

# dugan production corp.

NMOCD CASE NO. 9359

9-14-88

Dugan Production Corp.

Exhibit No. 2

July 27, 1988

CERTIFIED, RETURN RECEIPT REQUESTED

TO: Offsetting Interest Owners  
(see list attached)

RE: Non-Standard Unit Application  
NMOCD Case #9359, Hearing Scheduled for 9-14-88  
Dugan's Husky Federal #2 Well  
Township 21 North, Range 4 West, NMPM  
Section 25: NW/4 NW/4  
Sandoval County, New Mexico

Gentlemen:

Dugan Production Corp. drilled the referenced well in 1983 in an Undesignated Gallup pool on 40.0 acre spacing. The well was drilled on Federal Lease NM-14729 covering the NW/4 of said Section 25, the operating rights to which are owned entirely by Dugan Production Corp.

Since the well was drilled and completed, the New Mexico Oil Conservation Division has spaced the well into the Rio Puerco Mancos Pool, which provides for 320.0 acre spacing. According to the information provided to us by the BLM and Federal Abstract Company, you are the joint owners of leasehold and operating rights to the Mancos formation underlying one or more tracts set out on the attached plat.

Because of the limited productive capability of the well, Dugan has elected to apply to the OCD for a non-standard unit consisting of the NW/4 of the section. A copy of Dugan's application to the OCD is enclosed herewith.

On August 20, 1987, Dugan wrote to advise of our intention to form a non-standard spacing unit. Our plans to form said non-standard spacing unit remain unchanged. Since our August 20 letter, there has been some change in ownership of the offsetting acreage and we are now providing notice to all parties presented on the attached plat, in accordance with OCD Rule 1207(3).

Because it has been almost one year since our earlier request and there have been changes in the offsetting ownership, we now request that you execute the enclosed waivers returning one to the OCD and one to Dugan for our records.

CERTIFIED, RETURN RECEIPT REQUESTED

Page 2 of 2

TO: Offsetting Interest Owners

RE: Non-Standard Unit Application

NMOCD Case #9359, Hearing Scheduled for 9-14-88

Dugan's Husky Federal #2 Well

Township 21 North, Range 4 West, NMPM

Section 25: NW/4 NW/4

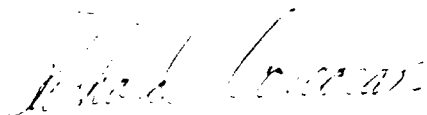
Sandoval County, New Mexico

July 27, 1988

The New Mexico Oil Conservation Division has scheduled the required hearing for September 14, 1988 in Santa Fe, New Mexico. Your presence is not required, however, should you desire to participate in any manner, we are providing you this notice.

Thank you in advance for your cooperation in this matter.

Sincerely,



Richard Corcoran  
Landman

RC:jr

Enclosures

cc: Michael Stogner

AA Energy Corp.  
c/o A.M.R. Energy Corp.  
1507 Pacific Avenue  
Dallas, Texas 75201

ABO Petroleum Corp.  
105 South 4th Street  
Artesia, New Mexico 88210

A. E. Investments, ATTN: Paul McCollam  
c/o Resources Investors Management Co.  
22 Waterville Road  
Avon, Connecticut 06001

A.M.R. Energy Corp.  
1507 Pacific Avenue  
Dallas, Texas 75201

Gary Williams Oil Producer  
4 Inverness Circle East  
Englewood, Colorado 80112

ICG Petroleum, Inc., ATTN: C. J. Palmer  
2700-140 4th Avenue, SW  
Calgary, Alberta, Canada T2P 2S2

Myco Industries, Inc.  
105 South 4th Street,  
Artesia, New Mexico 88210

Penn Bristol Corp., ATTN: Frederick B. Howard  
530 Walnut Street, VIM-11  
Philadelphia, Pennsylvania 19172

Talus Properties, Ltd., ATTN: James C. Ryan, Jr.  
c/o American Petroleum Management Corp.  
P. O. Box 2485  
Greenville, South Carolina 29602

Toga Petroleum Corp.  
500 Dallas Avenue, Suite 2950  
Houston, Texas 77002

Yates Drilling Co.  
105 South 4th Street,  
Artesia, New Mexico 88210

Yates Petroleum Corp.  
105 South 4th Street,  
Artesia, New Mexico 88210

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

APPLICATION OF DUGAN PRODUCTION CORP.  
FOR 160.0 ACRE NON-STANDARD PRORATION UNIT  
CONSISTING OF THE NW/4 OF SECTION 25,  
TOWNSHIP 21 NORTH, RANGE 4 WEST, NMPM  
SANDOVAL COUNTY, NEW MEXICO  
HUSK' FEDERAL #2 WELL, UNIT D

The undersigned, being an offset interest owner to the above acreage,  
having received notice and a copy of the Application in this matter, does  
hereby waive any objection to the granting of the non-standard proration  
unit as requested in said application.

ATTEST:

\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT "A"  
APPLICATION FOR DUGAN PRODUCTION CORP. - NON-STANDARD 160.0 ACRE SPACING UNIT  
HUSKY FEDERAL #2 WELL

TRACT 1 - Section 23: SE/4 SE/4  
Yates Petroleum Corp. 40.0%  
Mycro Industries, Inc. 20.0%  
Yates Drilling Co. 20.0%  
ABO Petroleum Corp. 20.0%

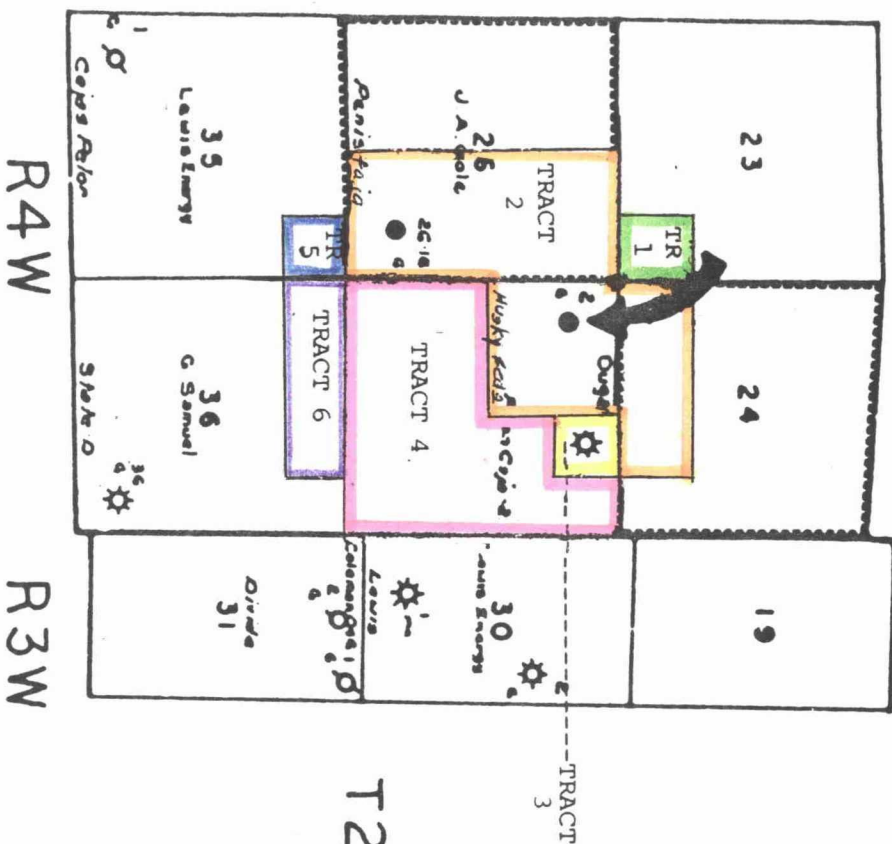
TRACT 2 - Section 24: S/2 SW/4, SW/4 SE/4  
Section 25: NW/4  
Section 26: E/2  
Dugan Production Corp. 100.0%

TRACT 3 - NW/4 NE/4 (to base of the Gallup formation)  
Gary-Williams Oil Producer 37.585%  
\*AMR Energy Corp.  
(Toga Petroleum Corp.) 37.585%  
ICG Petroleum, Inc. 17.330%  
Talus Properties Ltd. P'ship. 7.500%

TRACT 4 - Section 25: NE/4 NE/4, S/2 NE/4, S/2 (to the base of the Gallup formation)  
Talus Properties Ltd. P'ship. 7.500000000%  
ICG Petroleum Inc. 17.33000540%  
Gary-Williams Oil Producer 37.58499974%  
\*AMR Energy Corp.  
(Toga Petroleum Corp.) 36.63999926%  
Toga Petroleum Corp. 0.94500047%

TRACT 5 - Section 35: N/2 (to the base of the Gallup formation)  
Gary-Williams Oil Producer 33.80499784%  
AMR Energy Corp. 33.80499784%  
Talus Properties Ltd. P'ship. 7.500000000%  
ICG Petroleum Inc. 16.250000000%  
A. E. Investments 6.28819200%  
Penn Bristol Corp. 2.35181232%

TRACT 6 - Section 36: N/2 NW/4, NW/4 NE/4  
Gary-Williams Oil Producer 39.585%  
\*AA Energy  
(Toga Petroleum Corp.) 39.585%  
ICG Vista Petroleums, Inc. 12.500%  
Talus Properties Ltd. P'ship. 8.330%



\* NOTE: Public records do not show a transfer of interest or name change. However, Toga Petroleum Corp. is in the process of filing such documentation.

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY & MINERALS  
OIL CONSERVATION DIVISION

APPLICATION OF DUGAN PRODUCTION CORP.  
FOR 160 ACRE NON-STANDARD PRORATION UNIT  
CONSISTING OF THE NW/4 of SECTION 25,  
TOWNSHIP 21 NORTH, RANGE 4 WEST, NMPM  
SANDOVAL COUNTY, NEW MEXICO  
HUSKY FEDERAL #2 WELL, UNIT D

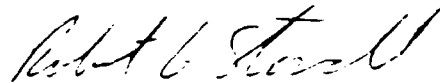
COMES NOW, Dugan Production Corp., by and through its attorney, and applies to the New Mexico Oil Conservation Division for approval of a Non-Standard Proration Unit of 160 acres, consisting of the Northwest Quarter (NW/4) of Section 25, Township 21 North, Range 4 West, NMPM, Sandoval County, New Mexico, for its Husky Federal #2 well located in Unit D of said section. As grounds therefore, Applicant states:

1. The Husky Federal #2 well was completed on December 8, 1983 in an Undesignated Gallup formation on 40 acre spacing with an initial potential of 28 barrels of oil and gas too small to measure.
2. Effective April 1, 1984, the Rio Puerco-Mancos Pool was established by Order R-7471 creating temporary pool rules providing for 320 acre spacing, and said Order was made permanent by Order R-7471-3 on June 2, 1986.
3. By nomenclature, said Pool was extended to include acreage subject to this Application.
4. The initial potential and production history of the Husky Federal #2 well indicates that the well is not capable of and will not drain 320 acres.
5. Applicant is furnishing a copy of this Application to all offset operators by certified mail, return receipt requested, as required by Rule 1207(a)3, and is requesting that said operators furnish your office with a Waiver of Objection.

6. Granting of this Application will be in the best interest of conservation, prevention of waste, and protection of correlative rights.
7. A map showing the location of the well, the proposed spacing unit, and the offset operators is attached hereto and made a part hereof.
8. Upon Waiver of Objection by offset operators, Applicant requests that this Application be granted without hearing, or in the alternative, that this matter be set for hearing before a Division Examiner at the earliest possible regular Examiner hearing.

WHEREFORE, Dugan Production requests that the Division grant this Application for a Non-Standard Proration Unit as set forth herein with or without hearing.

Respectfully submitted,



Robert G. Stovall  
Attorney for  
DUGAN PRODUCTION CORP.  
P. O. Box 10021  
Farmington, NM 87499  
(505) 325-1821

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:

4. Article Number  
P 735 031 748

Type of Service:

☒ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Addressee

6. Signature - Agent

7. Date of Delivery

Form 3811, Feb. 1986  
RC

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

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Article Addressed to:

4. Article Number  
P 735 031 747

Type of Service:

☒ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

Signature - Addressee

Signature - Agent  
Date of Delivery

Form 3811, Feb. 1986

DOMESTIC RETURN R

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:

4. Article Number  
P 735 031 749

Type of Service:

☒ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

A.E. Investments  
Attn: Paul McCallam  
% Resources Investors Management Co  
22 Waterville Road  
Avon, Connecticut 06001

5. Signature - Addressee

6. Signature - Agent

7. Date of Delivery

Form 3811, Feb. 1986  
RC

DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

Article Addressed to:

4. Article Number  
P 735 031 751

Type of Service:

☒ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

Signature - Addressee

Signature - Agent  
Date of Delivery

Form 3811, Feb. 1986

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:  
Gary Williams Oil Producer  
4 Inverness Circle East  
Englewood, CO 80112

4. Article Number  
P 735 031 752

Type of Service:  
☒ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

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8. Addressee's Address (ONLY if requested and fee paid)

Signature - Addressee  
Signature - Agent

Date of Delivery

8.1.88

DOMESTIC RETURN RECEIPT

Form 3811, Feb. 1986

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

Article Addressed to:

Myco Industries, Inc.  
105 South 4th Street  
Artesia, NM 88210

4. Article Number  
P 735 031 754

Type of Service:  
☒ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

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8. Addressee's Address (ONLY if requested and fee paid)

Signature - Addressee  
Signature - Agent

Date of Delivery

9.1.88

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Form 3811, Feb. 1986

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:  
Penn Bristol Corp.  
Attn: Frederick B. Howard  
530 Walnut Street, VIM-13  
Philadelphia, Pennsylvania 19172

4. Article Number  
P 735 031 755

Type of Service:  
☒ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

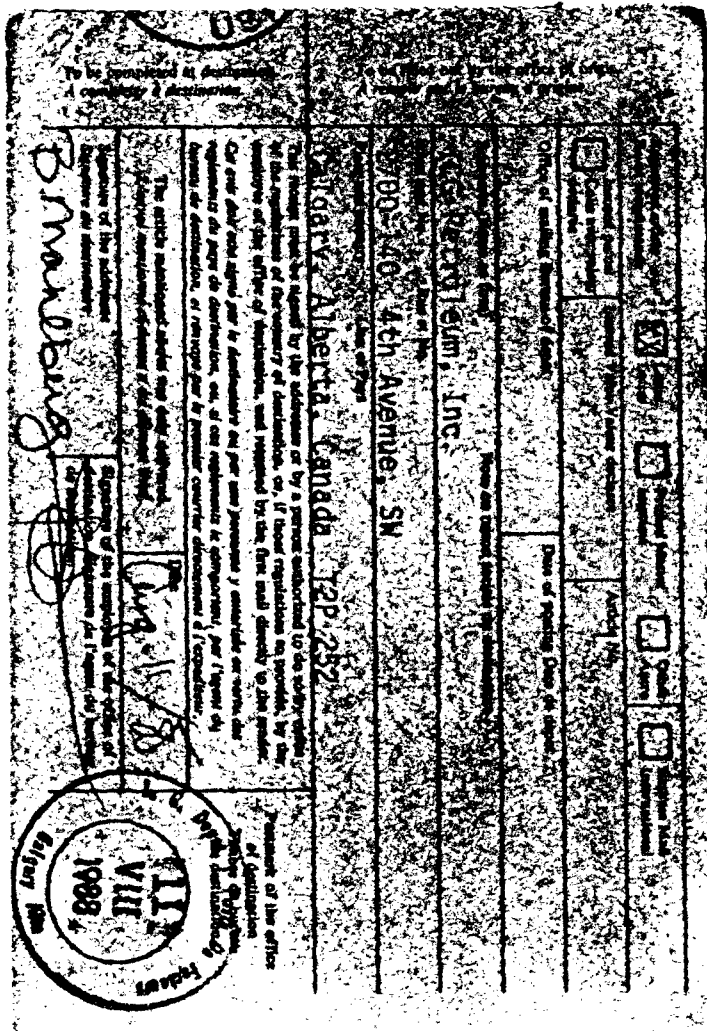
Signature - Addressee  
Signature - Agent

Date of Delivery

8.1.88

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:

4. Article Number  
P 735 031 756

Type of Service:  
☐ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X  
 6. Signature - Agent  
X  
 7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)  
 Talus Properties, Ltd.  
 Attn: James C. Ryan, Jr.  
 % American Petroleum Management  
 P.O. Box 2485  
 Greenville, South Carolina 29602

Form 3811, Feb. 1986  
RC  
DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

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3. Article Addressed to:

4. Article Number  
P 735 031 757

Type of Service:  
☐ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X  
 6. Signature - Agent  
X  
 7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)  
 Toga Petroleum Corp.  
 500 Dallas Avenue, Suite 2950  
 Houston, TX 77002

Form 3811, Feb. 1986  
RC  
DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

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3. Article Addressed to:

4. Article Number  
P 735 031 758

Type of Service:  
☐ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X  
 6. Signature - Agent  
X  
 7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)  
 Yates Drilling Company  
 105 South 4th Street  
 Artesia, NM 88210

Form 3811, Feb. 1986  
RC  
DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:

4. Article Number  
P 735 031 759

Type of Service:  
☐ Registered  
☒ Certified  
☐ Insured  
☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X  
 6. Signature - Agent  
X  
 7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)  
 Yates Petroleum Corp.  
 105 South 4th Street  
 Artesia, NM 88210

Form 3811, Feb. 1986  
RC  
DOMESTIC RETURN RECEIPT