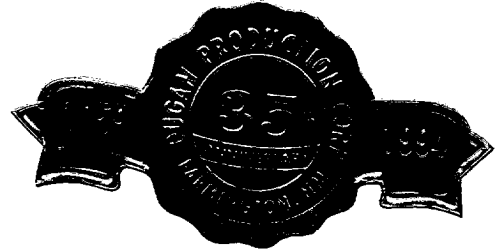


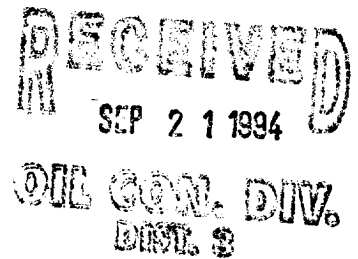
sc  
dugan production corp.

September 20, 1994



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

RE: Off-Lease Measurement  
Dugan Production Corp's Chaco Plant #90  
Federal Lease #NM 12027  
SW/4 NE/4 Section 17, T26N, R12W  
San Juan County, New Mexico



Dear Mr. Chavez:

Attached for your information and file is a copy of Dugan Production's request for Bureau of Land Management (BLM) approval of off-lease measurement on our Chaco Plant #90 well. The BLM approved our request on July 28, 1994 and we received the approved copy on September 19, 1994.

If you have any questions or need additional information, please feel free to call.

Sincerely,

*John D. Roe*

John D. Roe  
Manager of Engineering

JDR/cg

attach.

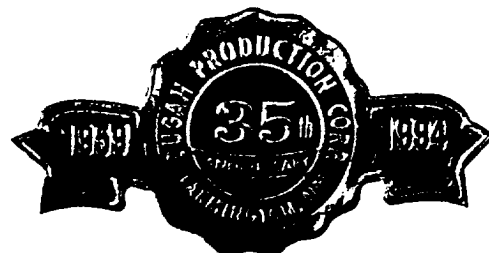


# dugan production corp.

Received from  
Ernest Becker  
9-17-94

July 27, 1994

RECEIVED  
SEP. 21 1994



Hand Delivered

Mr. Mike Pool  
Farmington District Manager  
Bureau of Land Management  
1235 La Plata Hwy.  
Farmington, NM 87401

OIL CON. DIV.  
DIST. 3

Re: Request for Off-lease Measurement  
Dugan Production's Chaco Plant No. 90  
Federal Lease #NM 12027  
NW/NE Sec. 17, T26N, R12W  
San Juan County, New Mexico

Dear Mr. Pool,

We are requesting approval for the off-lease measurement and sale of gas production from Dugan Production's Chaco Plant No. 90

The subject well was drilled during 1992 and completed in the Basin Fruitland Coal pool on 3/1/94 with an initial potential of 91 MCFD. El Paso Natural Gas Company (EPNG) has advised Dugan Production Corp. (DPC) that they will allow a connection for this well to their low pressure pipeline system at an abandoned well location approximately 2500' to the west. This will require off-lease measurement and sale for produced gas.

All liquid production will be separated and stored on the well location. Based upon testing to date, we anticipate the Chaco Plant No. 90 will produce only a small amount of water and no liquid hydrocarbons which is typical to the Basin Fruitland Coal pool in this area.

DPC contacted EPNG and requested that they connect the well for gas sales. We were told that they would not install a sales line to the well but they would accept gas sales if DPC would pay the cost of installing a sales meter on their system and if DPC would construct the pipeline to the sales meter. DPC has another well on this lease, the Chaco Plant No. 1 (790' FSL & 1830' FEL, Sec. 17, T26N, R12W) which is approx. 3860' to the south of the Chaco Plant No. 90. However, between the Chaco Plant No. 90 and the Chaco Plant No. 1 are at least three major pipelines to EPNG's Chaco Plant, a 34" loop line, a 34" main line and an 8" products line plus paved San Juan County Road #7100. To cross the pipeline corridor and the road would require significant

File 3162.7-2

Letter to Mike Pool  
Bureau of Land Management  
July 27, 1994  
Page 2

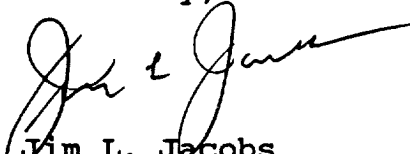
additional expenditures that can not be justified at this time.

Although DPC believes the well to be capable of production, we anticipate that, at best, gas production will be marginal. The well is in an area that is part of the Navajo Agricultural Product Industries (NAPI) and that is currently being cultivated. We have contacted Henry Nakai of NAPI and have received permission to install a temporary 1-1/2" steel surface line around a cultivated field to the existing low pressure EPNG system located at a plugged and abandoned well location approximately 2500' to the west of the Chaco Plant No. 90 (see attached map). There will be no other wells delivering gas to the sales meter at that location. Because the sales meter will be located off Lease NM-12027 at a location which is the closest available system, we are requesting permission for off-lease measurement.

Prior to initiating gas sales, we plan to pressure test the line between the well and sales meter to 500 psi using air. This will insure the initial line integrity which will be delivering gas into a gathering system which has a maximum pressure of 100 psi. The maximum wellhead pressure tested to date has been 210 psig. We will periodically survey the entire line between the well and the sales meter using our Flame Pack model 400 gas leak detector to insure continued line integrity.

Should you need additional information or have questions regarding any of this information, please feel free to contact me at the letterhead address.

Sincerely,

  
Jim L. Jacobs  
Vice-President

encs.

**APPROVED** *6-13*  
**JUL 28 1994**  
**DISTRICT MANAGER**  