

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

WELL API NO.

30-045-30714

5. Indicate Type of Lease Federal
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
Federal Lease No. SF-078937

7. Lease Name or Unit Agreement Name:

Davis Federal

8. Well No.

1E

9. Pool name or Wildcat

Basin Dakota/
Gallegos Gallup Associated

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:

Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

Dugan Production Corp.

3. Address of Operator

P.O. Box 420, Farmington, NM 87499

4. Well Location

Unit Letter J : 1620 feet from the South line and 1610 feet from the East line

Section 24 Township 26N Range 11W NMPM San Juan County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)
6429' RKB

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Downhole commingle ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

The Davis Fed No. 1 E was spudded 4/6/03 and 4-1/2" casing cemented at 6600' on 4/14/03. Dugan Production proposes to perforate and stimulate the indicated productive intervals in the Basin Dakota and Gallegos Gallup Associated pools. Following stimulation, production from both pools will be downhole commingled, the well tested and placed on production.

1&2. NMOCD Order R-11363 established the Basin Dakota (71599) & Gallegos Gallup Associated (26980) pools as pre-approved pools for downhole commingling.

3. The well has not been perforated, however it is Dugan's intention to perforate intervals correlative to the intervals perforated in the Davis Federal No. 1 well, which will be the approximate depths of $\pm 5515'$ to $5566'$ in the Gallup and $\pm 6249'$ to $6320'$ in the Dakota.

4. It is proposed to allocate the commingled production using fixed factors determined from production in Dugan's Davis Federal No. 1 well (Unit L, Sec. 24, T-26N, R-11W) which is also supported by production in offsetting wells (see Attachments No. 1 & 2).

Proposed allocation:

	Gallegos Gallup	Basin Dakota
Gas	- 67%	33%
Condensate	- 57%	43%
Water	- 64%	36%

5. The value of production from either zone will not be reduced but will be maximized as a result of this downhole commingling which will allow larger production equipment to be installed to handle the commingled production as opposed to, separate sets of production equipment for individual zones.

6. The ownership (working, royalty & overriding royalty) is identical for both zones. Dugan holds 100% of the working interest and all royalty is federal.

7. A copy of this sundry is being sent to the Bureau of Land Management.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE John D. Roe TITLE Engineering Manager DATE April 25, 2003

Type or print name John D. Roe Telephone No. (505) 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE APR 28 2003

Conditions of approval, if any:

Attachment No. 1
Proposed Allocation Factors
Dugan Production Corp.'s Davis Federal No. 1E (J-24-26N-11W)
Downhole Commingled Gallegos Gallup & Basin Dakota

Factors based upon production

Dugan's Davis Federal No. 1 (L-24-26N-11W)

<i>Factor</i>	<i>Gas</i>		<i>Condensate</i>		<i>Water</i>	
	<i>GA</i>	<i>DK</i>	<i>GA</i>	<i>DK</i>	<i>GA</i>	<i>DK</i>
Cum. Production (Att. 2, Pg. 1)	68%	32%	57%	43%	64%	36%
Current Prod. (Att. 2, Pg. 1)	67%	33%	51%	49%	58%	42%
Est. Ultimate Rec.(Att. 2, Pg. 3&4)	67%	33%				

① Gas factors based upon current production from Dugan's Davis Federal No. 1 which is a dual completion. Production is surface commingled (Commingling Order PC-936). Current production factors are supported by EUR factors. In addition, current production from 10 Gallup (4 currently active) and 24 Dakota (11 currently active) wells in adjacent sections indicates a gas allocation factor of 59% Gallup and 41% Dakota which is close to the proposed factor.

② Condensate and water allocation factors are proposed from cumulative data since current production is believed to be affected by liquid loading resulting from inefficient lifting.