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## dugan production corp.

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July 12, 1996

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

Re: Application for Surface Commingling of Produced Gas  
Dugan Production's Com Wells No. 1E & No. 2  
Basin Dakota & Harper Hill Fruitland Sand PC Pools  
Both Wells in Unit A, Section 2, T-29N, R-14W  
San Juan County, New Mexico

Dear Mr. Carroll:

We are writing to request New Mexico Oil Conservation Division (NMOCD) approval for the proposed surface commingling of produced natural gas from the captioned wells, both of which are operated by Dugan Production Corp. I have discussed this application with David Catanach and it is my understanding that since the ownership is not common to both wells, this matter will require formal notice and an examiner hearing. It is also my understanding that in the absence of objection from any interest owner, the NMOCD can call the case and take the application under advisement without an actual appearance by Dugan Production Corp. We do not anticipate any objection and request that you set this case for the next available examiner hearing docket (August 8th, 1996 if possible).

The Com No. 1E (API No. 30-45-23940) was completed December 8, 1979 in the Basin Dakota Gas Pool and has produced 690,451 MCF + 7289 bbls condensate as of June 1, 1996. During the first five months of 1996, production averaged 52 MCFD plus 0.3 bbls condensate/day and the production history is presented on Attachment No. 6. Since completion, we have produced the Com No. 1E using a two stage compressor located at the well which has been necessary for the well to produce into El Paso Natural Gas Company's (EPNG's) pipeline which averages 250 psi and at times gets as high as 400 psi. The engine for this compressor requires 8.1 MCFD for fuel and maintenance costs average \$700 per month for the compressor and engine. Since the compressor is owned by the working interest owners, only maintenance costs are a factor for current operations; however, should it ever be necessary to replace the compressor, a similar rental package would cost \$1250/month.



# dugan production corp.

August 2, 1996

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

Re: NMOC Case No. 11583  
Docket No. 22-96 8/8/96  
Application for Surface Commingling  
Dugan Production's Com Wells No. 1E & No. 2  
Basin Dakota & Harper Hill Fruitland Sand PC Pools  
Both Wells in Unit A, Section 2, T-29N, R-14W  
San Juan County, New Mexico

Dear Mr. Carroll:

To supplement the material provided with our application dated July 12, 1996, attached are copies of:

- 1.) New Mexico State Land Office approval dated 7-17-96 of the captioned application. State Leases No. LG-3736, 8-11242-43 and E-6714-4 comprise 100% of the 156.65 acre NE/4 spacing unit and 196.65 acres (62.1%) of the 316.65 acre E/2 spacing unit.
- 2.) BLM approval (dated 7-30-96) of our application. Federal Lease SF-078110 comprises 80.0 acres (25.3%) of the E/2 spacing unit. Also included is the BLM's conditions of approval.
- 3.) Copies of the "return receipt" cards reflecting that all interest owners (working, royalty and overriding royalty) in Dugan Production's Com Wells No. 1E and No. 2 are in receipt of the subject application. Our notice to each owner was mailed on 7/12/96 or 7/15/96.

\* { To date, we have not received any objection from any of the interest owners in either well and unless an objection is received, it is still our desire to have this case called on August 8th and then taken under advisement with Dugan Production not appearing at the hearing.

Should you need additional information or receive an objection from any of our interest owners, please let me know.

Sincerely,

John D. Roe  
Manager of Engineering

JDR/cg

attachs.

cc: David Catanach, NMOC - Santa Fe  
Frank Chavez, NMOC - Aztec



dugan production corp.



September 7, 1999

Ms. Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: Amendment to Dugan Production's 9-1-99 application  
To surface commingle produced gas  
Dugan Production's Com No. 1, Com No. 3 & King Com No. 90  
Plus the off-lease measurement and sale of produced gas from the King Com No. 90  
State Leases: LG-3736, NM B-11242-43, NM E-6714-4; Federal Lease: SF 078110;  
Multiple Fee leases  
Basin Fruitland Coal & Harper Hill Fruitland Sand PC Pools  
San Juan County, New Mexico

Dear Ms. Wrotenbery,

We are writing to amend the allocation procedures proposed in the subject application. Based upon a phone conversation with Mr. Mark Ashley of your office, it is our understanding that due to the uncommon ownership in each of the three wells and the proposed commingling of production from two separate pools, Dugan's initial proposal to allocate production using periodic well tests is not administratively approvable.

Dugan Production herein amends our proposal regarding this gathering system and will install continuous recording, conventional dry flow meters (or an approved form of alternative measurement) on each well and will use these measurements to establish allocation factors. The gas charts for each allocation period (typically monthly) will be integrated by a commercial chart service and the meters will be calibrated and maintained by Dugan Production (consistent with BLM's Onshore Order No. 5). It is our understanding that this amendment will allow the NMOCD to consider administratively approving our application.

An amended Attachment No. 5 is attached which reflects the amended procedure for determining allocation factors. All parties receiving our initial application will be provided with a copy of this proposed amendment.

Should you have questions or need additional information, please let me know.

Sincerely,

*John D. Roc*

John D. Roc  
Engineering Manager

JDR/tmf

attachment

xc: BLM, NMSLO, NMOCD - Aztec, All interest owners

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1. Taber Gathering System

Com #1E (A-2-29N-14W)

Com #2 (A-2-29N-14W)

Com #4 (C-2-29N-14W)

Fed. I-99 (H-3-29N-14W)

Taber Com #90 (H-35-30N-14W)

EXISTING CDP @ Com #1E Loc

NMSLO Approval 7-17-96

BLM Approval 7-30-96

NMOCD " 8-19-96

L. Hanning 8-8-96

Drill R-10655

wells to be added  
to Com #1E CDP

currently Com #1E & #2 are approved for Surface Commingling  
proposed to (A) Add 3 existing wells to CDP

(B) off-lease measurement for Com #4, Fed I-99,  
+ Taber Com 90

2. King Gathering System

Com #1 (J-2-29N-14W)

Dikota

Com #3 (J-2-29N-14W)

FRSS/PC

King Com #90 (B-11-29N-14W)

FR Coal

EXISTING CDP @ Com #1

NMSLO Approval 9-9-96

NMOCD " 9-22-96

Administratively

PLC-157

BLM Approval 10-1-96

Com #91 (L-2-29N-14W) FR Coal

Federal I-#7 (J-3-29N-14W) FR SS/PC Loc.

Federal I-#8 (C-11-29N-14W) FR SS/PC "

Federal I-#9B (B-10-29N-14W) FR Coal "

currently Com #1, Com #3 & King Com 90 are approved

for Surface commingling & sale @ CDP located

on Com #1 location. Also King Com 90 is

approved for off-lease measurement

proposal = (A) move CDP from Com #1 location to Com #91 loc.

(B) Surface commingling for 7 wells (+ existing

2 cont.

+ 3 proposed)

③ off lease measurement for com #1,  
com #3, King Com #90 @ the  
new CDP location

④ off lease measurement for Fed. I  
Fed. I # 7, 8 & 98 - All 3  
undrilled @ the current time  
but plan to drill as soon as  
gathering system is installed  
& ready to receive gas

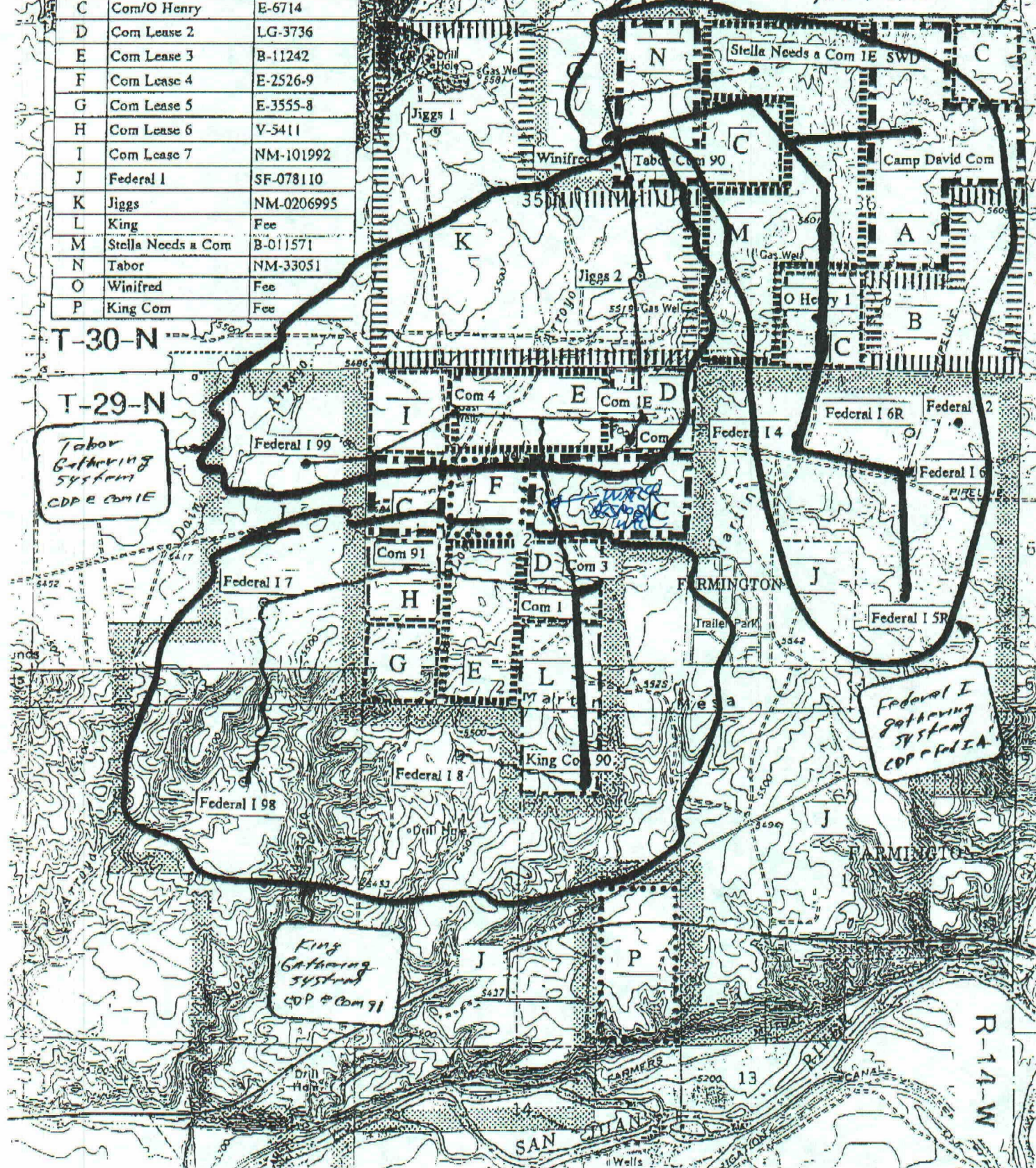


## Lease Key

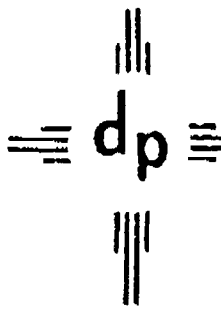
Letter	Lease Name	Lease No.
A	Camp David	VA-310
B	Camp David Com	E-3149
C	Com/O Henry	E-6714
D	Com Lease 2	LG-3736
E	Com Lease 3	B-11242
F	Com Lease 4	E-2526-9
G	Com Lease 5	E-3555-8
H	Com Lease 6	V-5411
I	Com Lease 7	NM-101992
J	Federal I	SF-078110
K	Jiggs	NM-0206995
L	King	Fee
M	Stella Needs a Com	B-011571
N	Tabor	NM-33051
O	Winifred	Fee
P	King Com	Fee

Attachment No. 1

Dugan Production Corp  
Tabor Gathering System  
San Juan County  
New Mexico







# dugan production corp.

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821

• FAX# (505) 327-4613

## FAX TRANSMITTAL

DATE: 4-6-00 TIME: \_\_\_\_\_TO: Mark AshleyNMOCB c 505-827-8177

You should receive 8 pages including this cover sheet. If you did not receive all pages or are unable to read any pages, please contact:

FROM: John Roe TELEPHONE NO. (505) 325 - 1821

Mark, Regarding Dugan's Taber & King Gathering Systems, Attached is:

- (A) 1<sup>st</sup> page of our 7-12-96 Application proposing the Cam #1E CDP. I've underlined part of the 1<sup>st</sup> paragraph which sets out my understanding regarding the need for a hearing
- (B) Copy of our 8/2/96 letter providing supplemental information & re-iterating our plan to not formally appear @ the hearing in the absence of objection.
- (C) Copy of Dugan's 9-7-99 letter amending our 9-4-99 application for Surface Commingling

+ off lease measurement for our com No. 1  
CDP. I have underlined portions that  
show my understanding of administrative  
vs Hearing regarding NMOCD Approval.

② Tabulation of well info for each Gathering  
system to help us discuss these  
issues

③ map which was Attachment #1 in our Taber  
Application. I've added the King  
Gathering System + also the Federal  
I gathering system -

please call when you get this +  
we can better discuss

John Roe