



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

OIL CONSERVATION DIVISION
BOX 2088
SANTA FE, NEW MEXICO 87501

DATE _____

RE: Proposed MC _____
Proposed DHC _____
Proposed NSL _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____

Surface Commingle

Gentlemen:

I have examined the application dated 8/4/85
for the Dragon Pool Corp. See attached table #1
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve

Yours truly,

W. S. Ob

July 31, 1987

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

Re: State Lease V-1509
Sec. 32, T24N, R10W, NMPM
Request for Approval of Surface Commingling and
Off-Lease Measurement of Gas and a Minor Amount of Liquid Production

Dear Frank:

Attached for your files and information is a copy of our letter dated June 11, 1987 to the Bureau of Land Management with their approval of surface commingling and off-lease measurement of gas and the off-lease storage of a very minor amount of liquid production from several Federal and Indian leases indicated. With this letter we are requesting approval from your office for the surface commingling and off-lease measurement of gas and the off-lease storage of a very minor amount of liquid production (drip) from a state lease operated by Dugan Production Corp. Details of our proposal are set out in the attached letter of June 11, 1987 to the BLM.

On lease V-1509 (Dugan Production's Mary Lou lease) we have drilled and completed four wells to date and as specified in our application to the BLM for commingling, we are operating the Mary Lou lease with a central tank battery and are measuring all gas volumes on the lease with a conventional meter run equipped with a Barton dry flow meter, only the sales measurements are being made off-lease. All oil and water production is separated and stored on the lease, and thus, is not a subject of our application.

We plan to utilize Precision Services in Casper, Wyoming on a monthly basis to integrate the charts recorded on each of our meter runs in order to determine gas volumes as accurately as possible.

If additional information is required or you have any questions, please feel free to contact me.

Sincerely,



Barbara L. Williams
Engineer

BLW/cg

RECEIVED
AUG 04 1987
OIL CON. DIV.
DIST. 3

dugan production corp.

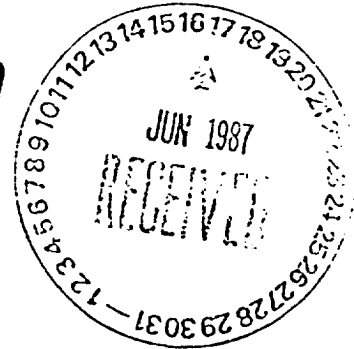
RECEIVED

JUN 15 1987

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

June 11, 1987

RECEIVED
AUG 04 1987
OIL CON. DIV.
DIST. 3



Ron Fellows
Bureau of Land Management
Caller Service 4104
Farmington, NM 87499

Re: Request for Approval of Surface Commingling
And Off-lease Measurement of Gas & Liquid Production
FEDERAL LEASES NM 22044, NM 23744, NM 32124
STATE LEASE V-1509
INDIAN LEASE NOG-8505-1062
Located in Sections 32 and 33, T24N, R10W; Secs. 3 & 6, T23N, R10W;
Section 8, T23N, R9W, NMPM
San Juan County, NM

Dear Mr. Fellows:

Dugan Production has received BLM approval for the surface commingling and off-lease measurement of gas and a minor amount of drip accumulation for a total of 45 wells on 27 leases which produce into our Good Times Gathering System. Dugan Production has installed approximately 152,000 feet of gathering system in order to gather gas from the previously mentioned wells and leases in order to deliver gas to El Paso Natural Gas Company (EPNG) at their master meter located in the NENE of Section 13, T24N, R10W, NMPM. On December 5, 1986 Dugan Production Corp. received BLM approval to deliver gas from our Good Times System to Mesa Petroleum at their master meter located SE/SE Section 22, T24N, R8W after EPNG refused to continue purchasing the gas. Dugan Production has recently drilled six additional wells in the immediate vicinity of our Good Times Gathering System. These wells are identified on the attached Table No. 1 which also presents information pertinent to each well. These wells are all to be completed in the Gallup formation and, as such, will likely be capable of producing only low volumes of oil and casinghead gas. From log analysis, these wells are comparable with the other wells drilled and previously approved for surface commingling and off-lease measurement of gas and a very minor amount of liquid hydrocarbons that occasionally condenses within the gathering system. We anticipate that upon completion, the production performance of these six wells will be similar to the other South Bisti Gallup wells. We are requesting this approval at this time since we plan to connect all six wells to the gathering system for gas sales as soon as possible to benefit from any flush production that may exist. In view of the proximity of the six wells to the existing system, having secured the necessary rights-of-way, and in view of the depressed gas prices, Dugan Production desires to deliver gas for sale rather than vent the associated gas during the testing and early production of each well.

APPROVED

JUN 15 1987

AREA MANAGER

Figure No. 1 is a reproduction of the Blanco Trading Post, Kimbeto, Huerfano Trading Post SW and Pueblo Bonito NW topographic quadrangles. We have presented the proposed Good Times Gathering System highlighted in yellow. Also indicated are the lease boundaries for Dugan Production Corp's leasehold interest in this general area and the well locations that have been drilled as of this date. The commingling of gas production from each lease is only by virtue of the fact that a common system is utilized to gather and transport the produced gas to the master meter of the pipeline company and it should be stressed that all gas volumes will be continuously measured with a standard meter run using a Barton Dry Flow Meter installed by Dugan Production on each well or lease prior to leaving the lease and being placed into the Good Times Gathering System. The measurements made with Dugan Production's meter runs will be used to allocate the gas sales volume at Mesa Petroleum's master meter back to the individual wells. All of the oil is collected, stored, measured and sold at each well or lease. The only liquid hydrocarbons that are not actually recovered on the lease and sold from the lease are very minor amounts of drip that occasionally accumulate in the pipeline and are recovered near the Good Times Gathering System master meter run from our drip trap.

With this letter we request approval for the extensions to the Good Times Gathering System as described above, which includes off-lease measurement of produced casinghead gas and the storage and off-lease measurement of a very minor amount of drip. In addition, we are requesting approval for the surface commingling of produced casinghead gas from the wells summarized on Table No. 1. We also request approval to produce any future wells located ~~x~~ on these leases in a similar manner. It should be remembered that Dugan Production Corp. has incurred a substantial investment in installing this gathering system which, had we not done so, it would be necessary to vent the gas associated with oil production in producing these wells. This Gathering System was installed by Dugan Production at our sole expense following extensive negotiations with El Paso Natural Gas and Northwest Pipeline Companies, both of which refused to make wellhead connections for wells in this area. The only way either pipeline company would even consider accepting the gas produced from the subject wells was if we gathered and delivered the gas to a central point on their existing system.

Should you have any questions regarding this, or need additional information, please feel free to contact me.

Sincerely,



Barbara Williams
Engineer

~~x~~ Notification of each new addition need be made.

BW/cg

attachs.

TABLE NO. 1

Previously Approved Leases With Additional Wells

<u>Lease & Well No.</u>	<u>Spud Date</u>	<u>Remarks</u>
<u>Gold Medal Lease #NM 22044</u> #4 SWSW Sec. 33, T24N, R10W	4-20-87	Completing
<u>Olympic Lease #NM 23744</u> #2 SWSE Sec. 3, T23N, R10W	4-14-87	Completing
<u>Mary Lou Lease #V-1509</u> #3 NESE Sec. 32, T24N, R10W #4 SWSE Sec. 32, T24N, R10W	3-28-87 4-02-87	Completing Completing

Additional Leases and Wells

Federal Leases

<u>Calgary Lease #NM 32124</u> #88 NENE Sec. 6, T23N, R10W	4-25-87	Completing
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Indian Leases

<u>Louie Louie Lease #NOG-8505-1062</u> #1 NWSW Sec. 8, T23N, R9W	4-08-87	Completing
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