

dugan production corp.

Attachment
No. 6
Pg 1 of 1

June 1, 2001

Redwolf Production Inc.
P. O. Box 5382
Farmington, NM 87499-5382

Richardson Operating Co.
1700 Lincoln, Suite 1700
Denver, CO 80203

Re: Operator and Working Interest Owner Notice
Application to add wells to Dugan's
Turk's Toast Gas Gathering System
CDP meter - SENE Section 6, T-29N, R-14W
San Juan County, New Mexico

Dear Operator & Working Interest Owner,

Attached for your information and file is a copy of our application to the NMOCD, BLM and State Land Office to add eight recently drilled wells plus 15 proposed wells to Dugan's Turk's Toast Gas Gathering System. Redwolf's only interest in the application is as the operator of their Kelly No. 1 which has previously been approved for this system, but is currently not connected as a result of the wells inability to deliver commercial gas volumes. Richardson's only interest is as a working interest owner in our joint interest Bi Knobs No. 90 well which is one of the wells to be added to the gathering system and during the first three months of 2001 has averaged 13.3 mcfd.

The operation of this gathering system is the only option available to produce these wells and your interests should not be harmed as a result of including these additional wells.

Should you have questions, concerns or need additional information please let me know. Should you have an objection to our application, you should contact the New Mexico Oil Conservation Division by mail at 1220 South St. Francis Drive, Santa Fe, NM 87505, or by phone at 505-476-3440 within 20 days from the date of this letter. We would appreciate receiving a copy of any objection filed.

Sincerely,

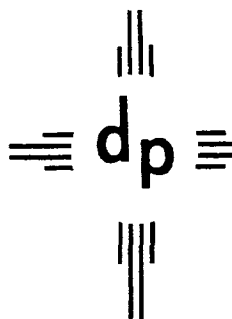
John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

*Copy of the
Application is
not a part of
this Attachment
Although it was
Sent to the
Addressee.*



dugan production corp.

Attachment
No. 7
Page 1 of 8

June 1, 2001

Mr. Lee Otteni
Bureau of Land Management
Farmington Field Office
1235 La Plata Highway
Farmington, NM 87401

Mr. Ray Powell
Commissioner of Public Lands
New Mexico State Land Office
P. O. Box 1148
Santa Fe, NM 87504-1148

Re: Application to add 23 wells to
Dugan Production Corp.'s
Turk's Toast Gas Gathering System
CDP Meter - SENE Section 6, T-29N, R-14W
San Juan County, New Mexico

Dear Mr. Otteni and Commissioner Powell,

Attached for your review and approval is a copy of our application to the New Mexico Oil Conservation Division (NMOCD) to add eight recently drilled plus 15 proposed wells to the subject gas gathering system which currently has 20 wells approved for operation. The BLM last approved this system for 20 wells on 6-22-95 and the State Land Office on 7-17-95. Our application to the NMOCD requests approval not only for the 23 wells to be added, but also for the 20 wells previously approved since it appears that we inadvertently have not received NMOCD approval of our application for 20 wells dated 5-17-95. There is no obvious explanation for not receiving NMOCD approval, it just apparently slipped through the cracks not only at NMOCD but also at Dugan Production. Attachment No. 2 presents individual well data for the 23 wells and locations to be added along with the 20 wells already approved. Attachment No. 3 presents interest ownership for all wells and locations. A majority of the royalty interest is federal. Nineteen of the 28 wells and all of the proposed locations contain portions of the following 18 federal leases; NM-4465, NM-10561, NM-10758, NM-10875, NM-16057, NM-16765, NM-19163, NM-19403, NM-21463, NM-21465, NM-55114, NM-56318, NM-58896, NM-63321, NM-70298, NM-70299, NM-70300, NM-71716 and NM-76870. Five of the wells contain state leases (E-3555, E-6714-8, LG-3045-1, VA-1696).

The operation of the Turk's Toast Gas Gathering System is the only option available to produce these new wells and has the advantage of allowing a central system compressor to serve all wells as opposed to compressors at each individual well - less compressor fuel will be needed plus exhaust and noise emissions will be reduced.

All wells on the system will be equipped with standard, continuously recording gas meters and the charts will be integrated using a commercial integrator with the volumes then being used to allocate gas volumes and revenues from the CDP to individual wells. Only produced gas will be surface commingled. All produced liquids (condensate, oil and water) will be separated, stored and sold/disposed of at each individual well.

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

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

*A copy of the
Application is Not a
Part of this Attachment
Although it was sent
to the Addressees*



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA
1235 LA PLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401



IN REPLY REFER TO:

NM-10875 et al. (WC)
3162.7-1 (019)

SEP. 07 1988

Dugan Production Corporation
P.O. Box 5820
Farmington, NM 87499-5820

Gentlemen:

Reference is made to your request for approval of surface commingling and off-lease measurement of gas from Federal leases NM-10875, NM-16057, NM-19403, NM-19163, NM-21465, NM-16765, NM-21463, NM-4465.


Your request for the surface commingling and off-lease measurement of gas produced from the twelve wells located on the referenced leases is hereby approved. As stated in your request, you must continue to measure all gas volumes with a standard meter run installed at each well, and use these measurements to allocate the gas sales volume at the master meter back to the respective wells.

Your request for approval to produce any future wells, located on these leases in a similar manner is denied. Before any future Federal wells are added to this gathering system you must submit a similar request containing a map of the area, the location of the wells and a diagram of the gathering system.

If you have any questions please contact Kenny Howell with this office at (505) 327-5344.

Sincerely,

For Ron Fellows
Area Manager



MINERALING BRANCH
BRANCH CHIEF _____
FILES _____

FLUIDS SUP 2 _____

FLUIDS ICE _____
TEAM _____
1 & 2 1mch _____
1 & 3 SW _____
ALL SUPY _____
FILES _____

OPERATOR

Letter to Ron Fellows
January 18, 1990
Page 2

Corp's leasehold interest in this general area and the well locations that have been drilled as of this date. The commingling of gas production from each lease is only by virtue of the fact that a common system is utilized to gather and transport the produced gas to the master sales meter of the pipeline company and it should be stressed that all gas volumes will be continuously measured with a standard meter run installed at each well or lease prior to leaving the lease and being placed into the Turk's Toast Gathering System. The measurements made with the individual meter runs will be used to allocate the gas sales volume at the master meter back to the respective wells. All of the oil is collected, stored, measured and sold at each well or lease.

We are requesting approval for the surface commingling of produced gas from the wells summarized on Table No. 1. The gathering lines for the previously approved system for the most part were installed and operated by Northwest Pipeline and until the recent deterioration in the gas market, NWPL was the purchaser and did purchase all gas volumes at the wellhead. During the later part of 1985, NWPL ceased taking gas on a regular basis and our wells have been shut-in much of the time since then because of NWPL's refusal to take the gas. Following extensive negotiations that began in early 1986, Dugan Production purchased all pipeline and well site facilities from NWPL. The sales point is at the main tie-in to EPNG's system rather than at the individual wells as it was with NWPL as the purchaser. All gas volumes from the new wells are or will be continuously being measured prior to leaving the lease. This is done by the individual metered volumes being used to allocate gas back to individual wells from the total sales volume metered at the central delivery meter rather than individual metered sales volumes.

Dugan Production at our own expense has constructed approximately 19000 feet of gathering line extension needed to connect the recently drilled and completed wells for gas sales. It should be remembered that Dugan Production Corp. has also incurred a substantial investment in purchasing this gathering system which, had we not done so, it would be necessary for the wells on the system to remain shut-in. Under NWPL's ownership the wells had been shut-in for over one year due to contractual problems. These wells are of marginal or moderate production quality and Dugan Production feels that purchasing the gathering system was the only viable option open to us to consistently maintain production from the wells in an effort to recoup the unrecovered drilling and completion costs incurred with these wells. This gathering system was purchased by Dugan Production at our sole expense following extensive negotiations with NWPL. The only way El Paso Natural Gas Company will consider accepting the gas produced from the subject wells is if it was gathered and delivered to a central point on their existing system.

Letter to Ron Fellows
January 18, 1990
Page 3

In summary, Dugan Production Corp. is requesting the off-lease measurement of the wells listed on Table No. 1 and the surface commingling of these wells with the Turk's Toast Gathering Line wells previously approved. All gas volumes will be measured with a standard meter run installed at each well and we will use these measurements to allocate the gas sales volume at EPNG's master meter back to the respective wells. All oil will be collected, stored, measured and sold at each well or lease.

Should you have any questions regarding this or need additional information, please feel free to contact me.

Sincerely,

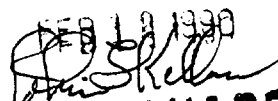


Jim L. Jacobs
Vice-President

BW/scturks.190

attachs.

APPROVED

FEB 18 1990

For **AREA MANAGER**



dugan production corp.

FARMINGTON, NM 87401

May 17, 1995

GTO FARMINGTON, NM

Hand Delivered

Mike Pool, District Manager
Farmington District Office
Bureau of Land Management
1235 La Plata Hwy.
Farmington, NM 87401

Re: Surface Commingling & Off-lease Measurement
Dugan Production Corp's Turks Toast Gathering System
San Juan County, NM

Dear Mr. Pool:

We are writing to: 1) respond to BLM order dated 3-10-95 pertaining to the recent PAR on Federal Lease NMNM-19163; 2) supplement our existing BLM approval for the surface commingling and off-lease measurement of 17 wells on the subject gas gathering system; and 3) request approval for the surface commingling and off-lease measurement of 3 additional wells.

Regarding the BLM's March 10, 1995 "DECISION" resulting from their Production Accountability Review on federal lease NMNM-19163, the BLM concluded that "Current off lease measurement and commingling practices/procedures are approved but no longer in full compliance with current requirements", and it was ordered that Dugan "re-submit for approval a request for off lease measurement". We are in agreement that there were deficiencies in the frequency of our gas meter calibrations and gas analysis data (Problems No. 1 & 2), however, these deficiencies have been corrected and the data was provided to the BLM on 4-12-95. Other than these deficiencies, it is our belief that our current measurement and allocation procedures/practices approved for 17 wells are in compliance with the current requirements. The BLM did not specify what portion of our off-lease measurement and surface commingling practices/procedures were not in compliance. We are herein providing information that hopefully will supplement our existing approval for surface commingling and off-lease measurement, and satisfy any deficiencies that may exist.

In order to provide supplemental information to our existing off lease measurement and surface commingling approvals, Attachment No. 1 is a map on which we have identified the Turks Toast Gathering System as it currently exists, along with a total of 17 wells (highlighted in blue) that are currently approved for this system. In addition, we have highlighted in orange three wells that we are proposing as additions to this system. The Turks Toast Gathering System delivers gas into El Paso Natural Gas Company's line at a CDP sales meter located in the E/2 of Section 6, T29N,

APPROVED

JUN 22 1995

OPERATOR

DISTRICT MANAGER



dugan production corp.

Attachment
No. 8
pg 1 of 8

May 29, 2001

To: Royalty Interest Owners (Attachment No. 1)
Wells connected or to be connected to
Dugan Production Corp.'s
Turk's Toast Gas Gathering System
San Juan County, New Mexico

Dear Royalty Interest Owner,

Dugan Production Corp. has submitted an application to add 23 wells (8 recently drilled and 15 to be drilled) to our Turk's Toast Gas Gathering System. Our application requests approval from the Bureau of Land Management (BLM), New Mexico Oil Conservation Division (NMOCD) and the New Mexico State Land Office (NMSLO) to surface commingle gas produced from each well and to deliver the gas in Dugan's Turk's Toast Gas Gathering System to a central delivery sales meter (CDP) located on El Paso's pipeline in the SENE of Section 6, T-29N, R-14W of San Juan County. Each well will be equipped with a standard, continuously recording gas meter which will be used to allocate gas sales volumes from the CDP sales meter to each individual well.

As an interest owner in one or more of these wells, you are entitled to receive notice of our application and should you desire to review the application, we will be happy to provide you with a copy.

Attachment No. 2 presents basic well and lease information for each of the 23 wells to be added along with the 20 wells currently authorized for the system. The individual wells and your interest in each is presented on Attachment No. 3. The Turk's Toast Gas Gathering System currently delivers approximately 430 mcf/d to El Paso's sales meter from 19 wells (average of ± 23 mcf/d/well).

All wells to be added to the gathering system do not qualify for a well head gas sales pipeline connection and the Turk's Toast Gas Gathering System is the only option available for placing each of these wells on production. The wells currently connected to the gathering system should not be affected by the addition of these wells. A benefit to the operation of a gas gathering system is that a central compressor can be used for all wells which will eliminate the need for well head compressors at each well. The operation of a central compressor, as opposed to individual well head compressors, will be more efficient, will use less compressor fuel (which will increase the volumes available for sale), and will result in reduced exhaust and noise emissions which is especially important considering the proximity of these wells to the city of Kirtland.

Should you have any questions or desire to receive a copy of our application, please let me know. Should you have an objection to our application, you should contact the New Mexico Oil Conservation Division by mail at 1220 South St. Francis Drive, Santa Fe, NM 87505, or by phone at (505) 476-3440 within 20 days from the date of this letter. We would appreciate receiving a copy of any objection filed.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

C:\TF\Johnroe\TurksToast\lrrroyown.wpd



State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

July 17, 1995

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John D. Roe

Re: Surface Commingling and Off-lease Measurement
State Lease LG-3045-1
Bi-Knobs Well Nos. 1 & 2
Dugan Production Corporation's Turks Toast Gas Gathering System
San Juan County, New Mexico



Dear Mr. Roe:

This office is in receipt of your letter of June 30, 1995, wherein you have requested our approval for surface commingling and off lease measurement of the gas from State Lease No. LG-3045-2 with 18 other wells located on federal and fee leases.

It is our understanding that you will continue to measure all gas volumes with a standard meter run installed at each well, and use these measurements to allocate the gas sales volume at the master meter back to the respective wells.

Since it appears that there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, the above-mentioned request is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your filing fee in the amount of \$30.00 dollars has been received.

Attachment No. 1

Interest Owner Address List

(a = Atlantis No. 4, b = Bi Knobs No.'s 1,2,2R & 91, c = Greek's Fete No. 2, d = Lisbon Com No. 1, e = Mayre No. 1, f = Mayre No. 90 & 90R, g = Monte Carlo No. 1, h = Bi Knobs No. 90, i = Monte Carlo No. 2, j = Nice No. 1, k = Nice No. 2, l = Pittam Pond No.'s 5, & 90, m = Pole's Paradise No. 2, n = Riviera No. 1, o = Sly Slav No. 1, p = Sly Slav No.'s 2 & 3, q = Turks' Toast No. 1, r = Turk's Toast No.'s 2,3,4 & 6, s = Kelly No. 1)

Royalty Interest Owners

Emery C. & Melba Arnold (j) 200 Crandall Aztec, NM 87410	James R. McKinney (j) 2700 N Freeway Pueblo, CO 81003-2494
Mildred Dewey (i) 1304 Fairview Ave. Farmington, NM 87401	Owen L. McKinney (j) 2700 N Freeway Pueblo, CO 81003-2494
John L. Gardner (p) 713 N. Adams St. Glendale, CA 91206	Irving L. & Dana L. Norton (j) P. O. Box 344 Pleasant View, CO 81331
Margaret A. Gardner (p) 26934 Eastwood Olmsted Twp., OH 44138	Louis E. Norton (j) 1420 County Road 526 Bayfield, CO 81122
L. L. Greer Trust (o,p) 641 E. Boca Raton Road Phoenix, AZ 85022-4717	Sarah M. Pierce (j) P. O. Box 337 Durango, CO 81302
Joseph E. & Twila M. Gooding Living Trust (g) c/o Twila M. Gooding, Trustee 1009 Crestview Circle Farmington, NM 87401	James C. & Pansey I. Sheek (i,n,o,p) 11019 County Road 44 Mancos, CO 81328
C. R. & Frances Hancock (o,p) #4 Road 3071 Aztec, NM 87410	Madge D. Smouse & Mildred Dewey (n,o,p) 1304 Fairview Ave. Farmington, NM 87401
Clement & Elsie Koogler (o,p) 307 Animas Aztec, NM 87410	Mollie F. Smouse (i,n,o,p) P. O. Box 93 Fruitland, NM 87416
Dana Landreth (j) 6625 Hartman Street Las Vegas, NV 89108	Samuel T. & Frances Smouse (i,n,o,p) P. O. Box 93 Fruitland, NM 87416
Annetta Lehigh (j) 8 Poplar Drive Montrose, CO 81401	State of New Mexico (b,h) State Land Office Attn: Pete Martinez P. O. Box 1148 Santa Fe, NM 87504-1148
Frances D. Lesser (p) 2220 Wyoming Ave., NW Washington, DC 20008	Bailey T. Strain (j) 7351 Miller Ave. Gilroy, CA 95020
Mildred C. & Jim Maitlen (g,i,n,o,p) P. O. Box 365 Waterflow, NM 87421	Revae M. & Don Wells (i,n,o,p) 6624 Moore Rd., SW Albuquerque, NM 87105
M. C. Maitlen (g,i,n,o,p) P. O. Box 365 Waterflow, NM 87421	Mildred Wright, et al (g) c/o Twila M. Gooding 1009 Crestview Circle Farmington, NM 87401
Diana C. McKinney (j) 1649 N. Pacana Way Green Valley, AZ 85614	USA - Bureau of Land Management (a,c,d,e,f,g,i,j,k,l,m,n,o,q,r) 1235 La Plata Highway Farmington, NM 87401

Dugan Production Corporation

Page 2

July 17, 1995

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS



BY:

JAMI BAILEY, Deputy Director
Oil/Gas and Minerals Division
(505) 827-5745

RP/JB/cpm

Enclosure

cc: Reader File

OCD-Santa Fe--Attention: David Catanach, Ben Stone
LG-3045-2



dugan production corp.

Attachment
No. 9
Pg 1 of 4

May 29, 2001

To: Overriding Royalty Interest Owners (Attachment No. 1)
Wells connected or to be connected to
Dugan Production Corp.'s
Turk's Toast Gas Gathering System
San Juan County, New Mexico

Dear Overriding Royalty Interest Owner,

Dugan Production Corp. has submitted an application to add 23 wells (8 recently drilled and 15 to be drilled) to our Turk's Toast Gas Gathering System. Our application requests approval from the Bureau of Land Management (BLM), New Mexico Oil Conservation Division (NMOCD) and the New Mexico State Land Office (NMSLO) to surface commingle gas produced from each well and to deliver the gas in Dugan's Turk's Toast Gas Gathering System to a central delivery sales meter (CDP) located on El Paso's pipeline in the SENE of Section 6, T-29N, R-14W of San Juan County. Each well will be equipped with a standard, continuously recording gas meter which will be used to allocate gas sales volumes from the CDP sales meter to each individual well.

As an interest owner in one or more of these wells, you are entitled to receive notice of our application and should you desire to review the application, we will be happy to provide you with a copy.

Attachment No. 2 presents basic well and lease information for each of the 23 wells to be added along with the 20 wells currently authorized for the system. The wells in which you have an interest is presented on Attachment No. 1. The Turk's Toast Gas Gathering System currently delivers approximately 430 mcf/d to El Paso's sales meter from 19 wells (average of ± 23 mcf/d/well).

All wells to be added to the gathering system do not qualify for a well head gas sales pipeline connection and the Turk's Toast Gas Gathering System is the only option available for placing each of these wells on production. The wells currently connected to the gathering system should not be affected by the addition of these wells. A benefit to the operation of a gas gathering system is that a central compressor can be used for all wells which will eliminate the need for well head compressors at each well. The operation of a central compressor, as opposed to individual well head compressors, will be more efficient, will use less compressor fuel (which will increase the volumes available for sale), and will result in reduced exhaust and noise emissions which is especially important considering the proximity of these wells to the city of Kirtland.

Should you have any questions or desire to receive a copy of our application, please let me know. Should you have an objection to our application, you should contact the New Mexico Oil Conservation Division by mail at 1220 South St. Francis Drive, Santa Fe, NM 87505, or by phone at (505)476-3440 within 20 days from the date of this letter. We would appreciate receiving a copy of any objection filed.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

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Attachment No. 1

Interest Owner Address List

(a = Atlantis No. 4, b = Bi Knobs No.'s 1,2,2R & 91, c = Greek's Fete No. 2, d = Lisbon Com No. 1, e = Mayre No. 1, f = Mayre No. 90 & 90R, g = Monte Carlo No. 1, h = Bi Knobs No. 90, i = Monte Carlo No. 2, j = Nice No. 1, k = Nice No. 2, l = Pittam Pond No.'s 5, & 90, m = Pole's Paradise No. 2, n = Riviera No. 1, o = Sly Slav No. 1, p = Sly Slav No.'s 2 & 3, q = Turks' Toast No. 1, r = Turk's Toast No.'s 2,3,4 & 6, s = Kelly No. 1)

Overriding Royalty Interest Owners

R. C. Altrogge (l)
6901 E. Walsh Place
Denver, CO 80224

Bobby H. Anglin (m)
P. O. Box 794548
Dallas, TX 75379-4548

Emery C. & Melba N. Arnold (j)
200 Crandall
Aztec, NM 87410

Florence G. Burrow Trust 11-01560 (q,r)
c/o Norwest Bank, NM NA, Trustee
P. O. Box 5383
Denver, CO 80217

Conoco, Inc. (b,h)
c/o Chase Bank of Texas
P. O. Box 201940
Houston, TX 77216-1940

F. L. Crane (e)
5203 Largo Street
Farmington, NM 87401

Cross Timbers Oil Co. (o,p)
P. O. Box 840287
Dallas, TX 75284-0287

Energen Resources Corp. (q)
605 Richard Arrington Jr. Blvd. N.
Birmingham, AL 35203-2707

Virginia Gass (e)
805 St. Edith Lane
Florissant, MO 63031

John W. & Jean M. Gates (c,o)
706 W. Grand
Artesia, NM 88210

Joel B. Gibson Estate (c,i)
c/o Suntrust Bank
Attn: Jimmy Hill
P. O. Box 8668
Savannah, GA 31412-8668

Creta M. Green (q)
6481 Farallon Way
Oakland, CA 94611

Jim & Mary Lou Jacobs (e,f)
Living Trust w/t/a 11/6/97
3505 Crescent Avenue
Farmington, NM 87401

Dorothy Ann Kenny (e)
2518 Wembley Drive
St. Louis, MO 63125-3617

Marshall & Winston, Inc. (k,n)
P. O. Box 50880
Midland, TX 79710-0880

E. W. Mitchell (l)
2190 E. Geddes Ave., Suite C
Littleton, CO 80122

Moon Royalty, LLC (g)
3000 Oklahoma Tower
210 Park Avenue
Oklahoma City, OK 73102

R. K. O'Connell (c,i)
P. O. Box 2003
Casper, WY 82602

George H. & Shirley Oelschig (c,i)
12 Sandy Point Road
Savannah, GA 31404

Leland Price, Inc. (c,o)
2107 Clayton Ave.
Artesia, NM 88210

R. E. Puckett (l)
5460 S. Quebec St., Suite 250
Greenwood Village, CO 80111-1917

Questar Exploration & Production Co. (c,g,i,j,k,l,n,o,p,q,r)
P. O. Box 45601
Salt Lake City, UT 84145-0601

St. Paul's English Lutheran (g)
130 South Walnut
Bucyrus, OH 44820

James C. & Pansey I. Sheek (g)
11019 County Road 44
Mancos, CO 81328

Charles V. & Nona A. Sicola (k,n)
6629 Clawson
Houston, TX 77055

Lon V. Smith Foundation (g,j,k,o)
9440 Santa Monica Blvd., Suite 300
Beverly Hills, CA 90210

Madge D. Smouse & Mildred Dewey (g)
1304 Fairview Avenue
Farmington, NM 87401

Mollie Frances Smouse (g)
P. O. Box 93
Fruitland, NM 87416-0093

Samuel T. & Fran Smouse (g)
P. O. Box 93
Fruitland, NM 87416-0093

Howell & Mary Nan Spear (k,n)
DBA Paradox Oil & Gas Company
P. O. Box 30169
Pensacola, FL 32503

Texaco (b)
P. O. Box 2100
Denver, CO 80201-2100

Wayne R. & Madonna I. Walker (c,o)
P. O. Box 112
Eunice, NM 88231

Reva M. & Don Wells (g)
6624 Moore Road, SW
Albuquerque, NM 87105

Willischild Oil & Gas Corp. (g)
904 G. Street
Snyder, OK 73566

DUGAN PRODUCTION CORP.

TURK'S TOAST GAS GATHERING SYSTEM 6-01-01

CENTRAL DELIVERY SALES METER (EL PASO METER NO. 14102) H-4-29N-14W

SAN JUAN COUNTY, NEW MEXICO

Well Name	Well Location		API No. 30-045-	Well Location Lease Number	Type Lease	Communication Agreement Number	Pool	Completion Date	Current Production 14			Spacing Unit	Dates for SC, OLM & S 1			
	1/4 1/4	Sec-Twn-Rng							oil/cood. BPD	gas MCFD	water BWPD		Application	BLM Approval	SLO Approval	NMOCD Approval
WELLS TO BE ADDED TO SYSTEM																
Bl Knobs #2R	NENW	32-30N-14W	30558	LG-3045-1	State		Twin Mounds FR SN PC	03-15-01	Note 5	Note 5	Note 5	NW 160A	05-25-01	pending	pending	pending
Bl Knobs Com #90	SWSW	32-30N-14W	29660	LG-3045-1	State	STATE CA	Basin Fruitland Coal	02-19-99	Note 8	Note 8	Note 8	S/2 320A	05-25-01	pending	pending	pending
Bl Knobs #91	NWNW	32-30N-14W	30557	LG-3045-1	State		Basin Fruitland Coal	03-15-01	Note 5	Note 5	Note 5	N/2 320A	05-25-01	pending	pending	pending
Mayre #90	SESW	31-30N-14W	28291	NM-4465	Federal		Basin Fruitland Coal	07-07-93	Note 9	Note 9	Note 9	S/2 320A	05-25-01	pending	pending	pending
Mayre #90R	SESW	31-30N-14W	30246	NM-4465	Federal		Basin Fruitland Coal	07-27-00	Note 10	Note 10	Note 10	S/2 320A	05-25-01	pending	pending	pending
Pittam Pond #5	SWNE	35-30N-15W	29599	NM-10758	Federal		Meadows Gallup	07-20-98	Note 11	Note 11	Note 11	SWNE 40A	05-25-01	pending	pending	pending
Pittam Pond #90	NENE	35-30N-15W	29995	NM-10758	Federal		Basin Fruitland Coal	Note 12	Note 12	Note 12	Note 12	N/2 320A	05-25-01	pending	pending	pending
Sly Slav #3	SESW	13-30N-15W	28003	FEE	FEE	NOTE 13	Basin Fruitland Coal	Note 13	Note 13	Note 13	Note 13	W/2 320A	05-25-01	pending	pending	pending
Turks Toast #6	SWSW	18-30N-14W	pending	NM-19163	Federal	--	Gambiers Mesa Gallup	Location	Note 16			SWSW 40A	05-25-01	pending	pending	pending
Location A	SW	17-30N-14W	pending	NM-19163	Federal	--	Basin Fruitland Coal	Location	Note 16			S/2 320A	05-25-01	pending	pending	pending
Location B	SE	17-30N-14W	pending	NM-19163	Federal	--	Twin Mounds FR SN PC	Location	Note 16			SE 160A	05-25-01	pending	pending	pending
Location C	NW	17-30N-14W	pending	NM-19163	Federal	--	Twin Mounds FR SN PC	Location	Note 16			NW 160A	05-25-01	pending	pending	pending
Location D	NE	17-30N-14W	pending	NM-19163	Federal	--	Basin Fruitland Coal	Location	Note 16			N/2 320A	05-25-01	pending	pending	pending
Location E	SW	18-30N-14W	pending	NM-19163	Federal	pending	Basin Fruitland Coal	Location	Note 16			S/2 320A	05-25-01	pending	pending	pending
Location F	SE	18-30N-14W	pending	NM-19163	Federal	--	Twin Mounds FR SN PC	Location	Note 16			SE 160A	05-25-01	pending	pending	pending
Location G	NW	18-30N-14W	pending	NM-19403	Federal	pending	Twin Mounds FR SN PC	Location	Note 16			NW 160A	05-25-01	pending	pending	pending
Location H	NE	18-30N-14W	pending	NM-19403	Federal	pending	Twin Mounds FR SN PC	Location	Note 16			N/2 320A	05-25-01	pending	pending	pending
Location I	NW	19-30N-14W	pending	NM-19163	Federal	--	Twin Mounds FR SN PC	Location	Note 16			NW 160A	05-25-01	pending	pending	pending
Location J	NE	19-30N-14W	pending	NM-19163	Federal	--	Basin Fruitland Coal	Location	Note 16			N/2 320A	05-25-01	pending	pending	pending
Location K	SW	24-30N-15W	pending	NM-21465	Federal	pending	Basin Fruitland Coal	Location	Note 16			S/2 320A	05-25-01	pending	pending	pending
Location L	SE	24-30N-15W	pending	NM-21465	Federal	--	Twin Mounds FR SN PC	Location	Note 16			SE 160A	05-25-01	pending	pending	pending
Location M	NW	24-30N-15W	pending	NM-21465	Federal	pending	Twin Mounds FR SN PC	Location	Note 16			NW 160A	05-25-01	pending	pending	pending
Location N	NE	24-30N-15W	pending	NM-21465	Federal	pending	Basin Fruitland Coal	Location	Note 16			N/2 320A	05-25-01	pending	pending	pending
WELLS PREVIOUSLY APPROVED FOR SYSTEM																
Atlantis #4	NWNE	03-30N-14W	27094	NM10561	Federal	NM89334	Basin Fruitland Coal	01-15-93	Note 5	Note 5	Note 5	E/2 320A	05-17-95	06-22-95	Note 6	Note 7
Bl Knobs #1	SENE	32-30N-14W	26256	LG-3045-1	State		Twin Mounds FR SN PC	06-13-85	0.0	58.4	35.4	NE/4 160A	08-17-88	09-07-88	Note 6	Note 7
Bl Knobs #2 - P & A	SWNW	32-30N-14W	26255	LG-3045-1	State		Twin Mounds FR SN PC	Note 15	0.0	0.0	0.0	NW/4 160A	08-17-88	09-07-88	Note 6	Note 7
Gibraltar #1 - P & A	SWNE	09-30N-14W	26850	NM55114	Federal	NM68523	Basin FR CL/Un. FR SN	04-07-88	Note 5	Note 5	Note 5	NE/4 160A	05-17-95	06-22-95	Note 6	Note 7
Greek's Fate #2	NWNE	24-30N-15W	25255	NM10875	Federal	SCR438	Basin Dakota	12-19-81	0.4	22.1	0.8	N/2 320A	08-17-88	09-07-88	Note 6	Note 7
Lisbon Com #1	NESE	05-30N-14W	28768	NM70300	Federal	NM89333	Basin Dakota	11-20-92	0.1	14.2	0.1	E/2 320A	05-17-95	06-22-95	Note 6	Note 7
Mayre #1	SESE	31-30N-14W	09083	NM4465	Federal		Twin Mounds FR SN PC	05-26-68	0.0	4.5	0.06	SE/4 163A	08-17-88	09-07-88	Note 6	Note 7
Monte Carlo #1	NESE	07-30N-14W	25866	FEE	FEE	NMA0104	Basin Dakota	03-18-84	0.09	27.4	0.5	W/2 320A	08-17-88	09-07-88	Note 6	Note 7
Monte Carlo #2 2	SWSW	24-30N-15W	26077	FEE	FEE	NM01SP3586C417	Basin DK/Gambiers Mesa GA	03-11-85	1.4	16.7	0.6	Note 2	08-17-88	09-07-88	Note 6	Note 7
Nice #1	SESE	07-30N-14W	26499	NM16765	Federal	NM01SP3586C514	Basin Dakota	09-19-85	0	35.8	0.1	E/2 320A	08-17-88	09-07-88	Note 6	Note 7
Nice #2	NWNE	04-30N-14W	27025	NM16765	Federal	NM80712	Basin Dakota	01-25-89	0.1	50.5	0.1	E/2 320A	02-02-90	02-13-90	Note 6	Note 7
Pole's Paradise #2 3	NESW	09-30N-14W	25408	NM16057	Federal		Basin DK/Greek GA	07-30-82	3.2	23.5	0.02	Note 3	08-17-88	09-07-88	Note 6	Note 7
Riviera #1	NWNE	18-30N-14W	25819	NM19403	Federal	NMA0089	Basin Dakota	12-14-83	0.3	39.0	0.2	N/2 320A	08-17-88	09-07-88	Note 6	Note 7
Sly Slav #1	SWSE	13-30N-15W	25354	FEE	FEE	SCR 361	Basin Dakota	05-27-82	0.06	30	0.01	E/2 320A	08-17-88	09-07-88	Note 6	Note 7
Sly Slav #2	SESW	13-30N-15W	25353	FEE	FEE		Basin Dakota	05-27-82	0.3	23	0.2	W/2 320A	08-17-88	09-07-88	Note 6	Note 7
Turk's Toast #1	SWSW	18-30N-14W	25430	NM19163	Federal	NMA0011	Basin Dakota	01-10-83	0.2	32.5	0.2	S/2 320A	08-17-88	09-07-88	Note 6	Note 7

DUGAN PRODUCTION CORP.
 TURK'S TOAST GAS GATHERING SYSTEM 5-01-01
 CENTRAL DELIVERY SALES METER (EL PASO METER NO. 14102) H-6-29N-14W
 SAN JUAN COUNTY, NEW MEXICO

Well Name	Well Location		API No. 30-045-	Well Location Lease Number	Type Lease	Communication Agreement Number	Pool	Completion Date	Current Average Production 14			Dates for SC, OLM & S 1				
	1/4 1/4	Sec-Twn-Rng							oil/cond. BPD	gas MCFD	water BWPD	Spacing Unit	Application	BLM Approval	SLO Approval	NMOC/D Approval
WELLS PREVIOUSLY APPROVED FOR SYSTEM (cont.)																
Turk's Toast #2	NW1/4	19-30N-14W	25431	NM19163	Federal		Basin Dakota	07-30-83	0.1	31.9	0.06	N/2 320A	08-17-88	09-07-88	Note 6	Note 7
Turk's Toast #3	NW1/4	17-30N-14W	27321	NM19163	Federal		Basin Dakota	08-04-89	0.1	106.5	0.14	N/2 320A	02-02-90	02-13-90	Note 6	Note 7
Turk's Toast #4	NW1/4	17-30N-14W	27360	NM19163	Federal		Basin Dakota	01-15-90	0.2	16.8	0.06	S/2 320A	02-02-90	02-13-90	Note 6	Note 7
Kelly #1 4	SESE	25-30N-15W	26494	Fee	Fee		Grassy Gallup/Basin Dakota	07-31-85	Note 4	Note 4	Note 4	SESE 40A	08-17-88	09-07-88	Note 6	Note 7

NOTES:

- Applications for Surface Commingling, Off-lease Measurement & Sale
- Monte Carlo No. 2 is completed in Basin Dakota & Gambler's Mesa Gallup pools. Production is downhole commingled by NMOCD Order DHC-781. Dakota production = 0.3 BOPD + 9.8 MCFD + 0.5 BWPD; Gallup production = 1.1 BOPD + 6.9 MCFD + 0.1 BWPD. Spacing Units: Gallup = 40A (SW/4 SW/4); Dakota = 320A (S/2)
- Poles Paradise No. 2 is completed in Basin Dakota & Greek Gallup pools. Production is downhole commingled by NMOCD Order DHC-815. Dakota production = 1.3 BOPD + 15.3 MCFD + 0.02 BWPD; Gallup production = 1.9 BOPD + 8.2 MCFD + 0.0 BWPD. Spacing Units: Gallup - 40A (NE/4SW/4); Dakota - 320A (W/2)
- Kelly No. 1 is operated by Redwolf Production, Inc. and as a result of the wells inability to deliver gas into the Turks Toast Gathering System, is currently temporarily disconnected. Last deliveries into the gathering system occurred during 2/92. The operator is considering completion of intervals in the Basin Dakota and if successful may resume deliveries at some future date.
- Production from the Gallup averaged 3.0 BOPD + 4.0 MCFD during 2000.
- Atlantis No. 4 initial potential = 50 MCFD. Bi Knobs No. 2R initial potential = 40 MCFD. Bi Knobs No. 91 initial potential = 30 MCFD. Gibraltar No. 1 initial potential = 59 MCFD. The well would not flow and since the well was equipped with 2-7/8" casing, pumping the associated water was not believed to be feasible. The Gibraltar No. 1 was plugged and abandoned on 9-12-97.
- State Land Office approval dated 7-17-95 of Dugan's application dated 5-17-95 for 20 wells (17 on prior applications and 3 new).
- NMOCD received copies of all applications but since allocation meters were installed at each well, formal NMOCD approval was not solicited until 5-17-95.
- To date, NMOCD has not acted upon our application and all wells are being resubmitted for NMOCD approval.
- Bi Knobs No. 90 initial potential = 40 MCFD. The well was connected to the gathering system 4-2-99 & average production 1st three months 2001 = 13.3 MCFD + 8.4 BWPD.
- Mayre No. 90 was completed 7-7-93 with an initial potential of 80 MCFD. Upon further testing, a rate of 15 MCFD + 5 BWPD is believed to be more representative. The Mayre No. 90R was drilled to replace the Mayre No. 90 which is currently shut in with plans to P&A pending the outcome of current efforts to resolve a conflict between mining the Fruitland Coal vs. producing the coalbed methane. It is the desire of Dugan Production to place the Mayre No. 90 on production to accelerate the recovery of CBM from the coal, however regulatory approval to do so will be required as this will require a simultaneous dedication with the Mayre No. 90R.
- The Mayre No. 90R was completed with an initial potential of 50 MCFD + 80 BWPD. This well was connected to the gathering system on 12-27-00 and is currently averaging 20.7 MCFD + 45 BWPD.
- The Pittam Pond No. 5 was completed 7-20-98 with an initial potential of 10 BOPD + 10 MCFD + 4 BWPD. This well was connected to the gathering system 11-20-98 and is currently averaging 1.2 BOPD + 28.9 MCFD + 0.1 BWPD.
- The Pittam Pond No. 90 was spudded 12-13-99 and the Fruitland Coal interval completed open hole 458'-476'. No stimulation work has been attempted. Upon stimulation, a gas rate of 20-40 MCFD is anticipated.
- The Sly Slav No. 3 was spudded 7-25-90 and the Fruitland Coal interval perforated and acidized. The well has not been frac'd, and upon fracturing, a gas rate of 20-40 MCFD is anticipated. Once completed, a communitization agreement will be established for the four fee leases within the spacing unit.
- Average of production during first three months 2001.
- Bi Knobs No. 2 was drilled in 1965 and completed using 2-7/8" casing. An attempt to foam frac the well was not successful and the Bi Knobs No. 2R was drilled in 2001 to replace the No. 2 which was plugged and abandoned on 3-30-01.
- All proposed locations are anticipated to have initial producing rates as follows:
 Fruitland Sand/Pictured Cliffs = ±200 MCFD
 Basin Fruitland Coal = ±200 MCFD
 Gallup = ±100 MCFD