

DISTRICT I

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

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-136

Originated 12/23/91

DISTRICT II

P.O. Drawer 60, Artesia, NM 86211-4719

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Submit original and 4 copies to the appropriate district office.

DISTRICT III

1000 Rio Blanco Road, Aztec, NM 87410

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: Lucky Billy Charlie #2 (Ls. #N00-C-14-20-7467) Type: State Federal Fee
 Location: Unit M, Section 22, T27N, R13W, Navajo X
San Juan County, NM
 Pool: Gallegos Gallup Ext.
 Requested Effective Time Period: Beginning 3-1-92 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.

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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 this 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. JacobsPrinted 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: By: Original Signed by FRANK T. CHAVEZTitle: SUPERVISOR DISTRICT # 3

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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.

Lucky Billy Charlie #2
Unit M, Section 22, T27N, R13W, San Juan County, NM
API# 30-045-26454

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

1990 Annual Production – 5059 MCF
1990 Avg. Daily Production – 14.88 MCFD

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

12.24 MCFD (Agreed Volume Daily Rate)
Beginning approx. 3-1-92, Ending – indefinite

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

Lucky Billy Charlie #2

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

El Paso Natural Gas Company