

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF DUGAN PRODUCTION CORP. FOR TWO
NON-STANDARD SPACING AND PRORATION UNITS,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 11899

APPLICATION

DUGAN PRODUCTION CORP. ("Dugan"), through its undersigned attorneys, hereby applies to the New Mexico Oil Conservation Division for approval of two non-standard gas proration units, Rio Arriba County, New Mexico and in support of its application states:

1. Applicant is the operator of the SE/4 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, on which it proposes to drill its Mona Lisa Well No. 2 to the Dakota formation at a standard location 1620 feet from the South line and 1850 feet from the East line of said Section 14 to a depth sufficient to test the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.
2. Applicant seeks the establishment of two 160-acre non-standard gas proration units to be comprised of the SE/4 in the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool to be dedicated to its proposed Mona Lisa Well No. 2.
3. Both the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool are governed by Special Pool Rules (Order No. R-8170) which provide for 320-acre spacing and

proration units with an infill gas well authorized on each 320-acre unit.

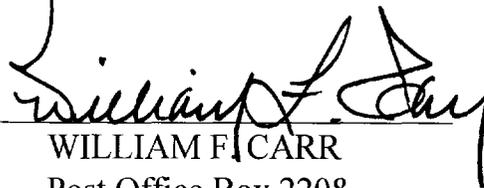
4. Granting this application and the drilling of the proposed wells will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed Examiners on December 18, 1997 and, that after notice of hearing as required by law, the Division enter its order approving this application.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By:



WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR DUGAN
PRODUCTION CORP.

CASE NO. 11899: Application of Dugan Production Corp., for two non-standard spacing and proration units, Rio Arriba County, New Mexico. Applicant seeks approval of two non-standard gas proration units in the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool to be comprised of the SE/4 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. Applicant dedicates each of these non-standard spacing and proration units to its Mona Lisa Well No. 2 to be drilled at a standard location 1620 feet from the South line and 1850 feet from the East line of said Section 14. Said area is located approximately _____ miles _____ of _____, New Mexico.

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

November 25, 1997

HAND-DELIVERED

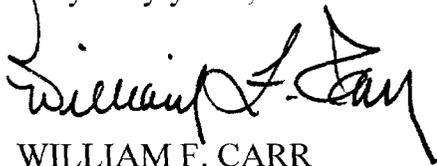
William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87503

Re: Application of Dugan Production Corp., for Two Non-Standard Spacing and
Proration Units, Rio Arriba County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Dugan Production Corp., in the above-referenced case as well as a copy of the legal advertisement. Dugan respectfully requests that this matter be placed on the docket for the December 18, 1997 Examiner hearings.

Very truly yours,


WILLIAM F. CARR

WFC:mlh
Enclosures

cc: Mr. David Poage (w/enclosures)
Dugan Production Corp.