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Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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Dugan Production Corp.
ATTN: Mr. Kevin Smaka
PO Box 420
Farmington, NM 87499-0420

May 30, 2018

RE: 2018 Plan of Development/Operation
K-M Chaveroo San Andres Unit
Chaves County, NM

Dear Mr. Smaka:

The New Mexico State Land Office has this date approved the referenced Plan of Development/Operation. Our approval is conditional on approval from all relevant agencies.

We may contact you at a later date regarding the following:

- The possibility of drainage by wells outside the unit area, and
- A need for further development of the unit.

Please note the following about your 2019 Plan of Development/Operation:

- Due March 1, 2019.
- The submission should include
 1. A section that outlines ongoing development and/or maintenance in 2019 (address new drilling, recompletions, workovers, P&As, and any other activities that may impact production);
 2. An economic analysis showing that the unit is producing in paying quantities (that is, quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit);
 3. An aerial photo (preferred) or map that illustrates both current and planned infrastructure for the unit: well locations, tank batteries, gathering systems, and any other facilities that may impact the surface of New Mexico State Trust lands;
 4. A list of active wells in the unit with their API numbers; and
 5. Any additional information that may have relevance to our approval of the Plan.

If you have any questions or if we may be of further assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791 or mgruebel@slo.state.nm.us.

Respectfully,

A handwritten signature in black ink, appearing to read "Aubrey Dunn", is written over the printed name and title.

AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: OCD – Daniel Sanchez
Units and OGMD Reader Files