



# dugan production corp.

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April 2, 2001

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

Attention: Lori Wrotenbery

RE: April 5, 2001 Examiner Hearing  
CASE 12635  
Naomi Well No. 1  
S/2 Section 25, T 25 N, R 3 W  
Rio Arriba County, New Mexico

Gentlemen:

This office has noted the referenced Case No. 12635. Dugan Production Corp. has been requested to join in this recompletion and has elected to join and pay its proportionate share of costs as to a S/2 Section 25 spacing unit. As an owner of a partial interest in this well it is our belief that it is to Dugan's benefit to have the financial risk reduced by the use of an existing wellbore and to share the risk among several parties. A change of spacing to a W/2 dedication would take Dugan out of this well and require a new well to be drilled in the E/2 in order for Dugan Production Corp. to share in production. This would cause additional expense to drill a new well, especially considering that we have to date never received a request from anyone proposing such a well. For the above reasons Dugan supports the spacing unit for this recompletion of this well to be on a S/2 spacing unit.

Sincerely,



David M. Poage  
Land Manager

xc: Campbell & Carr  
Attn: Mr. William F. Carr  
FAX 505-983-6043

Before the Oil Conservation Commission  
Santa Fe, New Mexico  
Case Nos. 12635 *de novo*, 12705 Exhibit No. 8  
McElvain Oil & Gas Properties, Inc.  
Hearing Date: November 6, 2001