



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Farmington District Office
6251 College Blvd. - Suite A
Farmington, New Mexico 87402
www.blm.gov/nm

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In Reply Refer To:
3105 (NMF0110)
NMNM130146
REVISED

October 23, 2015

30-045-30247

Dugan Production Corp.
Attn: John Roe
P.O. Box 420
Farmington, NM 87499

Dear Mr Roe:

Enclosed please find the revised approved copy of Communitization Agreement (CA) NMNM130146. A revised Exhibit A and Exhibit B were submitted on June 10, 2013. The original CA was approved for a spacing unit consisting of 313.76 acres based upon a resurvey done January 29, 2003, however, the APD was approved June 20, 2000 using 316.66 acres. The CA was revised using the original survey of 316.66 acres. Exhibit A reflects this revision. The revised Exhibit B reflects that both leases do have overriding royalty interest owners. CA NMNM130146 involves 236.66 acres of Federal minerals in lease NMNM024907 and 80.00 acres of Fee minerals located in San Juan County, New Mexico. This acreage comprises 316.66 acres, more or less in the Fruitland Coal spacing unit for the Cuccia Com #90 well.

The agreement communitizes all rights as to natural gas and associated liquid hydrocarbons gas producible from the Fruitland Coal formation in the E/2 of Section 14, T. 31 N., R. 13 W. NMPM, and is effective February 5, 2001. You are requested to furnish all interested principals with appropriate evidence of this approval.

CA number NMNM130146 as assigned above, must be posted on the well and facility signs for the Cuccia Com #90 well. The signs shall include the well name and number, Operator name, lease serial number, Communitization number, the quarter-quarter-section, section, township and range, county, and state. (43 CFR 3162.6).

Pursuant to the terms and conditions of the approved CA and 43 CFR 3162.4 Well Records and Reports, you are required to file your well completion report within 30 days of the wells' completion. Within five (5) days of commencement of production, you are also required to file a notice of production startup. Penalties for non-compliance with such requirements are applicable to all wells and facilities on State or privately owned mineral lands committed to a unit or CA, which affects Federal or Indian interests, notwithstanding any provision of the unit or CA to the contrary. Upon approval of the CA, production and royalty reports are due to the Office of Natural Resources Revenue (ONRR). The submission of form MMS-4054, Oil and Gas Operations Report (OGOR), must begin once drilling is completed. OGORs must be submitted to ONRR by the 15th day of the second month following the production month. Royalty payments, along with the form MMS-2014, Report of Sales and Royalty Remittance, are due on or before the last day of the month following the month during which oil or gas was produced and sold.

If the communitized well(s) are producing, any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54).

If you have any questions concerning reporting, locate your company contact at <http://www.onrr.gov/FM/PDFDocs/operasgn.pdf>. Questions concerning Form 2014, call 1-800-525-9167 and Oil and Gas Operations Reports, call 1-800-525-7922.

If you have any questions regarding the Communitization Agreement, please contact me at vbarber@blm.gov or telephone (505) 564-7754.

Sincerely,

Virginia Barber
Land Law Examiner
Petroleum Management Branch

Enclosure 1 - Approved Communitization Agreement
cc: ONRR, MS-357 B1, Denver, CO
NMOCD, Santa Fe (w/o encl.)
NM Tax & Rev. Dept
NMSO (93000) (w/o encl.)