Digited Life 1220 South SL Functs Dr. Single Yeal Digited Life Santa Fe, New Weito 87503 Single Yeal Digited Life APPLICATION FOR DOWNHOLE COMMINCLING X. Single Yeal Digited Reduction Cop. P. O. Box 430, Farmington, NM 87499-0420 Digited Yeal No.25500 Jeffen Federal 2 #23 K-2-23M4W Santa Fe No.25500 Jeffen Federal 2 #23 K-2-23M4W Santa Fe OGRID No. 005515 Property Code, 003716, API No. 30-045-22439 Lease Type: X. Federal State ORIND No. 005515 Property Code, 003716, API No. 30-045-22439 Lease Type: X. Federal State Fee DATA ELEMENT UPPER 20KE INTERMEDIATE ZONE LOWER 20KE Pool Name Basin Fraultand Coal Nageed Gallop Mitesta 6 75369 Pool Code 71637 47340 Mitesta 6 75369 Pool Code 71637 47340 Mitesta 6 75369 Bottom of Pay Section 1799-1804 Mitesta 6 75369 K-247536 Botom how free State Mark Measured 12/1/11 Measured 12/1/11 K-457549 K-457549 Botom how free State Mark Gase -19958 bit <th>District I 1625 N. French Drive, Hobbs, NM 88240</th> <th>State of Ne Energy, Minerals and</th> <th>Natural Resources Department</th> <th>Form C-107A Revised August 1, 2011</th> <th></th>	District I 1625 N. French Drive, Hobbs, NM 88240	State of Ne Energy, Minerals and	Natural Resources Department	Form C-107A Revised August 1, 2011	
Database Database Database Database Database Database Database APPLICATION FOR DOWNHOLE COMMINCILING X 19 No Database Vell No Cold Land-Section Townhole Stage Cold Y OCILUD NO MEDIA Vell No Cold Land-Section Townhole Stage Cold Y OCILUD NO MEDIA Cold Paper INTERNEEDIATE ZONE LOWER ZONE Pool Total Total Reserved State Pool Pool Total Reserved Reserved State Pool Pool Total Reserved Reserved State Pool Pool Total Reserved Reserved State Pool Pool To	<u>District II</u> 811 S. Firs St., Artesia, NM 88210 <u>District III</u> 1990 BURBERTOR Brand Aver. NM 87410	1220 South 5	St. Francis Dr.	<u>·X</u> _Single Well	
Description P. 0. Ser-GRA Ferrangeon, NML 5499-9420 Description Owner of the service of the		' Santa Fe	, New Mexico 87505		
Operation Address Margendo Jeffers Frederil 2023 k-2.20 NeW Sun June Cases Well Na Unit Letter-Section-Township-Range Cases OCRUD No. 006515_Property Code. 002716_API No. 30-045-224192 Lease Type: X Federal	1220 S. St. Francis Dr., Santa Fe, NM 87505	APPLICATION FOR	DOWNHOLE COMMINGLING	X Yes <u>No</u>	
NN-2590 Jeffen Forder (2.7) K-2.374-KW Special Laser Wei Pic Unit Laser-Section Provide Plange Court OGUND No. 005112. Property Code 003716. API No. 20052-2432. Lease Type: X_Federal	Dugan Production Corp.	P. O.	Box 420, Farmington, NM 87499-0420	DHG-4503	
OGRUD No. 000515 Property Code 005716 API No. 00052522635 Lease Type: X_PederalStatePet DATA ELEMENT UPPER ZONE INTERMEDIATE ZONE LOWER ZONE Pool Code 7659 47550 Top and Bottom of Pay Section 7669 47550 Rohod OF Pool Code 7669 47550 Top and Bottom of Pay Section 7669 47550 Rohod OF Pool Code 7669 47550 Top and Bottom of Pay Section 600 Pang 800 Pang Rohod OF Pool Code 600 Pang 800 Pang Rohod OF Pool Code 7610 Pang 800 Pang Rohod OF Pool Code 7610 Pang 800 Pang Rohod OF Pool Code 761 Pang 800 Pang Date and DolGa Water Rates of Low Pang 801 Pang 800 Pang				San Juan	
DATA ELEMENT UPPER ZAKE INTERMEDIATE ZONE LOWER ZAKE Pool Name Basin Freducid Coll Nagers Calling OW Pool Name 1162 4153 Pool Name 1162 4153 Pool Name 1162 4153 Pool Code 1792-1804 4153 Optimate and Marka M	Lease	Well No. Unit Lette	er-Section-Township-Range	County	
Proc Name Bain Prelind Coll Negro Coll Pool Code 7/62 4734 Pool Code 7/62 4734 Pool Code 198-1802 4734 Pool Code 198-1802 4735 Rendo Of Pool Code 198-1802 4735 Rendo Of Pool Code 198-1802 4705 Distribution Constraints 460 pais § 1797 Rendo Pool Distribution Constraints 460 pais § 1797 1466 pais § 6765 Distribution Constraints 01 01 1467 Distribution Constraints 01 01 01 01 Distribution Constraints 01 01 03 01 And Pool Control 96 96 96 96 96 Data Control 96 96 96 96 96 And Control 01 02 01 03 00 And Control 96 96 96 96 96 96 And Control 96 96 96 96 96 96 96 And Control 96 96 96 96 96 96 96 96 96 96 96 96 96 96	OGRID No. 006515 Property Co	de_003716_API No30-045	5-24439 Lease Type: X Fede	eralStateFee	
Pool Name 7459 4750 Pool Code 1799-1854 4750 Top and Bottom of Pay Section Rod Pump Rod Pump Method of Production Rod Pump Rod Pump Bottom full pay Section 400 state (0.100) Rod Pump Bottom full pay Section 400 state (0.100) Rod Pump Bottom full pay Section 400 state (0.100) Rod Pump Bottom full pay Section 400 state (0.100) Rod Pump Bottom full pay Section 400 state (0.100) Rod Pump Bottom full pay Section 400 state (0.100) Rod Pump Date section Rod Pump Rod Pump Rod Pump New Zone Date Rod Pump Rod Pump New Section Rod Pump Rate Production Rod Pump New Section Rate Production Ratet Nump Ratet Pump	DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE	
Pool Code 7429 4740 Top and Bottom of Pay Section 1799-1864 4740 Rechod of Production Red Pump Red Pump Mechod of Production Red Pump Red Pump Rechod Production Red Pump Red Pump Mechod of Production Red Pump Red Pump Rechod Production Red Pump Red Pump Mechod OF Production Red Pump Red Pump Red Pump Red Pump Red Pump Mechod OF Production Red Pump Red Pump Red Production Red Pump Red Pump Mechod OF Production Red Pump Red Pump Production Red Pump Red Pump Date and Obl/GaS/Water Rates of Last Production Date: 121/11 Date: Rates: 7 mcRd + 3 BWPD Fried Allocation Percentage resumming and and eventage another state and power another state and power another state another st	Pool Name	Basin Fruitland Coal		Nageezi Gallup OV	
Top and Bottom of Pay Section 1982-1864' 4163-1367' (Reifcaud & OpenAlder Linera) Rod Pump Red Pump (Reifcaud & OpenAlder Linera) Rod Pump Red Pump (Bottombol Fressure) 460 pin @ 1980' Red Pump (Bottombol Fressure) 460 pin @ 1980' Red Pump (Dottombol Fressure) 460 pin @ 1980' Red Pump (Dottombol Fressure) 460 pin @ 1980' Red Pump (Dottombol Fressure) 001 - 1560 bin 011 -		71629		47540	
Decimate and open-black information Red Pump Red Pump Method of Production 640 print @ 1900 1400 print @ 1910 Batterminder Pressure 640 print @ 1900 1400 print @ 1910 Batterminder Pressure 640 print @ 1900 1400 print @ 1910 Batterminder Pressure 640 print @ 1900 1400 print @ 1910 Batterminder Pressure 640 print @ 1900 0a = 1.650 bits Otter and Otter Starter New Completion 1 0a = 457 API Freducting, Shutch or New Completion 1 0a = 1.650 bits Date: 81 500 Date:: 1511 ALLOGON They concern Date:: 101 Castavity and second and and and and and and and and and a		1798'-1804'	· · · · · · · · · · · · · · · · · · ·	4763'-5349'	
Method of Production (Moving or Anticolate Life) 400 pixe (3.1792 Metaward 20.1711) 41400 pixe (3.1792 Extinated 8.1791) Botternhold Fressure (metaward 20.1711) Metaward 20.1711 Final Action and Comparison (1.1712) and A final action in the upper state of the State S					
Bottomhole Pressure mean with the stream of a base at decide and an advanced bit stream of decide and on advanced bit stream of decide and advanced bit stream of decide advanced b		Rod Pump		Rod Pump	
information in a base of the second in the	Bottomhole Pressure				
DI Cavity or Gas BTU Gas - 1989 bu Gas - 1989 bu Gas - 1989 bu Different Wir Core SI Oil - 45' AFI Date and Oil/Gas/Water Rates of Last Production Date: 121/1/1 Date: SI Automation Fried Allocation Date: 31 (21/1/1 Date: Bate: 31 (21/1/1 Automation Automation Fried Allocation Percentage Date: 121/1/1 Date: Cast. 940 (20/1) Automation Fixed Allocation Percentage Oil Gas Oil Gas. 95 (20/1) Automation Are all working: royally and overriding royally interests identical in all commingled zones? No X No X Yes No X	perforation in the lower zone is within 150% of the	Measured 12/1/11	8Ke	Estimated 8/15/11	
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that		Gas - 1,050 btu	- at your	Gas - 1450 btu	
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that	(Degree API or Gas BTU)		181	Oil – 45° API	
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that		New Completion			Nealla
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that					0//
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that	(Note: For new zones with no production history,	Date: 12/1/11	Date:	Date: 8/15/11	ALIOCATE
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that	estimates and supporting data.)	Rates: 7 mcfd + 3 BWPD	Rates:	Rates: 2.1 BOPD + 5 mcfd	AUGA
Are all produced fluids from all commingled zones compatible with cach other? Yes No Will commingling decrease the value of production? Yes No If shis well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No NMOCD Reference Case No. applicable to this well: N/A Yes No Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Por zones with no production history, estimated production rates and supporting data Attachment No. 2 Data to support allocation method or formula. + - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. IPRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Pro-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that	Fixed Allocation Percentage	Oil G	Oil Gas	Oil Gas	to AN
Are all produced fluids from all commingled zones compatible with each other? Yes No Will commingling decrease the value of production? Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands No Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands Ves No Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands Ves No Yes No NMOCD Reference Case No. applicable to this well: Ntd Yes Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Data to support allocation method or formula -* Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. List of other orders approving downhole commingling within the proposed Pre-Approved Pools If application is to establish Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge	than current or past production, supporting data or	0%	% %	100% 400 CONSU	VOLUTER
Are all produced fluids from all commingled zones compatible with each other? Yes No Will commingling decrease the value of production? Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands No Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands Ves No Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands Ves No Yes No NMOCD Reference Case No. applicable to this well: Ntd Yes Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Data to support allocation method or formula -* Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. List of other orders approving downhole commingling within the proposed Pre-Approved Pools If application is to establish Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge	explanation will be required.)			A Charles Ship	5 mil
Are all produced fluids from all commingled zones compatible with each other? Yes No Will commingling decrease the value of production? Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands No Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands Ves No Yes No If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands Ves No Yes No NMOCD Reference Case No. applicable to this well: Ntd Yes Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment No. 2 Data to support allocation method or formula -* Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. List of other orders approving downhole commingling within the proposed Pre-Approved Pools If application is to establish Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge		· · · · ·	(attact for year	B-K.
Will commingling decrease the value of production? YesNo_X				Yes <u>No X</u>	V
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands	Are all produced fluids from all commit	ngled zones compatible with cacl	h other?	Yes <u>X</u> No	
or the United States Bureau of Land Management been notified in writing of this application? Yes_X_No	Will commingling decrease the value of	production?		Yes No_X	
NMOCD Reference Case No. applicable to this well: N/A Attachments: C-102 for each zone to be commingled showing its spacing unit and acreage dedication. – Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) – Attachment No. 2 For zones with no production method or formula. * - Attachment No. 2 Data to support allocation method or formula. * - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases Attachment No. 4 Any additional statements, data or documents required to support commingling. PRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge and belief. TITLE Engineering Manager_DATE January 20, 2012 TYPE'OR PRINT NAME: Dim D. Ree TELEPHONE NO. (S05) 325-1821					
Attachments: C-102 for cach zone to be commingled showing its spacing unit and acreage dedication. – Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) – Attachment No. 2 For zones with no production history, estimated production rates and supporting data. – Attachment No. 2 Data to support allocation method or formula. • - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases. – Attachment No. 4 Any additional statements, data or documents required to support commingling. PRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools List of all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE	or the United States Bureau of Land Ma	inagement been notified in writin	ng of this application?	Yes <u>X</u> No	
Attachments C-102 for each zone to be commingled showing its spacing unit and acreage dedication. – Attachment No. 1 Production curve for each zone for at least one year. (If not available, attach explanation.) – Attachment No. 2 For zones with no production history, estimated production rates and supporting data. – Attachment No. 2 Data to support allocation method or formula. * - Attachment No. 3 Notification list of working, royalty and overriding royalty interests for uncommon interest cases. – Attachment No. 4 Any additional statements, data or documents required to support commingling. PRE-APPROVED POOLS If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools List of all operators within the proposed Pre-Approved Pools Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE FITLE Engineering Manager_DATE January 20, 2012 TYPEPOR'PRINT'NAME: John D: Roe TELEPHONE NO. (505) 325-1821		e to this well: <u>N/A</u>			
If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools List of all operators within the proposed Pre-Approved Pools Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE Sec. THTLE Engineering Manager_DATE January 20, 2012 TYPE'OR'PRINT NAME: John D. Roe THELEPHONE NO. (505). 325-1821	C-102 for each zone to be comming Production curve for each zone for For zones with no production histor Data to support allocation method Notification list of working, royalty	at least one year. (If not availabl y, estimated production rates and or formula * - Attachment No. ' and overriding royalty interests	le, attach explanation.) – Attachment N d supporting data. – Attachment No. 2 3 for uncommon interest cases. – Attach	0.2	
If application is to establish Pre-Approved Pools, the following additional information will be required: List of other orders approving downhole commingling within the proposed Pre-Approved Pools List of all operators within the proposed Pre-Approved Pools Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE Sec. THTLE Engineering Manager_DATE January 20, 2012 TYPE'OR'PRINT NAME: John D. Roe THELEPHONE NO. (505). 325-1821	·	PRF-APPF	ROVED POOLS	······································	
List of other orders approving downhole commingling within the proposed Pre-Approved Pools List of all operators within the proposed Pre-Approved Pools Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data. I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE <u>P. Rec</u> <u>THTEE Engineering Manager_DATE_January 20, 2012</u> I TYPE'OR'PRINT-NAME John D. Roe 1974-1975 TELEPHONE NO. (505). 325-1821	If application is			will be required:	
List of all operators within the proposed Pre-Approved Pools Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application. Bottomhole pressure data I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE SIGNATURE THILE Engineering Manager_DATE January 20, 2012 TYPE'OR 'PRINT'NAME: John D. Roe Approved Pools TELEPHONE NO. (505) 325-1821					
SIGNATURE D. Rec THTLE Engineering Manager_DATE January 20, 2012	List of all operators within the propose Proof that all operators within the prop	d Pre-Approved Pools osed Pre-Approved Pools were p			
Here Construction and Construction See Transformers and the State Section of the State Secti	I hereby certify that the information	above is true and complete t	to the best of my knowledge and be	lief.	
Here Construction and Construction See Transformers and the State Section of the State Secti					
	organ the state of amount of and be	angena unter de Alfander An	Paga Berdan, pressi		
		A THE CONTRACT OF A DESCRIPTION OF A DES	· · · · · · · · · · · · · · · · · · ·		

Attachment No. 3 Proposed Allocation Method Jeffers Federal 2 Well No. 23

The Nageezi Gallup completion has produced for approximately 30 years and as of shutting in on 8/15/11, had produced 24,025 bbl oil and 49,466 mcf of gas. Production comes from 24 fine grained, low permeability tight sandstone/siltstone reservoir intervals perforated between 4763' & 5349' (a 586' interval). Due to the low permeability and large reservoir thickness, low production rates are anticipated to exist as long as operating economics warrant continued operations. An average production rate is very difficult to determine, but using a fairly stable **five year period 2006 thru 2010, production did average 2.1 BOPD and 5 mcfd** (of which 2.70 mcfd was used to fuel the pumping unit engine and ± 2.3 mcfd was vented). The associated **gas has an average heating value of 1450 btu/cf**.

The Basin Fruitland Coal completion is in a coal approximately 6' thick and during completion tested a rate of **7 mcfd + 3 BWPD on 12/1/11 with a flowing tubing pressure of 25 psia**. The perforations have been broken down and acidized and upon obtaining a pipeline connection for gas sales, we plan to continue testing and evaluate the feasibility/need for additional stimulation. To date, we have not frac'd the Fruitland Coal. The Fruitland Coal in this general area has not been developed and within the eight adjacent sections, there is only one other Fruitland coal completion which is the South Blanco Coal 36 Well No. 1 (API No. 30-045-30516) operated by Elm Ridge Exploration in Unit L, Section 36, T-24N, R-8W approximately 1¼ mile to the northeast. This well was completed 12/27/01 and to date has produced 60.6 mmcf gas with a peak gas of 42 mcfd during May, 2004. Production during May and June, 2011 averaged 21 mcfd with no water. The **Fruitland Coal gas in this area has a heating value of 1050 btu/cf**.

For allocation of commingled production, we propose the following method;

- A. Oil 100% of the oil allocated to the Gallup completion
- B. <u>Gas</u> From the total gas volume metered, 5.0 mcfd will be considered to be from the Gallup completion and all gas volumes greater than 5 mcfd will be credited to the Fruitland Coal. This method will account for the 30+ years of production history established by the Gallup completion.

With the gas heating values being 1050 (Fruitland Coal) and 1450 (Gallup) btu/cf, it will be a fairly simple procedure to verify the mix of the commingled gas stream and if indicated that we need to modify our gas allocation method to more accurately represent the gas production from each, zone, we will amend the allocation procedure as needed. For demonstration purposes, this can be done as follows;

Sales Meter Btu	% gas from <u>Fruitland Coal</u>	% gas from Gallup
1050	100	0
1150	75	25
1250	50	50
1350	[·] 25	75
1450	0	100

C. <u>Water</u> – From the total water, 0.35 BWPD will be allocated to the Gallup based upon its 30+ year production history and all water volumes greater than 0.35 BWPD will be allocated to the Fruitland Coal.

Dugan Production Corp PO Box 420 Farmington NM, 87499-0420 (505) 325-1821 Office (505) 327-4613 Fax Johnroe@duganproduction.com	Also, will you be wou approval as they are and Encana are the John Roe	Hi Will. Hope this fir I. ir Software. Issuer	From: Sent: To: Subject:	Jones, William V., EMNRD
orp ye -0420 ye -0420 y	Also, will you be working on our 2/14/12 application to ad one well to Dugan's Kenny Gas Gathering System? I need to tell Encana about when we will have OCD approval as they are currently completing their first horizontal well and will soon be ready to produce. I think we have satisfied all notice issues and since Dugan and Encana are the only interest owners, hopefully we won't have any objections from interest owners!!!! John Roe	 Hi Will. Hope this finds you doing good at your end. The subject DHC order for Dugan's Jeffers Fed 2 No. 23 well (API 30-045-24439); 1. includes a fixed percent allocation for the gas production, which is ok with me, but probably won't be correct for gas volumes higher than 12 mcfd. Our application proposed 5mcfd for the Gallup and any volumes over 5 would be credited to the Fruitland Coal. We can live with the fixed factor but would prefer the subtraction method. Source: The viewing the application copy in the OCD's ONLINE imaging file, image No. 12 is totally black. This should be page 3 of Attachment No.2. 	John Roe [johnroe@duganproduction.com] Thursday, February 23, 2012 3:27 PM Jones, William V., EMNRD DHC-4505	V., EMNRD