



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
6251 College Blvd Suite A
Farmington, New Mexico 87402
www.blm.gov/nm



In Reply Refer To:
3105 (NMF0110)

NMNM-134510 (CA)

May 13, 2015

Dugan Production Corp.
Attn: Kurt Fagrelus
P.O. Box 420
Farmington, NM 87499

Dear Mr. Fagrelus:

Enclosed is one approved Communitization Agreements (CA) NMNM-134510, involving 160.00 acres of Federal minerals in lease NMNM-36951 and 160.00 acres of Federal minerals in lease NMNM-13956 located in San Juan County, New Mexico. This acreage comprises 320.00 acres, more or less in the Fruitland Coal spacing unit for the Kinbeto #90 well.

The agreement communitizes all rights as to natural gas and associated liquid hydrocarbons gas producible from the Fruitland Coal formation in E/2 of Section 30, T. 23 N., R. 10 W. NMPM, and is effective May 13, 2015. You are requested to furnish all interested principals with appropriate evidence of this approval.

CA number NMNM-134510 as assigned above, must be posted on the well and facility signs for the Kinbeto #90 well. The sign shall include the well name and number, Operator name, lease serial number, Communitization number, the quarter-quarter section, section, township and range, county, and state. (43 CFR 3162.6).

Pursuant to the terms and conditions of the approved CA and 43 CFR 3162.4 Well Records and Reports, you are required to file your well completion report within 30 days of the wells' completion. Within five (5) days of commencement of production, you are also required to file a notice of production startup. Penalties for non-compliance with such requirements are applicable to all wells and facilities on State or privately owned mineral lands committed to a unit or CA, which affects Federal or Indian interests, notwithstanding any provision of the unit or CA to the contrary. Upon approval of the CA, production and royalty reports are due to the Office of Natural Resources Revenue (ONRR). The submission of form MMS-4054, Oil and Gas Operations Report (OGOR), must begin once drilling is completed. OGORS must be submitted to ONRR by the 15th day of the second month following the production month. Royalty payments, along with the form MMS-2014, Report of Sales and Royalty Remittance, are due on or before the last day of the month following the month during which oil or gas was produced and sold.

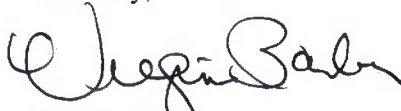
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If the communitized well(s) are producing, any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54).

If you have any questions concerning reporting, locate your company contact at <http://www.onrr.gov/FM/PDFDocs/operasgn.pdf>. Questions concerning Form 2014, call 1-800-525-9167 and Oil and Gas Operations Reports, call 1-800-525-7922.

If you have any questions regarding the Communitization Agreement, please contact me at vbarber@blm.gov or telephone (505) 564-7754.

Sincerely,



Virginia Barber
Land Law Examiner
Petroleum Management Branch

Enclosure 1 - Approved Communitization Agreement

cc: ONRR, MS-357 B1, Denver, CO

NMOCD, Santa Fe (w/o encl.)

NM Tax & Rev. Dept

NMSO (93000) (w/o encl.)