

Submit 1 Copy To Appropriate District Office
District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised July 18, 2013

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

WELL API NO. 30-045-23112
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. 293080
7. Lease Name or Unit Agreement Name Hanley B
8. Well Number #1
9. OGRID Number 006515
10. Pool name or Wildcat Otero Chacra & Blanco Mesaverde

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-104) 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 N : 790 feet from the South line and 1695 feet from the West line
Section 18 Township 29 N Range 10 W NMPM County San Jaun

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5575' GL

12. 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 COMPL ☐
DOWNHOLE COMMINGLE ☒
CLOSED-LOOP SYSTEM ☐
OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐
OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

- I. Dugan Production intends to downhole commingle the Otero Chacra and Blanco Mesaverde formations. These formations are pre-approved as stated in order R-11363.
- II. The Perforation intervals are from 2932-2938 for the Chacra and 3764-3876 and 3924-4349 for the Mesaverde formation.
- III. 60% of the gas will be allocated to the Chacra and 40% will be allocated to the Mesaverde. All hydrocarbon liquids and water will be allocated to the Mesaverde. Please see the attachment for allocation methodology and results.
- IV. All interests in the well are equal in the upper and lower zone.
- V. The commingling of these two zones will not reduce production or damage the well.

Spud Date:

Rig Release Date:

DHC#3933AZ

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

SIGNATURE Kevin Smaka TITLE Production Engineer DATE 3/5/2015

Type or print name Kevin Smaka E-mail address: kevin.smaka@duganproduction.com PHONE: 505-325-1821
For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR DATE MAR 13 2015

Conditions of Approval (if any):

N

Hanley B #1

Otero Chacra Production	Blanco Mesaverde Production	Year
4988	2641	2012
4381	3747	2013
3781	2594	2014
13150	8982	Summations

22132 Total Gas

59.41622989

40.58377011 Current Allotment

Any Hydrocarbon liquids will be allocated to the Mesaverde Formation

All produced water will be allocated to the Mesaverde