

dugan production corp.

November 30, 2000

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505



Re: Proposed Surface Commingling
Dugan Production Corp.'s Paul Revere No. 90 (API No. 30-045-29842) *H-15-26N-13W*
Dugan Production Corp.'s Paul Revere No. 92 (API No. 30-045-28290) *L-15-26N-13W*
Dugan Production Corp.'s Paul Revere No. 93 (API No. 30-045-28341) *G-22-26N-13W*
Sections 15 & 22, T-26N, R-13W
Federal Lease NM-17781
Basin Fruitland Coal gas pool
San Juan County, NM

Dear Ms. Wrotenbery,

We are writing to request your administrative approval to surface commingle natural gas produced from the captioned wells which will allow us to deliver natural gas to an on-lease central delivery sales meter (CDP). Since only one federal lease is involved and the CDP sales meter is located on the lease, the BLM does not consider this proposal to be an issue that requires their approval. We will send informational copies to them.

Attachment No. 1 was reproduced from the Moncisco Wash USGS Quadrangle Topography map and presents the proposed Paul Revere 90 CDP along with the subject lease and wells. Dugan's Federal Lease No. NM-17781 is the only lease involved and comprises the spacing units for the all three wells. The proposed CDP gas sales meter will be on El Paso's pipeline at a location of $\pm 2300'$ FWL & $\pm 850'$ FSL of Section 15 (T-26N, R-13W) which is located on this lease.

Attachment No. 2 presents information for each of the wells proposed for this CDP and Attachment No. 3 presents C-102's for each well which also includes the dedicated spacing units. Dugan Production Corp. is the operator of all three wells and holds 100% of the working interest. The royalty and overriding royalty interest is common for all wells and Attachment No. 4 presents individual well ownership information.

The Paul Revere No. 90 was spudded on 8-28-00 and completed in the Basin Fruitland Coal on 9-14-00 from perforations 1209' to 1228' with an initial pumping potential of 40 mcf/d plus 75 BWPD. This well is currently shut in and upon connection for gas sales, we anticipate production will exhibit performance typical to the Fruitland Coal, i.e., as dewatering progresses, the gas rates will gradually increase to ± 200 mcf/d.

The Paul Revere No. 92 was spudded on 12-3-90 and completed in the Basin Fruitland Coal on 5-5-93 from perforations 1244' to 1271' with an initial pumping potential of 27 mcf/d plus 154 BWPD. This well is currently shut in and should also exhibit production performance typical to the Fruitland Coal upon connection to our proposed gas gathering facilities, i.e. gas rates gradually increase to ± 200 mcf/d as dewatering progresses.

The Paul Revere No. 93 has not been drilled, but has been permitted and drilling is anticipated prior to 2-20-01. This well will be completed in the Basin Fruitland Coal and production is anticipated to be similar to the 90 and 92 wells, i.e. initially average 30 to 50 mcf/d which will gradually increase to ± 200 mcf/d as dewatering progresses. Water production should initially average 75 to 150 BWPD.

All fluid production will be separated from the gas, and will be stored, sold or disposed of at each well site. Since all production to be commingled comes from the Basin Fruitland Coal, we do not anticipate any liquid hydrocarbon production to occur. Only natural gas will be surface commingled. Each well will be equipped with continuous recording conventional gas metering equipment, such as a dry flow meter, and the volumes recorded at each well will be used to determine allocation factors for allocating the volumes recorded at the CDP sales meter to the individual wells. Each allocation meter will be installed and maintained by DPC and the charts from each meter will be integrated monthly by a commercial chart service. The proposed allocation procedures are presented on Attachment No. 5.

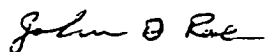
Gas production from all three wells is believed to be compatible and mixing should not create any operational problems. Attachment No. 6 presents a copy of a gas analysis believed to be representative for the Basin Fruitland Coal in this area.

We are sending copies of this application to all interest owners. DPC holds 100% of the working interest and all royalty is federal. Attachment No. 7 presents a copy of the sundry transmitting this application to the BLM and Attachment No. 8 presents a copy of the letter sent to the two overriding royalty interest owners.

In summary, we are proposing to surface commingle natural gas production from three Basin Fruitland Coal wells, two of which are completed and one to be drilled in the very near future. The proposed CDP sales meter is on the lease and will be a new meter installation, operated and maintained by El Paso Field Services Co. The proposed surface commingling will allow us to use a central compressor at the CDP for all three.

Should you have questions or need additional information, please let me know.

Sincerely,



John D. Roe
Engineering Manager

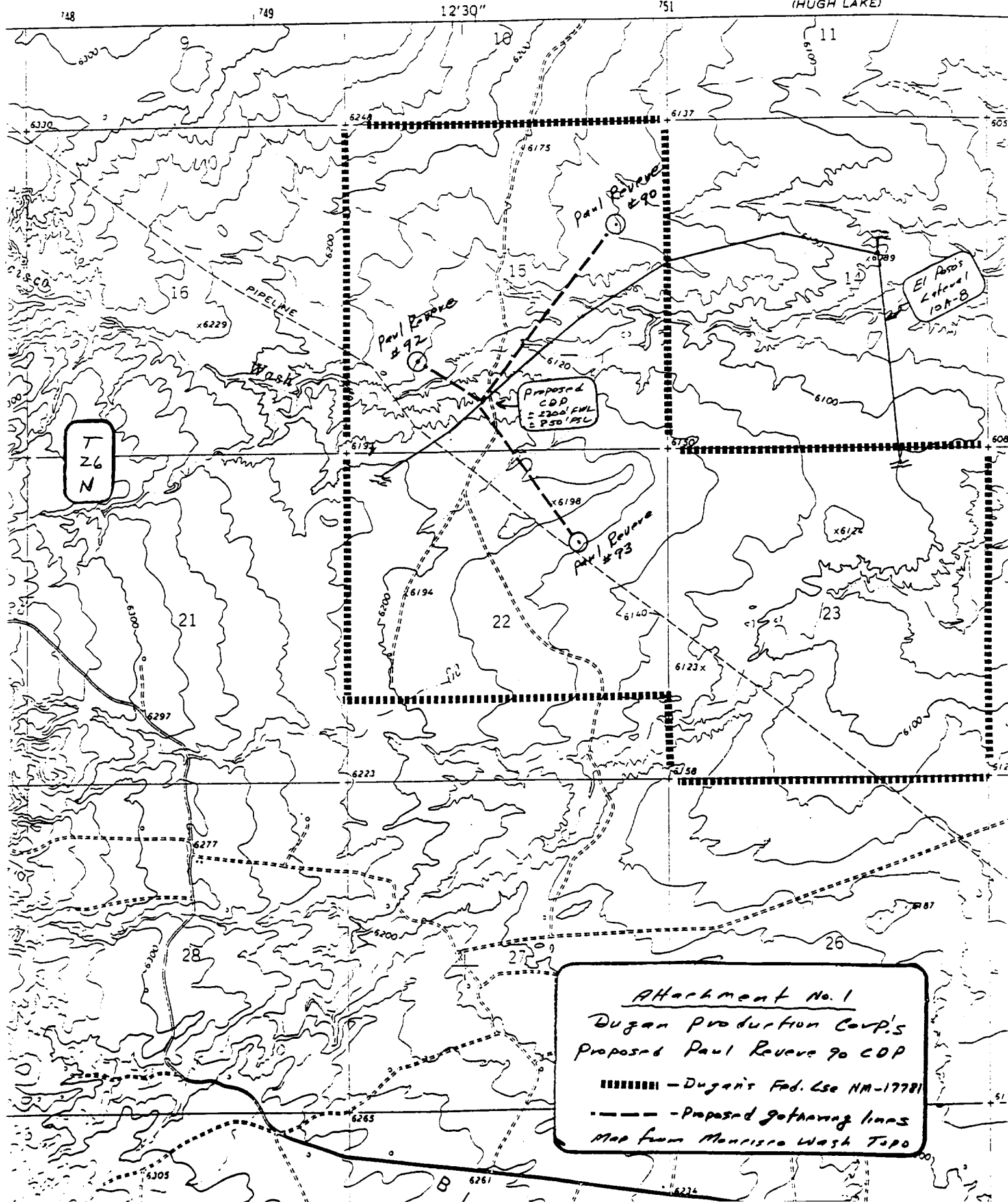
JDR/tmf

cc: NMOCD - Aztec
BLM - Farmington Field Office
ORRI owners

ERIOR

R-13W

4357 11 SW
(HUGH LAKE)



**ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
PROPOSED PAUL REVERE 90 CDP (N-15-26N-13W)
SAN JUAN COUNTY, NEW MEXICO**

Well Name	API Number	Well Location			CA Number	Pool	Completion Date	Current Prod.		Spacing Unit
		Unit	Sec-Twn-Rng	Lease No.				Lease Type	MCFD	
WELLS PROPOSED FOR CDP										
Paul Revere #90	30-045-29842	H	15-26N-13W	NM-17781	N/A	Basin Fruitland Coal	Note (1)	Note (4)	Note (4)	E/2-320A
Paul Revere #92	30-045-28290	L	15-26N-13W	NM-17781	N/A	Basin Fruitland Coal	Note (2)	Note (4)	Note (4)	W/2-320A
Paul Revere #93	30-045-28341	G	22-26N-13W	NM-17781	N/A	Basin Fruitland Coal	Note (3)	Note (4)	Note (4)	N/2-320A

Notes:

N/A - Not needed

Note (1) - The Paul Revere No. 90 was completed 9-14-00. Pump equipment was installed 9-21-00 and a rate of 40 mcf + 75 BWPD was tested on 10-5-00. This well is currently shut in and waiting on the installation of gas gathering facilities.

Note (2) - The Paul Revere No. 92 was completed on 5-5-93 with an initial pumping potential of 15 mcf + 25 BWPD. This well is currently shut in and waiting on the installation of gas gathering facilities.

Note (3) - The Paul Revere No. 93 has not been drilled. An APD has been approved and drilling is planned prior to 2-20-01. Once completed, it will be connected to Dugan's gas gathering facilities.

Note (4) - Upon connection to Dugan's proposed gas gathering facilities and Paul Revere 90 CDP, an initial rate of 30 to 50 mcf is anticipated which hopefully will increase to ±200 mcf as dewatering of the Fruitland Coal progresses. Initial water production is anticipated to be 75 to 150 BWPD.

\\johnroel\paulrev90cdp\att2

16		<div style="position: relative; height: 100px;"> <div style="position: absolute; top: 0; left: 50%; transform: translate(-50%, -50%);">1650'</div> <div style="position: absolute; bottom: 0; left: 50%; transform: translate(-50%, -50%);"> 835' </div> <div style="position: absolute; bottom: 10%; left: 30%;"> Dugan Production NM 17781 </div> </div>	<p>17 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <p>Signature _____</p> <p>Printed Name <u>Sherman E. Dugan</u></p> <p>Title <u>Vice-President</u></p> <p>Date <u>8/31/98</u></p>
	Section 15		<p>18 SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p style="text-align: center;">July 13, 1998</p> <hr/> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor</p> <div style="text-align: center;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <p>Certificate Number _____</p>

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

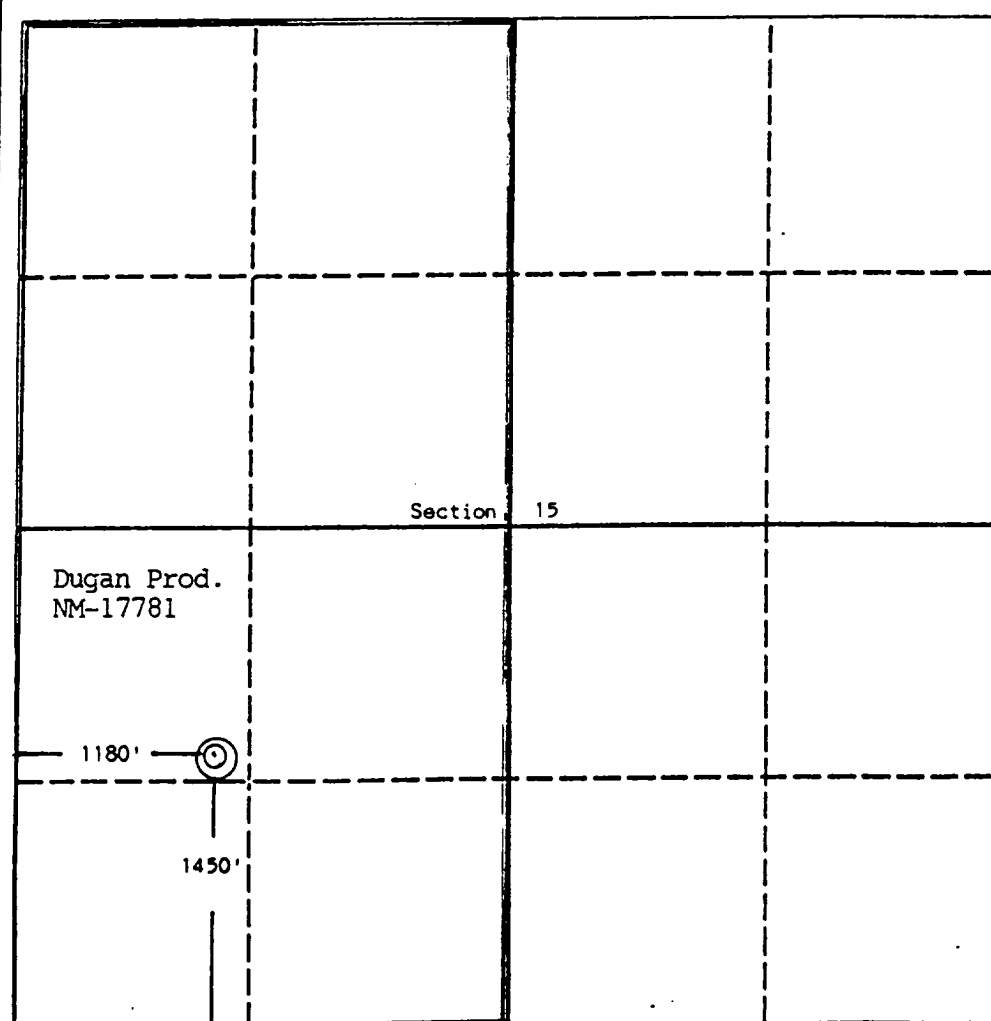
WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Attachment
No. 3
Pg 2 of 3

Operator Dugan Production Corporation			Lease Paul Revere		Well No. 92
Unit Letter L	Section 15	Township 26 North	Range 13 West	County San Juan	
Actual Footage Location of Well: 1450 feet from the South line and 1180 feet from the West line					
Ground level Elev. 6180	Producing Formation Fruitland Coal		Pool Basin FR Coal		Dedicated Acreage: 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communization, unitization, force-pooling, etc.?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). _____
No allowable will be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature
Jim L. Jacobs
Printed Name
Jim L. Jacobs
Position
Vice-President
Company
Dugan Production Corp.
Date
3/29/93

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 knowledge and belief.

Date Surveyed
August 23, 1990
Signature & Seal of
Professional Surveyor
Edgar L. Risenhoover
Edgar L. Risenhoover, P.S.
Certificate No. 5989
NEW MEXICO
REGISTERED LAND SURVEYOR

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Attachment
No. 3
pgs of 3

Form C-102
Revised October 18, 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 30 045 28341	¹ Pool Code 71629	¹ Pool Name Basin Fruitland Coal
⁴ Property Code 003819	⁴ Property Name Paul Revere	⁴ Well Number 93
⁷ OGRID No. 006516	⁷ Operator Name Dugan Production Corp.	⁹ Elevation 6162' (est)

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
G	22	26N	13W		1450	North	1450	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 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

¹⁶ 	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 Agent Title Date 8-28-98	
	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. August 23, 1990 Date of Survey Signature and Seal of Professional Surveyor: Original signed by Edgar L. Risenhoover Certificate Number #5979	

ATTACHMENT NO. 4

<i>Well:</i>	<u>Paul Revere No. 90</u>	<u>Paul Revere No. 92</u>	<u>Paul Revere No. 93</u>
<i>Pool:</i>	Basin Fruitland Coal	Basin Fruitland Coal	Basin Fruitland Coal
<i>Well Location:</i>	H-15-26N-13W	L-15-26N-13W	G-22-26N-13W
<i>Spacing Unit:</i>	E/2-320A	W/2-320A	N/2-320A

<u>INTEREST OWNER (all three wells)</u>	<u>INTEREST%</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest Owners</u>		
Dugan Production Corp.	100.0000	80.0000
<u>Royalty Interest Owners</u>		
USA - Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest Owners</u>		
William Lansdale P. O. Box 27 Seal Beach, CA 90740	-0-	5.0000
Questar Exploration & Production Co. P. O. Box 45601 Salt Lake City, UT 84145-0601	-0-	2.5000
TOTAL	100.0000	100.0000

**Attachment No. 5
Proposed Allocation Procedures
Dugan Production Corp.'s
Paul Revere 90 CDP
SE SW 15, T-26N, R-13W
San Juan County, New Mexico**

Base Data for Gas Production, BTU & Revenue Allocations:

W=Volume (MCF) from Well Allocation Meter

X=Volume (MCF) from CDP Sales Meter

Y=BTU's from CDP Sales Meter

Z=Gas Revenue (\$) from CDP Sales Meter

1. Allocated Individual Well Production = A+B+C+D+E

A = Allocated Sales Volume, MCF

= (W/SUM W) x X

B = Fuel used on lease, MCF. Determined from equipment specifications and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefitting from the equipment using allocation factors determined by W / Sum W for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by W / Sum W.

2. Allocated Individual Well BTU's = ((W x Individual well BTU) / Sum (W x individual well BTU)) x Y.

Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).

3. Allocated Individual Well Gas Revenues = (Allocated Individual wells BTU's / Sum Allocated individual well BTU's) x Z



2030 AFTON PLACE
FARMINGTON, N.M. 87401
(505) 325-6622

ANALYSIS NO. DUG90672
CUST. NO. 23000- 11120

WELL/LEASE INFORMATION

CUSTOMER NAME DUGAN PRODUCTION CORP.
WELL NAME PATRIOT 91-~~(*)~~
COUNTY/STATE SAN JUAN NM
LOCATION 27-26N-13W (unit H)
FIELD } - Basin Fruitland Coal
FORMATION }
CUST.STN.NO. 202E-18947

SOURCE
PRESSURE 8 PSIG
SAMPLE TEMP DEG.F
WELL FLOWING Y
DATE SAMPLED 8/30/99
SAMPLED BY BILLIE WRIGHT
FOREMAN/ENGR. TOM BLAIR

Attachment
No. 6
Pg 1 of 1

REMARKS LEASE # 078091

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.878	0.0000	0.00	0.0085
CO2	1.438	0.0000	0.00	0.0219
METHANE	96.106	0.0000	972.88	0.5324
ETHANE	1.578	0.4221	27.99	0.0164
PROPANE	0.000	0.0000	0.00	0.0000
I-BUTANE	0.000	0.0000	0.00	0.0000
N-BUTANE	0.000	0.0000	0.00	0.0000
I-PENTANE	0.000	0.0000	0.00	0.0000
N-PENTANE	0.000	0.0000	0.00	0.0000
HEXANE PLUS	0.000	0.0000	0.00	0.0000
TOTAL	100.000	0.4221	1,000.87	0.5791

* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

** @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR (1/Z) 1.0021
BTU/CU.FT (DRY) CORRECTED FOR (1/Z) 1,003.0
BTU/CU.FT (WET) CORRECTED FOR (1/Z) 985.5
REAL SPECIFIC GRAVITY 0.5804

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650 997.5
DRY BTU @ 14.696 1,000.7
DRY BTU @ 14.730 1,003.0
DRY BTU @ 15.025 1,023.1

CYLINDER # K073
CYLINDER PRESSURE 9 PSIG
DATE RUN 9/1/99
ANALYSIS RUN BY ANDREW ZEC

(*) - This analysis is believed to be representative for the Fruitland Coal in Dugan's Paul Ravare wells No 90, 92 & 93. Since the 90 & 92 have not been placed on production & the 93 has not been drilled, representative analyses

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 7
Pg 1 of 1

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

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil
Well

☒ Gas
Well

☐ Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

Multiple - see below

5. Lease Designation and Serial No.

NM-17781

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Paul Revere 90, 92 & 93

9. API Well No.

Multiple - see below

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other On-lease surface commingling
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

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

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.)*

In the attached application dated 11/30/00, Dugan Production Corp. has proposed to surface commingle natural gas production from Dugan's Paul Revere wells No. 90, 92 & 93 and deliver the commingled gas stream to an on-lease central delivery (CDP) sales meter to be installed and operated by El Paso Field Services Co. The 90 & 92 wells are currently completed in the Basin Fruitland Coal gas pool and the 93 well has been permitted to the Basin Fruitland Coal. We anticipate drilling this well by 2/20/01. Only one federal lease (NM-17781) is involved and comprises the spacing units for all three wells. It is our understanding BLM approval is not required for this proposed CDP and that this sundry is for informational purposes. Pertinent data for the wells and CDP sales meter follows:

Well/Meter	API No.	Location	Lease No.
Paul Revere No. 90	30-045-29842	SENE-15-26N-13W	NM-17781
Paul Revere No. 92	30-045-28290	NWSW-15-26N-13W	NM-17781
Paul Revere No. 93	30-045-28341	SWNE-22-26N-13W	NM-17781
CDP Sales Meter	none	SESW-15-26N-13W	NM-17781

14. I hereby certify that the foregoing is true and correct

Signed John D. Roe Title Engineering Manager Date 11/30/2000
John D. Roe

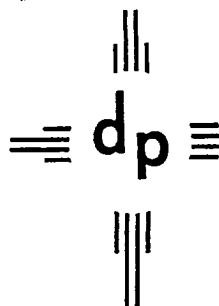
(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

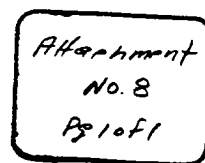
Conditions of approval, if any:

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.

*See Instruction on Reverse Side



dugan production corp.



November 30, 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. William Lansdale
P. O. Box 27
Seal Beach, CA 90740

Questar Exploration & Production Co.
P. O. Box 45601
Salt Lake City, UT 84145-0601

Re: Dugan Production Corp.'s
Paul Revere No. 90 (H-15-26N-13W)
Paul Revere No. 92 (L-15-26N-13W)
Paul Revere No. 93 (G-22-26N-13W)

Dear Overriding Royalty Interest Owner,

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division to surface commingle natural gas produced from the captioned wells in which you have an overriding royalty interest ownership. The Paul Revere 90 and 92 wells have been drilled but have not been placed on production. The Paul Revere No. 93 has not been drilled, but should be drilled by early next year. The proposed surface commingling will allow us to place all three wells on production and will allow all three wells to share the cost of operating a central compressor.

This proposal should not affect your interest in these wells and should allow your revenues to increase since all wells will share a central compressor which hopefully will require less lease fuel.

Should you have any questions, need additional information or have any concern as to our proposal, please let me know. Should you have an objection, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 2040 South Pacheco Street in Santa Fe, New Mexico 87505. Any objection should be filed within 20 days of the date of this letter, and we would appreciate receiving a copy.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf