Form 3169-5 (June 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

RECEIVED

ORM APPROVED et Bureau No. 1004-0135

xpires: March 31,1993

5. Lease Designation and Serial No. NM-61

SUNDKI	NOTICES AND R	EPUKIS U	N AMELLO	17 44 11.00	<u> </u>
Do not use this form for	proposals to drill or	to deepen or	r reentry to a	different reservoi	Ŧ.

6. If Indian, Allotted or Tribe Name Use "APPLICATION FOR PERMIT -" for such proposals raithington, NV SUBMIT IN TRIPLICATE 1. Type of Well 7. If Unit or CA, Agreement Designation Gas Well Well Other 2. Name of Operator 8. Well Name and No. Dugan Production Corp. Rachel #2 & #91 3. Address and Telephone No. 9. API Well No. #2-30-045-22285 P.O. Box 420 . Farmington, NM 87499 (505) 325 - 1821 #91-30-045-29835 Location of Well (Footage, Sec., T., R., M., or Survey Description) 10. Field and Pool, or Exploratory Area #2 1550' FSL & 990' FEL (NESE) Section 34, T-26N, R-12W #2-WAW Fruitland Sand-PC #91 1620' FSL & 1760' FWL (NESW) Section 34, T-26N, R-12W #91-Basin Fruitland Coal 11. County or Parish, State San Juan, NM 12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOT OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION Notice of Intent Abandonment Change of Plans Recompilation **New Construction** Subsequent Report Plugging Back Non-Routine Fracturing Casing Repair Water Shut-Off Final Abandonment Notice Altering Casing Conversion to Injection X

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Other

Dugan Production proposes to convert the existing gas sales meter for the Rachel No.2 (El Paso Meter No.89857) to a central delivery gas sales meter for the Rachel No. 2 & 91 wells. This will require the Surface Commingling of natural gas from the Basin Fruitland Coal & WAW Fruitland Sand-PC Pools. Only natural gas will be commingled & Measurement will be on lease at the No.2 well. Dugan Production operates both wells & the spacing units for both wells encompass only Federal lease NM-61. The Rachel No.2 is currently shut-in with a cumulative production of 613 mmcf and does not have sufficient pressure to produce into the pipeline which ranges from 50 to 75 PSIA. The Rachel No. 91 was completed 12/12/02 in the Fruitland Coal & will require wellhead compression to produce. It is proposed to deliver gas from the 91 well to the sales meter for the #2 & use one compressor for both wells. This will allow the #2 well to be returned to production & the 91 well to efficiently produce gas from the Fruitland Coal. A copy of Dugan's application to the NMOCD for Surface Commingling is attached to provide additional information about this proposal.

Surface Commingle

Natural Gas-CDP

CONDITIONS OF APPROVAL

Dispose Water

(Note: Report results of multiple completion on Weil Completion or Recompilation Report and Log form.)

14. I hereby certify that the foregoing is true and correct **Engineering Manager** Signed Title 6/12/2003 (This space for Federal or State office use) JUN 2 0 2003 /a/ Jim Lovata Approved by Title Date Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Office	Copies To Appropriate District State of New Mexico Energy, Minerals and Natural Resources				COLEGAC	Form C=103 Revised June 10, 2003		
District I 1625 M. French District II	15 N. French Dr., Hobbs, NM 88240				WELL API NO.			
1301 W. Grand . District III	Grand Ave., Artesia, NM 88210 OIL CONSERVATION DIVISION 1220 South St. Francis Dr.				See below 5. Indicate Type of Lease: FEDERAL			
District IV 1220 S. St. France	District IV Santa Fe, NM 87505 1220 S. St. Francis Dr., Santa Fe, NM				STATE FEE 6. State Oil & Gas Lease No. Federal Lease NM-61			
87505	SUNDRY	NOTI	CES AND REPORTS ON	WELLS			me or Unit Agree	mont No.
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1. Type of Well: Oil Well Gas Well Other					8. Well Number #2 & #91			
2. Name of C Dugan Pro	Operator oduction Corp.					9. OGRID N 006515	umber	
3. Address of			5.05400			10. Pool nam		
P.O. Box 4		ton, NI	M 87499			See belov	w	
	Sec	e belov						
Unit	Letter	:_	feet from the _	1	ine and	fee	t from the	lin
Secti	ion 34		Township 26N	Range	12W	NMPM	County Sa	n Juan
			11. Elevation (Show whe	ther DR, RKB, I	RT, GR, etc.)			
	LY ABANDON		PLUG AND ABANDON CHANGE PLANS		DIAL WORK	-	ALTERING	_
PULL OR ALT	TER CASING		MULTIPLE	☐ CASIN	MENCE DRIL NG TEST AN		☐ PLUG AND ABANDONN ☐	_
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Affectment No.1

Notice Form c-103 dated 6/12/03

Application of Dugar Pool.

Surface Commingle Natural Gas.

Dugan's Rockel 42+491 wells

WAN Foutful Sal-Re+ Bosin Furtherlant

AFFIDAVIT

STATE OF NEW MEXICO)) ss.
COUNTY OF SAN JUAN)

David M. Poage, a Land Manager presently employed by Dugan Production Corp. being first duly sworn on his oath, states that he is familiar with the following described property, to-wit:

Township 26 North, Range 12 West Section 34: S/2, NE/4 San Juan County, New Mexico Containing 480.00 acres, more or less Federal O&G Lease NM-61

and that he is also familiar with the aforementioned lands and lease and has knowledge that said lands and lease are owned by Dugan Production Corp. Affiant states that the said lands and lease are identical in ownership. This ownership in these lands is identical in owners and percentaes for all working interest, royalty and overriding royalty owners. Affiant further states that no change in ownership has occurred and that Dugan Production Corp. has not sold, leased or otherwise made any commitments to affect a change in ownership of the aforementioned lands.

Further affiant saith not.

David M. Poage, CPL # 1365

ACKNOWLEDGEMENT

STATE OF NEW MEXICO)) ss.
COUNTY OF SAN JUAN)

BEFORE ME, the undersigned, a notary public in and for the county and state aforesaid, on this /a of ________, 2003, personally appeared David M. Poage, to me personally known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year first above written.

My commission expires: 2/22/06

Notary Public:

P.O. Box 420, Farmington, NM 87499-0420

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Form 3160-5 (June 1990)

or representations as to any matter within its jurisdiction.

UNITED STATES DEPARTMENT OF THE INTERIOR **BUREAU OF LAND MANAGEMENT**

No.Z

FORM APPROVED

Budget Bureau No. 1004-0135

Expires: March 31,1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir. Use "APPLICATION FOR PERMIT." for such proposals

5. Lease Designation and Serial No. NM-61 6. If Indian, Allotted or Tribe Name

	SUBMIT II	N TRIPLICATE	proposais	
1. Type of W		THE EIGHTE		7. If Unit or CA, Agreement Designation
1. Type di VV	Oil Gas Well X Well	Other		7. If O'llt O' CA, Agreement Designation
2. Name of C Dugan F	Operator Production Corp.			8. Well Name and No. Rachel #2 & #91
	ind Telephone No. x 420,Farmington, NM 87499 ((505) 325 - 1821		9. API Well No. #2-30-045-22285 #91-30-045-29835
#2 1550	Nell (Footage, Sec., T., R., M., or Survey Description) 'FSL & 990' FEL (NESE) Section 34 0' FSL & 1760' FWL (NESW) Section	•		10. Field and Pool, or Exploratory Area #2-WAW Fruitland Sand-PC #91-Basin Fruitland Coal 11. County or Parish, State
				San Juan, NM
12. CHE	CK APPROPRIATE BOX(s) TO IND	ICATE NATURE OF	NOTICE, REPORT, C	
	TYPE OF SUBMISSION		TYPE OF ACTIO	N
N.	Notice of Intent	Abandonment	×	Change of Plans
	Out as a supplied Deposit	Recompilation		New Construction
Ц	Subsequent Report	Plugging Back		Non-Routine Fracturing
F7	First Abandanmant Nation	Casing Repair		Water Shut-Off
	Final Abandonment Notice	Altering Casing		Conversion to Injection
			Surface Commingle Natural Gas-CDP	Dispose Water (Note: Report results of multiple completion on Well
		1		Completion or Recompilation Report and Log form.)
	to a central delivery gas sales med of natural gas from the Basin Fruit & Measurement will be on lease a both wells encompass only Federa production of 613 mmcf and does 75 PSIA. The Rachel No. 91 was to produce. It is proposed to delive	ter for the Rachel Not tland Coal & WAW F at the No.2 well. Dug al lease NM-61. The not have sufficient p completed 12/12/02 er gas from the 91 we well to be returned to application to the N	 2 & 91wells. This will ruitland Sand-PC Pool gan Production operate Rachel No.2 is current ressure to produce into in the Fruitland Coal & ell to the sales meter for production & the 91 well production & the 91 well results. 	is. Only natural gas will be commingled as both wells & the spacing units for atly shut-in with a cumulative to the pipeline which ranges from 50 to will require wellhead compression for the #2 & use one compressor for all to efficiently produce gas from the
14. I hereby o	certify that the foregoing is true and correct			
Signed	John Roe	Engineering	Manager Da	6/12/2003
(This space for	Federal or State office use)			
Approved by		Title	Da	ate
Conditions of a	approval, if any:			
Title 18 U.S.C.	Section 1001, makes it a crime for any person knowingly and	d willfully to make to any departm	ent or agency of the United States an	y false, fictitious or fraudulent statements

Conditions of Approval for Surface Commingling and/or Off-lease Measurement

- 1) Allocation Methodology must be done on an MMBTU basis.
- 2) Measurement of gas must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site Security and Onshore Order No. 5, Gas Measurement.
- 3) In order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- 4) No other wells can be added to this system without the prior approval of this office.
- 5) Contact this office in the event of any lost hydrocarbons between the wells and Central Delivery Point (CDP).