dakota intervals respectively in the South Huerfano No. 1 operated by Merrion Oil and Gas (M-35-25N-8W). As can be seen by comparing the Gallup intervals and the Dakota intervals in these three wells, the Gallup and Dakota formations are similarly developed in the Grand Gulch #2 as in the two wells completed in the Dufers Point Gallup Dakota Oil Pool.

In summary, since Dugan Production's Grand Gulch #2 has exhibited production performance analogous to other wells in the Dufers Point Gallup Dakota Oil Pool and has never performed as would be expected for a well in the Basin Dakota Gas Pool, we request that Dugan's Grand Gulch #2 be included within the boundaries of the Dufers Point Gallup Dakota Oil Pool and be removed from the Basin Dakota Gas Pool.

Should you have any questions regarding this request or need additional information, please let us know.

Sincerely,



John D. Roe
Engineering Manager

JDR/cg

attachs.

ATTACHMENT NO. 1

PRODUCTION SUMMARY
Dugan Production Corp.
Grand Gulch No. 2
Unit D, Sec. 6, T-24N, R-7W
Rio Arriba County, New Mexico

Completed: 6-11-82

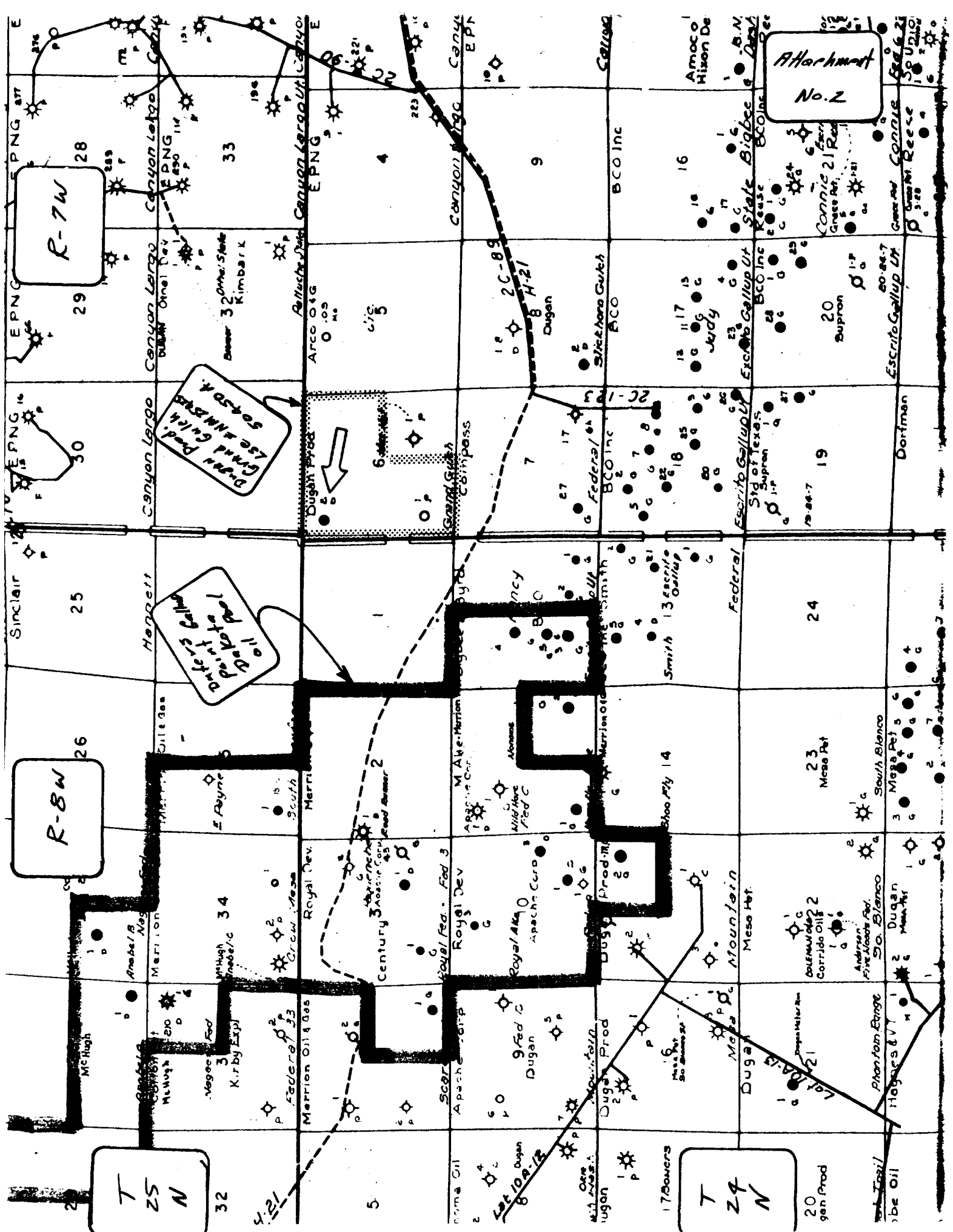
Basin Dakota Gas Pool

Dakota Perfs 6941-49, 6954-58, 7179-89

Initial Potential: 52 BOPD + 225 MCFD GOR - 4327

<u>Year</u>	<u>Annual*</u>		<u>Monthly Average</u>		
	<u>BO</u>	<u>MCF</u>	<u>BO/Mo</u>	<u>MCF/Mo</u>	<u>GOR</u>
1982	375	597	125	349	2794
1983	3351	4369	479	873	1825
1984	2774	3153	231	263	1139
1985	902	1527	150	218	1451
1986	0	68	0	0	--
1987	0	0	0	0	--
1988	0	0	0	0	--
1989	2321	1872	232	187	807
1990	1273	1189	127	119	934
Cumulative to 1-1-91	10,996	12,775			1162

*Production data as reported to NMOCD on form C-115.



ATTACHMENT NO. 3

WELL DATA SUMMARY DUFERS POINT GALLUP DAKOTA OIL POOL Wells In Vicinity of Dugan Production's Grand Gulch No. 2

OPERATOR & WELL NAME	LOCATION U- S- T- R	COMP. DATE	INITIAL POTENTIAL			PRODUCING HORIZON	CUMULATIVE PRODUCTION TO 1-1-91		
			BOFD	MCFD	GOR		BO	MCF	GOR
BCO, Inc. Nancy #4	F-12-24N-8W	3-24-67	604	---	---	DK - GA added 7/78	51,796	102,601	1981
BCO, Inc. Nancy #5	K-12-24N-8W	8-20-83	92	184	2000	GA & DK	32,306	72,944	2258
BCO, Inc. Nancy #3	N-12-24N-8W	5-14-68	96	---	---	DK - GA added 6/78	40,525	98,699	2436
Merrion Oil & Gas- So. Huerfano #1	M-35-25N-8W	4-16-59	17	---	---	DK - GA added 11/76	12,668	12,509	987
Merrion Oil & Gas- Federal B #1	J-3-24N-8W	1-19-77	140	15	107	DK - GA added 1/89	21,465	49,340	2299
Dugan Prod. Corp.- Grand Gulch #2	D-6-24N-7W	6-11-82	52	225	4327	DK	10,996	12,775	1162

GA = Gallup
DK = Dakota

Dugan Production Corp.

Grand Gulch #2

D-6-T24N-R7W

WELER IEL 5/18/82

ATTACHED

NO. 4

gallup
info used

5800

5900

6000

6100

6200

S.P.

10

400

CONDUCTIVITY

0

0

INDUCTION RES.

100

Dugan Production Corp
Grand Gulch #2
D-6-T24N-R7W
Wells IEL 5/18/82

Attachment
No. 5

6700
date
Interval

6800

6900

7000

7100

7200

10
4.7
10
4.7

10
4.7
10
4.7

S.P.

10

CONDUCTIVITY

INDUCTION RES.

100

10
- +

6 - FF40
INDUCTION

400

200

C

600

400

RESISTIVITY
- ohms. m²/m

A - 16" - M
SHORT NORMAL

0

100

0

1000

INDUCTION

0

100

0

1000

Attachment
No. 6

Gallop
Interval

5900

6000

6100

6200

6300

4/78 - perf interval over
5920-6330 - tested mud
Squeezed entire interval
Re Perforated 6129-6203'
+ 6208-30' for completion

BCO, Inc
Nancy #4
F-12-T24N-R8W

BCO, Inc
 NANCY # 4
 F-12 - T24N-R8W
 Schlumberger IEL 3/17/67

Attachment
 No. 7

Detective
 Interval

6800

6900

7000

CIBP

CIBP

7100

7200

23

24

25

26

27

28

29

30

31

32

33

34

35

36

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58

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60

A - 16" - M
 SHORT NORMAL

0 100

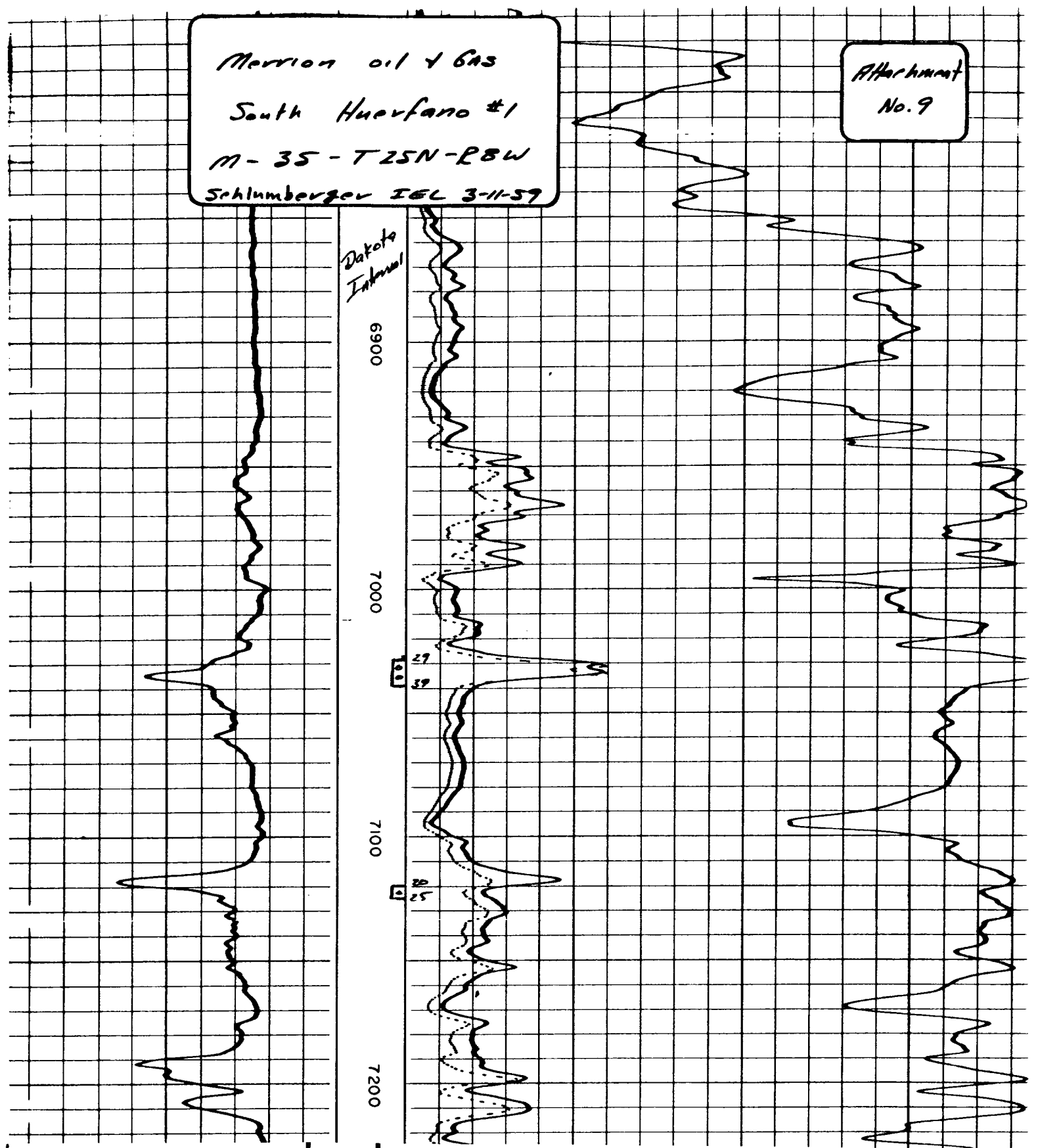
0 1000

INDUCTION

3-26-67 67-140505850-1

Merrion oil & Gas
South Huerfano #1
M-35-T25N-RBW
Schlumberger IEL 3-11-59

Attachment
No. 9



SPONTANEOUS-POTENTIAL millivolts		DEPTHS	CONDUCTIVITY millimhos/m = $\frac{1000}{\text{ohms. m}^2/\text{m}}$	
<div><div></div><div>0</div><div>MV</div></div>		2"- 100'	INDUCTION	
			400	1200
				600
			RESISTIVITY -ohms. m ² /m	
			16" NORMAL	
			0	100
			0	1000
			INDUCTION	
			0	100

52
dugan production corp.

August 1, 1991

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

Re: Dugan Production Corp's 7-31-91
Application to Reclassify
Grand Gulch #2
Unit D, Sec. 6, T24N, R7W, NMPM
Rio Arriba County, New Mexico
Basin Dakota Gas Pool to Dufers Point Gallup Dakota Oil Pool

Dear Mr. Chavez:

In the captioned application, I stated that Dugan Production owned 100% interest in the Grand Gulch lease. I am writing to correct this since Dugan Production owns 50% and Southern Union Exploration also owns 50% in both the Gallup and Dakota horizons. This change in leasehold ownership does not effect any of the content in my July 31st letter, and as stated in that letter, the reclassification from Basin Dakota to Dufers Point Gallup Dakota and the corresponding change in the spacing unit from the N/2 to the NW/4 will have no effect on the ownership in the well or production from the well past, present or future.

Please amend our July 31st application to reflect this change in working interest ownership.

Should you have any questions, please feel free to call me.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

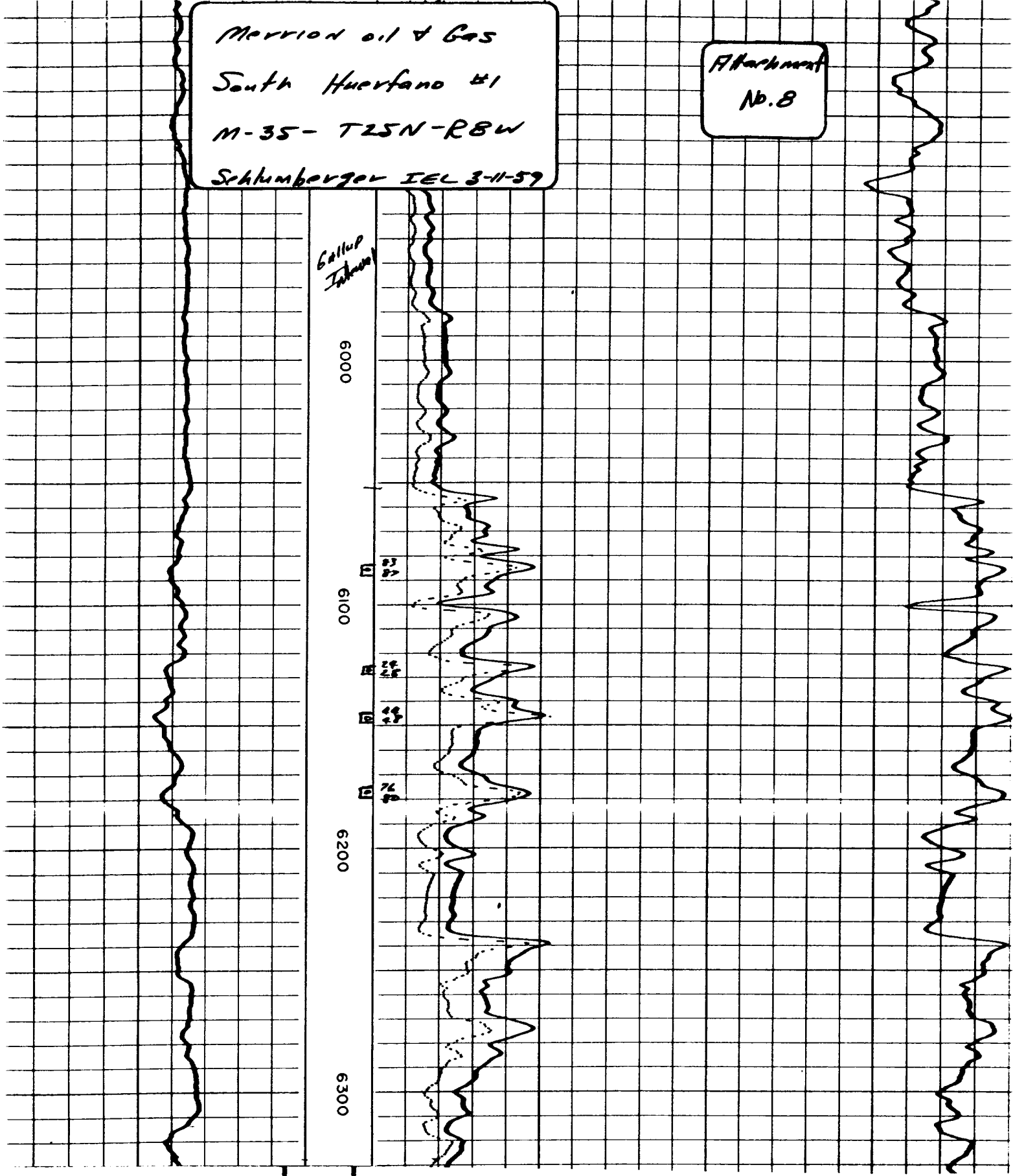
JDR/cg

cc: Southern Union Exploration, Farmington

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DIST. 3

Merrion oil & Gas
South Huerfano #1
M-35-T25N-R8W
Schlumberger IEL 3-11-59

Attachment
No. 8



INSTANTANEOUS-POTENTIAL millivolts	DEPTHS	CONDUCTIVITY millimhos/m = $\frac{1000}{\text{ohms. m}^2/\text{m}}$	
		INDUCTION	
	2" - 100'	400	200 0
			600 400
		RESISTIVITY -ohms. m ² /m	
	L.R. 173'	16" NORMAL	
		0	100
		0	1000
		INDUCTION	
		0	100