

8/13/08 DATE IN	SUSPENSE	Ezeanyim ENGINEER	8/19/08 LOGGED IN	OLM TYPE	PKVR0823228919 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☒ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM ~~SLO~~
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
** - Notice mailed by certified - Return Receipt
 + copy presented as Attachment #2. Upon
 receiving Receipts, copies will be forwarded
 to NMOCB.*
- [F] ☐ Waivers are Attached

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

John D. Roe
Print or Type Name

John D Roe
Signature

Engineering Manager
Title

8/14/08
Date

johnroe@duganproduction.com
e-mail Address

RECEIVED
2008 AUG 18 PM 2 56



dugan production corp.



August 14, 2008

Mr. Richard Ezeanyim
NMOCD Engineering Bureau
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Steve Henke
Bureau of Land Management - FFO
1235 La Plata Highway
Farmington, NM 87401

Re: Application for Off-Lease Gas Measurement & Sale
Dugan Production Corp.'s Coaly No. 90
Basin Fruitland Coal pool (OCD Pool No. 71629)
API No. 30-045-33905
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Mr. Ezeanyim & Mr. Henke,

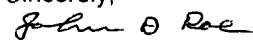
Dugan Production requests your approvals for the off-lease measurement and sale of natural gas produced from the captioned well. The Coaly No. 90 was spudded on 5-19-08 and has been perforated in the Basin Fruitland Coal pool. Upon completing the installation of production facilities, the well will be fracture stimulated and completed for production. To facilitate gas sales, it will be necessary to install approximately 6141' of line (4846' on-lease & 1295' off-lease) to deliver gas produced from the Coaly No. 90 to the nearest point on Enterprise Field Service's line which is in the SENE of adjacent Section 29, T-27N, R-12W. The proposed pipeline is unchanged from the survey initially submitted with the APD and amended 8-29-06. Enterprise Field Services will install and maintain the gas sales meter on their line. Attachment No. 1 presents the proposed gas line and off-lease sales meter location. The location for the sales meter will be on Federal Lease NM-33022 which is also held by Dugan Production.

All other production equipment for the Coaly No. 90 will be located on location at the Coaly No. 90 well site. The gas line will be new 4" polypipe, buried $\pm 6'$ deep, installed and maintained by Dugan Production Corp. The line will initially be pressure tested and its integrity maintained by subsequent monitoring using Dugan Production's portable gas detection equipment. We anticipate the Coaly No. 90 will produce 100 to 200 mcf/d and do not anticipate any oil or condensate to be produced. All liquid production (approximately 150 bwpd) will be separated and stored on-lease. Water will be transported to an authorized water disposal facility by trucking.

Attachment No. 2 presents a copy of Dugan Production's letter to the overriding royalty interest owners providing them notice of our application for off-lease measurement and sale of gas. All royalty interest is federal and this letter to the BLM also serves as notice to the royalty interest owner. We do not anticipate any objection since there should not be any negative impact to the royalty or overriding royalty interest owners and Dugan Production holds 100% of the working interest. The proposed off-lease measurement is believed to be necessary and is the only economically viable option to connect the Coaly No. 90 for gas sales since a wellhead connection is cost prohibitive considering the 6141' distance to a gas sales line and anticipated production of 100 to 200 mcf/d.

Should there be questions or additional information needed, please let me know.

Sincerely,


John D. Roe
Engineering Manager

JDR/tmf

attachments

XC: NMOCD- Aztec

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

Dugan Production Corp.
Federal Lease NM-33022

Dugan Production Corp.
Federal Lease NM-33021

Dugan Production Corp.
Federal Lease NM-33025

NAPI Farm Field
NAPI Water Canal

Enterprise
Bisti Compressor
Substation

Enterprise Field Services
Lateral 10 E-2

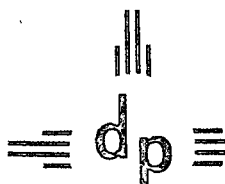
Attachment No. 1
Dugan Production Corp.
Proposed Off-site/Off-lease Gas Sales Meter
Coaly No. 90

Well Location: SESE 28, T-27N, R-12W
Gas Sales Meter: SENE 29, T-27N, R-12W
Hugh Lake & Gallegos Trading Post Maps

R-12W

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dugan production corp.

Attachment
No. 2



August 14, 2008

MAILED CERTIFIED-RETURN RECEIPT

Energen Resources
605 Richard Arrington, Jr. Blvd. North
Birmingham, AL 35203

Mission Resources Co.
1331 Lamar, Suite 1450
Houston, TX 77010

Four Star Oil & Gas Co.
P. O. Box 36366
Houston, TX 77010

Re: Dugan Production Corp.'s
Application dated 8/14/08
Off-lease Gas Measurement & Sale
Coaly No. 90
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Interest Owner,

Our records indicate each of you have an overriding royalty interest ownership in the captioned well and the New Mexico Oil Conservation Division (NMOCD) requires Dugan Production Corp. to provide notice to you of our application to use a gas sales meter for the Coaly No. 90 that is not located upon the subject lease or spacing unit.

The Coaly No. 90 is located in the SESE of Section 28, T-27N, R-12W and the nearest gas sales pipeline is located in the NE/4 of the adjacent Section 29. This will require laying approximately 6141' of line (4846' on lease & 1295' off-lease) to connect the Coaly No. 90 to Enterprise Field Services gathering system. Enterprise will install and maintain the gas sales meter on their line and Dugan Production will install and maintain the 4" gas line delivering natural gas from the Coaly No. 90 to Enterprise's gas sales meter. Dugan Production intends to install a new buried, 4" polypipe and will pressure test the line upon completion to insure line integrity. Upon commencing operation, the line will be periodically surveyed using portable gas detection equipment maintained by Dugan Production Corp. All other production equipment for the Coaly No. 90 will be located at the well. Attachment No. 1 presents the proposed line and off-lease sales meter.

We believe this is the only economically viable option to facilitate gas sales from the Coaly No. 90 since the well is approximately 6141' from the nearest gas sales line and is anticipated to produce between 100 & 200 mcf/d. Dugan Production holds 100% of the working interest and will pay all costs associated with this proposal. There will be no costs to the overriding royalty interest owners and hopefully this will allow all interest owners to begin receiving production revenues from the Coaly No. 90.

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

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

Attachments

Dugan Production Corp.
Federal Lease NM-33022

Dugan Production Corp.
Federal Lease NM-33021

Dugan Production Corp.
Federal Lease NM-33025

NAPI Farm Field
NAPI Water Canal

Enterprise
Bisti Compressor

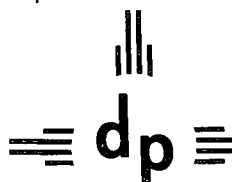
Enterprise Field Services
Lateral 10 E-2

Attachment No. 1
Dugan Production Corp.
Proposed Off-site/Off-lease Gas Sales Meter
Coaly No. 90
Well Location: SESE 28, T-27N, R-12W
Gas Sales Meter: SENE 29, T-27N, R-12W
Hugh Lake & Gallegos Trading Post Maps

R-12W

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dugan production corp.

RECEIVED

2008 AUG 29 PM 12 34

August 27, 2008

Mr. Richard Ezeanyim
NMOCD Engineering Bureau
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Application for Off-Lease Gas Measurement & Sale dated 8/14/08
Dugan Production Corp.'s Coaly No. 90
Basin Fruitland Coal pool (OCD Pool No. 71629)
API No. 30-045-33905
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Mr. Ezeanyim,

Attached for your consideration of the captioned application are copies of the certified mail return receipts for two of the three overriding royalty interest owners. Our notice letter to the third overriding royalty interest owner was returned to us on 8/26/08 with the postal system advising it was "not deliverable as addressed, unable to forward" (see attached copy of returned envelope). Upon receiving the subject "return to sender", we have attempted to contact Mission Resources Co. at mail, phone and fax numbers available in our records and have also attempted to locate current address/phone information using data resources available through the phone and internet. None of our efforts have produced contact with Mission Resources. We will continue to pursue efforts to contact Mission Resources, however at this time we believe we have made a reasonable effort to contact them and we do not anticipate locating Mission Resources in a timely manner.

Should production revenues be ready for distribution prior to locating Mission Resources, we will place revenues attributable to their interest in suspense at Dugan Production Corp. for distribution to them at a later date. Dugan Production holds 100% of the working interest and all royalty interest is federal (lease NM-33021).

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

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

Coale 90

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>1. Article Addressed to:</p> <p>Energex Resources 605 Richard Arrington Jr. Blvd, North Birmingham, AL 35203</p>		<p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>[Signature]</i></p> <p>C. Date of Delivery 8-18</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p>	
		<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. </p>	
<p>2. Article Number (Transfer from service label)</p> <p>7005 2570 0001 3772 1443</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

Coale 90

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>1. Article Addressed to:</p> <p>Jour Star Oil & Gas Co. P.O. Box 36366 Houston, TX 77010</p>		<p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>[Signature]</i></p> <p>C. Date of Delivery 8-18</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p>	
		<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. </p>	
<p>2. Article Number (Transfer from service label)</p> <p>7005 2570 0001 3772 1467</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

dp
dugan production corp.
P. O. BOX 420
FARMINGTON, NEW MEXICO 87499-0420

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7005 2570 0001 3772 1438



U.S. POSTAGE
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PR 5528085
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7005 2570 0001 3772 1438
ZIP CODE 87401

- ☐ MOVED, LEFT NO ADDRESS
- ☐ ATTEMPTED - NOT KNOWN
- ☐ UNCLAIMED ☐ REFUSED
- ☐ NO SUCH STREET
- ☐ NO SUCH NUMBER
- ☐ INSUFFICIENT ADDRESS
- ☒ NOT DELIVERABLE AS ADDRESSED UNABLE TO FORWARD



MISSION RESOURCES CO
1331 LAMAR SUITE 1450
HOUSTON TX 77010

