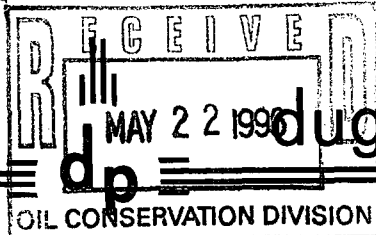


DH< 6/11/96
1304



Dugan production corp.

May 21, 1996

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

**RE: Administrative Approval to Downhole Commingle
Dugan Production Corp's Sapp #2
Unit H, Sec. 28, T24N, R8W
San Juan County, NM**

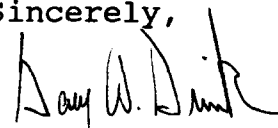
Dear Mr. LeMay:

We request administrative approval to downhole commingle the Cuervo Mesa Verde formation with the existing Lybrook Gallup formation in our Sapp #2 well. Since both zones are marginal and must be artificially lifted to produce, downhole commingling is the most efficient means for production.

Following completion of the Mesa Verde interval, it is recommended the well be tested for sixty (60) days to stabilize the production rate and the allocation be based on the total rate less the existing Gallup production. A fixed percentage will be reported so an actual allocation can be assigned.

A copy of this application is being submitted to all offset operators by certified mail with a request that they furnish your office in Santa Fe a Waiver of Objection.

Attached is application form C-107-A, a well location plat showing dedicated acreage for each pool, production decline curves and a map showing all offsetting operators.

Sincerely,

Gary W. Brink
Petroleum Engineer

GW/cg

cc: NMOCD, Aztec
Bureau of Land Management, Farmington
Navajo Nation
Offsetting Operators (BIA, Navajo Allotted)

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

DISTRICT II
811 South First St., Artesia, NM 88210-2835

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator DUGAN PRODUCTION CORP. Address PO Box 420, Farmington, NM 87499
Sapp #2 H-28-T24N-R8W San Juan County
Lease Well No. Unit Ltr. - Sec - Twp - Rge County
OGRID NO. 006515 Property Code 003828 API NO. 30 045 29243 Spacing Unit Lease Types: (check 1 or more)
Federal ☒ State ☐ (and/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Cuervo MV 15010		Lybrook Gallup 42289
2. Top and Bottom of Pay Section (Perforations)	4084-90 (Est)		5147-5380
3. Type of production (Oil or Gas)	Oil		Oil
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 239 (calc) b. (Original)	a. b.	a. 330 (calc) b.
6. Oil Gravity ($^{\circ}$ API) or Gas BTU Content	38 $^{\circ}$ (est)		38.7 $^{\circ}$
7. Producing or Shut-In?	Not yet completed		Producing
Production Marginal? (yes or no)	Yes		Yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates: Date: Rates: 3/4/0 (est)	Date: Rates: Date: Rates:	Date: Rates: Date: 3/96 Rates: 10/100/0
8. Fixed Percentage Allocation Formula - % for each zone	Oil: % Gas: % MV=Total Prod. % GL	Oil: % Gas: % Prod. %	Oil: % Gas: % Prod. %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☒ Yes ☐ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ☐ No

11. Will cross-flow occur? ☐ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☐ Yes ☐ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No

13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

15. NMOC Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

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

SIGNATURE Gary Brink TITLE Operations Manager DATE 5/20/96

TYPE OR PRINT NAME Gary Brink TELEPHONE NO. (505) 325-1821

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-8719
District III
1000 Rio Brazos Rd., Aztec, 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

WELL LOCATION AND ACREAGE DEDICATION PLAT

APN Number 30-045-29243		Pool Code 42289		Pool Name Lybrook Gallup	
Property Code 003828		Property Name Sapp			Well Number 2
OGRID No. 006515		Operator Name Dugan Production Corporation			Elevation 6748' Estimated

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
H	28	24N	8W		2240	North	543	East	San Juan

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40		Joint or In/In		Consolidation Code		Order No.			

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

<p>16</p> <p>2240'</p> <p>Dugan Prod. SF 078868</p> <p>543'</p> <p>Section 28</p>					<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Sherman E. Dugan</i> Signature Sherman E. Dugan Printed Name Vice-President Title 3-3-95 Date</p>				
					<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>December 20, 1994 Date of Survey</p> <p>Signature and Seal of Surveyor: EDGAR L. RISENHOOVER NEW MEXICO 5879 Certificate Number</p>				

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, 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
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State Lease - 4 Copies
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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30 045 29243		2 Pool Code 15010		3 Pool Name Cuervo MesaVerde		
4 Property Code 003828		5 Property Name Sapp			6 Well Number 2	
7 OGRID No. 006515		8 Operator Name Dugan Production Corporation			9 Elevation 6748' Estimated	

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
H	28	24N	8W		2240	North	543	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 40	13 Joint or Infill	14 Consolidation Code	15 Order No.
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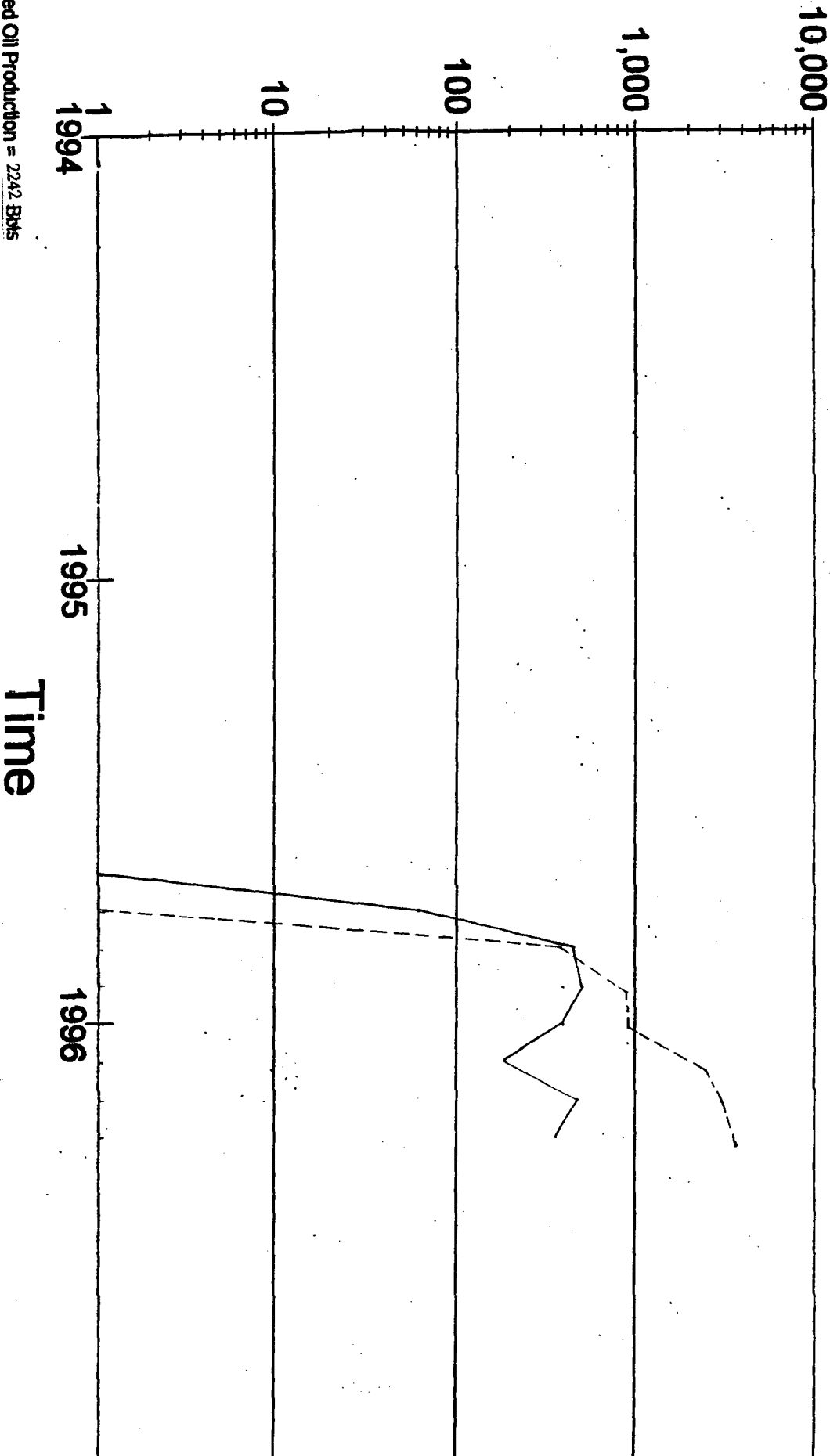
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16									17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature _____ Jim L. Jacobs Printed Name Vice-President Title 5/20/95 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. December 20, 1994 Date of Survey Signature and Seal _____ EDGAR L. RISENHOVER NEW MEXICO 5979 PROFESSIONAL SURVEYOR Certificate Number _____

Oil
Gas
Water
Wells

Field: LYBROOK GL
 Lease: SAPP | Well #2
 Operator: DUGAN PRODUCTION CORPORATION
 Production Rate vs Time
 For the Period 09/1995 to 03/1996 | API: 30045292430000

BBI/Mo or Mcf/Mo



Time

1994

1995

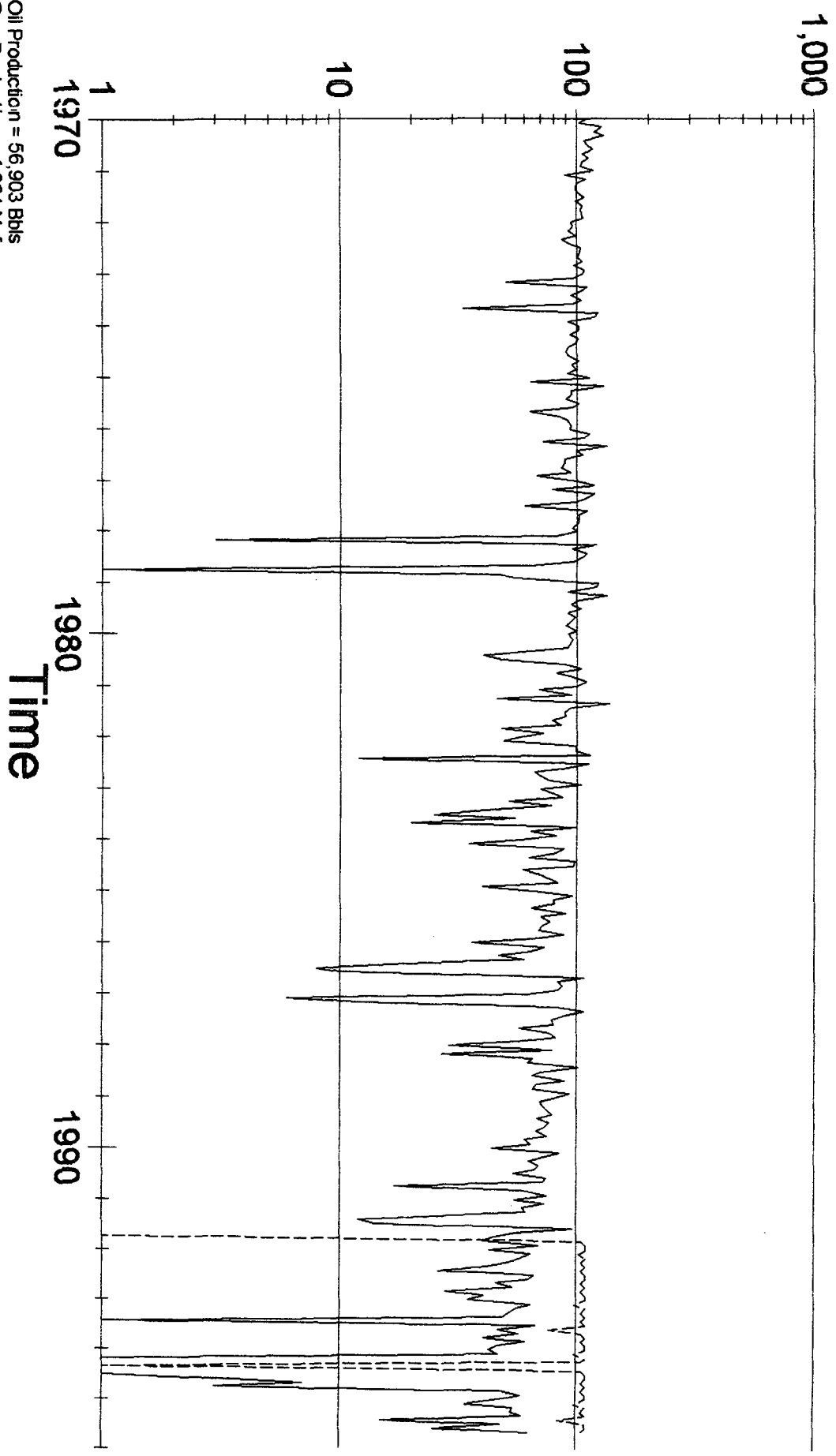
1996

Reported Oil Production = 2242 Bbls
 Reported Gas Production = 10527 Mcf
 Reported Water Production = 0 Bbls

Oil
Gas
Water
Wells

Field: CUERVO MV
Lease: SAPP | Well #1
Operator: DUGAN PRODUCTION CORPORATION
Production Rate vs Time
For the Period 11/1956 to 09/1995 | API: 30045050950000

BBI/Mo or Mcf/Mo



Reported Oil Production = 56,903 Bbls
Reported Gas Production = 4,861 Mcf
Reported Water Production = 97 Bbls

Application For Downhole Commingling
Offsetting Operators
Cuervo MV-Lybrook GL Pools
Dugan Production Corp.
Sapp #2
Unit H, Sec 28, T 24 N, R 8 W
San Juan Co., N.M.

	Dugan	Dugan	Navajo Allotted Open
29	Dugan	28 Dugan	27 Dugan