



dugan production corp.

FAX & MAIL
(505) 476-3462

June 21, 2002

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: NMOCD Case No. 12875
Examiner Hearing of 06-27-02

Dear Ms. Davidson:

Attached is Dugan's Pre-hearing Statement for the subject case, which has been amended to also include Maralex Resources, Inc. and SG Interests, Ltd. as objecting parties.

Please let me know if you have any questions or concerns.

Sincerely,

John D. Roe
Engineering Manager

JDR:sh

Attachment

xc: Dennis Reimers – Maralex Resources
Gary Weber – SG Interests, Ltd.

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 12875

APPLICATION OF TEXAKOMA OIL & GAS CORPORATION SEEKING APPROVAL TO DRILL ITS PROPOSED BLACK HILLS "16" WELL NO. 1 (API NO. 30-045-31077) AT AN OFF-PATTERN NON-STANDARD COAL GAS WELL LOCATION 772 FEET FROM THE SOUTH LINE AND 701 FEET FROM THE EAST LINE (UNIT P) OF SECTION 16, TOWNSHIP 26 NORTH, RANGE 13 WEST. THE SOUTH HALF OF SECTION 16 IS TO BE DEDICATED TO THIS WELL IN ORDER TO FORM A STANDARD 320-ACRE GAS SPACING AND PRORATION UNIT FOR THE BASIN FRUITLAND COAL GAS POOL.

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OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by John A Dean, Jr. for Dugan Production Corp., plus Maralex Resources, Inc. and SG Interests, Ltd., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Texakoma Oil & Gas Corporation
One Lincoln Center
5400 LBJ Freeway, Suite 500
Dallas, TX 75240
Phone – (972) 701-9106

ATTORNEY

James Bruce, Attorney at Law

OPPOSITION OR OTHER PARTY

Dugan Production Corp.
Contact Person: John D. Roe
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Farmington, NM 87499
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ATTORNEY

John A. Dean, Jr., Curtis & Dean Law Offices

Maralex Resources, Inc.

Contact Person: Dennis R. Reimers
P.O. Box 338
Ignacio, CO 81137
Phone – (970) 563-4000
Fax – (970) 563-4116

John A. Dean, Jr., Curtis & Dean Law Offices

SG Interests, Ltd.

Contact Person: Gary Weber
1331 Lamar, Suite 501
Houston, TX 77010
Phone – (713) 951-0100

John A. Dean, Jr., Curtis & Dean Law Offices

STATEMENT OF CASE

APPLICANT

Texakoma Oil & Gas Corporation has submitted an application to the New Mexico Oil Conservation Division dated 05-21-02 requesting administrative approval to drill a Basin Fruitland Coal development well in the SE/4 of Section 16, T-26N, R-13W at an off-pattern unorthodox location for the Basin Fruitland Coal pool. They state that their application is based upon geologic factors and that the proposed location is near the western edge of the productive area of the Fruitland Coal formation and is considered to be a marginal economic venture. Dugan Production Corp. has timely filed an objection to Texakoma's application and as a result, the NMOCD has scheduled Texakoma's application for the examiner hearing initially scheduled for 06-13-02 and continued to 06-27-02.

OPPOSITION OR OTHER PARTY

Dugan Production Corp., along with Maralex Resources, Inc. and SG Interests, Ltd., opposes the drilling of a well in the SE/4 of Section 16, T-26N, R-13W to develop a 320-acre spacing unit comprising the south half of this section. We do not agree that a trend line running from the northeast corner of Section 9 to the southwest corner of Section 21 defines the western edge of economic production in the Fruitland Coal for this area, and we are unaware of any reason that a standard location Basin Fruitland Coal well cannot be drilled in the southwest quarter of Section 16 to develop the south half spacing unit.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

Not known

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

John Roe, Engineering Manager
Dennis Reimers, Engineering Manager

20 minutes
15 minutes

4
3

PROCEDURAL MATTERS

It is our understanding that the Coal Bed Methane Committee is nearing a consensus and that the committee is considering a proposal to amend the Basin Fruitland Coal Pool Rules to allow infill drilling. It is also our understanding that the Committee's recommendations will be based upon a substantial work effort and will be considered during an examiner hearing in July, 2002. Upon amending the special pool rules to allow infill drilling, Texakoma's application will likely not be necessary, and the separate hearing of this case will not be an efficient use of time and effort for not only Dugan Production, Maralex Resources, Inc., and SG Interests, Ltd., but also the applicant and the NMOCD.

John Roe for John Dean

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