

dugan production corp.

March 5, 2002



Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Ray Powell, Commissioner
New Mexico State Land Office
P.O. Box 1148
Santa Fe, NM 87504-1148

Re: Application to add one well
Dugan Production Corp.'s
State Com No. 2 CDP
NMOCD Commingling Order PLC-153
San Juan County, New Mexico

Dear Ms. Wrotenbery and Mr. Powell,

We are writing to request your administrative approvals to add Dugan Production's State Com No. 90R to the Central Delivery Sales Meter (CDP) currently approved for Dugan's State Com No. 2 and 90 wells (NMOCD Commingling Order PLC-153 dated 02/22/99). This will require the surface commingling plus off-lease measurement and sale of natural gas produced from the State Com No. 90R. All three wells are operated by Dugan Production Corp. and have a common spacing unit comprising five State leases and 320 acres in the north half of Section 16, T-32N, R-12W. The North half spacing unit is communitized for the Fruitland Coal in the State Com No. 90 and the Mesaverde in the State Com No. 2. The State Com No. 90R Fruitland Coal completion will be included in the communitization agreement established for the State Com No. 90. Since the special pool rules for the Basin Fruitland Coal pool will not allow multiple wells within a 320 acre spacing unit, we plan to shut in the State Com No. 90 and will either temporarily or permanently abandon the wellbore upon establishing a Fruitland Coal completion in the State Com No. 90R.

Attachment No. 1 presents a map of the gathering system, along with the leases within Section 16. All liquids (water and condensate) will be separated, stored, and sold or disposed of at each well. Only natural gas will be commingled after being measured with conventional, continuous recording allocation meters located at each well. The commingled gas stream will then be compressed and delivered to the CDP sales meter, which is operated and maintained by El Paso Field Services (El Paso Meter No. 89175) and is located at the No. 2 well.

Attachment No. 2 presents well information for the two wells currently approved for the CDP, along with information about the State Com No. 90R to be added. Attachment No. 3 presents the C-102 for each of the three wells.

Attachment No. 4 presents ownership information for all three wells. Although all three wells share a common spacing unit, the working interest ownership in the Mesaverde is not the same as in the Fruitland Coal; however, the royalty and overriding royalty interest ownership is the same in both zones for all three wells. Since there is a difference in working interest ownership, all gas production will be individually metered prior to commingling using allocation meters installed and maintained at each well by Dugan

Production Corp. The allocation meters will be continuous recording dry flow chart recorders, and the monthly charts will be integrated using a contract service to determine volumes for allocating CDP sales volumes to the individual wells.

Attachment No. 5 presents a drawing of the gathering system, along with individual well facilities. We currently plan to move production facilities from the State Com No. 90 to the State Com No. 90R and will probably temporarily abandon the No. 90 wellbore.

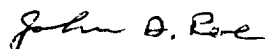
Attachment No. 6 presents the allocation procedure currently being used for the CDP and to be used for the State Com 90R. The gas streams from each well are believed to be compatible. Attachment No. 7 presents copies of a gas analysis from the Mesaverde in the State Com No. 2 and the Fruitland Coal in the State Com 90.

All interest owners are being sent a copy of this application by certified, return-receipt mail. Attachment No. 8 is a copy of the transmittal letter. Upon receiving the return receipts, we will forward copies to the NMOCD as evidence of interest owner notice.

In summary, Dugan Production Corp. is currently completing our State Com No. 90R in the Basin Fruitland Coal and proposes to connect this well to the existing gas CDP sales meter currently authorized for our State Com No. 2 and No. 90 wells. This will necessitate the surface commingling of natural gas, plus the off-lease measurement and sale of gas from the No. 90R well. This will allow using an existing compressor, which will reduce compressor fuel requirements, along with exhaust and noise emissions. Upon completion of the State Com No. 90R, the State Com No. 90 will be shut in and either temporarily or permanently abandoned.

Should there be questions or additional information needed, please let me know.

Sincerely,



John D. Roe
Engineering Manager

JDR:sh

cc: All interest owners (Attachment No. 8)
NMOCD – Aztec

Attachments

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS
 WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☒ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by ~~BLM~~ ^{SLO}
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

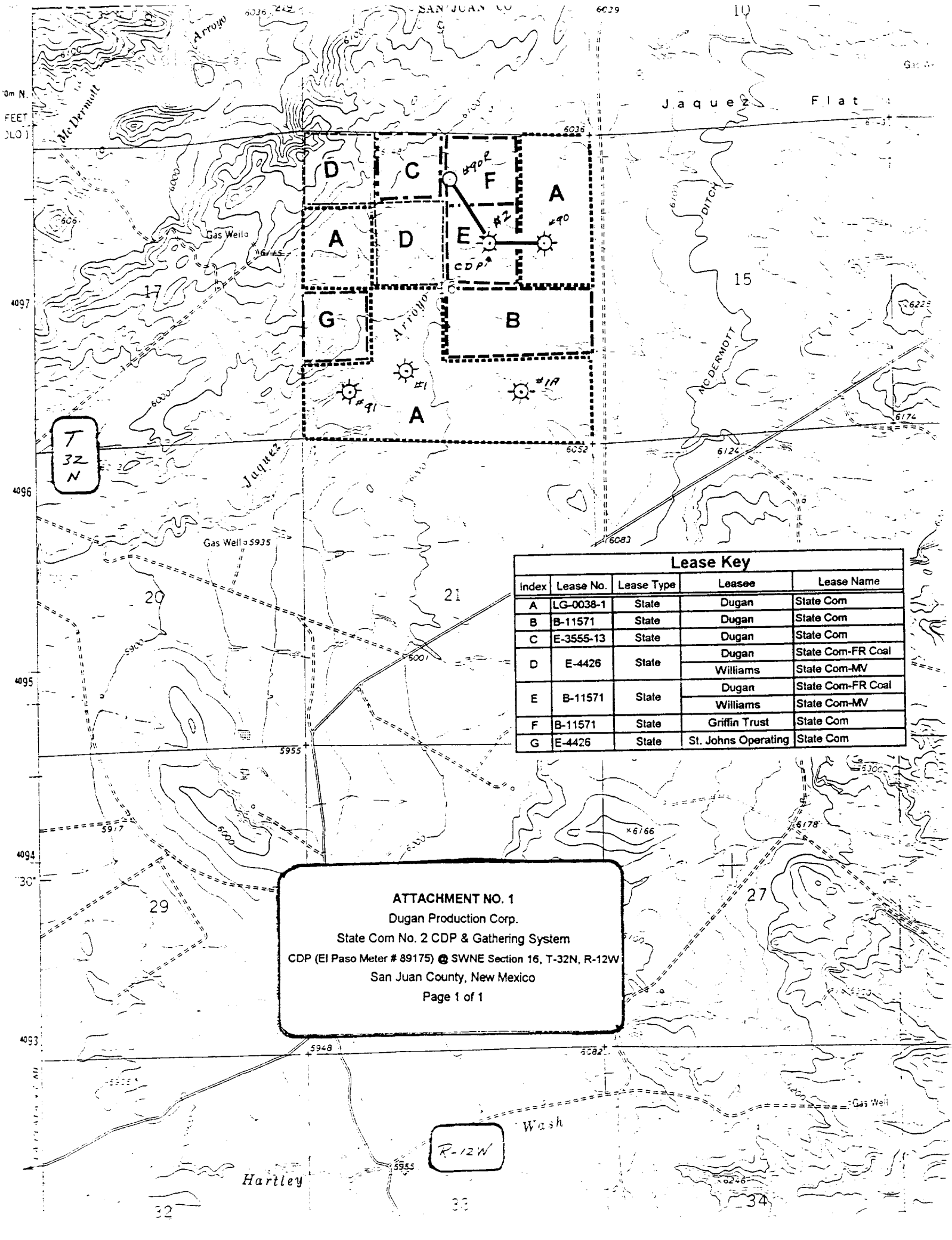
* Copy of Notice letter is presented as Attachment
 No. 30 Copies of Certified Return Receipts will
 be mailed to NMCD upon Receipt.

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE
 OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

<u>John D. Rue</u>	<u>John D. Rue</u>	<u>Engineering myr</u>	<u>3/5/02</u>
Print or Type Name	Signature	Title	Date
		<u>dugan.e.cpt.net.com</u>	
		e-mail Address	



Lease Key				
Index	Lease No.	Lease Type	Leasee	Lease Name
A	LG-0038-1	State	Dugan	State Com
B	B-11571	State	Dugan	State Com
C	E-3555-13	State	Dugan	State Com
D	E-4426	State	Dugan	State Com-FR Coal
			Williams	State Com-MV
E	B-11571	State	Dugan	State Com-FR Coal
			Williams	State Com-MV
F	B-11571	State	Griffin Trust	State Com
G	E-4426	State	St. Johns Operating	State Com

ATTACHMENT NO. 1
Dugan Production Corp.
State Com No. 2 CDP & Gathering System
CDP (El Paso Meter # 89175) @ SWNE Section 16, T-32N, R-12W
San Juan County, New Mexico
Page 1 of 1

ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
STATE COM 2 GAS GATHERING SYSTEM AND CDP
CDP Sales Meter @ G-16-32N-12W (El Paso Meter No. 89175)
SAN JUAN COUNTY, NEW MEXICO

Well Name	API Number	Well Location			CA Number	Pool	Completion Date	Current Production ①			Spacing Unit	Dates for SC, OLM & S ②			
		UL-Sec-Twn-Rng	Lease No.	Lse. Type				MC/FD	BC/D	BW/D		Application	BLM Approval	NMSLO Approval	NMOCOD Approval
WELLS APPROVED FOR CDP METER															
State Com #2	21128	G-16-32N-12W	B-11571	State	State CA	Blanco Mesaverde	09/18/74	109	0.3	0.7	N/2 - 320A	01/29/99	N/A	03/03/99	02/22/99
State Com #90 ③	29680	H-16-32N-12W	LG-0038-1	State	State CA	Basin Fruitland Coal	02/02/99	53	0	3.0	N/2 - 320A	01/29/99	N/A	03/03/99	02/22/99
WELLS TO BE ADDED TO SYSTEM															
State Com #90R ④	29739	B-16-32N-12W	S-11571	State	State CA	Basin Fruitland Coal	Note 4	250	0	15	N/2 - 320A	pending	N/A	pending	pending

Notes:

- N/A - Not applicable or not needed.
1. Current production data represents daily average for 12/01 and 01/02. For wells not completed, data presents anticipated production rates.
 2. Application for surface commingling, off-lease measurement, and sale of natural gas. Applications are subject to approvals by the Bureau of Land Management (BLM), New Mexico State Land Office (NMSLO), and the New Mexico Oil Conservation Division (NMOCD). NMOCD's most recent order = Administrative Commingling Order PL C-153.
 3. Production to date from the State Com No. 90 has been disappointing. The State Com No. 90R is being drilled to hopefully produce a better well. Depending upon production from the 90R, the #90 will be shut in and either temporarily or permanently abandoned. Only one well (either the #90 or #90R) will be produced from the common N/2 spacing unit until such time as multiple wells are allowed within a standard Fruitland Coal spacing unit.
 4. The State Com No. 90R was spudded on 02/06/02, and 4-1/2" casing cemented @ 1,915'. Efforts to complete the Fruitland Coal are in progress and for testing, the State Com No. 90 will be shut in. Only one well (either the State Com No. 90R or the No 90) will be produced from the common N/2 spacing unit until such time as multiple wells are allowed within a standard Fruitland Coal spacing unit.

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

Attachment
No. 3
pg 1 of 3

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-29739		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 3850	*Property Name STATE COM		*Well Number 90R
*OGPIS No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6054'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot (n)	Feet from the	North/South line	Feet from the	East/West line	County
E.	16	32N	12W		790	NORTH	2415	EAST	SAN JUAN

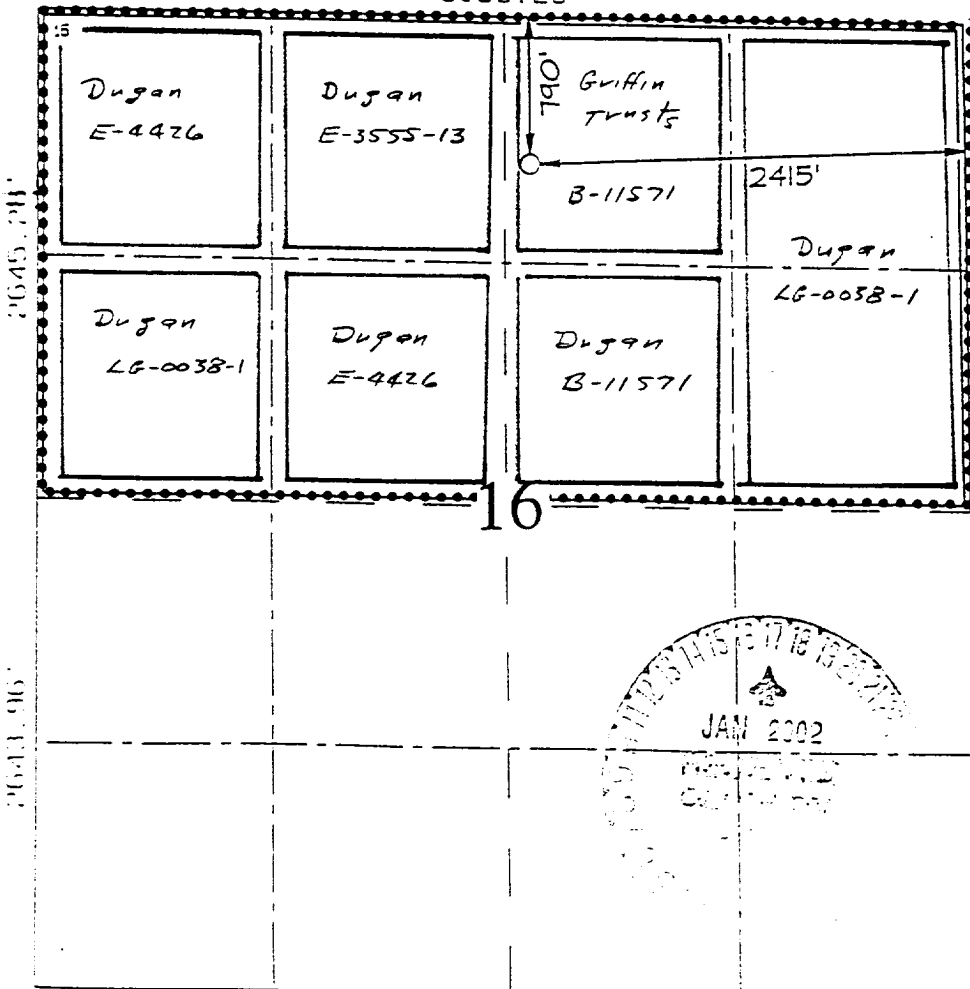
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot (n)	Feet from the	North/South line	Feet from the	East/West line	County

*Dedicated Acres 320.0 Acres (N/2)	*Joint or Infill	*Consolidation Code C	*Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

5089.26'



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Kurt Fagrelus
Signature
Kurt Fagrelus
Printed Name
Geologist
Title
1-17-02
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Survey Date: **JANUARY 15, 2002**

Signature and Seal of Professional Surveyor



JASON C EDWARDS
Certificate Number **15269**

5194.66'

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Artec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

Attachment
No. 3
Pg 2 of 3

WELL LOCATION AND ACREAGE DEDICATION PLAT

AIT Number 30 045 29680	Pool Code 71629	Pool Name Basin Fruitland Coal
Property Code 003850	Property Name State Com	Well Number 90
OGRID No. 006515	Operator Name Dugan Production Corporation	Elevation 6043' Estimated

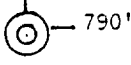
10 Surface Location

UL or lot no. H	Section 16	Township 32N	Range 12W	Lot Idn H	Feet from the 1850	North/South line North	Feet from the 790	East/West line East	County San Juan
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill	Consolidation Code C	Order No. To be communitized						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

DPC E-4426	DPC E-3555-13	Griffin Trusts B-11571	DPC LG-0038-1 1850'		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief John D. Roe Signature John D. Roe Printed Name Engineering Manager Title January 29, 1999 Date
DPC LG-0038-1	DPC E-4426	DPC B-11571			
					18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. September 1, 1998 Date of Survey Signature and Seal of Surveyor: EDGAR L. RISENHOOVER NEW MEXICO 5979 Certificate Number 18979

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Attachment
No. 3
Pg 3 of 3

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-21128	² Pool Code 72319	³ Pool Name Blanco Mesaverde
⁴ Property Code 003850	⁵ Property Name State Com	⁶ Well Number 2
⁷ OGRID No. 006515	⁸ Operator Name Dugan Production Corp.	⁹ Elevation 6013'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	16	32N	12W		1850	North	1730	East	San Juan

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code C	¹⁵ Order No. all communitized except NW NE (Griffin) which was forced pooled by Order No. R-4427 on 10-27-72						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

Williams E-4426	DPC E-3555-13	Griffin Trusts B-11571 1850'	DPC LG 0038-1	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature <u>John D Roe</u> Printed Name <u>John Roe</u> Engineering Manager Title January 29, 1999 Date
DPC LG-0038-1	Williams E-4426	Williams B-11571 1730'		
				¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 11-13-72 Date of Survey Signature and Seal of Professional Surveyer: Original survey made & signed by James P. Leese Certificate Number 1463

Attachment No. 4
Interest Ownership
320 Acre N/2 Spacing Unit
Section 16, T-32N, R-12W
San Juan County, New Mexico

	State Com #90 Basin Fruitland Coal <u>H-16-T32N-R12W</u>		State Com #2 Blanco Mesaverde <u>G-16-T32N-R12W</u>		State Com #90R Basin Fruitland Coal <u>B-16-T32N-R12W</u>	
	<u>WI-%</u>	<u>NI-%</u>	<u>WI-%</u>	<u>NI-%</u>	<u>WI-%</u>	<u>NI-%</u>
<u>Working Interest Owners</u>						
Dugan Production Corp.	87.50	76.187500	50.00	43.375000	87.50	76.187500
Williams Production Co.	0	0	37.50	32.812500	0	0
Paul T. Griffin Trust	12.50*	10.937500	12.50	10.937500	12.50*	10.937500
<u>Royalty Interest Owners</u>						
State of New Mexico	0	12.500000	0	12.500000	0	12.500000
<u>Overriding Royalty Owners</u>						
Thelma Atkins	0	0.0937500	0	0.0937500	0	0.0937500
John W. Barringer	0	0.1406250	0	0.1406250	0	0.1406250
Lewis T. Barringer	0	0.1406250	0	0.1406250	0	0.1406250
Totals	100.0	100.0	100.0	100.0	100.0	100.0

*Interest owner elected to go non-consent and is being carried by Dugan Production during payout.

Addresses

Thelma Atkins
c/o Mr. & Mrs. Jim Callan
1028 Santa Florencia
Solano Beach, CA 92075

Williams Production Company
P.O. Box 58900
Salt Lake City, UT 84158-0900

John W. Barringer
1054 Lynnwood Blvd.
Nashville, TN 37215

State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504-1148

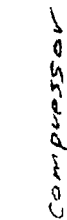
Lewis T. Barringer, Jr.
192 Sayre Drive
Princeton, NJ 08540

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

Paul T. Griffin Trust
Charles E. Griffin, Trustee
732 Bison Ave.
New Port Beach, CA 92660

Section 9 Section 10

Section 16 Section 15



CDP Sales

Mefer - El Paso

Ref No B9175.

Currently for State

Com No 2490.

proposed for State

Com No 2790 R.

(State Cons No 90 to 60)

Shut in & ultimately Temporarily
Abandoned or permanently
Abandoned.)

Attachment No. 5

Well Site Facilities

Dugan Production Corp.

State Com. No. 2, No. 90 + No 50 R

Spacing unit = $N/2$ 16, T32N, R12W

Blanco Mesquite & Boson Fruitland Co.

- drawing not to scale

ATTACHMENT 6 - PAGE 1 OF 1
ALLOCATION PROCEDURES
DUGAN PRODUCTION CORP.'S
STATE COM 2 CDP & GAS GATHERING SYSTEM
CDP GAS SALES METER: SW NE 16-32N-12W (El Paso Meter No. 89175)
SAN JUAN COUNTY, NEW MEXICO

Base Data:

W = Gas Volume (MCF) from allocation meters at individual wells during allocation period.

X = Gas Volume (MCF) from CDP Sales Meter during allocation period.

Y = BTU's from CDP Sales Meter during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A + B + C + D + E

A = Allocated Sales Volume, MCF. = $(W/\text{SUM } W) \times X$

B = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by $W/\text{SUM } W$ for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by $W/\text{SUM } W$.

2. Allocated Individual Well BTU's = $((W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU})) \times Y$.

Individual well gas heating values to be determined in accordance with BLM regulations (currently On shore Order No. 5).



2030 AFTON PLACE
FARMINGTON, N.M. 87401
(505) 325-6622

ANALYSIS NO. DUG00155
CUST. NO. 23000- 11190

WELL/LEASE INFORMATION

CUSTOMER NAME DUGAN PRODUCTION CORP.
WELL NAME STATE COM 2
COUNTY/ STATE SAN JUAN NM
LOCATION G-16-32N-12W
FIELD Blanco Masoverde
FORMATION Masoverde
CUST.STN.NO. 202A252747

SOURCE N/A
PRESSURE 107 PSIG
SAMPLE TEMP DEG.F
WELL FLOWING Y
DATE SAMPLED 9/6/00
SAMPLED BY J. DAVIS
FOREMAN/ENGR. TOM BLAIR

Attachment
No. 7
Pg 1 of 2

REMARKS

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.299	0.0000	0.00	0.0029
CO2	0.854	0.0000	0.00	0.0130
METHANE	81.763	0.0000	827.69	0.4529
ETHANE	10.196	2.7274	180.85	0.1059
PROPANE	4.079	1.1242	102.87	0.0621
I-BUTANE	0.574	0.1878	18.71	0.0115
N-BUTANE	1.094	0.3449	35.77	0.0220
I-PENTANE	0.332	0.1215	13.31	0.0083
N-PENTANE	0.262	0.0949	10.53	0.0065
HEXANE PLUS	0.547	0.2387	28.12	0.0176
TOTAL	100.000	4.8393	1,217.85	0.7026

* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

** @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR (1/Z) 1.0034
BTU/CU.FT (DRY) CORRECTED FOR (1/Z) 1,222.3
BTU/CU.FT (WET) CORRECTED FOR (1/Z) 1,201.0
REAL SPECIFIC GRAVITY 0.7053

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650 1,215.7
DRY BTU @ 14.696 1,219.5
DRY BTU @ 14.730 1,222.3
DRY BTU @ 15.025 1,246.8

CYLINDER # 045
CYLINDER PRESSURE 100 PSIG
DATE RUN 9/7/00
ANALYSIS RUN BY DAWN BLASSINGAME



2030 AFTON PLACE
FARMINGTON, N.M. 87401
(505) 325-6622

ANALYSIS NO. DUG00049
CUST. NO. 23000- 11140

WELL/LEASE INFORMATION

CUSTOMER NAME DUGAN PRODUCTION CORP.
WELL NAME STATE COM 90
COUNTY/ STATE SAN JUAN NM
LOCATION 16-32N-12W - unit 11
FIELD Basin Fruitland Coal
FORMATION FRUITLAND COAL
CUST.STN.NO. 202N-998

SOURCE
PRESSURE
SAMPLE TEMP
WELL FLOWING
DATE SAMPLED
SAMPLED BY
FOREMAN/ENGR.

METER RUN
160 PSIG
DEG.F
Y
7/26/00
J. DAVIS
TOM BLAIR

Attachment
No. 7
pg 2 of 2

REMARKS

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.630	0.0000	0.00	0.0061
CO2	3.956	0.0000	0.00	0.0601
METHANE	95.167	0.0000	963.38	0.5271
ETHANE	0.192	0.0514	3.41	0.0020
PROPANE	0.029	0.0080	0.73	0.0004
I-BUTANE	0.011	0.0036	0.36	0.0002
N-BUTANE	0.003	0.0009	0.10	0.0001
I-PENTANE	0.002	0.0007	0.08	0.0000
N-PENTANE	0.000	0.0000	0.00	0.0000
HEXANE PLUS	0.010	0.0044	0.51	0.0003
TOTAL	100.000	0.0690	968.57	0.5964

* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

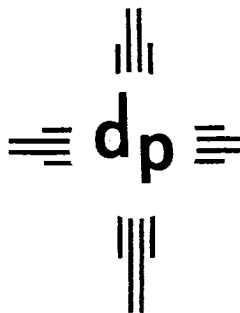
** @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR (1/Z) 1.0021
BTU/CU.FT (DRY) CORRECTED FOR (1/Z) 970.6
BTU/CU.FT (WET) CORRECTED FOR (1/Z) 953.7
REAL SPECIFIC GRAVITY 0.5976

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650 965.3
DRY BTU @ 14.696 968.4
DRY BTU @ 14.730 970.6
DRY BTU @ 15.025 990.0

CYLINDER # A060
CYLINDER PRESSURE 140 PSIG
DATE RUN 7/31/00
ANALYSIS RUN BY DAWN OLDS



dugan production corp.

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 5, 2002

Attachment
No. 8
Pg 1 of 2

Interest Owners (Address List Attached)
Dugan Production Corp.'s
State Com No. 90R
Unit B, Section 16, T32N, R12W
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information and file is a copy of our application requesting authorization to add the State Com No. 90R to the existing central delivery gas sales meter (CDP) for the State Com No. 2 and No. 90 wells.

All three wells are operated by Dugan Production Corp., and the spacing unit for each well is the north half of Section 16. Upon completion of the No. 90R, we will shut in the No. 90 and either temporarily or permanently abandon the No. 90, as the Basin Fruitland Coal Pool Rules currently will not allow more than one producing well in a 320 acre spacing unit. To ensure the accurate allocation of natural gas volumes and revenues from the CDP to each well, allocation meters are, or will be, installed at each well and the volumes produced from each well will be continuously recorded. The allocation procedures are presented in Attachment No. 6 to the application. All condensate and water will be handled separately at each well and will not be commingled.

This matter does not require any action on your part. Should you have any questions, need additional information, or have any concern as to our proposal, please let me know. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 1220 South St. Francis Drive in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe
Engineering Manager

JDR:sh

Attachments

Interest Ownership
320 Acre N/2 Spacing Unit
Section 16, T-32N, R-12W
San Juan County, New Mexico

Attachment
No 8
Pg 2 of 2

	State Com #90 Basin Fruitland Coal H-16-T32N-R12W		State Com #2 Blanco Mesaverde G-16-T32N-R12W		State Com #90R Basin Fruitland Coal B-16-T32N-R12W	
	<u>WI-%</u>	<u>NI-%</u>	<u>WI-%</u>	<u>NI-%</u>	<u>WI-%</u>	<u>NI-%</u>
<u>Working Interest Owners</u>						
Dugan Production Corp.	87.50	76.187500	50.00	43.375000	87.50	76.187500
Williams Production Co.	0	0	37.50	32.812500	0	0
Paul T. Griffin Trust	12.50*	10.937500	12.50	10.937500	12.50*	10.937500
<u>Royalty Interest Owners</u>						
State of New Mexico	0	12.500000	0	12.500000	0	12.500000
<u>Overriding Royalty Owners</u>						
Thelma Atkins	0	0.0937500	0	0.0937500	0	0.0937500
John W. Barringer	0	0.1406250	0	0.1406250	0	0.1406250
Lewis T. Barringer	0	0.1406250	0	0.1406250	0	0.1406250
Totals	100.0	100.0	100.0	100.0	100.0	100.0

*Interest owner elected to go non-consent and is being carried by Dugan Production during payout.

Addresses

Thelma Atkins
c/o Mr. & Mrs. Jim Callan
1028 Santa Florencia
Solano Beach, CA 92075

Williams Production Company
P.O. Box 58900
Salt Lake City, UT 84158-0900

John W. Barringer
1054 Lynnwood Blvd.
Nashville, TN 37215

State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504-1148

Lewis T. Barringer, Jr.
192 Sayre Drive
Princeton, NJ 08540

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

Paul T. Griffin Trust
Charles E. Griffin, Trustee
732 Bison Ave.
New Port Beach, CA 92660