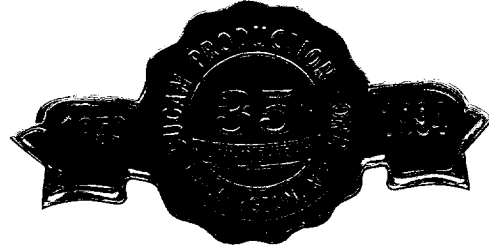




dugan production corp.



February 2, 1994



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

**Re: Dugan Production Corp.
Peggy Federal #1J
Application for Approval to Use
An Alternate Gas Measurement Method**

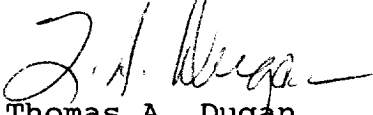
Dear Mr. Chavez:

Attached please find form C-136 requesting approval to use an alternate gas measurement method for the subject well.

Dugan Production Corp. acquired this well November 1, 1992. During the transitional period, El Paso Natural Gas Company received authorization from the previous operator to implement alternate gas measurement, and did so effective June 8, 1993. Dugan Production Corp. has just become aware of this, and requests that this approval be made retroactive to June 8, 1993.

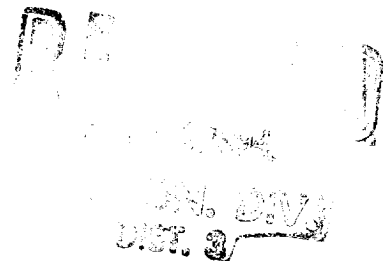
If you have any questions, please contact Cheri Gunn at 325-1821, ext. 29.

Sincerely,


Thomas A. Dugan
President

cg

enc.



APPLICATION FOR APPROVAL TO USE AN ALTERNATE GAS MEASUREMENT METHOD
ATTACHMENT NO. 1

APPROVAL PROCEDURE: RULE 403.B(1)

- 1.) A list of the wells (including well name, number, ULSTR location, and API No.) included in this application.

Peggy Federal #1J
Unit B, Sec. 8, T23N, R1W, Rio Arriba County, NM
API# 30-039-21099

- 2.) A one year production history of each well included in this application (showing the annual and daily volumes).

1993 Annual Production – 761 MCF
1993 Avg. Daily Production – 2.69 MCFD

- 3.) The established or agreed upon daily producing rate for each well and the effective time period.

3.84 MCFD (Agreed Volume Daily Rate)
Beginning 6-8-93, Ending – indefinite

- 4.) Designate wells to be equipped with a flow device (required for wells capable of producing 5 MCF per day or more).

Peggy Federal #1J

- 5.) The gas transporter(s) connected to each well.

El Paso Natural Gas Company



5 NMOCD 1 File 4 BLM 1 EPNG-Frm 1 EPNG-EP

DISTRICT I
P.O. Box 1568, Hobbs, NM 88241-1568

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-136
Originated 12/23/91

DISTRICT II
P.O. Drawer 60, Aramis, NM 88211-4719

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Submit original and 4 copies to the
appropriate district office.

APPLICATION FOR APPROVAL TO USE AN ALTERNATE GAS MEASUREMENT METHOD
Rule 403.B(1) or (2)

Operator Name: Dugan Production Corp. Operator No. 325-1821
Operator Address: P.O. Box 420, Farmington, NM 87499
Lease Name: Peggy Federal #1J Type: State Federal X Fee
Location: Unit B, Sec. 8, T23N, R1W, Rio Arriba County, NM
Pool: South Blanco Pictured Cliffs
Requested Effective Time Period: Beginning 6/8/93 Ending indefinite

APPROVAL PROCEDURE: RULE 403.B.(1)

Please attach a separate sheet with the following information.

- 1) A list of the wells (including well name, number, ULSTR location, and API No.) included in this application.
- 2) A one year production history of each well included in this application (showing the annual and daily volumes).
- 3) The established or agreed-upon daily producing rate for each well and the effective time period.
- 4) Designate wells to be equipped with a flow device (required for wells capable of producing 5 MCF per day or more).
- 5) The gas transporter(s) connected to each well.

APPROVAL PROCEDURE: RULE 403.B.(2)

Please attach a separate sheet with the following information.

A separate application is required for each Central Point Delivery (CPD).

Working interest, royalty and overriding royalty ownership must be common for all wells to be connected to the subject CPD.

- 1) An ownership plat showing a description of the lease and all of the wells to be produced through this CPD.
 - a) List the wells which will be metered separately, including API No.
 - b) List the wells which will not be metered separately, including API No.
- 2) Describe the proposed method of allocating production from non-metered wells.
- 3) A one year production history of the wells which will not be metered showing the annual and daily volumes.
- 4) The gas transporter(s) connected to this CPD.

Applicant will be responsible for filing OCD Form C-111 for the CPD.

OPERATOR

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: Thomas A. Dugan

Printed Name & Title: Thomas A. Dugan, President

OIL CONSERVATION DIVISION

This approval may be cancelled at anytime that operating conditions indicate that re-tests may be necessary to prevent waste and protect correlative rights.

Approved Until: Further Notice

By: ORIGINAL SIGNED BY ERNIE BUSCH

DEPUTY OIL & GAS INSPECTOR, DIST. #1