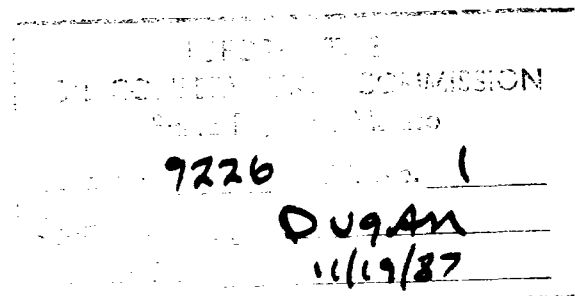




dugan production corp.

November 17, 1987

Mr. William J. LeMay  
New Mexico Oil Conservation Division  
P O Box 2088  
Santa Fe, NM 87504-2088



Re: NMOCC Case #9226 & 9227

November 19, 1987

West Lindrith Gallup Dakota and Gavilan Mancos Oil Pools  
Rio Arriba and Sandoval Counties, New Mexico

Dear Mr. LeMay:

With reference to the captioned cases, Dugan Production Corp. has leasehold interest within both areas under consideration to serve as a buffer zone with respect to allowables between the Gavilan Mancos and West Lindrith Gallup-Dakota oil pools at their adjacent boundaries along the meeting of Range 2 and 3 West. For your reference, I have attached a map on which I have identified Dugan Production's leasehold interest within the subject area.

Having extensively studied the Mancos/Gallup productive interval in this general area, Dugan Production concurs with Sun Exploration and Production in that, based upon the data available to date, it is not necessary to establish a buffer zone between the two subject pools. Upon reviewing the production histories for numerous wells within the West Lindrith Gallup-Dakota oil pool, there are very few wells that are capable of top allowable production rates under the existing pool rules. This includes the eight wells that are within the eastern row of sections of the West Lindrith Gallup-Dakota oil pool and adjacent to the Gavilan Mancos oil pool. Thus, we see no need to establish an allowable restriction for the West Lindrith Gallup-Dakota oil pool.

On the other hand, there has been a substantial amount of engineering and geologic effort devoted to studying the Gavilan Mancos pool and, as you are well aware, the issue as to the proper allowable for the Gavilan Mancos pool is still an issue with which there is a great deal of disagreement. There are wells within the acreage to be affected by a buffer zone on the Gavilan Mancos pool side that are capable of producing in excess of the current top allowable rates and, thus, any increase in top allowable will result in a change in the Gavilan Mancos pool allowable. This increase in allowable does not appear to be necessary to protect Gavilan acreage from drainage by offsetting wells in the West Lindrith Gallup-Dakota pool and will result in an adjustment of allowables in the Gavilan Mancos pool at a time when there are still many unresolved issues within the Gavilan Mancos Oil pool.

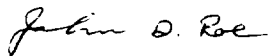
Letter to Mr. William J. LeMay  
NMOCD  
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11-17-87  
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In the event that the Commission determines that a buffer zone is, in fact, necessary, then Dugan Production recommends that the adjustment to allowables (primarily gas) from Cavilan into the West Lindrith pools be made in an equal percentage manner, as opposed to the equal volume method currently under consideration. This would result in adjusting the allowable in each area, moving from one pool, into each buffer zone, and into the adjoining pool by a factor of 1.8534, rather than a constant volume of 429.34 MCFD + 121.33 BOPD for each 320 acre tract of land. It is our belief that the constant percentage adjustment results in a more equitable transition of allowables between Cavilan and West Lindrith than does the constant volume method.

With respect to the existing well location requirements in the West Lindrith pool, we support changing the current 330' from the outer boundry to 790' from the outer boundry. This will help to insure a more uniform development of the 160 A spacing units and will also align with the 790' spacing requirement in the adjacent Cavilan Mancos Oil Pool.

We request that you make this letter a part of the official record in these two cases.

Respectfully submitted,



John D. Roe  
Engineering Manager

JDR/cg

Attachment to  
Dugan Production Corp. Letter  
Dated 11-17-87 to NMOC  
RE: Cases 9226 & 9227  
Scheduled for 11-19-87

