

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

August 7, 1973

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMijo
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR



Dugan Production Corporation
P. O. Box 234
Farmington, New Mexico 87401

Attention: Mr. Thomas A. Dugan

Administrative Order NWU-565

Gentlemen:

Reference is made to your letter of August 3, 1973, requesting authority to produce your Carpenter Gas Com B Well No. 1, located in the NE/4 SW/4 of Section 25, Township 30 North, Range 14 West, NMPM, San Juan County, New Mexico, on a 200-acre unit basis pending sale of two leases, one a 40-acre tract which we believe to be the SW/4 NW/4 of Section 25, and the other an 80-acre tract which we believe to be the S/2 SW/4 of Section 25. This would leave a 200-acre tract comprising the N/2 NW/4, SE/4 NW/4, and N/2 SW/4 of Section 25 as the production unit.

We have discussed this matter with the United States Geological Survey and have been advised that they have no objection to the 200-acre production unit pending sale of the two above-described tracts.

We do feel, however, that inasmuch as the entire W/2 of Section 25 was formerly dedicated to the well and in all probability will again be dedicated to the well, and that production from the well is technically coming from the entire W/2 of the section regardless of whether the lands are under lease or not, provision should be made to credit all lands within the half section with their proportionate share of the funds derived from production.

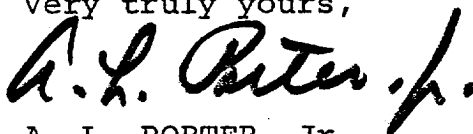
The 200-acre production unit is therefore hereby approved, subject to the provision that 120/320 of the funds derived from the sale of gas from the subject well shall be placed in trust in San Juan County, New Mexico, to be paid to the successful bidder of the two tracts of land which you have requested be placed on KGS sale upon communitization of the three tracts and formation of a standard 320-acre unit.

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Please advise the United States Geological Survey, Roswell, and the New Mexico Oil Conservation Commission, Santa Fe, of the name of the trust agent and trust account name upon placing the well on production.

Very truly yours,

A handwritten signature in dark ink, appearing to read "A. L. Porter, Jr.", with a stylized flourish at the end.

A. L. PORTER, Jr.
Secretary-Director

ALP/DSN/dr

cc: U. S. Geological Survey - Roswell
U. S. Geological Survey - Farmington
✓ Oil Conservation Commission - Aztec
Oil & Gas Engineering Committee - Hobbs