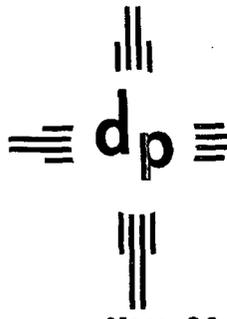


DHC 1301 6/24/96

RECEIVED
JUN - 3 1996



dugan production corp

NEW MEXICO OIL CONSERVATION DIVISION

May 31, 1996

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

**RE: Administrative Approval to Downhole Commingle
Dugan Production Corp's Mexico Federal M #1
Unit K, Sec. 12, T31N, R13W
Basin Dakota and Blanco Mesa Verde Pools
San Juan County, NM**

Dear Mr. LeMay:

Attached please find our application for administrative approval to downhole commingle the Basin Dakota and Blanco Mesa Verde pools in Dugan Production's Mexico Federal M #1 (Form C-107-A, C-102s for each zone, production decline curves and a map showing all offsetting operators).

A copy of this application is being submitted to all offset operators by certified mail.

Sincerely,

Gary Brink
Petroleum Engineer

GB/cg

cc: NMOCD, Aztec
Bureau of Land Management, Farmington
Offsetting Operators (Meridian Oil, Snyder Oil & Pro Management)

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
811 South First St., Artesia, NM 88210-2835

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

Administrative Hearing

EXISTING WELLBORE

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Dugan Production Corp. Address P.O. Box 420 Farmington, NM 87499
Lease Mexico Federal M #1 Well No. K 12 T31N R13W Unit Ltr. - Sec - Twp - Rge San Juan County
OGRID NO. 006515 Property Code 003766 API NO. 30 045 10897 Spacing Unit Lease Types: (check 1 or more)
Federal State (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
	Blanco MV		Basin Dakota
1. Pool Name and Pool Code	72319		71599
2. Top and Bottom of Pay Section (Perforations)	4435-4532		6580-6800
3. Type of production (Oil or Gas)	gas		gas
4. Method of Production (Flowing or Artificial Lift)	flowing		flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 616	a.	a. 956
	b. (Original) 1027	b.	b. 1940
6. Oil Gravity (°API) or Gas BTU Content	1198 BTU		1208 BTU
7. Producing or Shut-In?	producing		producing
Production Marginal? (yes or no)	no		yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: 10/95 Rates: 0/64/0	Date: Rates:	Date: 12/95 Rates: 0.5/37/0
	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0 % Gas: 63 %	Oil: % Gas: %	Oil: 100 % Gas: 37 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No
11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? Yes No
13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No
15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____
16. ATTACHMENTS:
 * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 * Production curve for each zone for at least one year. (If not available, attach explanation.)
 * For zones with no production history, estimated production rates and supporting data.
 * Data to support allocation method or formula.
 * Notification list of all offset operators.
 * Notification list of working, overriding, and royalty interests for uncommon interest cases.
 * Any additional statements, data, or documents required to support commingling.

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

SIGNATURE Gary Brink TITLE Operations Manager DATE 5/30/96
TYPE OR PRINT NAME Gary Brink TELEPHONE NO. (505) 325-1821

District I
 PO Box 1988, Hobbs, NM 88241-1988
 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

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 30 045 10897		2 Pool Code 71599		3 Pool Name Basin Dakota	
4 Property Code 003766		5 Property Name Mexico Federal M			6 Well Number 1
7 OGRID No. 006515		8 Operator Name Dugan Production Corp.			9 Elevation

10 Surface Location

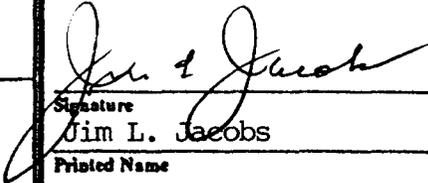
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
K	12	31N	13W		1850	South	1850	West	San Juan

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 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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 Sec. 12 1850' 1850'	17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Jim L. Jacobs Printed Name Vice-President Title 5/31/96 Date		
	18 SURVEYOR CERTIFICATION <i>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.</i> April 6, 1961 Date of Survey Signature and Seal of Professional Surveyer: Original surveyed & signed by James P. Leese 1463 Certificate Number		

District I
 PO Box 1988, Hobbs, NM 88241-1988
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 PO Drawer DD, Artesia, NM 88211-8719
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 1000 Rio Brazos Rd., Aztec, NM 87410
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State of New Mexico
 Energy, Minerals & Natural Resources Department

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30 045 10897		2 Pool Code 72319		3 Pool Name Blanco Mesa Verde	
4 Property Code 003766		5 Property Name Mexico Federal M			6 Well Number 1
7 OGRID No. 006515		8 Operator Name Dugan Production Corp.			9 Elevation

10 Surface Location

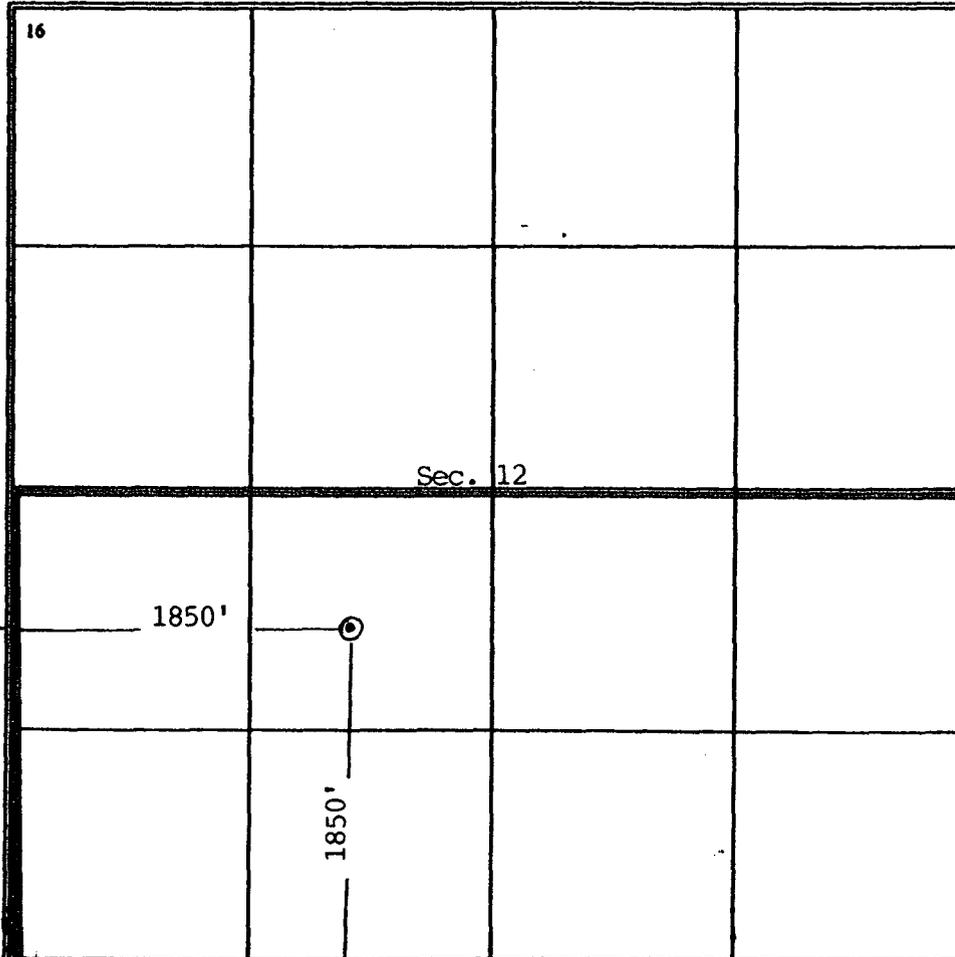
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
K	12	31N	13W		1850	South	1850	West	San Juan

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

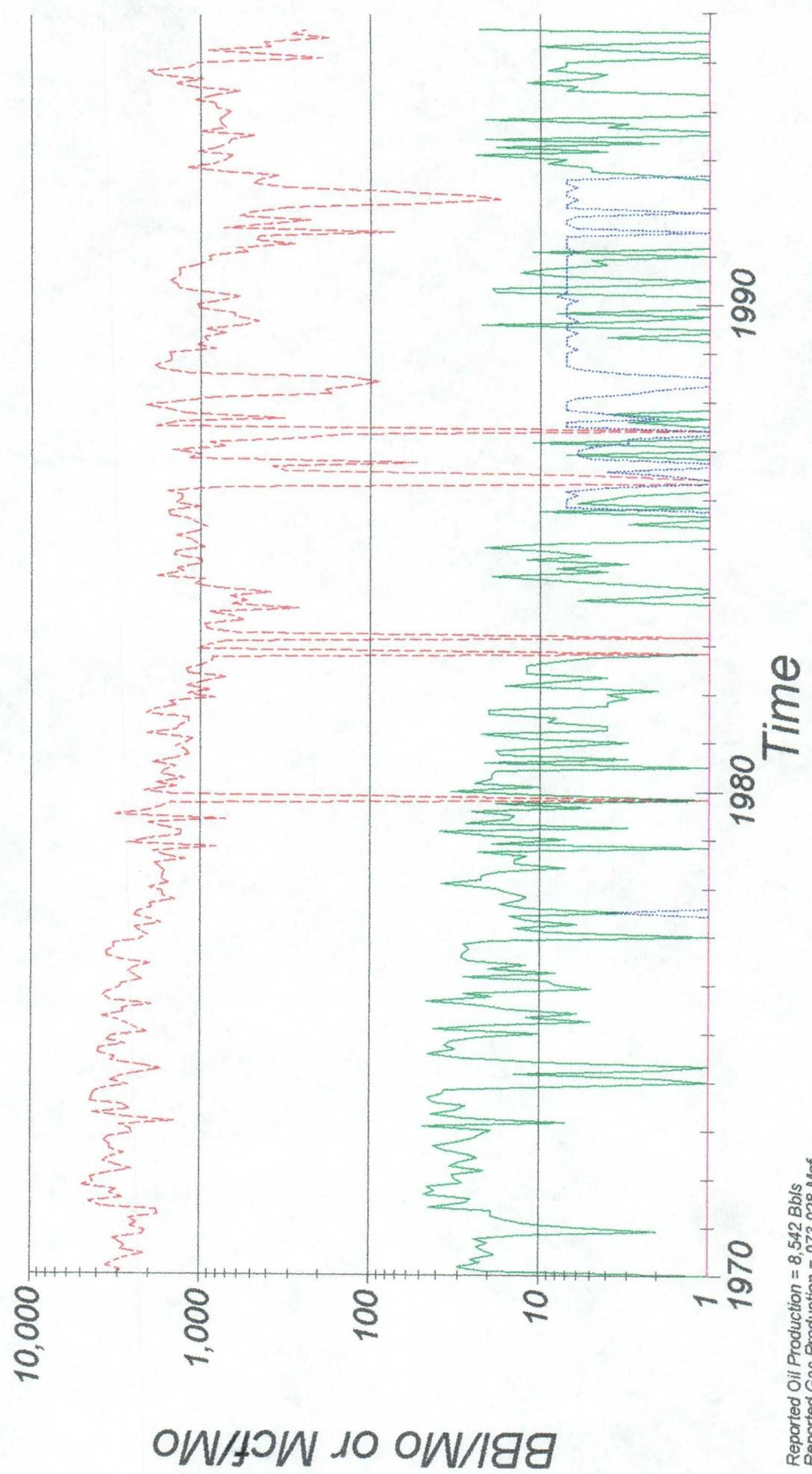
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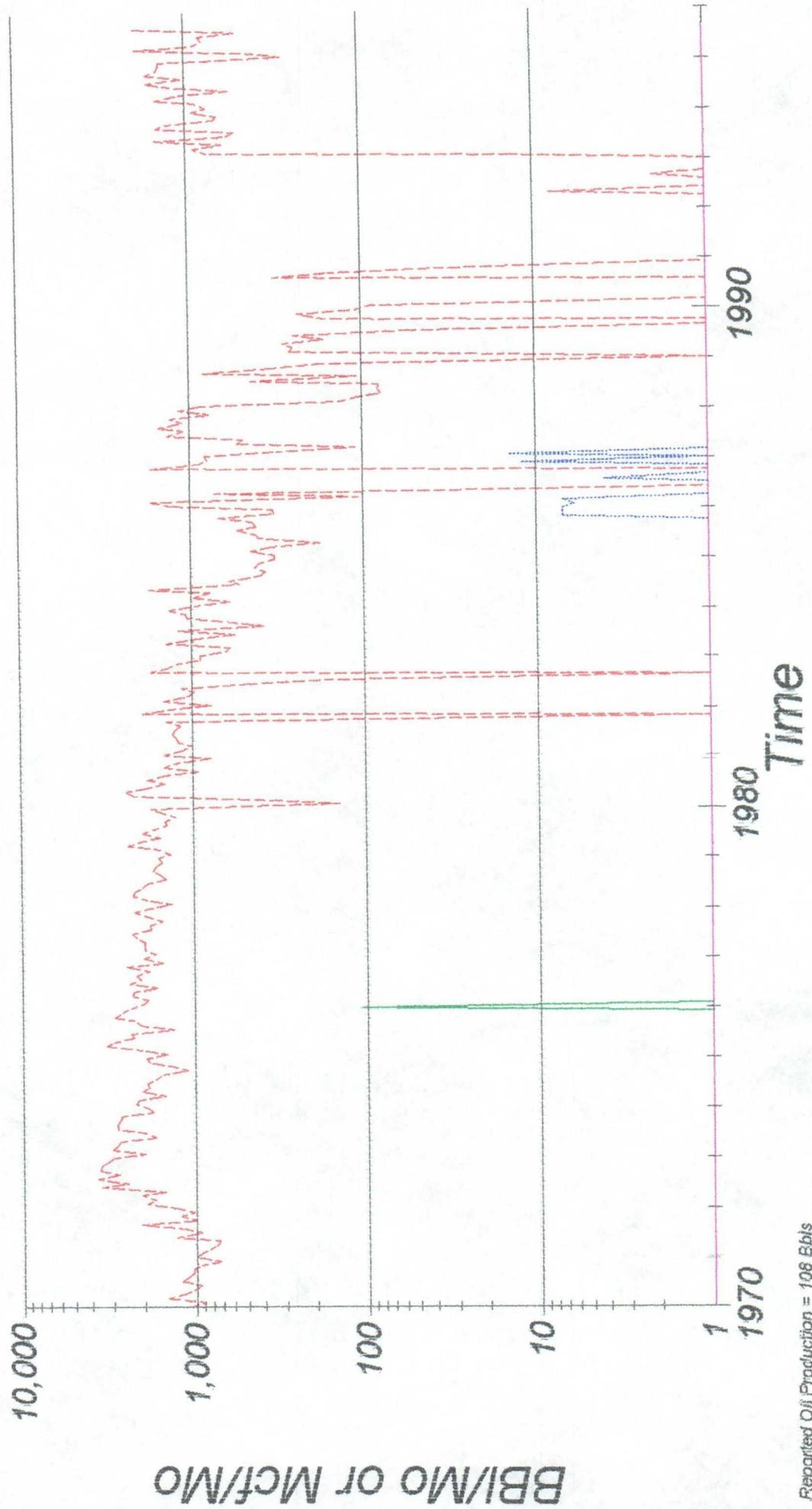
Field: BASIN DAKOTA
 Lease: MEXICO FEDERAL M | Well #1
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs Time
 For the Period 05/1961 to 09/1995 | API: 30045108970000



Reported Oil Production = 8,542 Bbls
 Reported Gas Production = 973,928 Mcf
 Reported Water Production = 449 Bbls



Field: BLANCO MV
 Lease: MEXICO FEDERAL M | Well #1
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs. Time
 For the Period 05/1961 to 09/1995 | API: 30045108970000



Reported Oil Production = 108 Ebbls
 Reported Gas Production = 565,049 Mct
 Reported Water Production = 65 Ebbls

Application To Downhole Commingle

Offset Operators

Dugan Production Corp.

Mexico Federal M #1

Unit K, Sec. 12, T 31 N, R 13 W

San Juan Co., N.M.

Blanco MV / Basin Dk Formations

Snyder Oil 11	Meridian Oil 12	Meridian Oil 7
PRO Management	Dugan Prod. ● Mexico Fed M #1	Snyder Oil
Dugan Prod.	Snyder Oil	Snyder Oil
14	13	18

MERIDIAN OIL

July 9, 1996

State of New Mexico
Oil Conservation Division
Attn: Mr. William J. LeMay
2040 S. Pacheco
Santa Fe, NM 87505

RE: APPLICATION FOR DOWNHOLE COMMINGLING
DUGAN PRODUCTION CORP'S MEXICO FEDERAL M #1
NE SW, SEC. 12, T31N, R13W
SAN JUAN COUNTY, NEW MEXICO

Meridian Oil Inc. has no objections to Dugan Production's Application to Downhole Comminge the above referenced well.

Very truly yours,



Dawn Garretson
Land Associate

DMG

cc: Dugan Production- Gary Brink
Dugan Production Correspondence