

DISTRIBUTION

Letter Dated September 16, 1987
Re: Proposed Mancos Development Well
Dugan Production Corp's Bridge Com Well No. 1
NW/4 SE/4 Section 28, 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

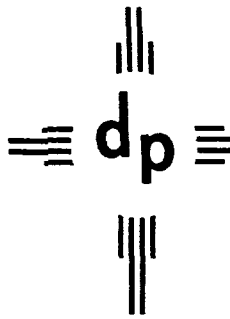
Sun Exploration & Production
Attn: Frank Syfan
P O Box 5940 T.A.
Denver, CO 80217

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

NM-CC/NMCCD Case No.	<u>9752</u>
Hearing Date	<u>11-4-87</u>
<u>DUGAN</u>	
Exhibit No	<u>3</u>



dugan production corp.

-CERTIFIED MAIL-

September 16, 1987

NMOCD CASE NO. 9252

November 4, 1987

Dugan Production Corp.

Exhibit No. _____

Re: Proposed Mancos Development Well
Dugan Production Corp's Bridge Com Well No. 1
NW/4 SE/4 Section 28, T26N, R2W, NMPM
Rio Arriba County, New Mexico

Gentlemen:

Attached for your approval is Dugan Production's amended A.F.E. totalling \$476,130 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 Cavilan Mancos Oil Pool, currently spaced on 640 acres per well. We anticipate TD to be approximately 8070' and that the Niobrara interval will be completed at the approximate depths of 7250' to 7800'.

The attached amended A.F.E. reflects a revision of our proposed total depth from 8360' to 8070' 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 28, comprising 640 acres. Based upon our continued review of the leasehold ownership within Section 28, 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	40.6250000%
Mountain States Natural Gas	156.755	24.4930425%
Mesa Grande Resources, et al	120.000	18.7500000%
Sun Exploration & Prod. Co.	100.000	15.6250000%
R.L. Bayless	2.000	0.3125000%
Huntington T. Walker	0.738	0.1153565%
Kindermac Partners	0.506	0.0791010%

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 28, 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 28, 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, reading "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 Bridge Com		Well No. 1
Unit Letter J	Section 28	Township 26N	Range 2W	County Rio Arriba
Actual Footage Location of Well: 1650 feet from the South line and 2200 feet from the East line				
Ground Level Elev. 7430' (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 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 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 Hearing 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.

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.			

TRACT NO.	LEASE	ACREAGE	OWNER
TRACT NO. 4	FEE LEASE	160.0 A	Mountain States Natural Gas Corp. 97.9722% Kindermac Partners 0.316406% Huntington T. Walker 0.4614% R. Bayless 1.250000%
TRACT NO. 1	FEE LEASE	160.0 A	Dugan Production Corp. 100%
TRACT NO. 3	FEE LEASE	160.0 A	Dugan Production Corp. 25% Mesa Grande Resources 75%
TRACT NO. 2	FEE LEASE	160.0 A	Dugan Production 37.5% Sun Exploration 62.5%

DUGAN PRODUCTION CORP.

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

AUTHORIZATION FOR EXPENDITURE - AMENDED*

WELL NAME AND NO. Bridge Com #1

Date 9-16-87

LOCATION 1650' FSL & 2200' FEL, Section 28, 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 -	8070	ft. of	5-1/2", 15# & 17# @ \$5.75/ft	46,400
	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				\$150,800

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	8070	ft. @ \$ 12 /ft. plus tax		96,840
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, Roustabouts				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 \$302,660

±5 % Contingency 22,670

TOTAL WELL COST

\$476,130

APPROVALS

Dugan Production Corp. By Thomas A. Dugan Date 9-16-87

Joint Interest Owner By: _____ Date _____

*AFE dated 7-16-87 amended from \$484,200 to \$476,130 to reflect a revision in estimated TD from 8360' to 8070'.

DISTRIBUTION

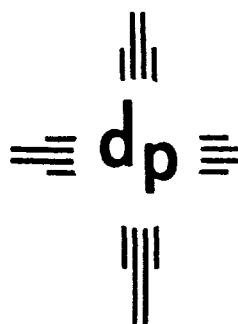
Letter Dated July 31, 1987

Re: Proposed Mancos/ Dakota Development Well
Dugan Production Corp's Bridge Com Well No. 1
NW/4 SE/4 Section 28, T26N, R2W, NMPM
Rio Arriba County, NM

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

Sun Exploration & Production Co.
Attn: Frank Syfan
P O Box 5940 T.A.
Denver, CO 80217



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 Bridge Com Well No. 1
NW/4 SE/4 Section 28, T26N, R2W, NMPM
Rio Arriba County, New Mexico

Gentlemen:

Attached for your approval is Dugan Production's A.F.E. totalling \$484,200 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 7250' to 7800'.

In addition to the Mancos, we plan to T.D. the well at approximately 8360' 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 28, comprising 640 acres. Based upon our review of the leasehold ownership within Section 28, 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	160.00	25.0000%
Mesa Grande Resources, et al	120.00	18.7500%
Sun Exploration & Production Co.	100.00	15.6250%

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

Letter to Mountain States Natural Gas Co.
Re: DPC's Proposed Bridge Com Well No. 1
July 31, 1987
Page 2

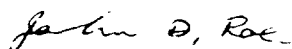
I have attached a preliminary copy of the New Mexico Oil Conservation Division's (NMOCD's) form C-102 which we intend to submit with our Application for Permit to Drill upon obtaining working interest owner approval for this project.

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 28 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.


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Unit Letter J	Section 28	Township 26N	Range 2W	County Rio Arriba	
Actual Footage Location of Well: 1650 feet from the South line and 2200 feet from the East line					
Ground Level Elev. 7430'	Producing Formation Mancos		Pool Gavilan Mancos		Dedicated Acreage: 640.0 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
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- 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.

<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 10px; text-align: center;"> FEE LEASE Mountain States Natural Gas Corp. 100% </div> <div style="border: 1px solid black; padding: 10px; text-align: center;"> FEE LEASE Dugan Production Corp. 100% </div> </div>		<div style="text-align: center;">CERTIFICATION</div> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Name</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Position</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Company</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Date</div>
<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 10px; text-align: center;"> NM-01806 Dugan Production Corp. 25% Mesa Grande Resources 75% </div> <div style="border: 1px solid black; padding: 10px; text-align: center;"> FEE LEASE  2200' 1650' Dugan Production 37.5% Sun Exploration 62.5% </div> </div>		
		Certificate No.

AUTHORIZATION FOR EXPENDITURE

WELL NAME AND NO. Bridge Com #1 Date 7-16-87
LOCATION 1650' FSL & 2200' FEL, Section 28, 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 -	8360	ft. of 5 1/2", 15 1/2" & 17" @ \$5.75/ft.	48,070
	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			\$152,470

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 8360ft. @ \$ 12 /ft.		100,320
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, 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		\$308,640
	+5 % Contingency		23,090

TOTAL WELL COST

\$484,200

APPROVALS

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

Joint Interest Owner _____ By: _____ Date _____

**SIGN & RETURN
THIS COPY**