

DISTRIBUTION

Letter Dated September 16, 1987  
Re: Proposed Mancos Development Well  
Dugan Production Corp's Evans Com Well No. 1  
SE/4 NW/4 Section 21, T26N, R2W, NMPM  
Rio Arriba County, New Mexico

Mountain States Natural Gas  
Attn: Albert J. Blair, Jr.  
P O Box 35426  
Tulsa, OK 74135

Mesa Grande Resources  
Attn: Greg Phillips  
1200 Philtower Bldg.  
Tulsa, OK 74103

Margaret Hill  
c/o Phillip Garner  
5000 Thanksgiving Tower  
Dallas, Texas 75201

Alinda Hunt Hill Trust  
c/o Phillip Garner  
5000 Thanksgiving Tower  
Dallas, Texas 75201

R.L. Bayless  
P O Box 168  
Farmington, NM 87499

Huntington T. Walker  
621 Seventeenth Street, Suite 811  
Denver, CO 80293

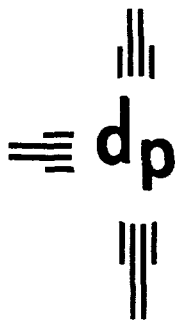
Kindermac Partners  
650 South Cherry, Suite 1225  
Denver, CO 80222

NMOCD CASE NO. 9251

November 4, 1987

Dugan Production Corp.

Exhibit No. 3



# dugan production corp.

September 16, 1987

NMOCD CASE NO. 9251

November 4, 1987

Dugan Production Corp.

Exhibit No. \_\_\_\_\_

Re: Proposed Mancos Development Well  
Dugan Production Corp's Evans Com Well No. 1  
SE/4 NW/4 Section 21, T26N, R2W, NMPM  
Rio Arriba County, New Mexico

Gentlemen:

Attached for your approval is Dugan Production's amended A.F.E. totalling \$476,600 to drill, complete and equip the captioned well for production. The primary objective for this well is the Niobrara member of the Mancos formation which will be an extension to the Gavilan Mancos Oil Pool, currently spaced on 640 acres per well. We anticipate TD to be approximately 8090' and that the Niobrara interval will be completed at the approximate depths of 7275' to 7800'.

The attached amended A.F.E. reflects a revision of our proposed total depth from 8390' to 8090' since we currently do not plan to evaluate the Dakota formation as was initially proposed. The revised TD will be at or near the top of the Greenhorn and will allow a complete evaluation of the Niobrara member of the Mancos formation.

The spacing unit proposed for this well remains unchanged and is all of Section 21, comprising 640 acres. Based upon our continued review of the leasehold ownership within Section 21, there is a change in ownership in the proposed well with the ownership being as follows:

<u>Interest Owner</u>	<u>Acres</u>	<u>Working Interest %</u>
Dugan Production Corp.	260.000	40.625000%
Mountain States Natural Gas	235.133	36.739564%
Mesa Grande Resources, et al	60.000	9.375000%
Margaret Hill	40.000	6.250000%
Alinda Hunt Hill Trust	40.000	6.250000%
R.L. Bayless	3.000	0.468750%
Huntington T. Walker	1.107	0.173034%
Kindermac Partners	0.759	0.118652%

If your records are not in agreement with our information, please furnish us with documents as to your leasehold interest.

I have attached a preliminary copy of the New Mexico Oil Conservation Division's (NMOCD's) form C-102, which reflects the revised ownership. Also attached is an operating agreement covering all of Section 21, T-26N, R-2W for the proposed well.

Please review this A.F.E. and operating agreement at your earliest convenience, since we would like to have this well completed before winter sets in. In order to insure a timely drilling of this well, we are planning to request that the NMOCD schedule a compulsory pooling hearing for all of Section 21 during October 1987. In the event that working interest owner approval is secured prior to the compulsory pooling hearing, we will dismiss our application.

Should you have questions or need additional information, please feel free to contact me or John Roe at our letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Richard Corcoran".

Richard Corcoran  
Landman

JDR/cg

attach.

## OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENTP. O. BOX 2088  
SANTA FE, NEW MEXICO 87501Form C-102  
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

Operator DUGAN PRODUCTION CORP.			Lease Evans Com		Well No. 1
Unit Letter F	Section 21	Township 26N	Range 2W	County Rio Arriba	
Actual Footage Location of Well: 1650 feet from the North line and 1650 feet from the West line					
Ground Level Elev. 7350' (est.)	Producing Formation Mancos	Pool Gavilan Mancos		Dedicated Acreage: 640.0 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☒ No If answer is "yes," type of consolidation Will be Communitized or Force Pooled

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) Application for forced-pooling will be submitted.

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.

TRACT NO. 6 Fee Lease 240.0 A 1650'		TRACT NO. 3 NM-01397 80.0 A Dugan Prod. 25% Mesa Grande Resources 75%	TRACT NO. 1 NM-04077-A 40.0 A Alinda Hunt Hill Trust 100%
1650' →	● TRACT NO. 5 NM-58135 Dugan Prod. Corp. 100%		TRACT NO. 2 NM-04077 Margaret Hill 100% 40.0 A
Kindermac Partners 0.316% Huntington T. Walker 0.461% R. Bayless - 1.250%		TRACT NO. 4 Dugan Production Corp. 100%	
		Fee Lease	

## CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name

Position

Company

Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer  
and/or Land Surveyor

Certificate No.

AUTHORIZATION FOR EXPENDITURE - AMENDED\*

WELL NAME AND NO.      Evans Com #1      Date      9-16-87  
LOCATION      1650' FNL & 1650' FWL, Section 21, T-26N, R-2W, Rio Arriba County, NM

298 - TANGIBLES

Code				
01	Surface Casing -	200	ft. of 9-5/8" @\$11.50/ft.	\$ 2,300
02	Prod. Casing -	8090	ft. of 5½", 15½" & 17# @\$5.75/ft.	46,520
	Casing -		ft. of	---
04	Tubing -	7600	ft. of 2-7/8", 6.5# @\$2.25/ft.	17,100
	Tubing -		ft. of	---
06	Packer and Tubing Equipment			---
07	Wellhead Equipment			7,000
08	Valves & Fittings			2,500
09	Production Unit & Treaters			10,000
10	Tank Battery			12,500
11	Pumping Unit & Prime Mover			37,500
12	Rods, Bottom-hole Pump, Aux Equip.			12,500
13	Misc. Tangible Equipment			---
14	Well Hookup			---
15	Gas Lines and Installation			---
16	Pipeline Installation			3,000
	TOTAL TANGIBLES			\$150,920

299 - INTANGIBLES

Code			
30	Survey Archeologist		1,000
31	Location Damages		2,500
32	Road & Location Construction		5,000
33	Water & Gas Lines		---
40	Contract Drilling	8090 ft. @ \$ 12 /ft. plus tax	97,080
41	Daywork	48 hrs. @ \$ 190 /hr.	9,120
43	Drill Stem Test & Cores		---
44	Mud Logging		---
45	Open Hole Logging		7,000
46	Rental Tools		---
47	Casing Float Equip. & Centralizer		4,000
48	Trucking		2,000
49	Mud		45,000
50	Water - Drilling Oper.		15,000
51	Casing Crew & Power Tongs		---
52	Miscellaneous		1,000
53	Testing Tubular Goods		---
54	Tool & Equip. Repair		---
55	Company & Contract Labor, Reoustabouts		5,000
56	Supplies		500
60	Cementing Surface Casing		2,000
61	Cementing Prod. Casing		17,000
70	Completion Rig		15,000
71	Perf. & Cased Hole Logging		3,500
72	Acidizing		---
73	Fracturing		35,000
74	Tank Rental		2,200
75	Trucking - Completion		4,000
76	Water - Completion		6,000
77	Rental Tools - Completion		1,500
78	Clean-up Location		1,500
79	Power Swivel, Pump & Pit Rental		2,000
80	Contract Serv. & Labor - Completion		7,000
90	Supervision - Administrative		4,000
91	Supervision - Legal		500
92	Supervision - Field		7,500
	TOTAL INTANGIBLES		\$302,900
	±5 % Contingency		22,780

TOTAL WELL COST

\$476,600

APPROVALS

Dugan Production Corp. By: Thomas F. Ruger Date 9-16-87

Joint Interest Owner \_\_\_\_\_ By: \_\_\_\_\_ Date \_\_\_\_\_

DISTRIBUTION

Letter Dated July 31, 1987  
Re: Proposed Mancos/ Dakota Development Well  
Dugan Production Corp's Evans Com Well No. 1  
SE/4 NW/4 Section 21, T26N, R2W, NMPM  
Rio Arriba County, New Mexico

Mountain States Natural Gas  
Attn: Albert J. Blair, Jr.  
P O Box 35426  
Tulsa, OK 74135

Mesa Grande Resources  
Attn: Greg Phillips  
1200 Philtower Building  
Tulsa, OK 74103

Margaret Hill  
c/o Phillip Garner  
5000 Thanksgiving Tower  
Dallas, Texas 75201

Alinda Hunt Hill  
c/o Phillip Garner  
5000 Thanksgiving Tower  
Dallas, Texas 75201

David Schaffnit  
c/o Phillip Garner  
5000 Thanksgiving Tower  
Dallas, Texas 75201

Kindermac Partners  
650 South Cherry, Suite 1225  
Denver, CO 80222



# dugan production corp.



-CERTIFIED MAIL-

July 31, 1987

Mountain States Natural Gas  
Attn: Albert J. Blair, Jr.  
P.O. Box 35426  
Tulsa, OK 74135

Re: Proposed Mancos/ Dakota Development Well  
Dugan Production Corp's Evans Com Well No. 1  
SE/4 NW/4 Section 21, T26N, R2W, NMPM  
Rio Arriba County, New Mexico

Gentlemen:

Attached for your approval is Dugan Production's A.F.E. totalling \$482,600 to drill, complete and equip the captioned well for production. The primary objective for this well is the Niobrara member of the Mancos formation which will be an extension to the Gavilan Mancos Oil Pool, currently spaced on 640 acres per well. We anticipate the Niobrara interval will be completed at the approximate depths of 7275' to 7800'.

In addition to the Mancos, we plan to T.D. the well at approximately 8390' or 175' below the top of the Dakota in order to investigate the productive potential of the Dakota formation. Completion of the Dakota is not anticipated at this time, however, the Dakota completion and/or testing will be contingent upon the indicated potential.

The spacing unit proposed for this well is all of Section 21, comprising 640 acres. Based upon our review of the leasehold ownership within Section 21, ownership in the proposed well is as follows:

<u>Operator</u>	<u>Acres</u>	<u>Working Interest %</u>
Dugan Production Corp.	260.00	40.6250%
Mountain States Natural Gas	238.62	37.2844%
Mesa Grande Resources, et al	60.00	9.3750%
Margaret Hill	40.00	6.2500%
Alinda Hunt Hill Trust	20.00	3.1250%
David Schaffnit	20.00	3.1250%
Kindermac Partners	1.38	0.2156%

If your records are not in agreement with our information, please furnish us with documentation as to your leasehold interest.

Letter to Mountain States Petroleum  
Re: DPC's Proposed Evans Com #1  
July 31, 1987  
Page 2

I have attached a preliminary copy of the New Mexico Oil Conservation Division's (NMOCD's) form C-102 which we intend to submit with our Application for Permit to Drill upon obtaining working interest owner approval for this project.

Please review this A.F.E. at your earliest convenience, since we would like to have the well completed before winter sets in. In order to insure a timely drilling of this well, we are planning to request that the NMOCD schedule a compulsory pooling hearing for all of Section 21 during September 1987. In the event that working interest owner approval is secured prior to the compulsory pooling hearing, we will dismiss our application.

We are preparing operating and communitization agreements which will be forwarded to you for your execution as soon as possible.

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

Sincerely,



John D. Roe  
Petroleum Engineer

JDR/cg

encs.

cc: W. Thomas Kellahin, Statutory Agent



## OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENTP. O. BOX 2088  
SANTA FE, NEW MEXICO 87501Form C-102  
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

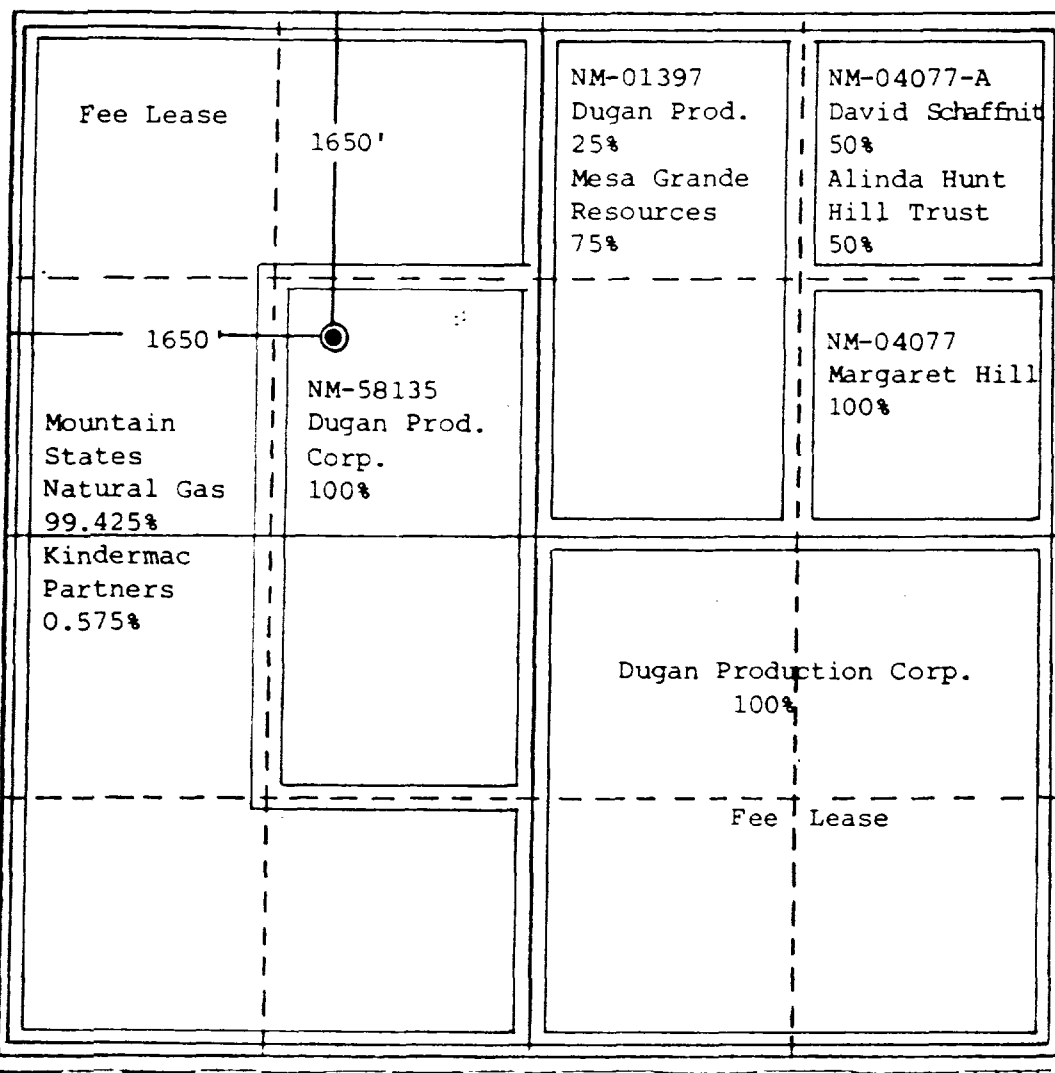
Operator DUGAN PRODUCTION CORP.		Lease Evans Com		Well No. 1
Unit Letter F	Section 21	Township 26N	Range 2W	County Rio Arriba
Actual Footage Location of Well: 1650 feet from the North line and 1650 feet from the West line				
Ground Level Elev. 7350'	Producing Formation Mancos	Pool Gavilan Mancos	Dedicated Acreage: 640.0 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Will be Communitized

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.

				<b>CERTIFICATION</b>  <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Name _____ Position _____ Company _____ Date _____  <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</i>  Date Surveyed _____ Registered Professional Engineer and/or Land Surveyor _____ Certificate No. _____	
---	--	--	--	--	--

## DUGAN PRODUCTION CORP.

P.O. Box 202, Farmington, NM 87401 Ph. (505) 325-1821

## AUTHORIZATION FOR EXPENDITURE

WELL NAME AND NO. Evans #1

Date 7-16-87

LOCATION 1650' ENL &amp; 1650' FWL, Section 21, T-26N, R-2W, Rio Arriba County, NM

## 298 - TANGIBLES

Code				
01	Surface Casing -	200	ft. of 9-5/8" @ \$11.50/ft.	\$ 2,300
02	Prod. Casing -	8390	ft. of 5 1/2", 15 1/2" & 17" @ \$5.75/ft.	48,250
	Casing -		ft. of	---
04	Tubing -	7600	ft. of 2-7/8", 6.5" @ \$2.25/ft.	17,100
	Tubing -		ft. of	---
06	Packer and Tubing Equipment			---
07	Wellhead Equipment			7,000
08	Valves & Fittings			2,500
09	Production Unit & Treaters			10,000
10	Tank Battery			12,500
11	Pumping Unit & Prime Mover			37,500
12	Rods, Bottom-hole Pump, Aux Equip.			12,500
13	Misc. Tangible Equipment			---
14	Well Hookup			---
15	Gas Lines and Installation			---
16	Pipeline Installation			3,000
	TOTAL TANGIBLES			\$152,650

## 299 - INTANGIBLES

Code				
30	Survey Archeologist			1,000
31	Location Damages			2,500
32	Road & Location Construction			5,000
33	Water & Gas Lines			---
40	Contract Drilling 8390 ft. @ \$ 12.00/ft.			100,680
41	Daywork 48 hrs. @ \$190.00/hr.			9,120
43	Drill Stem Test & Cores			---
44	Mud Logging			---
45	Open Hole Logging			7,000
46	Rental Tools			---
47	Casing Float Equip. & Centralizer			4,000
48	Trucking			2,000
49	Mud			45,000
50	Water - Drilling Oper.			15,000
51	Casing Crew & Power Tongs			---
52	Miscellaneous			1,000
53	Testing Tubular Goods			---
54	Tool & Equip. Repair			---
55	Company & Contract Labor, Roustabouts			5,000
56	Supplies			500
60	Cementing Surface Casing			2,000
61	Cementing Prod. Casing			17,500
70	Completion Rig			15,000
71	Perf. & Cased Hole Logging			3,500
72	Acidizing			---
73	Fracturing			35,000
74	Tank Rental			2,200
75	Trucking - Completion			4,000
76	Water - Completion			6,000
77	Rental Tools - Completion			1,500
78	Clean-up Location			1,500
79	Power Swivel, Pump & Pit Rental			2,000
80	Contract Serv. & Labor - Completion			7,000
90	Supervision - Administrative			4,000
91	Supervision - Legal			500
92	Supervision - Field			7,500
	TOTAL INTANGIBLES			\$307,000
	±5 % Contingency			22,950

TOTAL WELL COST

\$482,600

## APPROVALS

Dugan Production Corp. By: Thomas A. Dugan Date 7-16-87

Joint Interest Owner \_\_\_\_\_ By: \_\_\_\_\_ Date \_\_\_\_\_

SIGN & RETURN  
THIS COPY