PLC 4/20/00

dugan production corp.

March 29, 2000

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Ms. Lori Wrotenbery, Director New Mexico Oil Conservation Division 2040 South Pacheco Street Santa Fe, NM 87505 Mr. Ray Powell, Commissioner New Mexico State Land Office PO Box 1148 Santa Fe, NM 87504-1148

RECEIVED

#12389

Mr. Lee Otteni, Manager Bureau of Land Management - Farmington Field Office 1235 La Plata Highway Farmington, NM 87401 MAR 31 2000

**Oil** Conservation Division

Re: Add 3 wells to Com 1E CDP - Plus Surface Commingling, off-lease measurement and Sale of Natural Gas - Dugan Production's, Com No. 4, Federal I No. 99, and Tabor Com No. 90, San Juan County, New Mexico

Dear Ms. Wrotenbery, Mr. Powell, and Mr. Otteni,

We are writing to request your administrative approvals to add 3 wells, Dugan's Com No. 4, Federal I No. 99, and Tabor Com No. 90 to the central delivery sales meter (CDP) currently authorized for Dugan's Com No. 1E and No. 2 wells. This will also require the surface commingling of natural gas and water, plus the off lease measurement and sale of natural gas produced from the Com No. 4, Federal I No. 99, and Tabor Com No. 90. All condensate or oil produced from any of the wells will be separated, stored and sold at the individual well sites and will not be included in the Tabor Gathering System. Currently only one well, the Com No. 1E produces a small amount of condensate.

The Com No. 1E CDP (located in Unit A, Section 2, T-29N, R-14W, at the Com No. 1E well site) and surface commingling of natural gas from the Com No. 1E and Com No. 2 was approved by the New Mexico State Land Office (NMSLO) on 7-17-96, the Bureau of Land Management (BLM) on 7-30-96 and the New Mexico Oil Conservation Division (NMOCD) on 8-19-96 (NMOCD Order R-10655). This CDP was placed into service during 9/96 and has allowed the Com No. 1E and Com No. 2 to be produced using only one compressor.

Dugan Production has recently completed the Com No. 4, Federal I No. 99, and the Tabor Com No. 90, and all 3 wells will require wellhead compression to deliver gas into El Paso's system which is currently being operated at a pressure of ±250 psi and at times the pressure will approach 350 psi. We are proposing to install a gathering system to deliver production from these 3 wells (water and natural gas) to the Com No. 1E CDP. Each of these 3 wells are completed in either the Basin Fruitland Coal or the Harper Hill Fruitland Sand-Pictured Cliffs Gas Pool, and produce a significant volume of water along with natural gas. None of the 3 wells produce any condensate or oil. We are proposing to 709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613 produce natural gas from each well up the casing-tubing annulus and after metering the gas at the individual well site, using a conventional meter run and Barton dry flow meter, transport the gas to the central battery where it will be collected and compressed using a central compressor for delivery to the Com No. 1E CDP sales meter.

The water from each well, plus any natural gas that is associated with the water production, will be produced up the tubing (likely with rod pump artificial lift equipment) and will be transported to the central battery in a separate line. At the central battery, the produced water streams will be commingled and any associated natural gas will be separated. The water will be transferred to water storage tanks at the central battery and then transferred to Dugan Production's Stella Needs A Com Water Disposal System using a water injection pump also located at the central battery. The natural gas separated from the water at the central battery will be metered using a conventional gas meter run equipped with a Barton dry flow meter, and after metering, the gas will be delivered to the central compressor for compression and sale. This meter will be of similar design to the gas metering equipment located at each well. The gas recovered from the central battery water separator will be allocated to the individual wells contributing production to the separator based upon the volumes of water each well produced. Attachment No. 7 presents a sketch of the central battery and the proposed allocation procedures for water and gas are presented on Attachment No. 6. The water production rates will be periodically tested at each well using Dugan's portable, 3 phase test unit. The test frequency will be based upon need as determined by volumes at the central battery; i.e. any changes of significance in the total volume will indicate the need for retesting each well.

Attachment No. 1 was reproduced from portions of the Youngs Lake and Kirtland USGS Quadrangle Topography maps and presents Dugan Production's proposed Tabor Gathering System. In addition, the subject wells and Dugan's leases are also identified. We are currently securing the necessary rights-of-way for this gathering system.

Attachment No. 2 presents individual well and lease information and attachment No. 3 presents the C-102 for each of the five wells, along with the dedicated spacing units and associated leases. A total of four Federal (NM-33051, NM-101992, NM-0206995, and SF-078110), four State (B-11242, E-2526, E-6714, and LG-3736), and two Fee (Dugan's King and Winifred) leases are involved. Dugan Production Corp. is the operator of all 5 wells and holds 100% of the working interest in 4 of the 5 wells. Conoco holds a 6.3% working interest in the Com No. 1E with Dugan holding the balance of the working interest. The ownership for each well is presented in Attachment No.4. Page No. 1 presents a summary for all wells and pages 2 through 5 present the specific data for each well.

The Com No. 1E and Com No. 2 both produce through a common compressor and have established production histories which are presented in Attachment No. 5. The Com No. 1E is currently averaging 45 MCFD and 0.3 bbl of condensate per day from the Basin Dakota gas pool and the Com No. 2 is averaging 17 MCFD from the Harper Hill Fruitland Sand-Pictured Cliffs gas pool. As can be seen from the production curves in Attachment No. 5, production from both wells has fairly stable for the past 8 - 10 years. The Com No. 4 was completed in the Harper Hill Fruitland Sand - Pictured Cliffs gas pool on 12-7-99 and was first delivered into El Paso's system on 2-2-2000. During February, production averaged 360 MCFD plus 105 BWPD and required wellhead compression to produce into El Paso's system. The Federal I No. 99 was completed on 12-9-99 in the Basin Fruitland Coal pool testing 143 MCFD plus 85 BWPD. The well is currently shut in and will require wellhead compression to produce into El Paso's pipeline. The Tabor Com No. 90 was completed on 12-6-99 in the Basin Fruitland Coal pool and tested 130 MCFD plus 75 BWPD. The Tabor Com 90 is also shut in and will require wellhead compression to produce into the pipeline.

The proposed Tabor Gathering System will allow all five wells to be produced using only one compressor and will also allow the water production to be transported for disposal by pipeline at a cost of 50¢ to 75¢ per barrel, rather than by hauling with a truck at a cost of \$1.50 to \$3.00/bbl. At the current water volumes, it will be necessary to haul 3 to 4 loads per day. Thus, pipelining the water for disposal will save between \$265 and \$600/day (\$8000 to \$18,000/month) in operating expenses along with a reduction in road wear and tear plus maintenance. In addition, the gas gathering system will eliminate the need to operate individual compressors which will reduce fuel requirements (with a corresponding increase in volumes available for sale) and will allow for reduced compressor noise and exhaust emissions, both of which are important considering the proximity of these wells to the cities of Farmington and Kirtland.

Production from all 3 formations to be surface commingled is compatible and mixing will not create any operational problems. Attachment No. 8 presents copies of gas analyses from the Basin Dakota (Com 1E), Harper Hill Fruitland Sand-Pictured Cliffs (Com No. 2 as representative of the Com 2 & Com 4), and the Basin Fruitland Coal (O'Henry #1 located in N-36-30N-14W, approximately 1 mile to the east as representative of the Federal I No. 99 and Tabor Com No. 90). Since the Com No 1E & Com No.2 have been surface commingled since 9/96, the analyses presented were taken prior to surface commingling to eliminate any question as to representative samples. Mixing of these three gasses will not affect the value of any of the three.

We are sending copies of this application to all interest owners and Attachments No. 9 and 10 present copies of the transmitted letters to the working interest, plus the royalty and overriding royalty interest owners, respectively.

In summary, we are proposing to add 3 recently completed wells to Dugan's existing central delivery sales meter for the Com No. 1E and Com No 2 wells. In addition, we are proposing a gathering system which will allow produced water to be transported for disposal by pipeline rather than trucking. The net result will be eliminating the need to haul 3 to 4 loads of water per day and the operation of only one compressor rather than four. Thus the Tabor Gathering System will reduce water truck traffic and will allow significant reduction of noise and exhaust emissions in an area close to the cities of Farmington and Kirtland. In addition, there will be an increased volume of gas available for sale which otherwise would have been needed for compressor fuel, had each well required a separate wellhead compressor.

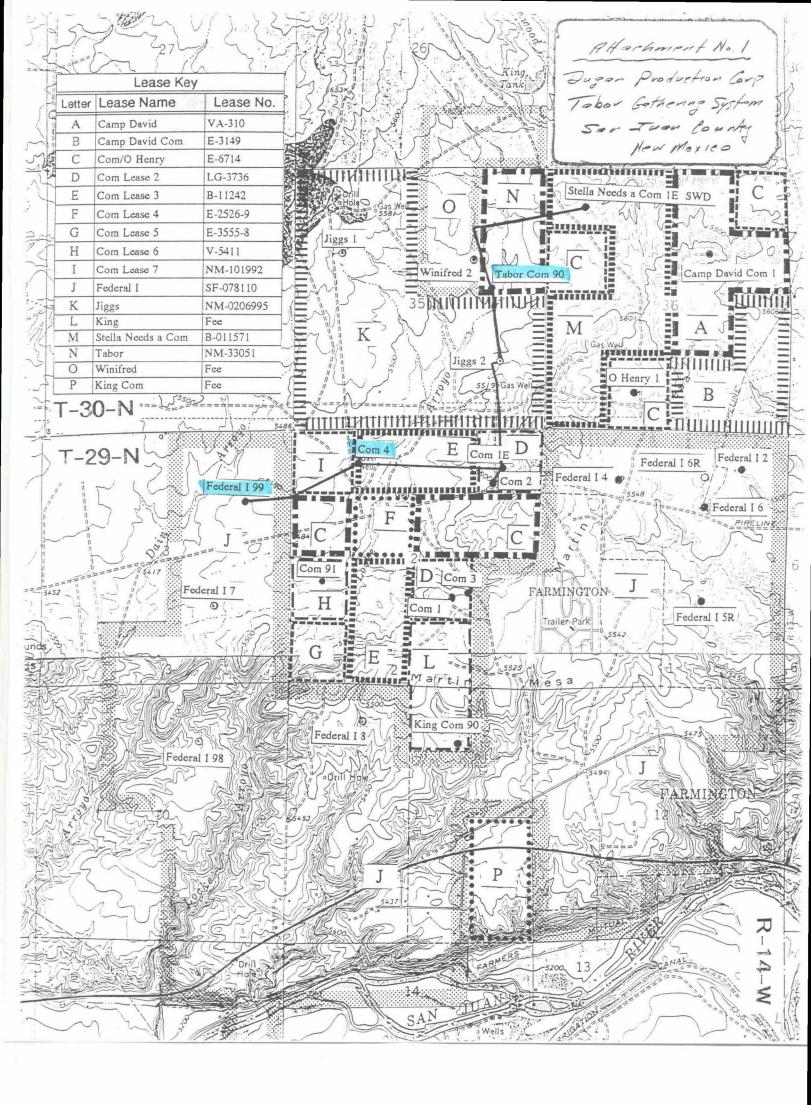
Should you have any questions or need additional information, please let me know.

Sincerely,

John & Roe

John D. Roe Engineering Manager

cc: All interest owners NMOCD - Aztec



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Wells Approved for CDP

12/8/79 45(1) 0.3 E2-316.65A	10/21/78 17(1) 0 NE-156.65A
Basin Dakota 12/	Harper Hill FrSd/PC   10/2
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Com No. 1E	Com No. 2

Wells to be Added to CDP

Com No. 4	30-045-29986 C 2-29N-14W	ပ	2-29N-14W	B-11242	State	Pending	Harper Hill FrSd/PC 12/7/99	12/7/99	382(2)	0	NW-157.95A
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Not Needed

Average during Jan. 2000. Cum production 2-1-2000: Com #1E=742,650 MCF + 7,552 bbl condensate, Com #2 = 235,528 MCF.

Well first delivered into El Paso's pipeline 2-2-2000. Production is average for 2/2000 - Water production = 105 BWPD

Well is shut in waiting on pipeline connection - Test during completion 12/99 - SITP = 280psig, est rate = 143 MCFD + 85 BWPD Well is shut in waiting on pipeline connection - Test during completion 12/99 - SITP = 310psig, est rate = 130 MCFD + 75 BWPD

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RHachment No.3	1
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DPC NM-101 DPC NM-101 1450 DPC E-67/4	992	OR A 1	NON-ST PC 11242				DN UNTIL ALL	BY THE DIVI	SION ATOR ( by that the info the to the bes	CERT rmalion c i of my k	TIFICATION contained herein is nowledge and belief						
		<u></u> St	ection-	2				Sherman Printed Name Vice-pr Title Septemb Date	/ esident er 21,	1999	FICATION						

District I PO Box 1980, Hubbs, NM 38 District II PO Drawer DD, Artesia, NM District III 1000 Rio Brazos Rd., Aztee, i District IV PO Box 2088, Santa Fe, NM	1 \$8211-0719 NM 87410								Form C-102 Revised February 21, 1994 Instructions on back Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies			
	WEL	L LO	CATIO	N AND	ACE	REAGE DEDI	ICATION P	LAT		·		
API Number	r	1	1 Pool Coc	le			' Poul N	(ame				
30 045 Z9	989		71629				Basin Fru	itland	Coal	1		
* Property Code	· · · · · ·			، <del>۵</del> ۰	uperty	Name				• Well Number		
003682		Federa	1 I 							99		
'OGRID No.						Name				• Élevation		
006515		Dugan ƙ	Productio	n Corpora						5468		
				<sup>10</sup> Surt	face	Location	····			·		
UL or lot no. Section	Township	Range	Lot Idn .	Feet from	the	North/South line	Feet from the	East/Wes		County		
H 3		14%	Н	1433		North	1106	East	; 	San Juan		
						f Different Fro	·····					
UL or lot no. Section	Township   F	Range	Lot Idn	Feet from	the	North/South line	Feet from the	East/West	lüne	County		
NO ALLOWABLE W	OR A NO		DP	UNIT HA		DN UNTIL ALL EN APPROVED	BY THE DIVI 17 OPER 1 hereby certify true and comp Signature Signature Sherma Printed Name Vice-F Title Date 18 SURVI 1 hereby certify was plotted from	ATOR ATOR by that the info plete to the be plete to the be an E. D Preside ZZ-G EYOR C that the well	CERT ormation st of my i ugan nt CERT location	TIFICATION contained herein is throwledge and belief		

District   PO Box 1980, 1 District II PO Drawer DD, District III 1000 Rio Brazon District IV PO Box 2088, Sa	, Artesia, N Rd., Aztec	M 88211-0719 , NM 87410	State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION Submi PO Box 2088 Santa Fe, NM 87504-2088 No. 3 Pg 5 of 5							ry, Minerals & Natural Resources Department CONSERVATION DIVISION PO Box 2088 Scatte February 21, 19 Instructions on ba State Lease - 4 Cop State Lease - 4 Cop						
		WI	ELL LO	DCATIO	N AND	AC	REAGE DEDI									
[	API Numb			<sup>1</sup> Pool Co		T		Pool l								
30	045 - Z	9994		71629			Bas	sin Fruitla	nd Coal							
<sup>4</sup> Property						operty	Name			_	* Well Number					
			Tabor	Com							90					
'OCRID	No.				• OF	erntor	r Name				* Élevation					
0065	15		Dugan	Productio	n Corpora	tion	1	· · ·			5498					
		·			10 Sur	face	Location			<u> </u>	· ·					
UL or lot no.	Section	Township	Range	Lot Ida	Feet frum	the	North/South line	Feet from the	East/Wes	t line	County					
Н	35	30N	14W	н	2510		North	1100	East		San Juan					
<u></u>	<b>.</b>	<u> </u>	" Bot	tom Hol	e Locatio	on I	f Different Fro	om Surface	•							
UL or lot no.	Section	Tewnship	Range	Lot Ida	Feet from		North/South line	Feet from the	East/West	line	County					
			_													
332.4 9 <u>-320</u> NO ALLOV	VABLE			ANDARD Fee 35	UNIT HA	S BE	DPC NM-33051	BY THE DIV. 17 OPER 1 hereby certij 1 rue and comy 1 rue a	ISION RATOR fy that the info plete to the be uncleff n E. Du residen -99 EYOR C o that the well m field notes	CERT ormation st of my gat t CERT location of actual	NSOLIDATED TIFICATION contained herein is knowledge and belief					
			<u>-</u>	NM-	.0206995			correct to the b Augu Date of Survey Signature and	ist 31 ist 31	NHO NHO NHO	The stree and					

ATTACHMENT NO. 4 - Pg 1 of 6 Interest Ownership Summary Proposed Tabor Central Gathering System Dugan Production Corp. San Juan County, New Mexico	Com No. 1ECom No. 2Com No. 4Federal I No. 99Tabor Com No. 90(Details on Pg 2)(Details on Pg 3)(Details on Pg 4)(Details on Pg 5)(Details on Pg 6)	IN IM IN IN IN IN IN IN IN IN IN		93.684 81.366 100.00 79.888 100.00 74.479 100.00 87.50 100.00 79.237 6.316 5.527 -0-		-0- 3.158 -00- 3.097 -0- 12.50 -0- 9.492 -0- 7.763 -0- 12.50 9.403 -0- 1.579 -000- 1.504 -00- 1.504	Owners	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$100.000 \ 100.000 \ 100.000 \ 100.000 \ 100.000 \ 100.000 \ 100.000 \ 100.000 \ 100.000$
Ŀ		N				3.158 7.763 1.579 -0- -0-	201	8 0.608 2	
	Ğ	A	Working Interest Owners	Dugan Production Corp 93. Conoco, Inc. 6.	Royalty Interest Owners	USA - Federal State of New Mexico Rilla E. King Patricia Harbin Muench Family Trust	<b>Overriding Royalty Interest Owners</b>	Number of Owners Total ORRI Detail on Page No.	TOTALS 100

#### ATTACHMENT 4, Pg 2 of 6 Dugan Production Corp. Com Well No. #1E Basin Dakota Pool Well Location: NE/4 NE/4 Sec. 2-T29N-R14W Spacing Unit: E/2 Sec. 2-T29N-R14W - 316.65 Acres San Juan County, NM

INTEREST OWNER	INTERES Net	<u>T - %</u> <u>Gross</u>
<u>Royalty</u> State of New Mexico, State Land Office P.O. Box 1148 Santa Fe, NM 87504-1148	7.762910	0.00
USA - Bureau of Land Management 1235 La Plata Hwy. Farmington, NM 87401	3.158070	0.00
Rilla E. King P.O. Box 186 Dolores, CO 81325	1.579030	0.00
Overriding Royalty Marcia M. Daniels, c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.030390	0.00
Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584	0.121550	0.00
Charles Alan McDougal 7928 Rooksley Ct. Raleigh, NC 27615	0.121550	0.00
Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006	0.121550	0.00
Anne S. Henderson 7611 Maple Ave., Apt 811 Silver Spring, MD 20912	0.121550	0.00
Robin Thomas Henderson 5028 River Road Bethesda, MD 20016	0.030390	0.00
Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016	0.030390	0.00
Clotilda M. Pope 5028 River Road Bethesda, MD 20816	0.030390	0.00
<u>Working Interest</u> Conoco, Inc. 10 Conoco Plaza, 10 Desta Drive Midland, TX 79705	5.526610	6.316120
Dugan Production Corp.	<u>81.365620</u>	<u>100.00</u>
WELL TOTAL	100.000000	100.00

### ATTACHMENT 4, Pg 3 of 6 Dugan Production Corp. Com Well No. #2 Harper Hill Fruitland Sand PC Well Location: NE/4 NE/4 Sec. 2-T29N-R14W Spacing Unit: NE/4 Sec. 2-T29N-R14W - 156.65 Acres San Juan County, NM

INTEREST OWNER	INTERE Net	<u>ST - %</u> <u>Gross</u>
<u>Royalty</u> State of New Mexico, State Land Office P.O. Box 1148 Santa Fe, NM 87504-1148	12.50	0.00
<u>Overriding Royalty</u> Marcia M. Daniels, c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.061430	0.00
Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584	0.245703	0.00
Charles Alan McDougal 7928 Rooksley Ct. Raleigh, NC 27615	0.245703	0.00
Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006	0.245704	0.00
Anne S. Henderson 7611 Maple Ave., Apt 811 Silver Spring, MD 20912	0.245700	0.00
Robin Thomas Henderson 5028 River Road Bethesda, MD 20016	0.061430	0.00
Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016	0.061430	0.00
Clotilda M. Pope 5028 River Road Bethesda, MD 20816	0.061430	0.00
Conoco, Inc. 10 Conoco Plaza, 10 Desta Drive Midland, TX 79705	6.383660	0.00
Working Interest Dugan Production Corp.	<u>79.887810</u>	<u>100.00</u>
WELL TOTAL	100.000000	100.00

#### ATTACHMENT 4, Pg 4 of 6 Dugan Production Corp. Com Well No. #4 Harper Hill Fruitland Sand PC Well Location: NE/4 NW/4 Sec. 2-T29N-R14W Spacing Unit: NW/4 Sec. 2-T29N-R14W - 157.95 Acres San Juan County, NM

INTEREST OWNER	<u>INTERE:</u> Net	<u>ST - %</u> <u>Gross</u>
<u>Working Interest</u> Dugan Production Corp.	74.478758	100.00
<u>Royalty</u> State of New Mexico, State Land Office P.O. Box 1148 Santa Fe, NM 87504-1148	9.402501	0.00
USA - Bureau of Land Management 1235 LaPlata Hwy Farmington, NM 87401	3.097499	0.00
Overriding Royalty		
James A. & H.H. Borland 222 Fourteenth St., NW Albuquerque, NM 87104	2.380120	0.00
Dr. Jo Anne Callan 1028 Santa Florencia Solano Beach, CA 92075	0.015720	0.00
Conoco, Inc. P.O. Box 201940 Houston, TX 77216-1940	2.374169	0.00
Marcia M. Daniels, c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.061428	0.00
Evko Development Co. 4710 Cabrillo Street San Francisco, CA 94121	*6.290300	0.00
Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584	0.245711	0.00
Anne S. Henderson 7611 Maple Ave., Apt 811 Silver Spring, MD 20912	0.245711	0.00
Robin Thomas Henderson 5028 River Road Bethesda, MD 20016	0.061427	0.00
Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016	0.061427	0.00
Elsye L. Kilgore Trust c/o Sunwest Trust Dept/Don Kerby P.O. Box 26900 Albuquerque, NM 87103	*0.3661900	0.00
Lee W. Kilgore Trust c/o Sunwest Trust Dept/Don Kerby P.O. Box 26900 Albuquerque, NM 87103	*0.3661900	0.00
Charles Alan McDougal 7928 Rooksley Ct. Raleigh, NC 27615	0.245711	0.00
Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006	0.245711	0.00
Clotilda M. Pope 5028 River Road Bethesda, MD 20816	0.061427	0.00
WELL TOTAL	100.000000	100.00

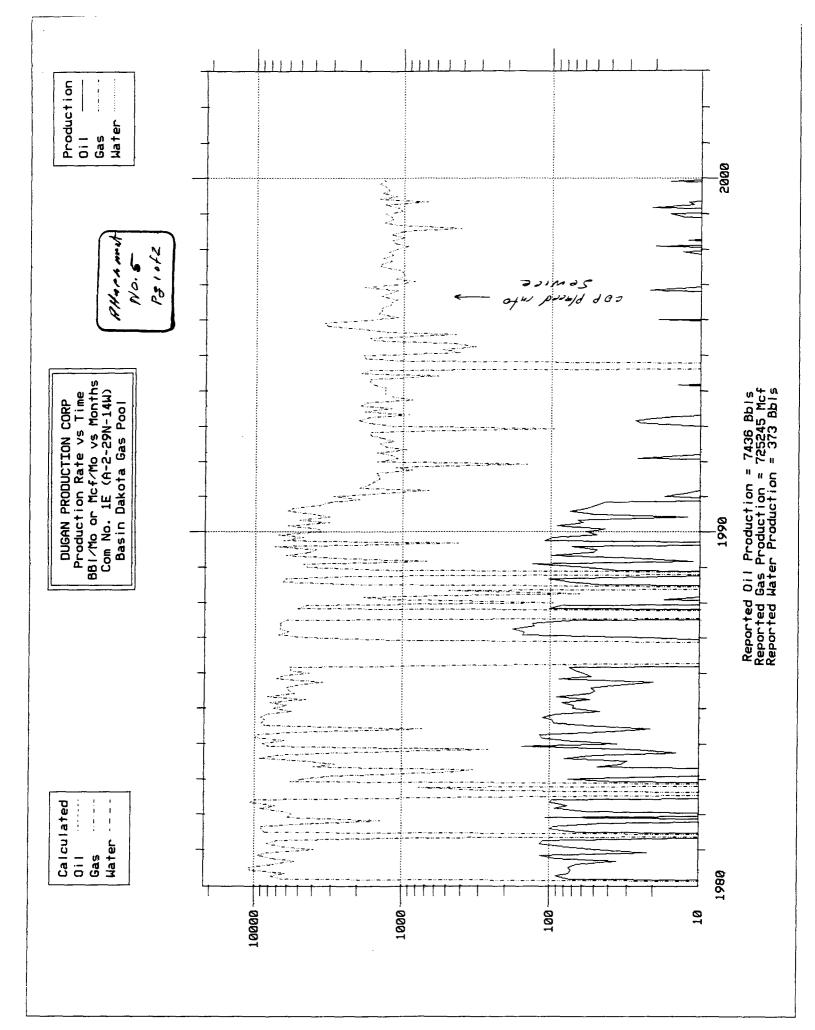
\* Approximate interest - Exact interest to be established.

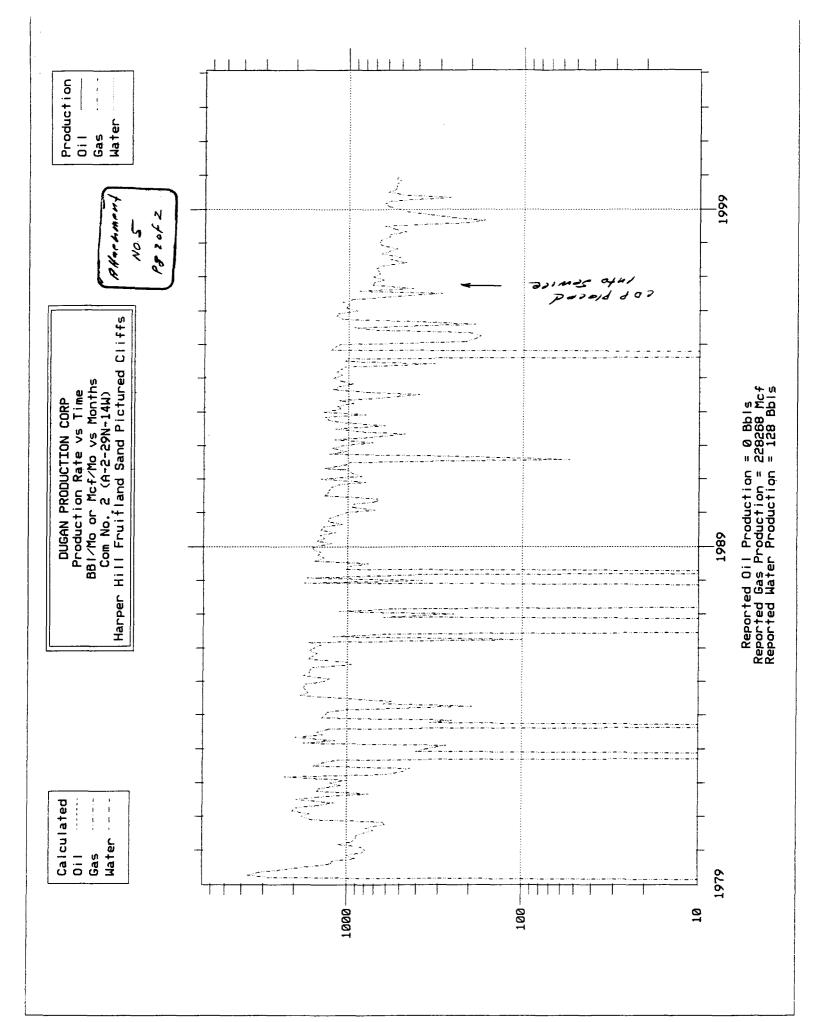
# ATTACHMENT 4, Pg 5 of 6 Dugan Production Corp. Federal I #99 Basin Fruitland Coal Pool Well Location: SE/4 NE/4 Sec. 3-T29N-R14W Spacing Unit: E/2 Sec. 3-T29N-R14W - 318.45 Acres San Juan County, NM

INTEREST OWNER	<b>INTEREST</b>	- %
Royalty	<u>Net</u>	<u>Gross</u>
USA - Bureau of Land Management 1235 La Plata Hwy. Farmington, NM 87401	12.50	0.00
Working Interest		
Dugan Production Corp. P.O. Box 420 Farmington, NM 87499	87.500	100.00
WELL TOTAL	100.000000	100.00

# ATTACHMENT 4 Pg No. 6 of 6 Dugan Production Corp. Tabor Com #90 Basin Fruitland Coal Pool Well Location: SE/4 NE/4 Sec. 35-T30N-R14W Spacing Unit: E/2 Sec. 35-T30N-R14W 332.49 Acres San Juan County, NM

INTEREST OWNER	<u>INTEREST - %</u>	
Royalty	<u>Net</u>	<u>Gross</u>
USA- Bureau of Land Management 1235 La Plata Hwy. Farmington, NM 87401	9.492391	0.00
Patricia Harbin 6401 Glendora NE Albuquerque, NM 87109	1.503805	0.00
Joseph O. & Cicily M Muench Family Trust P.O. Box 779 Placitas, NM 87043	1.503804	0.00
Overriding Royalty		
Burlington Resources Oil & Gas 801 Cherry Street, Suite 700 Ft. Worth, TX 76102	6.484781	0.00
Linda Orwitz Palley, Trustee 11201 Canby Ave. Northridge, CA 91326	1.296956	0.00
Winifred and Forrest Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 67144-9213	0.481217	0.00
Working Interest		
Dugan Production Corp. P.O. Box 420 Farmington, NM 87499-0420	79.237046	100.00
Well Total	100.0000	100.0000





# ATTACHMENT No. 6 Allocation Procedures Dugan Production Corp.'s Tabor Gathering System CDP : NENE-2-29N-14W San Juan County, New Mexico

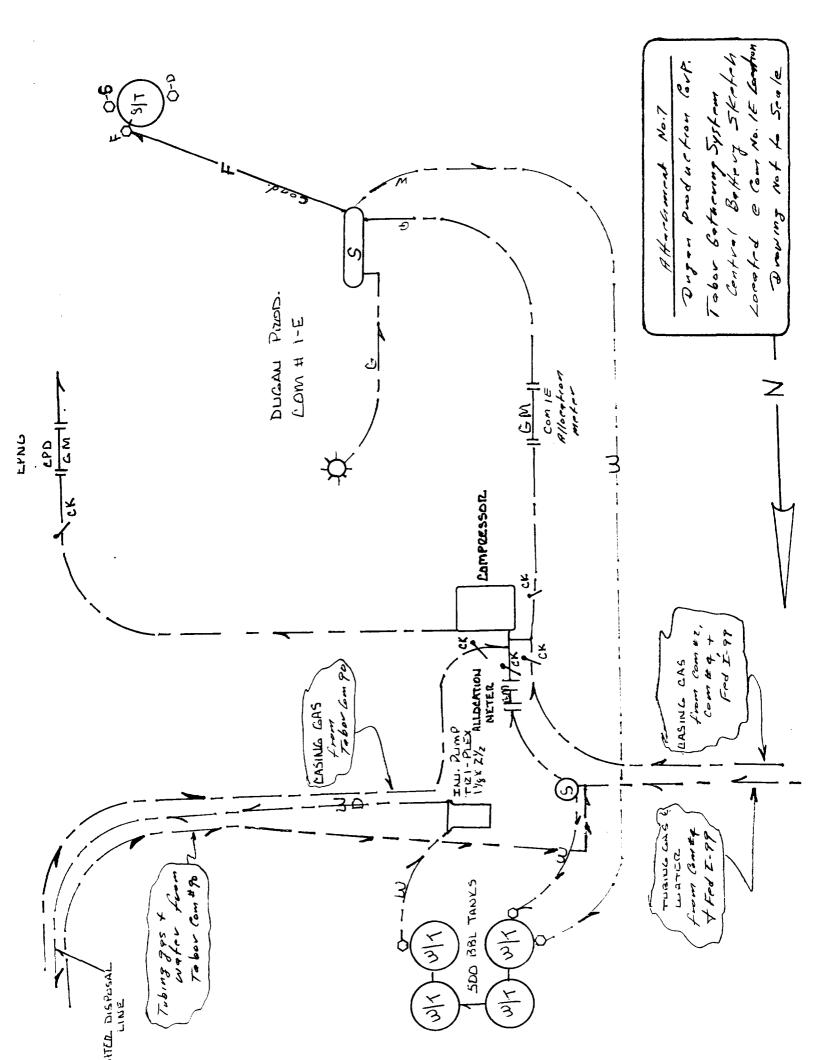
# **Base Data:**

- U = Water Volume (BWPD) from Periodic Well Test x days operated during allocation period.
- V = Water Volume (bbl) at Central Battery during allocation period.
- W = Gas Volume (MCF) from allocation meters at individual wells and central battery separator 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. <u>Individual Well Gas Production</u> = A + B + C + D + E + F
  - A = Allocated Sales Volume, MCF. =  $(W/SUM W) \times X$
  - B = Allocated gas sales volume (MCF) associated with water production
     = (A) in mcf for the central battery separator multiplied by a factor of (U/SUM U) for wells delivering gas and water to the central battery separator.
  - C = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.
  - D = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.
  - E = 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/SUM W for the wells involved.
  - F = 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/SUM W.
- <u>Allocated Individual Well BTU's</u>=((W x Individual well BTU)/Sum (W x individual well BTU)) x Y. Individual well gas heating values to be determined in accordance with BLM regulations (currently On shore Order No. 5).
- 3. Individual Well Water Production =Allocated production volume, bbl=(U/Sum U) x V.



EL PASO NATURAL GAS COMPANY VOLUME ACCOUNTING DEPARTMENT MEASUREMENT DIVISION POST OFFICE BOX 1492 EL PASO, TEXAS 79978 PHONE: (915) 541-5267 CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 11/08/95

MAILEE

26730 DUGAN PRODUCTION CORPORATION P 0 BOX 420 FARMINGTON, NM 87499-0420

Basin Dakota

AHachment NO.8

Pg 10+3

	$\frac{1}{362} - \frac{1}{100} \frac{1}{12} \left( \frac{1}{12} - \frac{1}{29N} - \frac{1}{14} \right)$	
ANALYSIS DATE Sample date Effective date Effective for	10/20/95 10/16/95 10/16/95 11/01/95 5 MONTHS COMPANY & LOCATION 6 MONTHS COMPANY & LOCATION V	2 - ACTUAL O D - DANIELS FM
COMPONENTS	NORMALIZED MOL %	<u>GPM</u>
C02	.90	.000
H2S	. 00	. 000
N2	. 70	. 000
METHANE	77.55	.000
ETHANE	10.68	2.857
PROPANE	5.88	1.621
ISO-BUTANE	. 94	. 307
NORM-BUTANE	1.81	. 57 1
ISO-PENTANE	. 57	. 209
NORM-PENTANE	. 46	. 167
HEXANE PLUS	.51	223
	100.00	5.955

SPECIFIC GRAVITY	.751
MIXTURE HEATING VALUE (BTU @ 14.73 DRY)	1285
RATIO OF SPECIFIC HEATS	. 000
NO TEST SECURED FOR H2S	CONTENT

EL PASO NATURAL GAS COMPANY VOLUME ACCOUNTING DEPARTMENT MEASUREMENT DIVISION POST OFFICE BOX 1492 EL PASO, TEXAS 79978 PHONE:(915) 541-5267 CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 11/08/95

MAILEE 26730 DU

~ ~

DUGAN PRODUCTION CORPORATION P 0 BOX 420 Farmington, NM 87499-0420

AHardment No. 8 PS 207 3

Harper Hill Fruitland Sand-Pirtured Cliffs

FM

ANALYSIS DATE SAMPLE DATE EFFECTIVE DATE EFFECTIVE FOR	10/20/95 10/18/95 11/01/95 6 MONTHS	to e u	25 GRAINS	ō	ACTUAL DANIELS

METER NUMBER 90381 - COM #2 - R-Z-Z9N-14W OPERATOR 1862 - DUGAN PRODUCTION CORP

	NORMALIZED	
COMPONENTS	MOL %	GPM
C02	. 43	.000
H2S	. 00	. 000
N2	.21	. 000
METHANE	87.60	. 000
ETHANE	6.46	1.728
PROPANE	_ 2.58	.711
ISO-BUTANE	. 46	. 150
NORM-BUTANE	. 69	.218
ISO-PENTANE	. 29	. 106
NORM-PENTANE	. 22	. 080
HEXANE PLUS	1.06	. 462
	100.00	3.455

SPECIFIC GRAVITY	.672
MIXTURE HEATING VALUE (BTU @ 14.73 DRY)	1183
RATIO OF SPECIFIC HEATS	. 000
NO TEST SECURED FOR H2S	CONTENT



205 Afton Place Farmington, N.M. 87401 (505) 325-6622

Analysis No. DUG70358 Cust. No. 23000-11050

AHardment No.8 Pg3.13

WELL/LEASE INFORMATION

Location	: DUGAN PRODUCTION CORP. : O HENRY 1 : SAN JUAN : NM : 36-30N-14W - muit N : Besim Fruitland Coel :	Pressure Sample Temp. Well Flowing Date Sampled	•••••••••••••••••••••••••••••••••••••••	N/A DEG.F YES 10/30/97 BILLIE WRIGHT
Cust.Stn.No.	:	Foreman/Engr	:	TOM BLAIR

Remarks: LEASE: E-6714

	1	-UVDIDID		
COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR.*
NITROGEN	1.177	0.0000	0.00	0.0114
NITROGEN CO2 METHANE	0.886	0.0000	0.00	0.0135
METHANE	90.809	0.0000	919.26	0.5030
ETHANE	3.803	1.0173	67.45 46.96	0.0395
PROPANE	1.862	0.5132	40.90	0.0284
			11.67	
N-BUTANE	0.499	0.15/3	16.32	0.0100
I-PENTANE	0.181	0.0062	7.26	0.0045
N-PENTANE	0.120	0.0404	5.14 15.27	0.0032
HEXANES	0.297	0.1230		
TOTAL			1089.33	0.6303
* @ 14.730 PSIA DRY ** @ 14.730 & 60 DEG		ED FOR COM	PRESSIBILITY	
COMPRESSIBILITY FACTO	)R (	1/7	1.002	26
BTU/CU.FT. (DRY) COR	RECTED FOR (	1/Z	1092	. 2
BTU/CU.FT. (DRY) CORI BTU/CU.FT. (WET) CORI	ECTED FOR (	1/Z	1073.	
REAL SPECIFIC GRAVITY		_, _,	0.631	
ANALYSIS RU	<b>IN AT 14.730</b>	PSIA & 60	DEGREES F	
		CYLINDER H	# : K073 PRESSURE : 52 H : 10/3	SIG

ANALYSIS RUN BY : DAVE MARTIN

ANALYSIS

 $= d_p = d_p = \frac{d_p}{d_p}$ 

AHechment No. 9 Psiofi

March 29, 2000

#### **CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Conoco, Inc. 10 Conoco Plaza 10 Desta Drive Midland, TX 79705

Re: Surface Commingling and Off-Lease Measurement
Dugan Production Corp.'s - Com No. 1E (A-2-29N-14W); Com No. 2 (A-2-29N-14W);
Com No. 4 (C-2-29N-14W); Federal I No. 99 (H-3-29N-14W); Tabor Com No. 90 (H-35-30N-14W) San Juan County, New Mexico

Gentlemen:

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division, the New Mexico State Land Office, and the Bureau of Land Management to surface commingle and off lease measure natural gas produced from the captioned wells. This will allow us to place the Federal I No. 99 and Tabor Com No. 90 on production and will allow all 5 wells to share the cost of operating a central compressor and production facilities as opposed to separate facilities at each individual well.

Our records reflect that Conoco has a 6.3% working interest in the Com No. 1E and an overriding royalty interest in the Com No. 2 & 4 wells. Since the Com No. 1E and No. 2 are already authorized for surface commingling and share a central compressor this proposal will have little to no effect upon Conoco's interest in these 2 wells. The Com No. 4 is currently delivering gas into El Paso's pipeline with a wellhead compressor and we are trucking approximately 105 BWPD for disposal. The proposed Tabor Gathering System will allow the Com No. 4 to benefit from the operation at central production and compression facilities which should have a positive effect upon Conoco's overriding royalty interest in this well as less compressor fuel will be used which will increase the volumes of gas available for sale from each well. In addition, our operating expenses will be lowered which will allow us to recover more of the gas reserves.

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, you should so advise the New Mexico Oil Conservation Division at 2040 South Pacheco Street in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

John D, Roc

John D. Roe Engineering Manager

 $= d_{p} = d_{p} = \frac{d_{p}}{d_{p}} = \frac{d_{p}}{d$ 

March 29, 2000

#### **CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

To: Royalty and Overriding Royalty Interest Owners (Address list attached) Dugan Production Corp.'s Com No. 1E (A-2-29N-14W) Com No. 2 (A-2-29N-14W) Com No. 4 (C-2-29N-14W) Federal I No. 99 (H-3-29N-14W) Tabor Com No. 90 (H-35-30N-14W) San Juan County, New Mexico

Ladies and Gentlemen:

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division, the New Mexico State Land Office, and the Bureau of Land Management to surface commingle and off lease measure natural gas produced from the captioned wells in which you have a royalty or overriding interest ownership in one or more of the subject wells. This will allow us to place the Federal I No. 99 and Tabor Com No. 90 on production and will allow all 5 wells to share the cost of operating a central compressor and production facilities as opposed to separate facilities at each individual well.

This proposal should not affect your interest in these wells and should allow your revenues to increase since less compressor fuel will be used which will increase the volumes of gas available for sale from each well. In addition, our operating expenses will be lowered which will allow us to recover more of the gas reserves from each well.

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, you should so advise the New Mexico Oil Conservation Division at 2040 South Pacheco Street in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Roc

John D. Roe Engineering Manager

### Interest Owners - Address List Proposed Tabor Gathering System -Com No. 1E, Com No. 2, Com No. 4, Federal I No. 99, Tabor Com 90

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

USA - Bureau of Land Management 1235 LaPlata Hwy Farmington, NM 87401

James A. & H.H. Borland 222 Fourteenth St., NW Albuquerque, NM 87104

Burlington Resources Oil & Gas 801 Cherry Street, Suite 700 Ft. Worth, TX 76102

Dr. Jo Anne Callan 1028 Santa Florencia Solano Beach, CA 92075

Conoco, Inc. P.O. Box 201940 Houston, TX 77216-1940

Conoco, Inc. 10 Conoco Plaza, 10 Desta Drive Midland, TX 79705

Marcia M. Daniels c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015

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

Evko Development Co. 4710 Cabrillo Street San Francisco, CA 94121

Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584

Patricia Harbin 6401 Glendora NE Albuquerque, NM 87109

Anne S. Henderson 7611 Maple Ave., Apt 811 Silver Spring, MD 20912 Robin Thomas Henderson 5028 River Road Bethesda, MD 20016

Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016

Winifred and Forrest Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 67144-9213

Elsye L. Kilgore Trust c/o Sunwest Trust Dept/Don Kerby P.O. Box 26900 Albuquerque, NM 87103

Lee W. Kilgore Trust c/o Sunwest Trust Dept/Don Kerby P.O. Box 26900 Albuquerque, NM 87103

Rilla E. King P.O. Box 186 Dolores, CO 81325

Charles Alan McDougal 7928 Rooksley Ct. Raleigh, NC 27615

Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006

Joseph O. & Cicily M. Muench Family Trust P.O. Box 779 Placitas, NM 87043

Linda Orwitz Palley, Trustee 11201 Canby Ave. Northridge, CA 91326

Clotilda M. Pope 5028 River Road Bethesda, MD 20816 3/28/00

Adarhment No.10 Pgzofz