5 NMOCD 1 File 4 BLM

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

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410

State of New Mexico
Energy, Minerals & Natural Resources Department

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

RECEIVED
JUL 13 1995
OIL CONS. DIV.
DIST. 3

Form C-136
Originated 12/23/91

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. _____

Operator Address: P.O. Box 420, Farmington, NM 87499

Lease Name: March On No. 1 Type: State LG 5685 X Federal ____ Fee ____

Location: Unit F, Sec. 32, T 24N, R 9W San Juan County, NM

Pool: Bisti Lower Gallup

Requested Effective Time Period: Beginning upon approval (approx. 8-1-95) Ending indefinite

APPROVAL PROCEDURE: RULE 403.B.(1)
Please attach a separate sheet with the following information. → See Reverse Side

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: Jim L. Jacobs

Printed Name & Title: Jim L. Jacobs, V.P.

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

Title: DEPUTY OIL & GAS INSPECTOR, DIST. #3

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.

March On No. 1
Unit F, Section 32, Township 24N, Range 9W
San Juan County, New Mexico
API# 30-045- 26997

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

1994 Annual Production - 4,524 MCF
1994 Avg. Daily Production - 11.7 MCFD

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

Since the date for commencing alternate gas measuremnt is contingent upon regulatory approval & equipment modification, the average daily producing rate to be used during the first 12 month period will be determined at the time of commencing alternate measurement & will be the average daily producing rate during the most current & representative month. Should alternate measurement be approved & implemented on 8-1-95, the first year daily average rate will be the average during 5/95 or 6/95. The daily average producing rate to be used during subsequent 12 month periods will be determined during an annual test of sufficient duration to establish daily average production. This test will be taken during a 4 month period preceding the period to be effective, under normal producing conditions, with gas volumes being recorded using a portable flow meter for a minimum of 24 hours. Upon commencing the use of alternate measurement, we will report that date and the daily average rate for the first 12 month period to the NMOCD and BLM.

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

A flow device will be used to establish producing time on a monthly basis.

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

Dugan Production Corp.