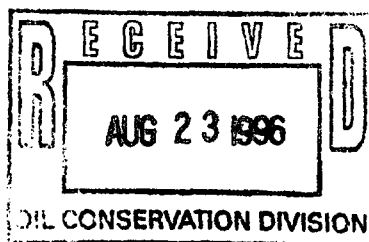


# dugan production corp.

August 21, 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 Harvey #2  
Unit F, Sec. 20, T24N, R9W  
Lower Bisti Gallup and Basin Dakota Pools  
San Juan County, NM**

Dear Mr. LeMay:

Attached please find our application for administrative approval to complete the Lower Bisti Gallup and downhole commingle it with the existing Basin Dakota production in our Harvey #2 well. A production decline curve for each zone, Form C-107-A, C-102s for each zone, and a map showing all offsetting operators are attached.

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

Sincerely,

Gary Brink  
Petroleum Engineer

GB/cg

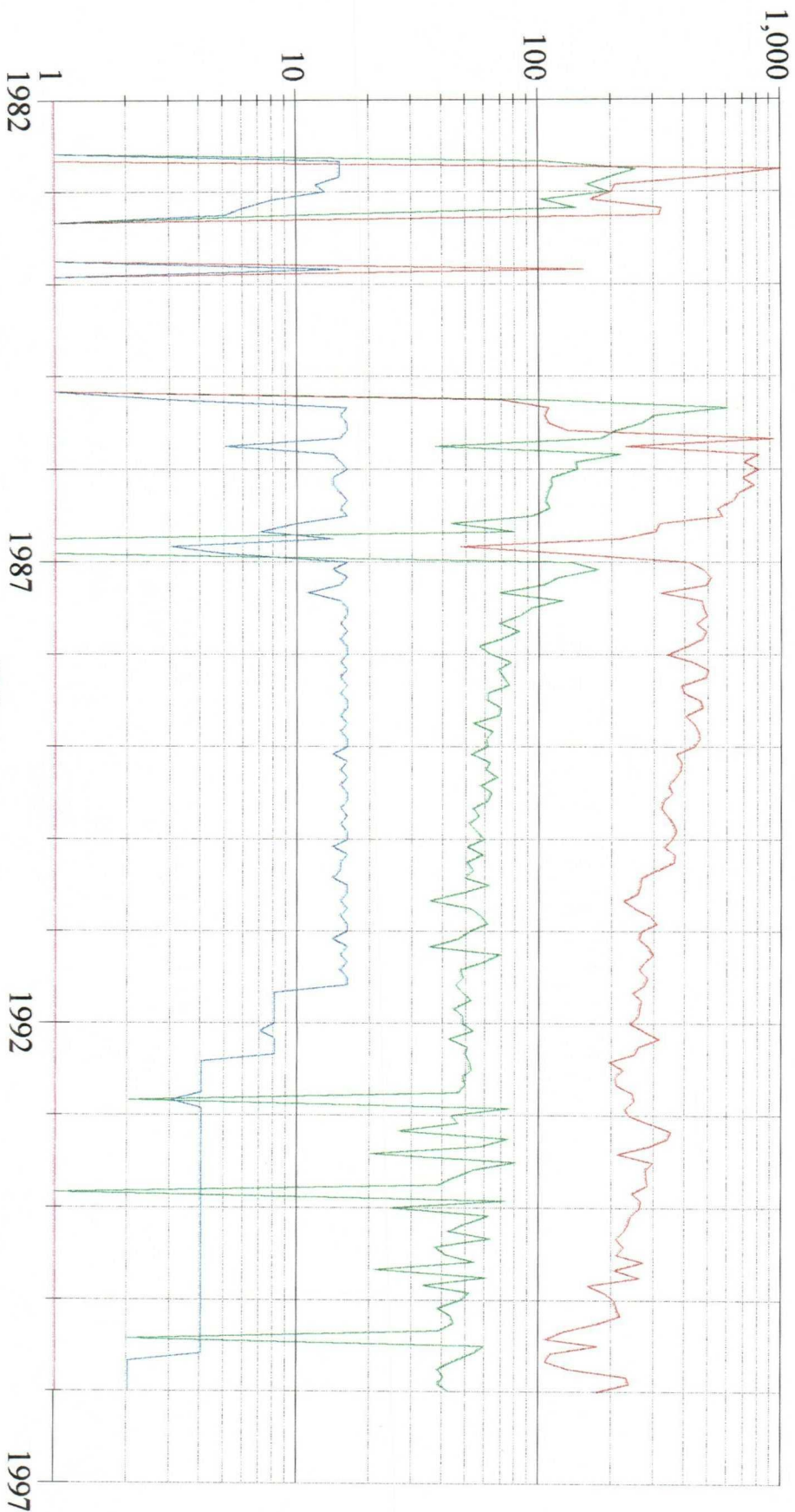
encs.

cc: New Mexico Oil Conservation Division, Aztec, NM  
Bureau of Land Management, Farmington, NM  
Navajo Nation  
Offsetting Operators (BIA, Navajo Allotted)



Field: BISTI GL  
 Lease: JULY JUBILEE | Well #2  
 Operator: DUGAN PRODUCTION CORPORATION  
 Production Rate vs Time  
 For the Period 09/1982 to 01/1996 | API: 30045251230000

# BBI/Mo or Mcf/Mo



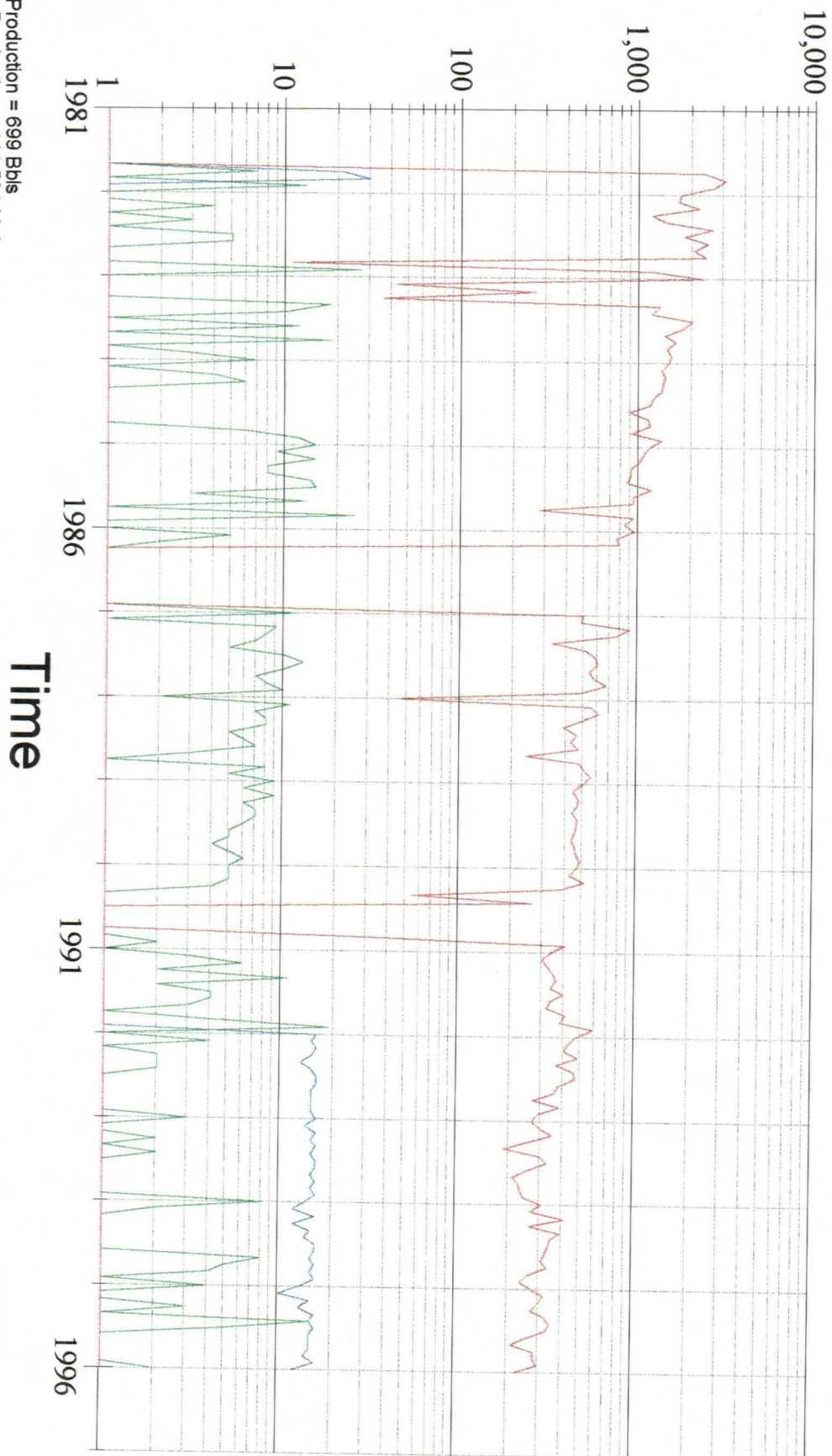
Reported Oil Production = 10,173 Bbls  
 Reported Gas Production = 44,351 Mcf  
 Reported Water Production = 1,462 Bbls

Time

# BBI/Mo or Mcf/Mo



Field: BASIN DK  
Lease: HARVEY | Well #2  
Operator: DUGAN PRODUCTION CORPORATION  
Production Rate vs Time  
For the Period 10/1/1981 to 01/1/1996 | API: 30045244200000



Reported Oil Production = 699 Bbls  
Reported Gas Production = 111,501 Mcf  
Reported Water Production = 781 Bbls

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 Harvey Well No. 2 Well No. F 20-T24N-R9W County San Juan  
Unit Ltr. - Sec - Twp - Rge  
OGRID NO. 006515 Property Code 003704 API NO. 30 045 24420 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
1. Pool Name and Pool Code	05890 Lower Bisti Gallup	<i>11/2/2000</i>	71599 Basin Dakota
2. Top and Bottom of Pay Section (Perforations)	5106-5400 Est.		6270-83
3. Type of production (Oil or Gas)	Oil		Gas
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 835 (calc) b. (Original)	a.  b.	a. 1050 b. 2520 (calc)
6. Oil Gravity ( $^{\circ}$ API) or Gas BTU Content	37 $^{\circ}$ (est)		
7. Producing or Shut-In?	not yet completed		Producing
Production Marginal? (yes or no)	Yes		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	Date: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates: 14/10/0 est.	Date: Rates:	Date: 7/96 Rates: 0/6/0
8. Fixed Percentage Allocation Formula - % for each zone	Oil: Gas: % Gallup % = Total Production - Dakota Production	Oil: Gas: %	Oil: Gas: %

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. NMOC 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 Petroleum Engineer DATE 8/21/96

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 Brans 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 24420		2 Pool Code 05890		3 Pool Name Bisti Lower Gallup	
4 Property Code 003704		5 Property Name Harvey			6 Well Number 2
7 OGRID No. 006515		8 Operator Name Dugan Production Corp.			9 Elevation 6844' GL

10 Surface Location

UL or lot no. F	Section 20	Township 24N	Range 9W	Lot Ida	Feet from the 1640	North/South line North	Feet from the 1850	East/West line West	County San Juan
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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 80		13 Joint or Infill		14 Consolidation Code		15 Order No.			

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

<p>16</p>				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p></p> <p>Signature Gary Brink Printed Name Petroleum Engineer Title 8/21/96 Date</p>	
				<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>June 10, 1980 Date of Survey Signature and Seal of Professional Surveyer: Original plat surveyed &amp; signed by Edgar L. Risenhoover, L.S. 5979 Certificate Number</p>	



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PO Box 1980, Hobbs, NM 88241-1980  
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PO Drawer DD, Artesia, NM 88211-0719  
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Energy, Minerals & Natural Resources Department

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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 24420		2 Pool Code 71599		3 Pool Name Basin Dakota	
4 Property Code 003704		5 Property Name Harvey			6 Well Number 2
7 OGRID No. 006515		8 Operator Name Dugan Production Corp.			9 Elevation 6844' GL

10 Surface Location

UL or lot no. F	Section 20	Township 24N	Range 9W	Lot Ida	Feet from the 1640	North/South line North	Feet from the 1850	East/West line West	County San Juan
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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.			

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

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Application For Downhole Commingling  
 Offsetting Operators  
 Lower Bisti Gallup-Basin Dakota  
 Dugan Production Corp.  
 Harvey #2  
 Unit F, Sec 20, T 24 N, R 9 W  
 San Juan Co., N.M.

Navajo Allotted Open	Dugan  Harvey #2 ●	Dugan
19  Dugan	20  Dugan	21  Dugan