



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Farmington Field Office
6251 College Blvd. Suite A
Farmington, New Mexico 87402
www.blm.gov

IN REPLY REFER TO:
Sunflower Unit (SU)

October 13, 2015

Mr. Kurt Fagrelus
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87401

Reference is made to your request for the designation of **6,976.53** acres, more or less, in San Juan County, New Mexico as logically subject to exploration and development under unitization provisions of the Mineral Leasing Acts for Federal and State Lands. Pursuant to unitization regulations under 43 CFR Part 3180, the lands requested, as outlined on your plat marked Exhibit 'A' for the **Sunflower Unit** is hereby designated as a logical unit area. Your proposed use of the modified form for Federal lands and for the combined Fruitland Coal/Pictured Cliffs as a single interval undivided unit areas will be accepted. The undivided exploratory unit will unitize the Pictured Cliffs/Fruitland Coal Formations within the vertical limits defined in type log as exhibit "C" from the Southern Union Federal 12 #1 well in your application. If conditions are such that further modification of said form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

The unit agreement to be submitted for the area designated will provide for the initial obligation well to be a vertical well bore which will develop the Fruitland Coal/Pictured Cliffs Formations within the defined vertical limits as identified in cross section A-A' and the Southern Union Federal 12 #1 well.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form will be approved if submitted in an approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

Please include the latest status of all acreage when the executed agreement is submitted for final approval. The format of the sample exhibits attached to the model unit agreement (43 CFR 3186.1) should be followed closely in the preparation of Exhibits A and B. A minimum of Four (4) copies of the executed agreement should be submitted with your request for final approval. If you require additional executed copies of the agreement for further distribution, please increase the number of copies accordingly.

If you have questions regarding the above unit, please contact me at (505) 564-7740 or jhewitt@blm.gov.

Sincerely,

Joe Hewitt,
Geologist, Petroleum Mgt Team

BEFORE THE OIL CONVERSATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 6
Submitted by: DUGAN PRODUCTION
Hearing Date: January 21, 2016