DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
811 South First St., Artesia, NM 88210-2835
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:
X Administrative ___ Hearing

EXISTING WELLBORE
X YES ___ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Dugan Production Corp. (Operator) — P. O. Box 420, Farmington, NM 87499-0420 (Address)

Zappa (Lease) — 3 (Well No.) — P-27-T22N-R8W (Unit Ltr. - Sec - Twp - Rge) — San Juan (County)

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 006515 Property Code 013361 API NO. 30-045-29908 Federal X, State ___, (and/or) Fee ___

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Basin Fruitland Coal 71629		Bisti Chacra 96166
2. Top and Bottom of Pay Section (Perforations)	752'-775' (proposed)		1130'-1252'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing -possibly artificial lift		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 190 PSIA @ 765' (estimated) (Original) b.190 PSIA @ 765' (estimated)	b.	a. 300 PSIA @ 765' (estimated) b. 300 PSIA @ 765' (estimated)
6. Oil Gravity (°API) or Gas BTU Content	±1020 BTU/CF		±1120 BTU/CF
7. Producing or Shut-In?	To be completed		Shut-in
Production Marginal? (yes or no)	Anticipated to be		yes
* If Shut-In, give date and oil/gas/ water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: Rates:	Date: Rates:	Date: 12-7-99 Rates: Max SIWHP = 254 PSIA
* If Producing, give date andoil/gas/ water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula -% for each zone	Oil: % Gas: 50%	Oil: % Gas: %	Oil: % Gas: 50%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? X Yes ___ No
If not, have all working, overriding, and royalty interests been notified by certified mail? X Yes ___ No
Have all offset operators been given written notice of the proposed downhole commingling? X Yes ___ No

11. Will cross-flow occur? X Yes ___ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. X Yes ___ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? X Yes ___ No

13. Will the value of production be decreased by commingling? ___ Yes X No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. X Yes ___ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____

16. ATTACHMENTS:
* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.-Attachments 1 & 2
* Production curve for each zone for at least one year. (If not available, attach explanation.)-Attachment No. 3
* For zones with no production history, estimated production rates and supporting data.- Attachment No. 3
* Data to support allocation method or formula.-Attachment No. 3
* Notification list of all offset operators.-Attachment No. 4
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

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

SIGNATURE John R. Roe TITLE Engineering Manager DATE February 10, 2000

TYPE OR PRINT NAME John Roe TELEPHONE NO. (505) 325-1821

Attachment No. 1 Pg 1 of 1

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30 045 29908	96166	Bisti Chacra Ext.

[4] Property Code	[5] Property Name	[6] Well Number
013361	Zappa	3

[7] OGRID No.	[8] Operator Name	[9] Elevation
006515	Dugan Production Corporation	6738'

[10] Surface Location

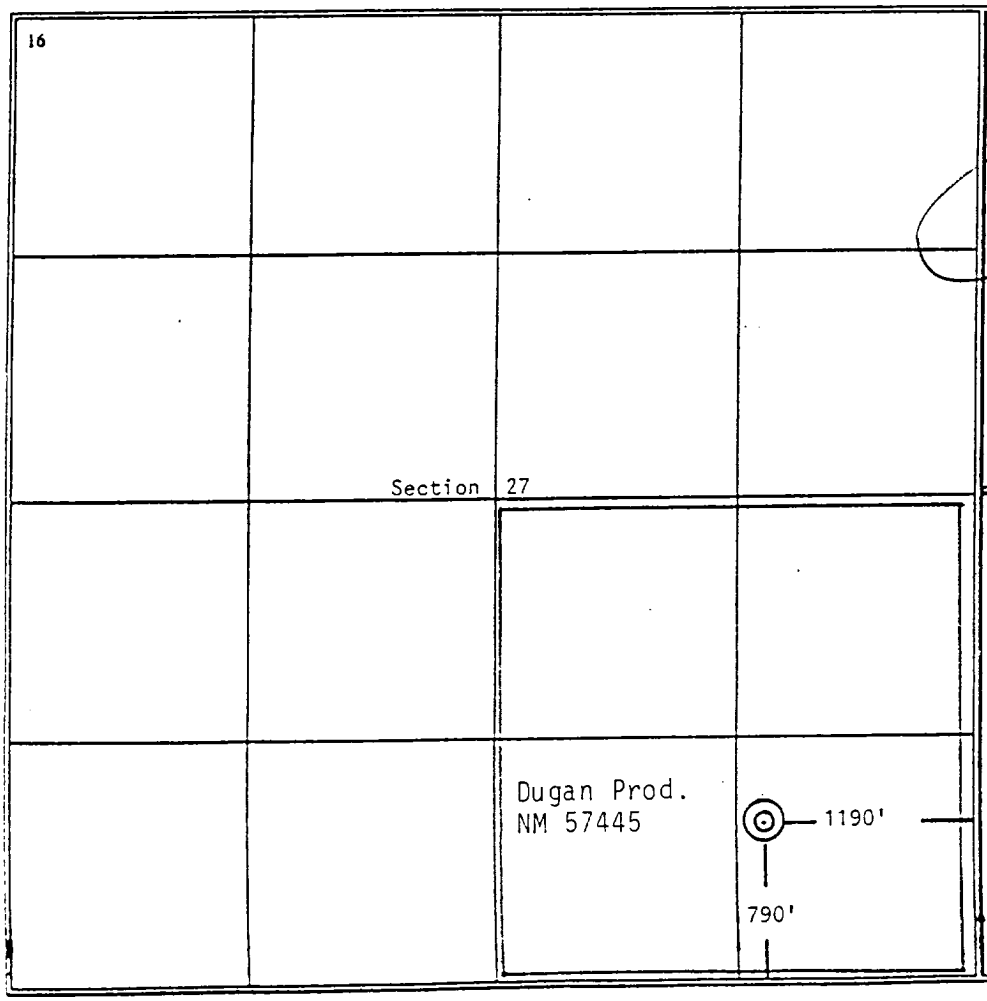
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	27	22N	8W	P	790	South	1190	East	San Juan

[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



[17] OPERATOR CERTIFICATION

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

Signature
Sherman E. Dugan
Printed Name
Vice-President
Title
4/19/99
Date

[18] SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

April 6, 1999
Date of Survey

Signature and Seal of Professional Surveyor:

EDGAR L. RISENHOOVER
NEW MEXICO
5979
REGISTERED PROFESSIONAL SURVEYOR

Certificate Number 5979

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Attachment No. 2 Pg 1 of 1

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30 045 29908	71629	Basin Fruitland Coal

[4] Property Code	[5] Property Name	[6] Well Number
013361	Zappa	3

[7] OGRID No.	[8] Operator Name	[9] Elevation
006515	Dugan Production Corporation	6738'

[10] Surface Location

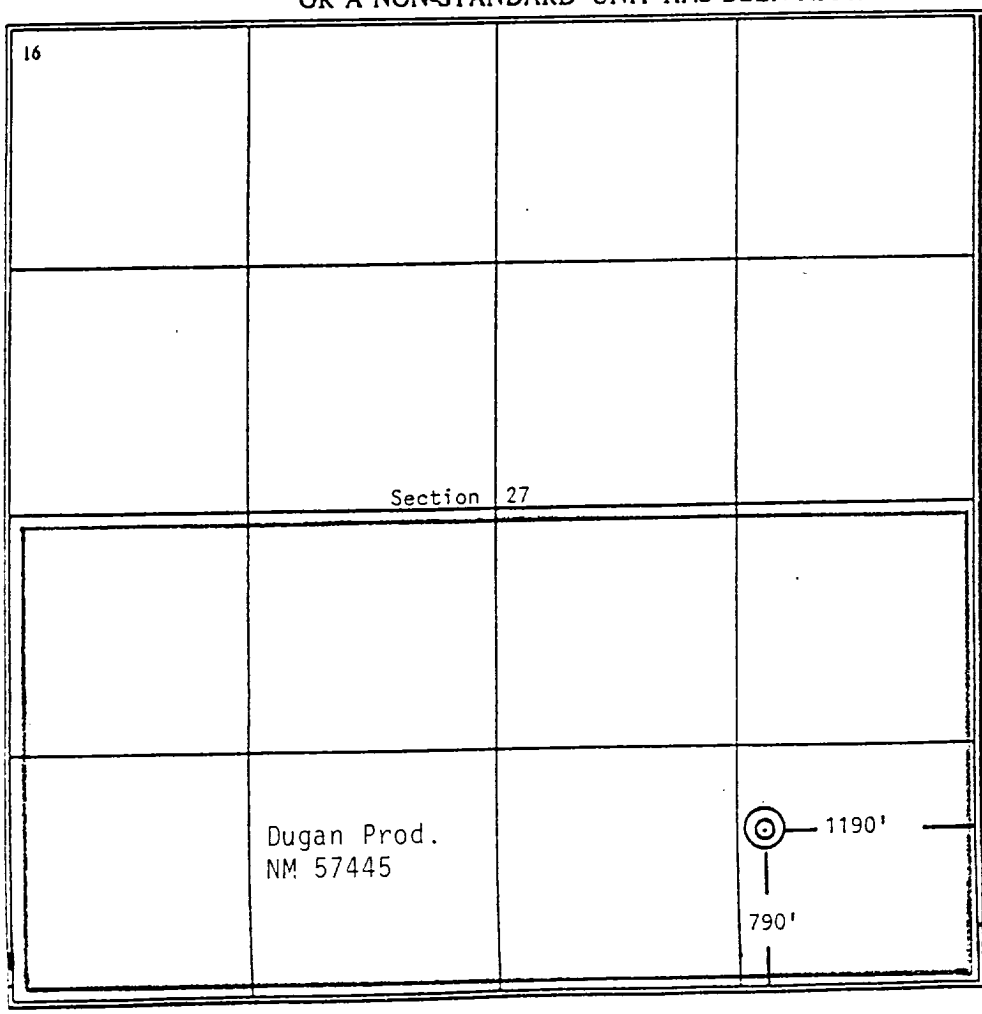
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	27	22N	8W		790	South	1190	East	San Juan

[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



[17] OPERATOR CERTIFICATION

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

John D. Roe
Signature
John D. Roe
Printed Name
Engineering Manager
Title
January 7, 2000
Date

[18] SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

April 6, 1999
Date of Survey

Signature and Seal of Professional Surveyor:

EDGAR L RISENHOOVER
NEW MEXICO
5979
PROFESSIONAL SURVEYOR

Certificate Number

Attachment No. 3
Well Completion & Production Potential Summary
Dugan Production Corp.'s Zappa No. 3
Unit P, Section 27, T-22N, R-8W
San Juan County, New Mexico

Spud: 7-6-99
Completed: 12-2-99
Drilled TD: 1405' Plugged back TD: 1362'
Casing: 7", 20# @ 120'
4½", 10.5# @ 1398'
Tubing: 2 3/8", 4.7# @ 1198'
Perforations: Bisti Chacra – 1130', 1137', 1144', 1153', 1163', 1172', 1180', 1195', 1207', 1213', 1220', 1222', 1230', 1237', 1242', 1252'. Total 16 holes.

Stimulations:
1. Breakdown 1130'-1252' w/100 gallons 15% HCL @1000 psi. Pumped in @ 5 bpm & 800 psi. ISDP = 520 psi.

2. Breakdown 1130' – 1252' w/650 gallons 15% HCL & 32 ball sealers. Had good ball action & balled out @ 3500 psi.

Production Testing:

12-2-99 Swab tubing dry following acid breakdown.
12-3-99 SITP = 5 psig, SICP = 50 psig
12-4-99 SITP = 50 psig, SICP = 200 psig
Check fluid level @ 750'.
Swab 1 time & well unloaded. Recovered approximately 2 bbl water.
Shut well in.
Check fluid level after 1 hr. No fluid entry. Shut well in.
12-7-99 SITP = 207 psig SICP = 242 psig
Opened well to pit. Unloaded small amount of fluid. Tubing pressure bled to 0 psig & casing to 60 psig with well flowing gas at a steady blow - gas would burn. Shut well in pending frac stimulation.

Production Potential:

Bisti Chacra Perforations 1130' – 1252'

Completion and testing to date in the Zappa No. 3 indicates the Chacra is productive of dry natural gas plus a small amount of water and has a shut-in pressure of 254 psia which is similar to the initial shut-in pressures of other Chacra completions in the general area (see Attachment No. 6). The Chacra will need to be fracture stimulated to establish

commercial gas rates. Although there are eight shut-in Chacra completions within T22N, R8W (ref attachment No. 6), there are no wells that have produced beyond the completion testing since a pipeline connection is currently not available. The nearest Chacra production is in Dugan Production's Dome Rusty 20-22-7 No. 1, located ± 4 miles to the east (P-20-22N-7W). The production history for this well is presented on page no. 4 of this attachment. A total of 31.1 million cubic feet of gas have been produced over an 18 year period for an overall average of 4.75 mcfd. Initial production averaged approximately 33 mcfd, and the well currently averages ±3 mcfd.

Within T22N, R7W, there are a total of 27 Chacra completions with cumulative production ranging from 9.4 to 113.5 mmcf and averaging ± 50 mmcf per well. (Ref. pg no. 5 of this attachment).

Basin Fruitland Coal

The Fruitland Coal occurs in the Zappa No. 3 wellbore from 752 to 775', and, based upon cased hole logs plus sample analysis, is believed to be a 23' continuous coal interval. To date the nearest test of the Fruitland Coal is in Dugan's Zappa No. 2 (F-20-22N-8W) approximately 3 miles to the northwest which was completed 9-12-94 testing methane gas and water following a foam frac job which screened out after pumping ± 15,000 lbs of sand. A shut-in surface pressure of 187 psia has been measured which is representative of the pressure anticipated for the Fruitland Coal @ ± 750'. The nearest established production from the Fruitland Coal is from Dugan Production's Sapp No. 90 (B-29-24N-8W) approximately 12 miles to the north. The production history for the Sapp No. 90 is presented on page No. 6 of this attachment. A total of 122.4 million cubic feet of gas have been produced over a 5 year period for an overall average of ±65 mcfd. Initial production averaged approximately 300 mcfd and the typical incline of gas production from the Fruitland Coal has not been exhibited. Production had declined to ± 3 mcfd and ±½ to 1 bwpd when rod pump equipment was installed increasing production to ±60 mcfd and 5 bwpd.

Within T24N-R8W there are a total of 10 Fruitland Coal completions with cumulative production ranging from 631 mcf to 225.9 mmcf and averaging ± 68 mmcf per well.

With reference to Attachment No. 7, it can be seen that the Zappa No. 3 is within ± 8 miles of the southern outcrop of the Fruitland Coal in the San Juan Basin. This combined with the fact that the nearest Fruitland Coal production is ± 12 miles to the north and a test of the Fruitland Coal ± 3 miles to the northwest did confirm that production potential does exist in the Fruitland Coal, however since a pipeline connection is not currently available, sufficient testing has not occurred and we can only say that the Fruitland Coal does appear to be productive of methane gas plus water.

Thus at this time, we expect to develop marginal gas rates from the Chacra and Fruitland Coal in the Zappa No. 3, averaging 15-30 mcfd from each zone. Based upon an analysis

of production from 27 Chacra wells one township to the east and 10 Fruitland Coal wells two townships to the north, we anticipate developing 50 to 60 mmcf of gas from each zone.

Summary of Anticipated Zappa No. 3 Production

	Initial Production		Gas Reserves
	MCFD	BWPD	MMCF
Basin Fruitland Coal	15 to 30	5 to 10	50 to 60
Bisti Chacra	15 to 30	1 to 2	50 to 60

Proposed allocation of Commingled Production*

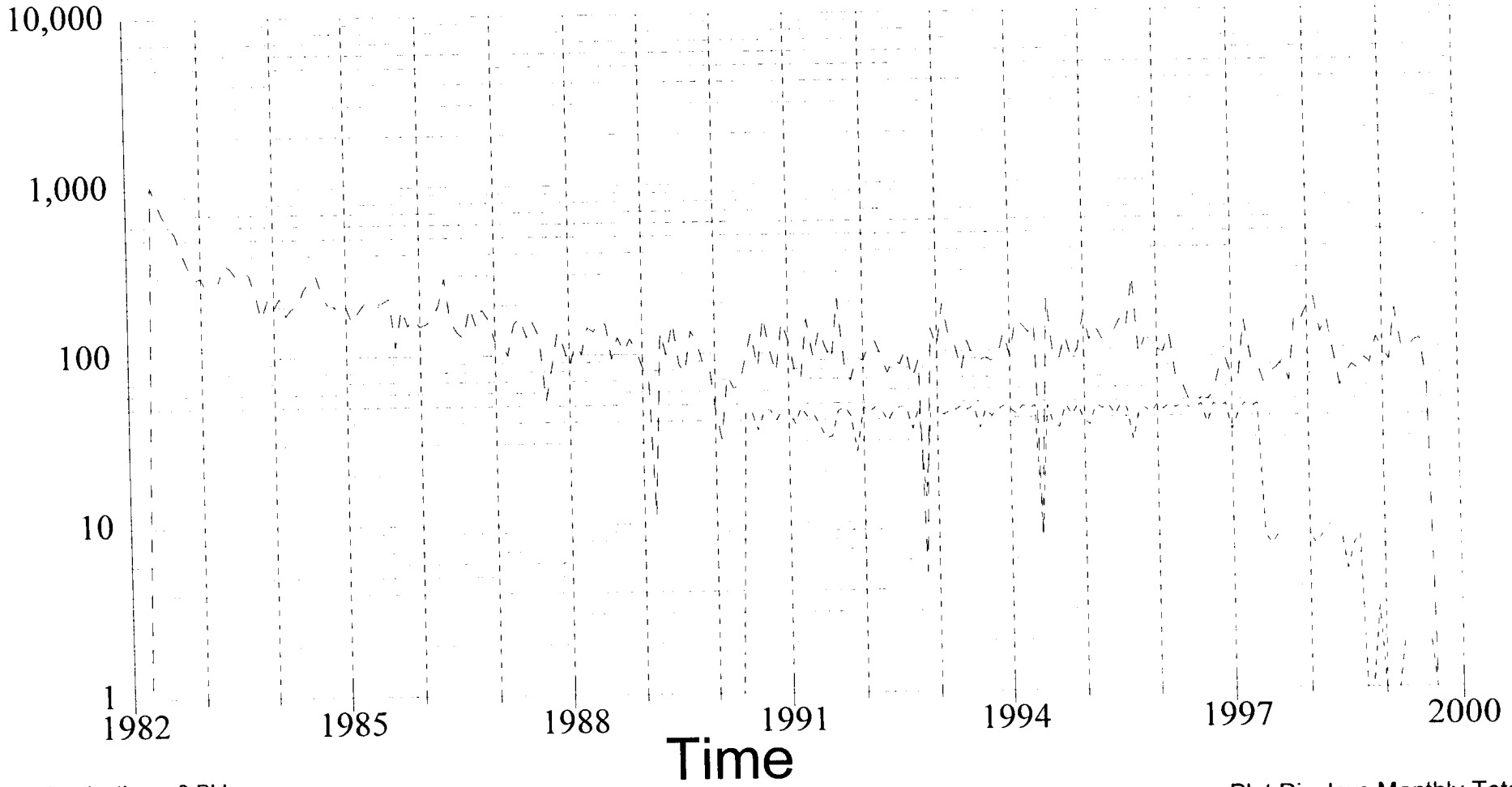
	Gas	Water
Basin Fruitland Coal	50%	80%
Bisti Chacra	50%	20%

*NOTE: If the commingled production after 12 months of continuous production exceeds 60 mcfd indicating that at least one of the zones is producing at higher than anticipated rates, Dugan Production will consider addidtional testing of the Zappa No. 3 in order to verify the appropriate production allocation factors.

Attachment No. 3
Pg 4 of 7

Oil
Gas
Water
Wells

Field: RUSTY Cheera
Lease: DOME RUSTY 20-22-7 | Well #1 (P-20-22N-7W)
Operator: DUGAN PRODUCTION CORPORATION
Production Rate vs Time
For the Period 01/1982 to 12/1999 | API: 30043203190000



Reported Oil Production = 0 Bbls
Reported Gas Production = 31,116 Mcf to 8-1-99
Reported Water Production = 3,697 Bbls "

Plot Displays Monthly Totals

Attachment No. 3 Pg 5 of 7

eb-08-2000
1:37

Field Name	Reservoir Name	Operator Name	Lease Name	Well Number	County	Zone	API Number	Lower Perfs	As of 9-1-99 Cumulative Production Liquid	Gas	8 months Annual Production Liquid	Gas	LOCATION TWN	RNG	SEC	U/L
USTY	CHACRA	DUGAN PRODUCT	CHACRA	1	SANDOVAL	604CHCR	3004320308	1902	0	43139	0	7093	22N	7W	10	D
USTY	CHACRA	DUGAN PRODUCT	DOME FEDERAL 10-22-7	1	SANDOVAL	604CHCR	3004320484	1910	0	88872	0	2696	22N	7W	10	H
USTY	CHACRA	DUGAN PRODUCT	NAVAJO 10-22-7	1	SANDOVAL	604CHCR	3004320346	1804	0	113484 - high	0	4753	22N	7W	10	N
USTY	CHACRA	HICKS OIL & G	GULF FEDERAL	2	SANDOVAL	604CHCR	3004320172		0	31558	0	0	22N	7W	11	G
USTY	CHACRA	M & M PRODUCT	RUSTY FEDERAL	1	SANDOVAL	604CHCR	3004320150	1962	0	46370	0	1088	22N	7W	11	P
USTY	CHACRA	HICKS OIL & G	GULF NAVAJO	2	SANDOVAL	604CHCR	3004320276	1991	0	11787	0	0	22N	7W	12	M
USTY	CHACRA	HICKS OIL & G	GULF FEDERAL	1	SANDOVAL	604CHCR	3004320159	2041	0	24688	0	0	22N	7W	13	C
USTY	CHACRA	HICKS OIL & G	GULF FEDERAL	3	SANDOVAL	604CHCR	3004320215	1980	0	37071	0	0	22N	7W	13	G
USTY	CHACRA	M & M PRODUCT	RUSTY FEDERAL	4	SANDOVAL	604CHCR	3004320190		0	90224	0	4159	22N	7W	13	M
USTY	CHACRA	M & M PRODUCT	RUSTY FEDERAL	2	SANDOVAL	604CHCR	3004320157	1884	0	71129	0	3805	22N	7W	14	H
USTY	CHACRA	M & M PRODUCT	RUSTY FEDERAL	3	SANDOVAL	604CHCR	3004320171		0	107742	0	8739	22N	7W	14	P
USTY	CHACRA	DUGAN PRODUCT	DOME FEDERAL 15-22-7	1	SANDOVAL	604CHCR	3004320281	1784	0	104650	0	4172	22N	7W	15	P
USTY	CHACRA	DUGAN PRODUCT	DOME NAVAJO 17-22-07	2	SANDOVAL	604CHCR	3004320480	1572	0	18698	0	447	22N	7W	17	K
USTY	CHACRA	DUGAN PRODUCT	DOME NAVAJO 20-22-7	1	SANDOVAL	604CHCR	3004320408	1520	0	27833	0	1203	22N	7W	20	H
USTY	CHACRA	DUGAN PRODUCT	DOME RUSTY 20-22-7	1	SANDOVAL	604CHCR	3004320319	1600	0	31116	0	828	22N	7W	20	P
USTY	CHACRA	DUGAN PRODUCT	NAVAJO 21-22-7	1	SANDOVAL	604CHCR	3004320282	1640	0	31179	0	0	22N	7W	21	A
USTY	CHACRA	DUGAN PRODUCT	CHACRA	2	SANDOVAL	604CHCR	3004320309	1562	0	21534	0	2186	22N	7W	21	O
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	5	SANDOVAL	604CHCR	3004320252	1918	0	31069	0	0	22N	7W	22	A
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	7	SANDOVAL	604CHCR	3004320264	1812	0	14468	0	0	22N	7W	22	M
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	1Y	SANDOVAL	604CHCR	3004320205	1763	0	56933	0	0	22N	7W	23	A
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	2	SANDOVAL	604CHCR	3004320203	1776	0	57120	0	0	22N	7W	23	C
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	3	SANDOVAL	604CHCR	3004320219	1743	0	9393 - Low	0	0	22N	7W	23	K
USTY	CHACRA	DUGAN PRODUCT	DOME RUSTY 24-22-7	1	SANDOVAL	604CHCR	3004320320	1699	0	106735	0	3720	22N	7W	24	J
USTY	CHACRA	DUGAN PRODUCT	FEDERAL 25-22-7	1	SANDOVAL	604CHCR	3004320398	1688	0	30619	0	660	22N	7W	25	B
USTY	CHACRA	DUGAN PRODUCT	FEDERAL 26-22-7	1	SANDOVAL	604CHCR	3004320363	1730	0	91503	0	3347	22N	7W	26	A
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	4	SANDOVAL	604CHCR	3004320241	1731	0	26506	0	0	22N	7W	26	F
USTY	CHACRA	CHACE OIL COM	RUSTY NAVAJO	6	SANDOVAL	604CHCR	3004320266	1572	0	16966	0	0	22N	7W	27	A
									0	1342386	0	48896				

← Nearest Chacra production to Zappa #3 1 4 miles East

12 operated by Dugan production Corp.

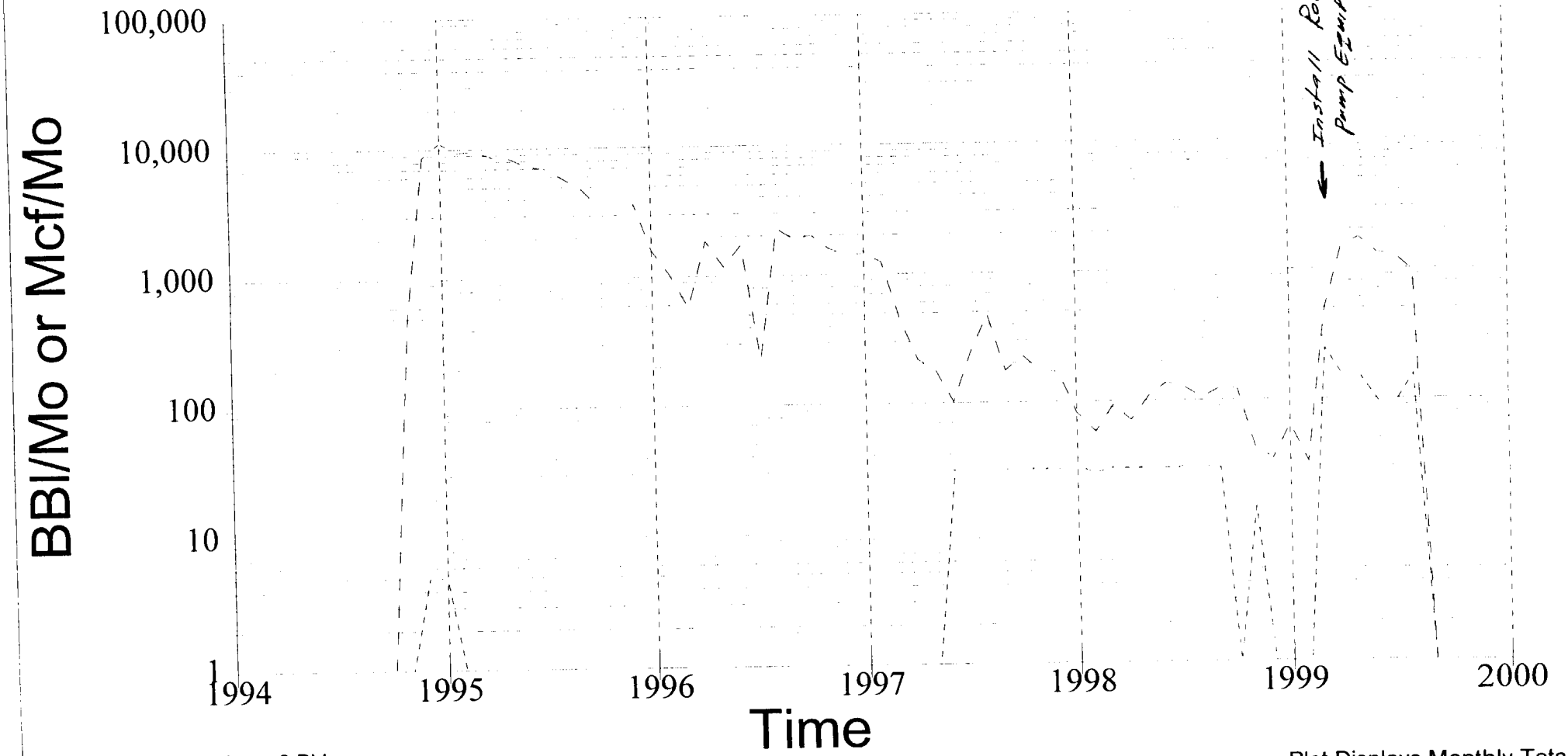
All Chacra Completions in T-22N, R-7W - 27 wells -

27 well Average = 49,718 mcf/well

Attachment No. 3 Pg 6 of 7

Oil
Gas
Water
Wells

Field: BASIN Fruitland Coal
Lease: SAPP | Well #90 (B-29-24N-8W)
Operator: DUGAN PRODUCTION CORPORATION
Production Rate vs Time
For the Period 01/1994 to 12/1999 | API: 30045291920000



Reported Oil Production = 0 Bbls
Reported Gas Production = 122,391 Mcf 8-1-99
Reported Water Production = 1,402 Bbls "

Plot Displays Monthly Totals

Attachment No. 3 pg 7 of 7

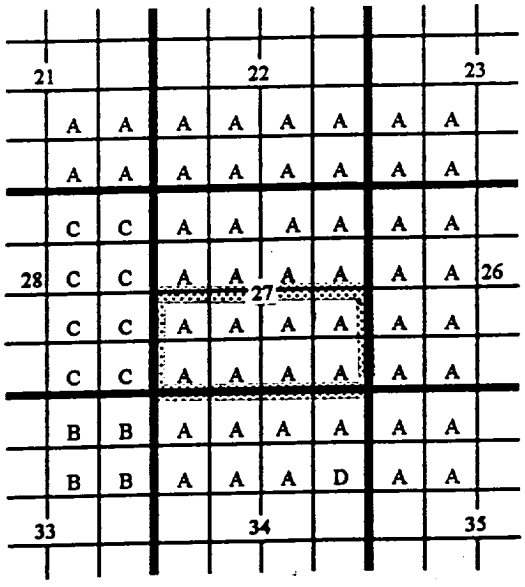
Field Name	Reservoir Name	Operator Name	Lease Name	Well Number	County	Zone	API Number	Lower Perfs	Cumulative Production to 9-1-99 Liquid	Cumulative Production to 9-1-99 Gas	Annual Production 8 months Liquid	Annual Production 8 months Gas	LOCATION TWN	RNG	SEC	U/L
SIN	FRUITLAND COAL	DUGAN PRODUCT	OKIE	2	SAN JUAN	604FRLDC	3004522304		0	59683	0	14009	24N	8W	8	F
SIN	FRUITLAND COAL	DUGAN PRODUCT	OKIE	1	SAN JUAN	604FRLDC	3004522307		0	9223	0	935	24N	8W	8	P
SIN	FRUITLAND COAL	DUGAN PRODUCT	MESA	90	SAN JUAN	604FRLDC	3004529159		0	63860	0	12738	24N	8W	16	M
SIN	FRUITLAND COAL	DUGAN PRODUCT	LEE'S FERRY	90	SAN JUAN	604FRLDC	3004529338		0	631 - Low	0	0	24N	8W	19	J
SIN	FRUITLAND COAL	DUGAN PRODUCT	SUPAI POINT	1	SAN JUAN	604FRLDC	3004528996		0	158101	0	43110	24N	8W	20	A
SIN	FRUITLAND COAL	DUGAN PRODUCT	KAIBAB TRAIL	90	SAN JUAN	604FRLDC	3004529393		0	29854	0	8846	24N	8W	20	N
SIN	FRUITLAND COAL	DUGAN PRODUCT	ANGELS GATE	90	SAN JUAN	604FRLDC	3004529394		0	8683	0	3746	24N	8W	21	G
SIN	FRUITLAND COAL	DUGAN PRODUCT	SAPP	90	SAN JUAN	604FRLDC	3004529192		0	122391	0	7311	24N	8W	29	B
SIN	FRUITLAND COAL	DUGAN PRODUCT	SAPP	91	SAN JUAN	604FRLDC	3004529238		0	1417	0	806	24N	8W	29	K
SIN	FRUITLAND COAL	DUGAN PRODUCT	BUDDHA TEMPLE	90	SAN JUAN	604FRLDC	3004529239		0	225909 - high	0	29408	24N	8W	30	A
									0	679752	0	120909				

← Nearest Basin Fruitland Coal Completion to Zappa #3

All Basin Fruitland Coal completions in T-24N, R-8W - 10 wells -

10 well Average = 67,975 MCF/well

Attachment No. 4
Offset Lease Ownership
Dugan Production Corp.'s Zappa No. 3
Unit P, Section 27, T-22N, R-8W
San Juan County, New Mexico



T 22 N

R8W

Lease Ownership

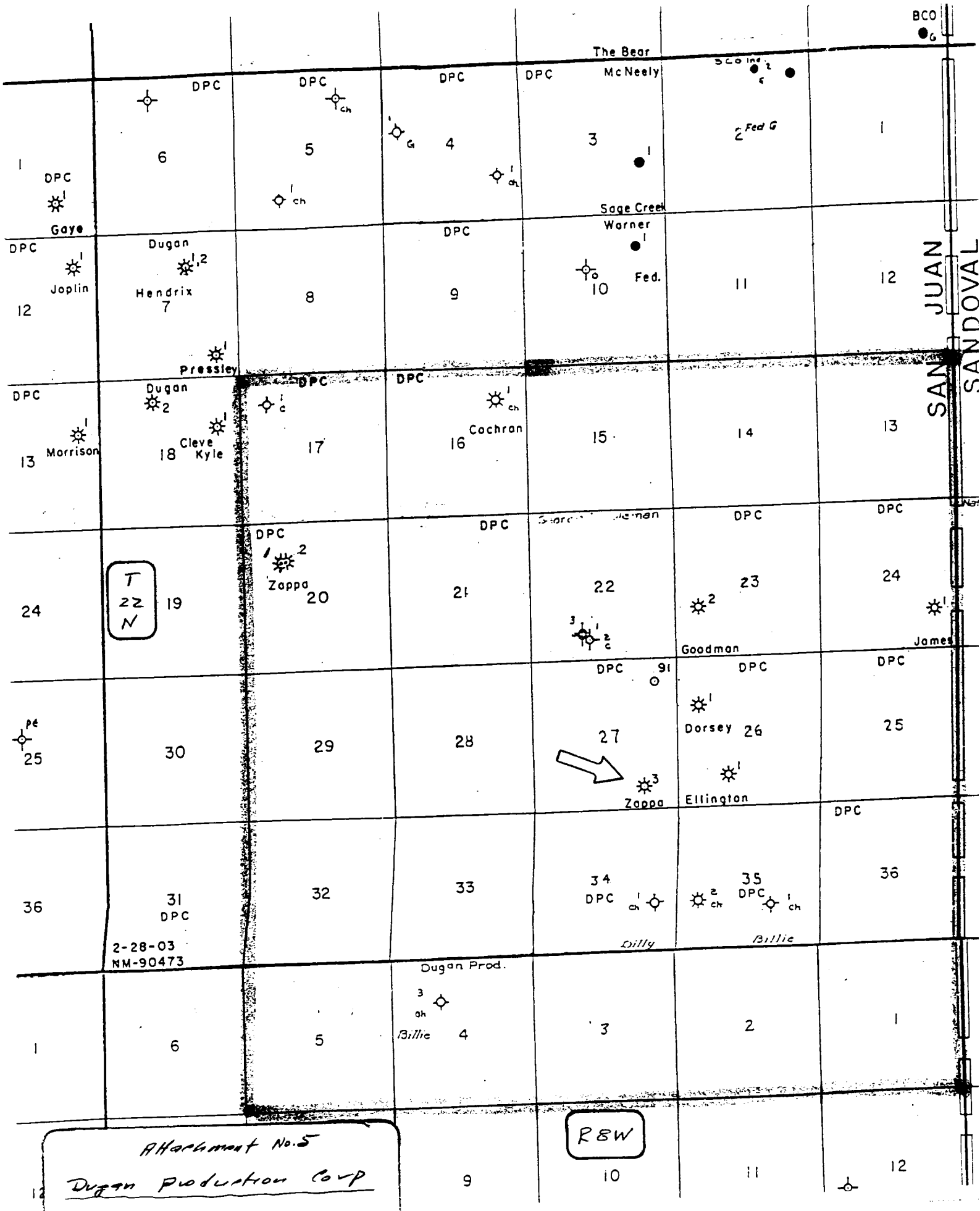
A = Dugan Production Corp. - P. O. Box 420, Farmington, NM 87499-0420

B = Daniel Gonzales - P. O. Box 2475, Santa Fe, NM 87504-2475

C = 40% Yates Petroleum - 105 S. 4th Street, Artesia, NM 88210
20% Myco Industries - P. O. Box 840, Artesia, NM 88210-0840
20% Abo Petroleum Corp. - 105 S. 4th Street, Artesia, NM 88210
20% Yates Drilling Co. - 105 S. 4th Street, Artesia, NM 88210

D = 4% Yates Petroleum - 105 S. 4th Street, Artesia, NM 88210
32% Myco Industries - 105 S. 4th Street, Artesia, NM 88210
32% Abo Petroleum Corp. - 105 S. 4th Street, Artesia, NM 88210
32% Yates Drilling Co. - 105 S. 4th Street, Artesia, NM 88210

▒ = Zappa No. 3 Fruitland Coal Spacing Unit. Chacra Spacing Unit = SE/4

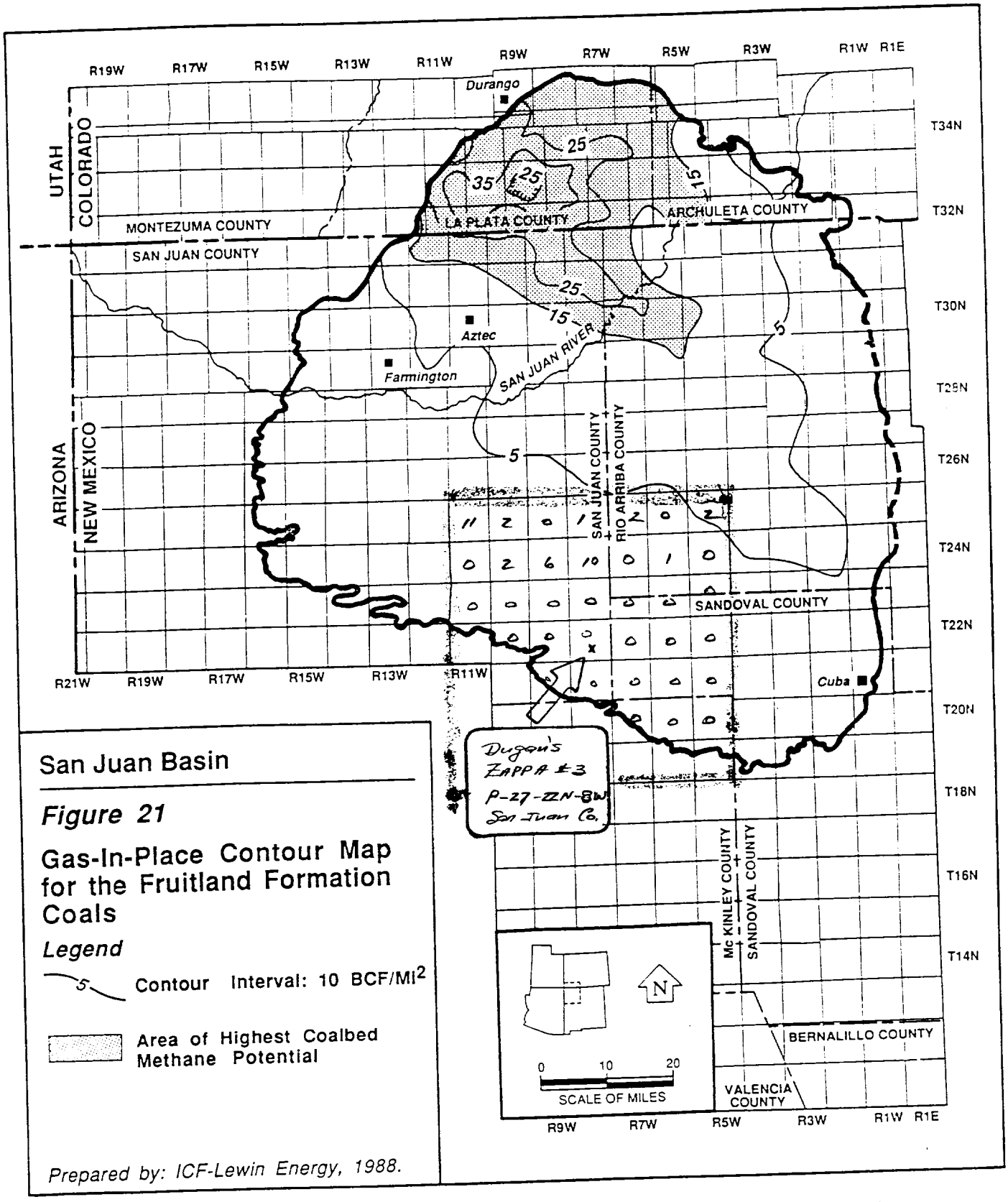

The Bear
McNeely
Sage Creek
Warner
Fed.
Gaye
Joplin
Dugan
Hendrix
Pressley
Morrison
Cleve
Kyle
Cochran
Zappa
Goodman
James
Dorsey
Ellington
Zappa
Billie
Billie
Dugan Prod.
SAN JUAN
SANDOVAL
T 22 N
R 8 W
2-28-03
NM-90473
DPC
Attachment No. 5
Dugan Production Corp
— 25 Section Study Area
IN Vicinity of Dugan's
Zappa No. 3

ATTACHMENT NO. 6
WELL SUMMARY
WELLS IN VICINITY OF DUGAN'S ZAPPA NO. 3
CHACRA & BASIN FRUITLAND COAL FORMATIONS
SAN JUAN COUNTY, NEW MEXICO

Location U-S-T-R	Operator	Well	Completion Date	Pool	IP or Compl. Test		Estimated Max. SIWHP PSIA	Remarks
					Gas Rate MCFD	Flowing Press. PSIA		
Wells Within 25 Section Study Area								
A-16-22N-8W	Dugan Production	Cochran #1	6-24-98	Bisti Chacra	75	23	312	Texaco compl.10/80 & plugged 9/88
D-17-22N-8W	Benson Mineral	Federal 17-22-8 #1	6-5-80	Undes. Chacra	P&A	---	NR	Chacra tested gas - TSTM
F-20-22N-8W	Dugan Production	Zappa #1	9-6-94	Bisti Chacra	15	12	282	
F-20-22N-8W	Dugan Production	Zappa #2	9-12-94	Basin Fruitland Coal	B		187	PC tested wet & plugged 11/94
N-22-22N-8W	San Juan Venture	Midway #1	6-21-82	A	P&A		NR	Coleman compl. P&A 11/77
N-22-22N-8W	San Juan Venture	Midway #2	6-21-82	A	P&A		NR	
N-22-22N-8W	San Juan Venture	Midway #3	6-23-82	A	P&A		NR	
L-23-22N-8W	Dugan Production	Goodman #2	1-4-95	Bisti Chacra	184	13	337	
I-24-22N-8W	Dugan Production	James #1	12-3-99	Rusty Chacra	B		352	
E-26-22N-8W	Dugan Production	Dorsey #1	12-1-99	Bisti Chacra	B		282	
N-26-22N-8W	Dugan Production	Ellington #1	10-6-99	Bisti Chacra	179	13	277	
A-27-22N-8W	Dugan Production	Zappa #91	Location	Basin Fruitland Coal	---	---	---	
P-27-22N-8W	Dugan Production	Zappa #3	12-2-99	Bisti Chacra	B		254	
I-34-22N-8W	Dugan Production	Dilly #1	4-6-82	Undes. Chacra	P&A		NR	Tested gas TSTM after foam frac
J-35-22N-8W	Dugan Production	Billie #1	4-6-82	Undes. Chacra	P&A		NR	Tested gas TSTM after foam frac
L-35-22N-8W	Dugan Production	Billie #2	1-31-81	Undes. Chacra	86	16	274	
F-4-21N-8W	Dugan Production	Billie #3	4-6-82	Undes. Chacra	P&A		NR	Tested gas TSTM from Chacra & PC
Additional Dugan Production Wells in Vicinity of Study Area								
B-7-22N-8W	Dugan Production	Hendrix #1	5-11-93	Undes. Chacra	282	20	312	
B-7-22N-8W	Dugan Production	Hendrix #2	12-20-94	Escavada PC	B		132	Initial frac screened out
P-7-22N-8W	Dugan Production	Presley #1	5-23-94	Bisti Chacra	334	24	297	
H-18-22N-8W	Dugan Production	Cleve Kyle #1	5-21-93	Bisti Chacra	36	12	296	
D-18-22N-8W	Dugan Production	Cleve Kyle #2	5-12-94	Bisti Chacra	68	13	292	
P-1-22N-9W	Dugan Production	Gaye #1	6-7-94	Bisti Chacra	381	27	297	
A-12-22N-9W	Dugan Production	Joplin #1	8-17-93	Undes. Chacra	248	18	302	
H-13-22N-9W	Dugan Production	Morrison #1	9-3-93	Undes. Chacra	70	13	287	

A - well drilled through Chacra formation - no tests reported in Chacra or Fruitland Coal
B - testing to date indicates flamable gas is being produced. Well shut in pending further testing and/or stimulation.
NR - not reported

Attachment
No. 7
Pg 1 of 2



Dugan's
ZAPPA #3
P-27-22N-8W
San Juan Co.

San Juan Basin

Figure 21

Gas-In-Place Contour Map for the Fruitland Formation Coals

Legend

5 Contour Interval: 10 BCF/MI^2

Area of Highest Coalbed Methane Potential

Prepared by: ICF-Lewin Energy, 1988.

Number = the Fruitland Coal wells producing within the Township as of 9-1-99. See page #2 for well specific data.

GRI Topical Report 88/034
"A Geological Assessment of Natural

Attachment No. 7
Pg 2 of 2

Jan-28-2000
17:12

Northwest New Mexico Scroll 170 List

Field Name	Reservoir Name	Operator Name	Lease Name	Well Number	County	Zone	API Number	Lower Perfs	Cumulative Production Liquid	Cumulative Production Gas	Annual Production Liquid	Annual Production Gas	LOCATION TWN	RNG	SEC	U/L	
BASIN	FRUITLAND COAL	BURLINGTON RE	CANYON LARGO UNIT	263	RIO ARBA	604FRLDC	3003920981		0	15883	0	0	24N	6W	35	K	1 well in 26N-6W
BASIN	FRUITLAND COAL	DUGAN PRODUCT	OKIE	2	SAN JUAN	604FRLDC	3004522304		0	59683	0	14009	24N	8W	8	F	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	OKIE	1	SAN JUAN	604FRLDC	3004522307		0	9223	0	935	24N	8W	8	P	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	MESA	90	SAN JUAN	604FRLDC	3004529159		0	63860	0	12738	24N	8W	16	M	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	LEE'S FERRY	90	SAN JUAN	604FRLDC	3004529338		0	631	0	0	24N	8W	19	J	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	SUPAI POINT	1	SAN JUAN	604FRLDC	3004528996		0	158101	0	43110	24N	8W	20	A	10 wells in 24N-8W
BASIN	FRUITLAND COAL	DUGAN PRODUCT	KAIBAB TRAIL	90	SAN JUAN	604FRLDC	3004529393		0	29854	0	8846	24N	8W	20	N	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	ANGELS GATE	90	SAN JUAN	604FRLDC	3004529394		0	8683	0	3746	24N	8W	21	G	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	SAPP	90	SAN JUAN	604FRLDC	3004529192		0	122391	0	7311	24N	8W	29	E	closest to Dugan's Zappa #3 ± 12 miles
BASIN	FRUITLAND COAL	DUGAN PRODUCT	SAPP	91	SAN JUAN	604FRLDC	3004529238		0	1417	0	806	24N	8W	29	K	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	BUDDHA TEMPLE	90	SAN JUAN	604FRLDC	3004529239		0	225909	0	29408	24N	8W	30	A	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	BLANCO WASH	2	SAN JUAN	604FRLDC	3004522482		0	6673	0	0	24N	9W	2	F	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	BLANCO WASH	3	SAN JUAN	604FRLDC	3004522939		0	1280	0	0	24N	9W	2	L	6 wells in 24N-9W
BASIN	FRUITLAND COAL	DUGAN PRODUCT	MO VALLEY	90	SAN JUAN	604FRLDC	3004529549		0	61	0	0	24N	9W	5	M	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	MERRY CHASE	90	SAN JUAN	604FRLDC	3004529650		0	8992	0	8992	24N	9W	10	N	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	ELWOOD P. DOWD	1	SAN JUAN	604FRLDC	3004523502		0	15450	0	0	24N	9W	10	P	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	APRIL SURPRISE	90	SAN JUAN	604FRLDC	3004529188		0	3438	0	0	24N	9W	19		
BASIN	FRUITLAND COAL	DUGAN PRODUCT	MARY LOU	90	SAN JUAN	604FRLDC	3004528026		0	5103	0	1114	24N	10W	32	M	2 wells in 24N-10W
BASIN	FRUITLAND COAL	DUGAN PRODUCT	AUGUST	90	SAN JUAN	604FRLDC	3004529174		0	1033	0	0	24N	10W	35	L	
BASIN	FRUITLAND COAL	AMOCO PRODUCT	JICARILLA CONTRACT 1	40	RIO ARBA	604FRLDC	3003923159		8	5437	0	0	25N	5W	3	N	2 wells in 25N-5W
BASIN	FRUITLAND COAL	AMOCO PRODUCT	JICARILLA CONTRACT 1	12	RIO ARBA	604FRLDC	3003906153		0	28910	0	5926	25N	5W	4	K	
BASIN	FRUITLAND COAL	TAURUS EXPLOR	DONOHUE	3	RIO ARBA	604FRLDC	3003924223		0	90602	0	142	25N	7W	7	J	2 wells in 25N-7W
BASIN	FRUITLAND COAL	BURLINGTON RE	CANYON LARGO UNIT	172	RIO ARBA	604FRLDC	3003920403		0	9253	0	0	25N	7W	27	N	
BASIN	FRUITLAND COAL	MERRION OIL &	CUSTER FEDERAL	1	SAN JUAN	604FRLDC	3004525974		0	4184	0	4184	25N	8W	5	M	1 well in 25N-8W
BASIN	FRUITLAND COAL	DUGAN PRODUCT	LATEX	1	SAN JUAN	604FRLDC	3004529244		0	37269	0	6355	25N	10W	9	A	
BASIN	FRUITLAND COAL	DUGAN PRODUCT	LATEX	2	SAN JUAN	604FRLDC	3004529448		0	848	0	125	25N	10W	9	L	2 wells in 25N-10W
BASIN	FRUITLAND COAL	CENTRAL RESOU	BUENA SUERTE 3 G COM	1	SAN JUAN	604FRLDC	3004528646		0	38552	0	5691	25N	11W	3	G	
BASIN	FRUITLAND COAL	CENTRAL RESOU	BUENA SUERTE 3 L COM	1	SAN JUAN	604FRLDC	3004528193		0	168580	0	14023	25N	11W	3	L	
BASIN	FRUITLAND COAL	CENTRAL RESOU	BUENA SUERTE 4 G COM	1	SAN JUAN	604FRLDC	3004528506		0	187801	0	17663	25N	11W	4	G	
BASIN	FRUITLAND COAL	CENTRAL RESOU	BUENA SUERTE 4 L COM	1	SAN JUAN	604FRLDC	3004528077		0	585245	0	51479	25N	11W	4	L	
BASIN	FRUITLAND COAL	CENTRAL RESOU	BUENA SUERTE 5 B COM	1	SAN JUAN	604FRLDC	3004528507		0	509789	0	66233	25N	11W	5	B	11 wells in 25N-11W
BASIN	FRUITLAND COAL	PRO NEW MEXIC	GRACIA NAVAJO 5K	2	SAN JUAN	604FRLDC	3004528913		0	143781	0	11012	25N	11W	5	K	
BASIN	FRUITLAND COAL	CENTRAL RESOU	EAST BISTI COAL 6	1	SAN JUAN	604FRLDC	3004527871		0	556857	0	34932	25N	11W	6	A	
BASIN	FRUITLAND COAL	REDWOLF PRODU	C.E.	1	SAN JUAN	604FRLDC	3004529471		0	75524	0	35991	25N	11W	6	K	
BASIN	FRUITLAND COAL	CENTRAL RESOU	EAST BISTI COAL 8	1	SAN JUAN	604FRLDC	3004527679		0	23319	0	0	25N	11W	8	A	
BASIN	FRUITLAND COAL	GIANT EXPLORA	BUENA SUERTE 13 A CO	1	SAN JUAN	604FRLDC	3004527690		0	1208	0	0	25N	11W	13	A	
BASIN	FRUITLAND COAL	MARALEX RESOU	GRACIA FEDERAL 26	1	SAN JUAN	604FRLDC	3004529489		0	834	0	484	25N	11W	26	L	
									8	3205658	0	385255					

20 of 37 operated by Dugan production Corp.

Total of 37 wells producing from the Basin Fruitland Coal within the ± 1764 Square mile area of T-19N thru T-25N & R-5W thru R-11W

dugan production corp.

Attachment No. 8 Pg 1 of 2

February 11, 2000

CERTIFIED-RETURN RECEIPT REQUESTED

To: Offset Lease Owners (Address List attached)

Re: Application to NMOCD and BLM for
Downhole Commingling and Unorthodox Well Location
Basin Fruitland Coal and Bisti Chacra Gas Pools
Dugan Production's Zappa No. 3
Unit P, Section 27, T-22N, R-8W
San Juan County, New Mexico

Dear Offset Lease Owner:

Attached is a copy of the subject application.

Our records indicate that you hold leasehold interest to acreage that is offsetting Dugan's Zappa No. 3 well located in Unit P of Section 27, T-22N, R-8W. The spacing unit for the existing Bisti Chacra completion is the SE/4 of Section 27 and the spacing unit for the proposed Basin Fruitland Coal completion will be the S/2 of Section 27.

Should you have questions or need additional information, please feel free to contact me at the letterhead address and phone number. Should you have an objection to either of our applications, you should contact the NMOCD at 2040 South Pacheco in Santa Fe, New Mexico 87505 and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/mm
Attachments

cc: NMOCD - Aztec and Santa Fe
BLM

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

Attachment No 8 Pg 2 of 2

Address List
Offset Lease Ownership
Dugan Production Corp.'s Zappa No. 3
Unit P, Section 27, T-22N, R-8W
San Juan County, New Mexico

Lease Ownership

Abo Petroleum Corp. - 105 S. 4th Street, Artesia, NM 88210

Daniel Gonzales - P. O. Box 2475, Santa Fe, NM 87504-2475

Myco Industries - P. O. Box 840, Artesia, NM 88210-0840

Myco Industries - 105 S. 4th Street, Artesia, NM 88210

Yates Drilling Co. - 105 S. 4th Street, Artesia, NM 88210

Yates Petroleum - 105 S. 4th Street, Artesia, NM 88210