

ABOVE THIS LINE FOR DIVISION USE ONLY

Amend PLC-219

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

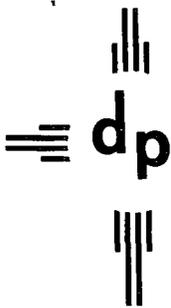
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

_____ Print or Type Name	_____ Signature	_____ Title	_____ Date
_____ e-mail Address			



dugan production corp.

August 24, 2004

RECEIVED

AUG 26 2004

OIL CONSERVATION
DIVISION

Mr. Mark Fesmire, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Steve Henke, Manager
Bureau of Land Management – FFO
1235 La Plata Highway, Suite A
Farmington, NM 87401

Re: Proposed Surface Commingling plus Off-Lease Measurement & Sale of Natural Gas
15 Additional Wells Operated by Dugan Production Corp.
Dugan Production Corp.'s Piñon Mesa Gathering System
San Juan County, New Mexico

Dear Mr. Fesmire and Mr. Henke,

We are writing to request your administrative approvals for the surface commingling of natural gas and water, plus the off-lease measurement and sale of natural gas produced from 15 wells operated by Dugan Production Corp. and to be added to Dugan Production's existing Piñon Mesa Gathering System (PMGS). The 15 wells consist of eight wells to be completed in the Basin Fruitland Coal gas pool (four of which have recently been drilled and are being completed and four of which are locations to be drilled) plus seven wells to be completed in the Harper Hill Fruitland Sand-Pictured Cliffs gas pool (five of which have been drilled and two of which are proposed locations). It should be noted that of the eight Basin Fruitland Coal wells proposed to be added, six are infill wells to Basin Fruitland Coal wells currently approved for the PMGS. Thus, proposed wells Big Field 90S, Humble Kirtland Com 90S, Lisbon 90S, Molly Pitcher 90S, Mucho Deal Com 90S and Piñon Com 90S are actually authorized by the NMOCD under the existing order PLC-219 which authorized the commingling of the spacing units rather than individual wells. Since the existing BLM approval is by individual well rather than spacing units, these six wells will require approval from the BLM. Dugan Production Corp. holds 100% of the working interest in 12 of the wells being added plus the gathering system. The spacing units for all wells encompass all or parts of 11 federal leases (NM-628, NM-2555, NM-6899, NM-10561, NM-13213, NM-15272, NM-26052, NM-70298, NM-71716, SF-079070 and SF-081231-B), and all royalty interest is federal. There will be no commingling of liquid hydrocarbons. None of the 15 wells to be added are anticipated to produce condensate, however should any be produced, the wells producing condensate will be equipped with the necessary separation equipment to separate and store the condensate at each individual well. In addition, we are requesting that the existing commingling order, PLC-219, be amended to include a provision that for future additions to the PMGS, only the interest owners in the wells being added will need to be notified.

With this application, we are also requesting your after the fact approvals to relocate the CDP sales meter to the NENE Section 24, T-30N, R-14W, approximately 1.25 miles to the southeast. The central delivery gas sales meter (CDP) currently authorized for the PMGS is located in the SE/4 NE/4 of Section 14, T-30N, R-14W and delivered gas to GulfTerra Field Service's 4" gathering system which was being operated near the maximum capacity throughput and did not have any room for additional gas to be added. The new CDP location allows the PMGS to connect to GulfTerra's 8" gathering system and substantially reduced the pipeline pressure at the CDP sales meter. Gas sales at the new location were initiated on 7-27-04 with an average CDP sales meter pressure of ± 260 psi which is approximately 60 psi less than at the old location. To relocate the CDP sales meter, Dugan Production installed approximately 7000' of new 6" steel line paralleling our current gathering system between the central battery compressor

(at the Molly Pitcher No. 4) and Dugan's Humble Kirtland No. 2. The line then extends south approximately 2100' to GulfTerra's Lateral 5A3. The new CDP location is approximately 180' southeast of McElvain's Hagood No. 1 well which is in the NENE of Section 24, T-30N, R-14W. The central compressor for the PMGS will remain at the central battery (near the Molly Pitcher No. 4 WDW) and GulfTerra's Meter No. 90018 was relocated, and will remain the same number. The new line is designed to pig for liquid removal and we have installed a pig catcher and 100 bbl tank at the new CDP location to recover any liquids (primarily water) pigged from the line.

Dugan's PMGS currently has 23 wells approved for the gathering system (NMOCD Order PLC-219) and during May and June of 2004, production from all 23 wells averaged 2743 mcf/d, 4.9 bbls of condensate per day plus 1082 bwpd. The peak production from any one well was 515 mcf/d. Production statistics for each well is presented on Attachment No. 2. The PMGS was initially authorized in November of 2002 and this application will be the 2nd expansion. NMOCD Form 107-B is attached in support of this application. Attachment No. 1 presents a map of the PMGS with the proposed additions highlighted in blue. In addition, Dugan Production's leasehold interest is also presented which includes 11 federal leases. There is no state, fee or Indian lands. Dugan Production is the operator of all wells and holds 100% working interest in 12 of the wells being added. Questar Exploration and Production, San Juan Basin Properties, LLC and Wexpro have a working interest in three of the wells being added and will receive copies of this application. The wells to be added along with the wells currently approved for the gathering system, are presented on Attachment No. 2.

Dugan's wells completed in the Fruitland Sand-PC and the Fruitland Coal pools typically produce natural gas up the casing-tubing annulus, and after metering the gas at the individual well site, the gas is transported to the central battery in a gas gathering system. The water from each well, plus any natural gas that is associated with the water production is produced up the tubing (typically using rod pump artificial lift equipment) and is transported to the central battery in a gathering system separate from the gas. At the central battery, the commingled produced water streams and any associated natural gas will be separated. The water will be transferred to water storage tanks and then injected into Dugan Production's Molly Pitcher No. 4 water disposal well using a water injection pump also located at the central battery. Any natural gas separated from the water at the central battery will be metered using conventional gas metering equipment, and after metering, the gas will be delivered to the central compressor for compression and sale. This meter will be of similar design to the gas metering equipment located at each well and will be treated the same as all other allocation meters. The gas recovered from the central battery water separator will be allocated to the individual wells contributing water production to the separator based upon volumes of water each well produced. Based upon our experience with other similar systems, we anticipate that very little gas will be produced with the water. The proposed allocation procedures for water and gas are presented on Attachment No. 3 and are unchanged from that initially authorized. The water production rates will be periodically tested at each well using Dugan's portable test unit. The test frequency will be based upon need as determined by volumes at the central battery, i.e., any changes of significance in the total volume will indicate the need for retesting each well.

To insure that gas volumes and revenues measured at the CDP sales meter are properly allocated to each well, we plan to install and maintain conventional, continuous recording gas meters (Barton dry flow or equivalent) on each well and will use a commercial integration service to integrate the individual charts each allocation period, which typically will be a calendar month. These volumes will then be used to determine allocation factors for each well. Gas BTU's and revenues will be allocated from the CDP sales meter to each well using allocation factors determined by applying gas heating values determined from gas samples taken from each well to the volumes measured by each lease allocation meter.

To insure the integrity of the PMGS, all lines will be pressure tested upon initial installation and then routinely surveyed using our portable gas detector. Should a leak be detected, we will initiate repairs as soon as possible.

Attachment No. 4 presents a summary of the interest owners in the wells currently connected and the proposed additions to the PMGS. In addition to Dugan Production, there are three working interest, plus 20 overriding royalty interest owners. All royalty interest is federal. As required by OCD Rule

19.15.5.303B.(4)(3)(iii) all interest owners in the wells currently approved plus the wells proposed to be added to the gathering system have been given notice of this application. The working interest owners have been provided with a complete copy of this application. Attachment No. 5 includes a copy of the letter sent to the working interest owners. In addition, all overriding royalty interest (ORRI) owners were provided with a detailed description of this application and were offered a complete copy of the application should they desire a copy. A copy of the notice letter sent to the ORRI owners is also included in Attachment No. 5. All notice letters have been sent by certified, return receipt mail and upon receiving the receipts, copies will be forwarded to the NMOCD. Also included in Attachment No. 5 is a copy of the legal notice which is scheduled to be published in The Daily Times on August 25, 2004 to further provide notice to all interest owners, anticipating that out of the 23 notices mailed, there will invariably be some receipts not returned. As provided by Rule 19.15.5.303B.(4)(d)(vii), Dugan Production is requesting that the NMOCD Order issued for this application also include a provision that for future additions to the gathering system, only the interest owners in the wells being added will need to be notified, providing that there is a reasonable probability the proposed additions will not adversely affect the interest owners in the wells already approved for the system. Our letters to each of the interest owners did include a notice of this request. This provision will be very helpful and will greatly reduce the work effort necessary to add future wells to the PMGS.

In summary, Dugan Production Corp. is requesting approval to add 15 wells to the PMGS which will require the surface commingling of gas and water plus the off-lease measurement and sale of produced gas. We are also requesting after the fact approvals to relocate the CDP sales meter approximately 1¼ miles to the southeast which did allow the PMGS to tie into GulfTerra's 8" gathering system and did provide a significant reduction in operating pressures at the CDP sales meter. In addition, we are requesting that the existing commingling order be amended so that for future additions to the PMGS, only the interest owners being added will require notification. The wells added will be operated in the same manner that has previously been authorized by the BLM and NMOCD for the 23 wells currently approved for operation on the gathering system.

Should you need additional information or have questions regarding any of this information, please feel free to contact me at the letterhead address.

Sincerely,



John D. Roe
Engineering Manager

JDR/tmf

cc: NMOCD – Aztec
All working interest owners

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



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 NSL NSP SD
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 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____

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U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

Attachment No. 5 presents copies of Notification to interest owners - All sent certified - Return Receipt copies will be sent to NMOCD upon receiving Receipts

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

John D. Roe _____ 08/24/04
 Print or Type Name Signature Title Date

_____ johnroed@duganproduction.com
 e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Dugan Production Corp.
OPERATOR ADDRESS: P. O. Box 420, Farmington, NM 87499-0420
APPLICATION TYPE:

Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. PLC-219
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Basin Fruitland Coal (71629) (8 wells)	998	1003	8 wells	No loss of value.	1750 mcf
Harper Hill FR Sand PC (78160) (7 wells)	1008		7 wells	Allocations to be Based upon produced BTU.	1600 mcf

(2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
(4) Measurement type: Metering Other (Specify) See Attachment No. 4
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

(1) Pool Name and Code.
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
(4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

(1) Is all production from same source of supply? Yes No See Attachment No. 2
(2) Include proof of notice to all interest owners. See Attachment No. 5

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location. See Attachment No. 1
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. Attachment No. 1
(3) Lease Names, Lease and Well Numbers, and API Numbers. See Attachment No. 2

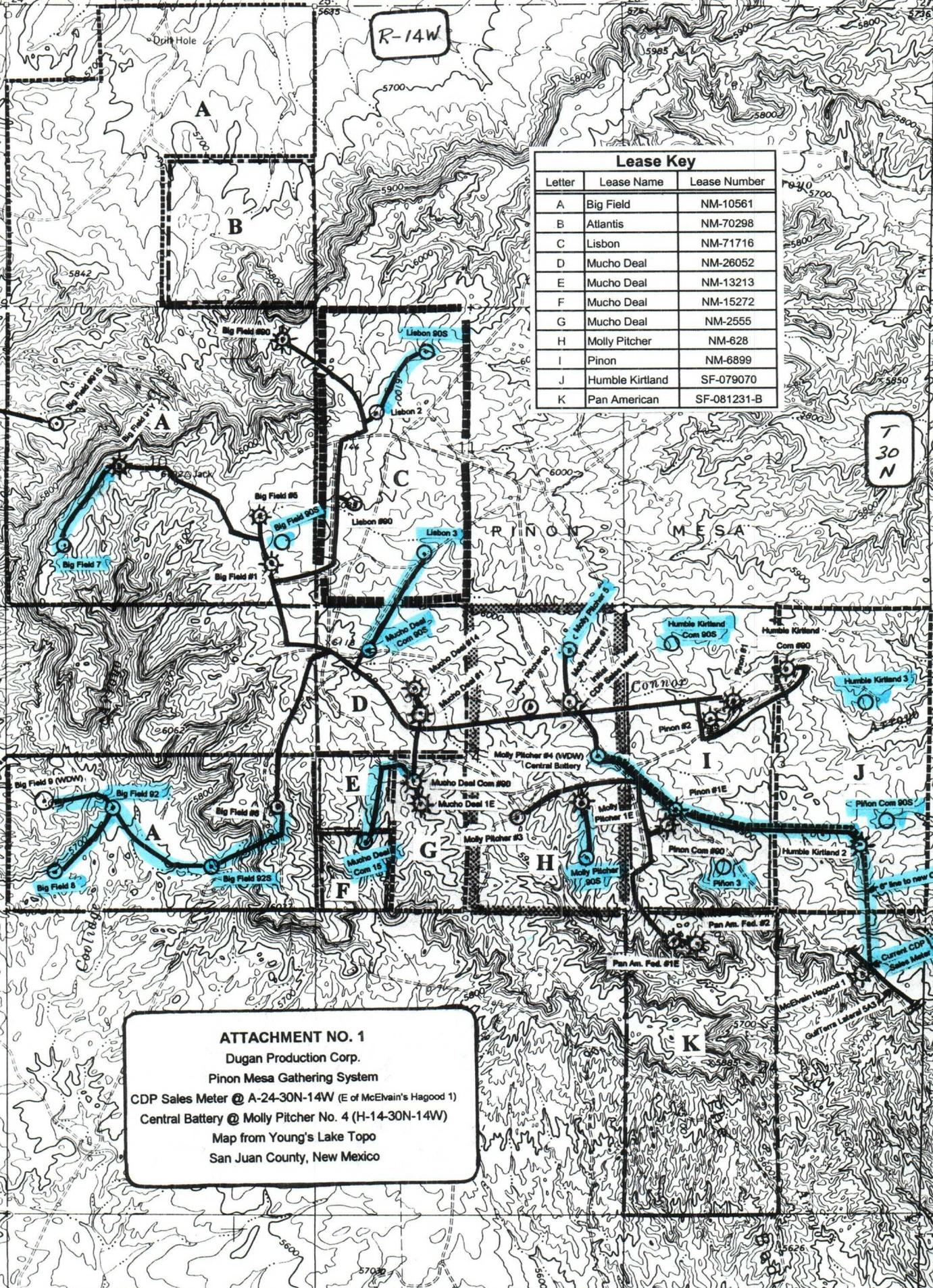
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: John D. Roe TITLE: Engineering Manager DATE: 8/24/04
TYPE OR PRINT NAME John D. Roe TELEPHONE NO.: 505-325-1821
E-MAIL ADDRESS: johnroe@duganproduction.com

R-14W

T 30 N

Lease Key		
Letter	Lease Name	Lease Number
A	Big Field	NM-10561
B	Atlantis	NM-70298
C	Lisbon	NM-71716
D	Mucho Deal	NM-26052
E	Mucho Deal	NM-13213
F	Mucho Deal	NM-15272
G	Mucho Deal	NM-2555
H	Molly Pitcher	NM-628
I	Pinon	NM-6899
J	Humble Kirtland	SF-079070
K	Pan American	SF-081231-B



ATTACHMENT NO. 1
 Dugan Production Corp.
 Pinon Mesa Gathering System
 CDP Sales Meter @ A-24-30N-14W (E of McElvain's Hagood 1)
 Central Battery @ Molly Pitcher No. 4 (H-14-30N-14W)
 Map from Young's Lake Topo
 San Juan County, New Mexico

**ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
PINON MESA GATHERING SYSTEM AND CDP
CDP SALES METER - GULFTERRA METER #90018 (OLD LOCATION = H-14-30N-14W; NEW LOCATION = A-24-30N-14W)
SAN JUAN COUNTY, NEW MEXICO**

Well Name	API No. 30-045-	Well Location		Well Location		CA Number	Pool	Completion Date	Current Prod.		Spacing		Dates for SC, OLM & S @				
		UL-Sec-Twn-Rng	Lease No.	Use Type	Use Type				MCFD	BC/D	BW/D	Unit	Application	Approval	BLM	Approval	NMOC
Big Field #1	22763	P-10-30N-14W	NM10561	Federal	N/A	N/A	Basin Dakota	05/10/79	10.6	0.5	0.08	S/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Big Field #5	30182	L-10-30N-14W	NM10561	Federal	N/A	N/A	Harper Hill FR Sand PC	08/01/00	430.6	0	89.2	SE/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Big Field #6	30917	L-15-30N-14W	NM10561	Federal	N/A	N/A	Harper Hill FR Sand PC	11/05/02	425.1	0	93.8	SE/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Big Field #90	30914	A-10-30N-14W	NM10561	Federal	N/A	N/A	Basin Fruitland Coal	11/26/02	58.9	0	75.3	E/2-318.05A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Big Field #91Y	31208	K-10-30N-14W	NM10561	Federal	N/A	N/A	Basin Fruitland Coal	11/05/02	98.8	0	60.7	W/2-319.11A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Humble Kirtland #2	30931	P-13-30N-14W	SF-079070	Federal	N/A	N/A	Harper Hill FR Sand PC	08/06/02	64.1	0	43.3	SE/4-151.80A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Humble Kirtland Com #90	30921	B-13-30N-14W	SF-079070	Federal	NMNM108188	N/A	Basin Fruitland Coal	06/18/02	35.5	0	46.0	N/2-314.98A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Lisbon #2	30924	E-11-30N-14W	NM-71716	Federal	N/A	N/A	Harper Hill FR Sand PC	11/08/02	200.2	0	73.2	NW/4-156.52A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Lisbon #90	30923	L-11-30N-14W	NM-71716	Federal	N/A	N/A	Basin Fruitland Coal	11/16/02	11.2	0	56.4	W/2-316.52A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Molly Pitcher #1	22084	H-14-30N-14W	NM628	Federal	N/A	N/A	Basin Dakota	11/16/76	38.9	1.0	2.6	E/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Molly Pitcher #1E	23612	L-14-30N-14W	NM628	Federal	N/A	N/A	Basin Dakota	10/24/79	22.3	1.0	0.08	E/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Molly Pitcher #3	30915	J-14-30N-14W	NM628	Federal	N/A	N/A	Harper Hill FR Sand PC	08/06/02	515.2	0	86.2	SE/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Molly Pitcher #90	30930	G-14-30N-14W	NM628	Federal	N/A	N/A	Basin Fruitland Coal	10/24/02	138.9	0	98.6	E/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Mucho Deal #1	22570	F-14-30N-14W	NM-26052	Federal	SRM1154	N/A	Basin Dakota	08/02/77	20.2	0	0.07	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Mucho Deal #1E	22571	K-14-30N-14W	NM-2555	Federal	SRM1154	N/A	Basin Dakota	10/24/79	22.3	0.8	2.9	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Mucho Deal #14	30179	F-14-30N-14W	NM26052	Federal	N/A	N/A	Harper Hill FR Sand PC	07/28/00	52.6	0	79.0	NW/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Mucho Deal Com #90	30916	K-14-30N-14W	NM-2555	Federal	NMNM108188	N/A	Basin Fruitland Coal	10/29/02	65.8	0	50.2	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Pan American Federal #1E	23675	D-24-30N-14W	SF-081231-B	Federal	N/A	N/A	Basin Dakota	10/31/79	35.6	0	0.07	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Pan American Federal #2	30918	D-24-30N-14W	SF-081231-B	Federal	N/A	N/A	Harper Hill FR Sand PC	06/28/02	141.5	0	58.7	NW/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Pifon #1	20856	F-13-30N-14W	NM-6899	Federal	N/A	N/A	Basin Dakota	12/06/71	20.5	0.8	0.9	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Pifon #1E	24186	L-13-30N-14W	NM-6899	Federal	N/A	N/A	Basin Dakota	05/27/80	36.0	0.8	0.04	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Pifon #2	30920	F-13-30N-14W	NM-6899	Federal	N/A	N/A	Harper Hill FR Sand PC	06/18/02	15.5	0	49.4	NW/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Pifon Com #90	30919	L-13-30N-14W	NM-6899	Federal	NMNM108161	N/A	Basin Fruitland Coal	06/28/02	282.9	0	99.6	S/2-311.80A	10/11/2002	10/28/2002	11/04/2002	N/A	N/A
Wells to be added to Main 15 wells																	
Big Field #7	32256	M-10-30N-14W	NM-10561	FED	N/A	N/A	Harper Hill FR Sand PC	⑥	250	0	75	SW/4-160A	08/20/2004	pending	pending	N/A	N/A
Big Field #8	32202	M-15-30N-14W	NM-10561	FED	N/A	N/A	Harper Hill FR Sand PC	⑥	250	0	75	SW/4-160A	08/20/2004	pending	pending	N/A	N/A
Big Field #90S	←	P-10-30N-14W	NM-10561	FED	N/A	N/A	Basin Fruitland Coal	⑥	200	0	70	E/2-318.05A	08/20/2004	pending	pending	11/04/2002	N/A
Big Field #92	32201	K-15-30N-14W	NM-10561	FED	N/A	N/A	Basin Fruitland Coal	⑥	200	0	70	S/2-320A	08/20/2004	pending	pending	N/A	N/A
Big Field #92S	32203	O-15-30N-14W	NM-10561	FED	N/A	N/A	Basin Fruitland Coal	⑥	200	0	70	S/2-320A	08/20/2004	pending	pending	N/A	N/A
Humble Kirtland #3	←	H-13-30N-14W	SF-079070	FED	N/A	N/A	Harper Hill FR Sand PC	⑥	250	0	75	NE/4-154.98A	08/20/2004	pending	pending	N/A	N/A
Humble Kirtland Com #90S	←	D-13-30N-14W	NM-6899	FED	NMNM108188	N/A	Basin Fruitland Coal	⑥	200	0	70	N/2-314.98A	08/20/2004	pending	pending	11/04/2002	N/A
Lisbon #3	32257	N-11-30N-14W	NM-71716	FED	N/A	N/A	Harper Hill FR Sand PC	⑥	250	0	75	SW/4-160A	08/20/2004	pending	pending	N/A	N/A
Lisbon #90S	←	C-11-30N-14W	NM-71716	FED	N/A	N/A	Basin Fruitland Coal	⑥	200	0	70	W/2-316.52A	08/20/2004	pending	pending	11/04/2002	N/A
Molly Pitcher #5	32200	A-14-30N-14W	NM-628	FED	N/A	N/A	Harper Hill FR Sand PC	⑥	250	0	75	NE/4-160A	08/20/2004	pending	pending	N/A	N/A
Molly Pitcher #90S	←	P-14-30N-14W	NM-628	FED	N/A	N/A	Basin Fruitland Coal	⑥	200	0	70	E/2-320A	08/20/2004	pending	pending	11/04/2002	N/A
Mucho Deal Com #15	32219	M-14-30N-14W	NM-15272	FED	pending	pending	Harper Hill FR Sand PC	⑥	250	0	75	SW/4-160A	08/20/2004	pending	pending	N/A	N/A
Mucho Deal Com #90S	←	D-14-30N-14W	NM-26052	FED	NMNM108188	N/A	Basin Fruitland Coal	⑥	200	0	70	W/2-320A	08/20/2004	pending	pending	11/04/2002	N/A
Pifon #3	←	N-13-30N-14W	NM-6899	FED	N/A	N/A	Harper Hill FR Sand PC	⑥	250	0	75	SW/4-160A	08/20/2004	pending	pending	N/A	N/A
Pifon Com #90S	←	L-13-30N-14W	SF-079070	FED	NMNM108161	N/A	Basin Fruitland Coal	⑥	200	0	70	S/2-311.80A	08/20/2004	pending	pending	11/04/2002	N/A

Notes:

N/A - Not applicable or not needed.

- ① Current production data represents daily average for 5/04 & 6/04. For wells completed but not producing, data presents IP test. For wells not completed, data presents anticipated production rates.
- ② Application for surface commingling (SC) plus off-lease measurement & sale (OLM&S) of natural gas. Since there are no state leases, approvals are only required from the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM). NMOCD's most recent order is PLC-219 dated 11/4/02.
- ③ NMOCD Commingling Order PC-1017, dated 08/30/00, authorized converting El Paso Meter #63115 (NENE 15-30N-14W) to a CDP for Dugan's Big Field No. 1 & 5 wells, plus the off-lease measurement for both wells. BLM approval was dated 09/14/00. NMOCD Order PLC-219 dated 11/4/02 (BLM approval 10/28/02) authorized both wells for Pifion Mesa Gathering System (El Paso meter 90018).
- ④ NMOCD Commingling Order PC-1019, dated 09/18/00, authorized converting El Paso Meter #90019 (SENW 14-30N-14W) to a CDP for Dugan's Mucho Deal No. 1 & 14 wells. BLM approval was dated 09/14/00. NMOCD Order PLC-219 dated 11/4/02 (BLM approval 10/28/02) authorized both wells for Pifion Mesa Gathering System (El Paso meter 90018).
- ⑤ As a result of surface topography, the infill well, Big Field No. 91S will be connected to Dugan's Turks Toast Gas Gathering System to the west. A separate application to do so will be made.
- ⑥ Development well activity.

Well	Spud	Casing Size & Depth	Well Status as of 8/23/04
Big Field No. 7	05/24/2004	5 1/2" @ 1875'	Started completion 8/18/04 - perf'd & frac'd FR Sand-PC
Big Field No. 8	07/15/2004	5 1/2" @ 1414'	Waiting on completion
Big Field No. 90S	—	—	Location is tentative - APD to be submitted
Big Field No. 92	07/26/2004	5 1/2" @ 1505'	Waiting on completion
Big Field No. 92S	08/03/2004	5 1/2" @ 1463'	Waiting on completion
Humble Kirtland No. 3	—	—	Location is tentative - APD to be submitted
Humble Kirtland Com No. 90S	—	—	Location is tentative - APD to be submitted
Lisbon No. 3	08/11/2004	—	Drilling @ 1920'-TD. Prep to run casing.
Lisbon No. 90S	—	—	APD approved 8/4/04 - waiting to be drilled
Molly Pitcher No. 5	05/04/2004	5 1/2" @ 1838'	Testing - perf'd FR Sand & PC, frac'd w/130,000# sand
Molly Pitcher No. 90S	04/26/2004	5 1/2" @ 1810'	Testing - perf'd FR Coal, frac'd w/130,000# sand
Mucho Deal Com No. 15	06/09/2004	5 1/2" @ 1830'	Started completion 8/18/04 - perf'd & frac'd FR Sand-PC
Mucho Deal Com No. 90S	07/01/2004	5 1/2" @ 1926'	Waiting on completion
Pifion No. 3	—	—	Location is tentative - APD to be submitted
Pifion Com No. 90S	—	—	Location is tentative - APD to be submitted

ATTACHMENT No. 3
Allocation Procedures
Dugan Production Corp.'s
Piñon Mesa Gathering System
CDP : SENE-14-30N-14W (GulfTerra Meter No. 90018) – old location
SENE-24-30N-14W (GulfTerra Meter No. 90018) – new location
San Juan County, New Mexico

Base Data:

U = Water Volume (BWPD) from Periodic Well Test x days operated during allocation period.

V = Water Volume (bbl) at Central Battery during allocation period.

W = Gas Volume (MCF) from allocation meters at individual wells and central battery separator during allocation period.

X = Gas Volume (MCF) from CDP Sales Meter during allocation period.

Y = BTU's from CDP Sales Meter during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A + B + C + D + E + F

A = Allocated Sales Volume, MCF. = $(W / \text{SUM } W) \times X$

B = Allocated gas sales volume (MCF) associated with water production
= mcf allocated to the central battery water separator multiplied by a factor of $(U / \text{SUM } U)$
for wells delivering water to the central battery water separator.

C = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

D = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

E = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by $W / \text{SUM } W$ for the wells involved.

F = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by $W / \text{SUM } W$.

2. Allocated Individual Well BTU's = $(W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU}) \times Y$.

Individual well gas heating values to be determined in accordance with BLM regulations (currently On shore Order No. 5).

3. Individual Well Water Production = Allocated production volume, bbl = $(U / \text{Sum } U) \times V$.

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Big Field Well
Nos. 1, 5, 6, 7, 8, 90, 90S, 91Y, 92 & 92S

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Big Field #1	Basin Dakota	NM10561	SESE 10-30N-14W	S/2-320A
Big Field #5	Harper Hill FR Sand PC	NM10561	NESE 10-30N-14W	SE/4-160A
Big Field #6	Harper Hill FR Sand PC	NM10561	NESE 15-30N-14W	SE/4-160A
Big Field #7	Harper Hill FR Sand PC	NM10561	SWSW 10-30N-14W	SW/4-160A
Big Field #8	Harper Hill FR Sand PC	NM10561	SWSW 15-30N-14W	SW/4-160A
Big Field #90	Basin Fruitland Coal	NM10561	NENE 10-30N-14W	E/2-318.05A
Big Field #90S	Basin Fruitland Coal	NM10561	SESE 10-30N-14W	E/2-318.05A
Big Field #91Y	Basin Fruitland Coal	NM10561	NESW 10-30N-14W	W/2-319.11A
Big Field #92	Basin Fruitland Coal	NM10561	NESW 15-30N-14W	S/2-320A
Big Field #92S	Basin Fruitland Coal	NM10561	SWSE 15-30N-14W	S/2-320A

BIG FIELD WELL NOS. 1,5,6,7,8,90,90S,91Y,92&92S

<u>INTEREST OWNERSHIP</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.000000%	82.500000%
<u>Royalty Interest</u>		
USA - Bureau of Land Management		12.500000%
<u>Overriding Royalty Interest</u>		
Jennifer Jones Black		1.500000%
Southern Sky Investment, Inc.		1.000000%
Virginia L. Vance		2.500000%
TOTAL WELL	100.000000%	100.000000%

Addresses

Jennifer Jones Black
BAD ADDRESS
11714 Sharpview
Houston, TX 77072

Dugan Production Corp.
P. O. Box 420
Farmington, NM 87499-0420

Southern Sky Investment, Inc.
P.O. Box 2167
Roswell, NM 88201

USA - Bureau of Land Management
1235 La Plata Hwy., Suite A
Farmington, NM 87401

Virginia L. Vance
26396 Rea Avenue
Conifer, CO 80433-8537

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Humble Kirtland Well
Nos. 2, 3, Com 90 & Com 90S

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Humble Kirtland #2	Harper Hill FR Sand PC	SF-079070	SESE 13-30N-14W	SE/4-151.80A
Humble Kirtland #3	Harper Hill FR Sand PC	SF-079070	SENE 13-30N-14W	NE/4-154.98A
Humble Kirtland Com #90	Basin Fruitland Coal	SF-079070	NWNE 13-30N-14W	N/2-314.98A
Humble Kirtland Com #90S	Basin Fruitland Coal	NM-6899	NWNW 13-30N-14W	N/2-314.98A

<u>INTEREST OWNERSHIP</u>	<u>HUMBLE KIRTLAND NO. 2 & 3</u>		<u>HUMBLE KIRTLAND COM NO. 90 & 90S</u>	
	<u>INTEREST %</u>		<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>				
Dugan Production Corp.	100.000000%	70.500000%	97.460156%	69.754997%
San Juan Basin Properties, LLC			2.539844%	1.845621%
<u>Royalty Interest</u>				
USA - Bureau of Land Management		12.500000%		12.500000%
<u>Overriding Royalty Interest</u>				
Burlington Resources Oil & Gas Company				6.349609%
Dugan Production Corp.				1.185243%
Exxon Mobile Production Company		10.000000%		4.920312%
Mary C. Hagood Royalty Trust		5.000000%		2.460156%
MAK-J Partners, Ltd.		0.510000%		0.250936%
XTO Energy, Inc.		1.490000%		0.733126%
TOTAL WELL	100.000000%	100.000000%	100.000000%	100.000000%

Addresses

Burlington Resources Oil & Gas Company
 Attn: Land Department
 P.O. Box 4289
 Farmington, NM 87499-4289

XTO Energy, Inc.
 Building K, Suite 1
 2700 Farmington Ave.
 Farmington, NM 87401

Dugan Production Corp.
 P.O. Box 420
 Farmington, NM 87499

San Juan Basin Properties, LLC
 1499 Blake Street, #7K
 Denver, CO 80202

Exxon Mobile Production Company
 P.O. Box 4697
 Houston, TX 77210-4697

USA - Bureau of Land Management
 1235 La Plata Hwy., Suite A
 Farmington, NM 87401

Mary C. Hagood Royalty Trust
 P.O. Box 1010
 Casper, WY 82601

MAK-J Partners, Ltd.
 155 Inverness Drive West, Suite 100
 Englewood, CO 80112

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Lisbon Well
Nos. 2, 3, 90 & 90S

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Lisbon #2	Harper Hill FR Sand PC	NM-71716	SWNW 11-30N-14W	N/W4-156.52A
Lisbon #3	Harper Hill FR Sand PC	NM-71716	SESW 11-30N-14W	SW/4-160A
Lisbon #90	Basin Fruitland Coal	NM-71716	NWSW 11-30N-14W	W/2-316.52A
Lisbon #90S	Basin Fruitland Coal	NM-71716	NENW 11-30N-14W	W/2-316.52A

LISBON WELLS NO. 2, 3, 90 & 90S

INTEREST OWNERSHIP

INTEREST %

	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.000000%	87.500000%
<u>Royalty Interest</u>		
USA - Bureau of Land Management		12.500000%
TOTAL WELL	100.000000%	100.000000%

Addresses

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

USA - Bureau of Land Management
1235 La Plata Hwy., Suite A
Farmington, NM 87401

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Molly Pitcher Well
Nos. 1, 1E, 3, 5, 90 & 90S

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Molly Pitcher #1	Basin Dakota	NM-628	SENE 14-30N-14W	E/2-320A
Molly Pitcher #1E	Basin Dakota	NM-628	NESE 14-30N-14W	E/2-320A
Molly Pitcher #3	Harper Hill FR Sand PC	NM-628	NWSE 14-30N-14W	SE/4-160A
Molly Pitcher #5	Harper Hill FR Sand PC	NM-628	NENE 14-30N-14W	NE/4-160A
Molly Pitcher #90	Basin Fruitland Coal	NM-628	SWNE 14-30N-14W	E/2-320A
Molly Pitcher #90S	Basin Fruitland Coal	NM-628	SESE 14-30N-14W	E/2-320A

MOLLY PITCHER WELL NOS. 1, 1E, 3, 5, 90 & 90S

INTEREST OWNERSHIP

	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.000000%	84.500000%
<u>Royalty Interest</u>		
USA - Bureau of Land Management		12.500000%
<u>Overriding Royalty Interest</u>		
Lisa K. Hood		1.500000%
Robin J. Hood		1.500000%
TOTAL WELL	100.000000%	100.000000%

Addresses

Lisa K. Hood
c/o Wells Fargo OGM
P.O. Box 5383
Denver, CO 80217

Robin J. Hood
c/o Wells Fargo OGM
P. O. Box 5383
Denver, CO 80217

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

USA - Bureau of Land Management
1235 La Plata Hwy., Suite A
Farmington, NM 87401

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Mucho Deal Well
Nos. 1, 1E, 14, Com 90 & Com 90S

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Mucho Deal #1	Basin Dakota	NM-26052	SENW 14-30N-14W	W/2-320A
Mucho Deal #1E	Basin Dakota	NM-2555	NESW 14-30N-14W	W/2-320A
Mucho Deal #14	Harper Hill FR Sand PC	NM26052	SENW 14-30N-14W	NW/4-160A
Mucho Deal Com #90	Basin Fruitland Coal	NM-2555	NESW 14-30N-14W	W/2-320A
Mucho Deal Com #90S	Basin Fruitland Coal	NM26052	NWNW 14-30N-14W	W/2-320A

<u>INTEREST OWNERSHIP</u>	<u>MUCHO DEAL NOS. 1,1E,COM 90 & COM 90S</u>		<u>MUCHO DEAL NO. 14</u>	
	<u>INTEREST %</u>		<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>				
Dugan Production Corp.	88.750000%	71.053130%	100.000000%	83.500000%
Questar E&P Company	11.250000%	9.384370%		
<u>Royalty Interest</u>				
USA - Bureau of Land Management		12.500000%		12.500000%
<u>Overriding Royalty Interest</u>				
BP America Production Company		0.781250%		
Diana H. Cook		0.125000%		
Feil Living Trust, Marie A. Feil		0.250000%		
Celeste C. Grynberg		0.781250%		
Ruth P. Jeffers Trust		0.125000%		
W.E. Jeffers Revocable Trust		0.125000%		
Chester L. Pringle 1991 Trust		2.000000%		4.000000%
Billie Robinson		2.875000%		
TOTAL WELL	100.000000%	100.000000%	100.000000%	100.000000%

Addresses

BP America Production Company
200 Amoco Court
Farmington, NM 87401

W.E. Jeffers Revocable Trust
P.O. Box 65
Artesia, NM 88211-0065

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

Diana H. Cook
1740 S. Schooner Creek Rd.
Lincoln City, OR 97367

Chester L. Pringle 1991 Trust
Chester L. Pringle, Trustee
P.O. Box 848
Marble Falls, TX 78654

USA - Bureau of Land Management
1235 La Plata Hwy., Suite A
Farmington, NM 87401

Feil Living Trust, Marie A. Feil
6096 Upland Terrace S.
Seattle, WA 98118

Questar Exploration & Production
Independence Plaza
1050 17th Street, Suite 500
Denver, CO 80265

Celeste C. Grynberg
c/o Grynberg Petroleum Company
5299 DTC Blvd., Suite 500
Greenwood Village, CO 80111

Billie Robinson
P.O. Box 1281
Santa Fe, NM 87504

Ruth P. Jeffers Trust #00611360
Nations Bank TX, NA, Trustee
P.O. Box 840738
Dallas, TX 75284-0738

San Juan Basin Properties, LLC
1499 Blake Street, #7K
Denver, CO 80202

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Mucho Deal Com No. 15

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Mucho Deal Com #15	Harper Hill FR Sand PC	NM-15272	SWSW 14-30N-14W	SW/4-160A

MUCHO DEAL COM NO. 15

INTEREST OWNERSHIP.

INTEREST %

Working Interest

	<u>Gross</u>	<u>Net</u>
Dugan Production Corp.	77.500000%	59.075000%
Wexpro	22.500000%	18.300000%

Royalty Interest

USA - Bureau of Land Management		12.500000%
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Overriding Royalty Interest

BP America Production Company		1.562500%
Diana H. Cook		0.250000%
Feil Living Trust, Marie A. Feil		0.500000%
Celeste C. Grynberg		1.562500%
Ruth P. Jeffers Trust		0.250000%
W. E. Jeffers Revocable Trust		0.250000%
Billie Robinson		5.750000%

TOTAL WELL

100.000000%	100.000000%
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Addresses

BP America Production Company
 200 Amoco Court
 Farmington, NM 87401

W. E. Jeffers Revocable Trust
 P. O. Box 65
 Artesia, NM 88211-0065

Diana H. Cook
 1740 S. Schooner Creek Rd.
 Lincoln City, OR 97367

Billie Robinson
 P. O. Box 1281
 Santa Fe, NM 87504

Feil Living Trust, Marie A. Feil
 6096 Upland Terrace S.
 Seattle, WA 98118

Wexpro Co.
 Independence Plaza
 1050 17th Street, Suite 500
 Denver, CO 80265

Celeste C. Grynberg
 c/o Grynberg Petroleum Company
 5299 DTC Blvd., Suite 500
 Greenwood Village, CO 80111

Dugan Production Corp.
 P. O. Box 420
 Farmington, NM 87499-0420

Ruth P. Jeffers Trust #00611360
 Nations Bank TX, NA, Trustee
 P. O. Box 840738
 Dallas, TX 75284-0738

USA-Bureau of Land Management
 1235 La Plata Highway, Suite A
 Farmington, NM 87401

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Pan American Federal Well
Nos. 1E & 2

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Pan American Federal #1E	Basin Dakota	SF-081231-B	NWNW 24-30N-14W	W/2-320A
Pan American Federal #2	Harper Hill FR Sand PC	SF-081231-B	NWNW 24-30N-14W	NW/4-160A

PAN AMERICAN FEDERAL WELLS NO. 1E & NO. 2

INTEREST OWNERSHIP

	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.000000%	75.000000%
<u>Royalty Interest</u>		
USA - Bureau of Land Management		12.500000%
<u>Overriding Royalty Interest</u>		
BP America Production Company		7.500000%
F.H. & Louise G. Carpenter		5.000000%
TOTAL WELL	100.000000%	100.000000%

Addresses

BP America Production Company
200 Amoco Court
Farmington, NM 87401

F.H. & Louise G. Carpenter
P.O. Box 608
Sourlake, TX 77659

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

USA - Bureau of Land Management
1235 La Plata Hwy., Suite A
Farmington, NM 87401

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Piñon Well
Nos. 1, 1E, 2 & 3

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Piñon #1	Basin Dakota	NM-6899	SEnw 13-30N-14W	W/2-320A
Piñon #1E	Basin Dakota	NM-6899	NWSW 13-30N-14W	W/2-320A
Piñon #2	Harper Hill FR Sand PC	NM-6899	SEnw 13-30N-14W	NW/4-160A
Piñon #3	Harper Hill FR Sand PC	NM-6899	SESW 13-30N-14W	SW/4-160A

<u>INTEREST OWNERSHIP</u>	<u>PIÑON NOS. 1 & 2</u>		<u>PIÑON NOS. 1E & 3</u>	
	<u>INTEREST %</u>			
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>				
Dugan Production Corp.	95.000000%	69.033650%	100.000000%	72.666700%
San Juan Basin Properties, LLC	5.000000%	3.633350%		
<u>Royalty Interest</u>				
USA - Bureau of Land Management		12.500000%		12.500000%
<u>Overriding Royalty Interest</u>				
Burlington Resources Oil & Gas Company		12.500000%		12.500000%
Dugan Production Corp.		2.333300%		2.333300%
TOTAL WELL	100.000000%	100.000000%	100.000000%	100.000000%

Addresses

Burlington Resources Oil & Gas Company
 Attn: Land Department
 P.O. Box 4289
 Farmington, NM 87401

Dugan Production Corp.
 P.O. Box 420
 Farmington, NM 87499

San Juan Basin Properties, LLC
 1499 Blake Street, #7K
 Denver, CO 80202

USA - Bureau of Land Management
 1235 La Plata Hwy., Suite A
 Farmington, NM 87401

ATTACHMENT NO. 4
Interest Ownership Summary
Dugan Production Corp.'s Piñon Com Well Nos. 90 & 90S

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Piñon Com #90	Basin Fruitland Coal	NM-6899	NWSW 13-30N-14W	S/2-311.8A
Piñon Com #90S	Basin Fruitland Coal	SF-079070	NESE 13-30N-14W	S/2-311.8A

<u>INTEREST OWNERSHIP</u>	<u>PIÑON COM NOS. 90 & 90S</u>	
	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.000000%	71.611842%
<u>Royalty Interest</u>		
USA - Bureau of Land Management		12.500000%
<u>Overriding Royalty Interest</u>		
Burlington Resources Oil & Gas Company		6.414368%
Dugan Production Corp.		1.197331%
Exxon Mobile Production Company		4.868505%
Mary C. Hagood Royalty Trust		2.434253%
XTO Energy, Inc.		0.973701%
TOTAL WELL	100.000000%	100.000000%

Addresses

Burlington Resources Oil & Gas Company
 Attn: Land Department
 P.O. Box 4289
 Farmington, NM 87401

Exxon Mobile Production Company
 P.O. Box 4697
 Houston, TX 77210

Mary C. Hagood Royalty Trust
 P.O. Box 1010
 Casper, WY 82601

XTO Energy, Inc.
 Building K, Suite 1
 2700 Farmington Ave.
 Farmington, NM 87401

Dugan Production Corp.
 P.O. Box 420
 Farmington, NM 87499

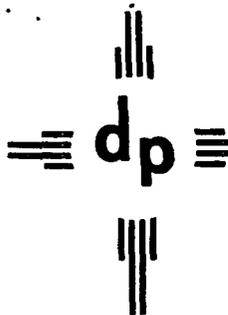
USA - Bureau of Land Management
 1235 La Plata Hwy., Suite A
 Farmington, NM 87401

Attachment No. 5
Interest Ownership Notification
Dugan Production Corp.'s Application dated 8/24/04
Proposing the Addition of 15 Wells to
Dugan Production's Piñon Mesa Gas Gathering System

As evidence that all interest ownership in the subject wells have been given notice of Dugan's application, attached is:

1. A copy of Dugan's transmittal letter dated 8/24/04 used to send copies of the subject application to the 3 working interest owners in addition to Dugan Production. Of the 38 wells, (23 existing and 15 proposed), only 6 existing (Humble Kirtland 90, Mucho Deal Nos. 1, 1E & Com 90, plus Piñon Nos. 1 & 2), plus 3 proposed wells (Humble Kirtland Com 90S plus Mucho Deal Com Nos. 15 & 90S) have working interest owners other than Dugan Production Corp. Dugan Production holds 100% of the working interest in 29 of the 38 wells. All letters were sent by certified mail with a return receipt requested. Upon receiving the receipts, copies will be sent to the NMOCD.
2. Copy of Dugan's letter dated 8/24/04 used to send notice and a detailed description of the subject application to the 20 overriding royalty interest owners. Complete copies of the application were offered to any of the ORRI owners desiring to receive a copy. All letters were sent by certified mail with a return receipt requested. Upon receiving the receipts, copies will be sent to the NMOCD.
3. Copy of the advertisement scheduled to be published in the 8/25/04 issue of the Farmington Daily Times regarding the subject application. This publication is being made in anticipation that of the 23 interest owners mailed, there will be at least one either returned for some reason or the return receipt will be lost in the mail.

Note: A tabulation presenting the interest ownership for all existing wells is presented on Attachment No. 4 to the application.



dugan production corp.

Attachment #5
Pg 2 of 8

COPY

August 24, 2004

Questar E&P Company
Independence Plaza
1050 17th Street, Suite 500
Denver, CO 80265

San Juan Basin Properties, LLC
1499 Blake Street, #7K
Denver, CO 80202

Wexpro, Inc.
Independence Plaza
1050 17th Street, Suite 500
Denver, CO 80202

Re: Dugan Production's Application to add 15 wells to
Dugan's Piñon Mesa Gathering System
San Juan County, New Mexico

According to our records, each of you has an interest in one of the 15 wells Dugan Production Corp. is proposing to connect to our Piñon Mesa Gathering System. Questar has a working interest in Dugan's Mucho Deal No. 90S. San Juan Basin Properties has a working interest in Dugan's Humble Kirtland Com No. 90S. Wexpro has a working interest in Dugan's Mucho Deal Com No. 15

Attached is a complete copy of Dugan's application to the NMOCD and BLM requesting their approvals to surface commingle production from the wells you have an interest in, plus to sell the gas at a central delivery sales meter (CDP). Dugan Production will install, operate, and maintain the gathering system, central battery, and water disposal facilities. As a working interest owner in wells to be connected to the Piñon Mesa Gathering System, your only costs associated with the gathering system will be a fee charged for gathering, compression, and water disposal. You will not be billed any costs associated with installing the gathering system (including the allocation meters) and water disposal facilities.

Dugan Production's company-wide gathering system fee is \$0.27/MMBTU, our compression fee is \$0.09/MMBTU and our water disposal fee is \$0.70/bbl. These fees will be used until operating economics indicate the need for revisions.

This proposal should not affect your interest in these wells and will allow each of the wells to be placed on production using central gas compression and water disposal. This should help to keep operating expenses as low as possible, which will allow all interest owners to recover more of the gas reserves from each well.

This matter does not require any action on your part. Dugan Production, as operator of the gathering system, will pay all costs associated with this proposal. Current NMOCD regulations require that all interest owners (those in the existing system and those being added) receive notice of proposed additions to gathering systems. Included in Dugan's application is a request that for future additions to the gathering system, only the interest owners in the wells to be added will require notification provided that the proposed additions will not adversely affect the existing wells. This will greatly simplify adding wells to the gathering system and should not affect the interests previously authorized to operate on the gathering system. Should you have any questions need additional information, or have any concern as to our application, please let me know. Should you have an objection to our application, please let me know and you should contact the New Mexico Oil Conservation Division directly within 20 days from the date the NMOCD receives our application which should be approximately 8-26-04. The mailing address for the NMOCD is 1220 South St. Francis Drive in Santa Fe, New Mexico 87505. We would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

Attachments

xc: New Mexico Oil Conservation Division
Bureau of Land Management



dugan production corp.

Attachment #5
pg 3 of 8

August 24, 2004

COPY

Overriding Royalty Interest Owners
Wells connected or to be connected to
Dugan Production's Pifon Mesa Gas Gathering System
(Address List Attached)

Re: Proposed addition of 15 wells to
Dugan's Pifon Mesa Gas Gathering System
San Juan County, New Mexico

Dear Interest Owner,

According to our records, you have an overriding royalty interest in one or more of the wells that is either currently connected or proposed to be connected to Dugan's Pifon Mesa Gas Gathering System (PMGS). The wells and interest owners are listed on the attached address list. Dugan Production is submitting applications to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM) requesting their approvals to add 15 wells to Dugan's PMGS which currently has 23 wells authorized for the system. This will require surface commingling of gas production from the subject wells, plus the sale of gas at an off-lease central delivery sales meter (CDP). Attachment No. 1 presents a map of the gathering system with additions highlighted in blue. Attachment No. 2 presents information for each of the wells. Dugan Production will install all equipment and will operate and maintain the gathering system and central battery facilities. Since your interest in these wells is an overriding royalty, there are no costs chargeable to you. The wells to be added should not affect your interest in wells that are currently connected to the gathering system. Should you have interest in wells to be added, it will allow these wells to begin selling produced natural gas for the benefit of all interest owners. This proposal will allow for optimum operations on all wells and will allow all wells to benefit from central compression which should keep wellhead operating pressures as low as possible. In addition, pipelining water to a central water disposal well will provide for optimum water disposal. This method of operation will help to keep our operating expenses as low as possible, and will allow for the recovery of more of the gas reserves from each well.

This matter does not require any action on your part. Current NMOCD regulations require that all interest owners (those in the existing system and those being added) receive notice of proposed additions to gathering systems. Included in Dugan's application is a request that for future additions to the gathering system, only the interest owners in the wells to be added will require notification, provided the proposed additions will not adversely affect the existing wells. This will greatly simplify adding wells to the gathering system and should not affect the interests previously authorized to operate on the gathering system. Should you have any questions, need additional information, desire to receive a complete copy of our application, or have any concern as to our proposal, please let me know. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 1220 South St. Francis Drive, Santa Fe, NM 87505, and we would appreciate receiving a copy of your objection. Objections should be filed within 20 days after the NMOCD receives our application which will be approximately 8-26-04.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

Attachments

xc: New Mexico Oil Conservation Division, Bureau of Land Management

Interest Owners Address List

a = Big Field 1,5,6,7,8,90,90S,91Y,92,92S; b = Humble Kirtland 2,3; c = Humble Kirtland Com 90, 90S; d = Lisbon 2,3,90,90S;
e = Molly Pitcher 1,1E,3,5,90,90S; f = Mucho Deal 1,1E,Com 90, Com 90S; g = Mucho Deal 14; h = Mucho Deal Com 15;
i = Pan American Federal 1E,2; j = Piñon 1,2; k = Piñon 1E,3; l = Piñon Com 90,90S

Working Interest Owners

Dugan Production Corp. (a thru l)
P. O. Box 420
Farmington, NM 87499-0420

San Juan Basin Properties, LLC (c,j)
1499 Blake Street, #7K
Denver, CO 80202

Questar Exploration & Production Co. (f)
Independence Plaza
1050 17th Street, Suite 500
Denver, CO 80265

Wexpro Co. (h)
Independence Plaza
1050 17th Street, Suite 500
Denver, CO 80265

Royalty Interest Owners

USA - Bureau of Land Management (a thru l)
1235 LaPlata Hwy, Suite A
Farmington, NM 87401

Overriding Royalty Interest Owners

Jennifer Jones Black (a)
BAD ADDRESS
11714 Sharpview
Houston, TX 77072

Robin J. Hood (e)
c/o Wells Fargo OGM
P. O. Box 5383
Denver, CO 80217

BP America Production Co. (f,h,i)
200 Amoco Court
Farmington, NM 87401

Ruth P. Jeffers Trust, #00611360 (f,h)
Nations Bank TX, NA, Trustee
P. O. Box 840738
Dallas, TX 75284-0738

Burlington Resources Oil & Gas Co. (c,h,j,k,l)
Attn: Land Department
P. O. Box 4289
Farmington, NM 87499-4289

W. E. Jeffers Revocable Trust (f,h)
P. O. Box 65
Artesia, NM 88211-0065

F. H. & Louise G. Carpenter (i)
P. O. Box 608
Sourlake, TX 77659

MAK-J Partners, Ltd. (b,c)
155 Inverness Drive West, Suite 100
Englewood, CO 80112

Diana H. Cook (f,h)
1740 S. Schooner Creek Rd.
Lincoln City, OR 97367

Chester L. Pringle 1991 Trust (f,g)
Chester L. Pringle, Trustee
P. O. Box 848
Marble Falls, TX 78654

Dugan Production Corp. (c,j,k,l)
P. O. Box 420
Farmington, NM 87499-0420

Billie Robinson (f,h)
P. O. Box 1281
Santa Fe, NM 87504

Exxon Mobil Production Co. (b,c,l)
P. O. Box 4697
Houston, TX 77210-4697

Southern Sky Investment, Inc. (a)
P. O. Box 2167
Roswell, NM 88201

Feil Living Trust, Marie A. Feil (f,h)
6096 Upland Terrace S.
Seattle, WA 98118

Virginia L. Vance (a)
26396 Rea Avenue
Conifer, CO 80433-8537

Celeste C. Grynberg (f)
c/o Grynberg Petroleum Company
5299 DTC Blvd., Suite 500
Greenwood Village, CO 80111

XTO Energy, Inc. (b,c,l)
Building K, Suite 1
2700 Farmington Avenue
Farmington, NM 87401

Mary C. Hagood Royalty Trust (b,c,l)
Patrick S. Hagood, Trustee
P. O. Box 8078
La Verne, CA 91750-8078

Lisa K. Hood (e)
c/o Wells Fargo OGM
P. O. Box 5383
Denver, CO 80217

Attachment #5
Pg 4 of 8

**ATTACHMENT NO. 2
 DUGAN PRODUCTION CORP.
 PINON MESA GATHERING SYSTEM AND CDP
 CDP SALES METER - GULFTERRA METER #90018 (OLD LOCATION = H-14-30N-14W; NEW LOCATION = A-24-30N-14W)
 SAN JUAN COUNTY, NEW MEXICO**

Well Name	API No. 30-045-	Well Location		Well Location		CA Number	Pool	Completion Date	Current Prod.		Spacing Unit	Dates for SC, OLM & S			
		UL-Sec-Twn-Rng	Lease No.	Lse. Type	Lse. Type				MCFD	BC/D		Application	BLM Approval	NMOC Approval	NMSLO Approval
Big Field #1	22763	P-10-30N-14W	NM10561	Federal	Federal	N/A	Basin Dakota	05/10/79	10.8	0.5	S/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Big Field #5	30182	I-10-30N-14W	NM10561	Federal	Federal	N/A	Harper Hill FR Sand PC	08/01/00	430.8	0	SE/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A
Big Field #6	30817	I-15-30N-14W	NM10561	Federal	Federal	N/A	Harper Hill FR Sand PC	11/05/02	425.1	0	SE/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A
Big Field #90	30814	A-10-30N-14W	NM10561	Federal	Federal	N/A	Basin Fruitland Coal	11/26/02	58.9	0	E/2-318.05A	10/11/2002	10/28/2002	11/04/2002	N/A
Big Field #91Y	31208	K-10-30N-14W	NM10561	Federal	Federal	N/A	Basin Fruitland Coal	11/05/02	88.8	0	W/2-318.11A	10/11/2002	10/28/2002	11/04/2002	N/A
Humble Kirtland #2	30831	P-13-30N-14W	SF-079070	Federal	Federal	N/A	Harper Hill FR Sand PC	08/08/02	64.1	0	SE/4-151.80A	10/11/2002	10/28/2002	11/04/2002	N/A
Humble Kirtland Com #80	30821	B-13-30N-14W	SF-079070	Federal	Federal	NMNM108168	Basin Fruitland Coal	06/18/02	35.5	0	N/2-314.98A	10/11/2002	10/28/2002	11/04/2002	N/A
Lisbon #2	30824	E-11-30N-14W	NM-71716	Federal	Federal	N/A	Harper Hill FR Sand PC	11/08/02	200.2	0	NW/4-158.52A	10/11/2002	10/28/2002	11/04/2002	N/A
Lisbon #90	30823	L-11-30N-14W	NM-71716	Federal	Federal	N/A	Basin Fruitland Coal	11/16/02	11.2	0	W/2-316.52A	10/11/2002	10/28/2002	11/04/2002	N/A
Molly Pitcher #1	22084	H-14-30N-14W	NM628	Federal	Federal	N/A	Basin Dakota	11/18/76	38.9	1.0	E/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Molly Pitcher #1E	23612	I-14-30N-14W	NM628	Federal	Federal	N/A	Basin Dakota	10/24/79	22.3	1.0	E/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Molly Pitcher #3	30815	J-14-30N-14W	NM628	Federal	Federal	N/A	Harper Hill FR Sand PC	08/06/02	515.2	0	SE/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A
Molly Pitcher #90	30830	G-14-30N-14W	NM628	Federal	Federal	N/A	Basin Fruitland Coal	10/24/02	138.9	0	E/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Mucho Deal #1	22570	F-14-30N-14W	NM-26552	Federal	Federal	SRM1154	Basin Dakota	08/02/77	20.2	0	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Mucho Deal #1E	22571	K-14-30N-14W	NM-2555	Federal	Federal	SRM1154	Basin Dakota	10/24/79	22.3	0.8	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Mucho Deal #14	30179	F-14-30N-14W	NM26052	Federal	Federal	N/A	Harper Hill FR Sand PC	07/29/00	52.6	0	NW/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A
Mucho Deal Com #90	30816	K-14-30N-14W	NM-2555	Federal	Federal	NMNM108169	Basin Fruitland Coal	10/29/02	65.8	0	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Pan American Federal #1E	23675	D-24-30N-14W	SF-081231-B	Federal	Federal	N/A	Basin Dakota	10/31/79	35.6	0	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Pan American Federal #2	30818	D-24-30N-14W	SF-081231-B	Federal	Federal	N/A	Harper Hill FR Sand PC	08/28/02	141.5	0	NW/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A
Piflon #1	20856	F-13-30N-14W	NM-6899	Federal	Federal	N/A	Basin Dakota	12/08/71	20.5	0.8	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Piflon #1E	24186	L-13-30N-14W	NM-6899	Federal	Federal	N/A	Basin Dakota	05/27/80	36.0	0.8	W/2-320A	10/11/2002	10/28/2002	11/04/2002	N/A
Piflon #2	30820	F-13-30N-14W	NM-6899	Federal	Federal	N/A	Harper Hill FR Sand PC	06/18/02	15.5	0	NW/4-160A	10/11/2002	10/28/2002	11/04/2002	N/A
Piflon Com #90	30818	L-13-30N-14W	NM-6899	Federal	Federal	NMNM108161	Basin Fruitland Coal	06/28/02	282.9	0	S/2-311.80A	10/11/2002	10/28/2002	11/04/2002	N/A
Big Field #7	32256	M-10-30N-14W	NM-10561	FED	FED	N/A	Harper Hill FR Sand PC	6	250	0	SW/4-160A	08/20/2004	pending	pending	N/A
Big Field #8	32202	M-15-30N-14W	NM-10561	FED	FED	N/A	Harper Hill FR Sand PC	6	250	0	SW/4-160A	08/20/2004	pending	pending	N/A
Big Field #90S		P-10-30N-14W	NM-10561	FED	FED	N/A	Basin Fruitland Coal	6	200	0	E/2-318.05A	08/20/2004	pending	11/04/2002	N/A
Big Field #92	32201	K-15-30N-14W	NM-10561	FED	FED	N/A	Basin Fruitland Coal	6	200	0	S/2-320A	08/20/2004	pending	pending	N/A
Big Field #92S	32203	O-15-30N-14W	NM-10561	FED	FED	N/A	Basin Fruitland Coal	6	200	0	S/2-320A	08/20/2004	pending	pending	N/A
Humble Kirtland #3		H-13-30N-14W	SF-079070	FED	FED	N/A	Harper Hill FR Sand PC	6	250	0	NE/4-154.98A	08/20/2004	pending	pending	N/A
Humble Kirtland Com #90S		D-13-30N-14W	NM-6899	FED	FED	NMNM108168	Basin Fruitland Coal	6	200	0	N/2-314.98A	08/20/2004	pending	11/04/2002	N/A
Lisbon #3	32257	N-11-30N-14W	NM-71716	FED	FED	N/A	Harper Hill FR Sand PC	6	250	0	SW/4-160A	08/20/2004	pending	pending	N/A
Lisbon #90S	32261	C-11-30N-14W	NM-71716	FED	FED	N/A	Basin Fruitland Coal	6	200	0	W/2-316.52A	08/20/2004	pending	11/04/2002	N/A
Molly Pitcher #5	32200	A-14-30N-14W	NM-628	FED	FED	N/A	Harper Hill FR Sand PC	6	250	0	NE/4-160A	08/20/2004	pending	pending	N/A
Molly Pitcher #90S	32199	P-14-30N-14W	NM-628	FED	FED	N/A	Basin Fruitland Coal	6	200	0	E/2-320A	08/20/2004	pending	11/04/2002	N/A
Mucho Deal Com #15	32219	M-14-30N-14W	NM-15272	FED	FED	pending	Harper Hill FR Sand PC	6	250	0	SW/4-160A	08/20/2004	pending	pending	N/A
Mucho Deal Com #90S	32204	D-14-30N-14W	NM-26052	FED	FED	NMNM108169	Basin Fruitland Coal	6	200	0	W/2-320A	08/20/2004	pending	11/04/2002	N/A
Piflon #3		N-13-30N-14W	NM-6899	FED	FED	N/A	Harper Hill FR Sand PC	6	250	0	SW/4-160A	08/20/2004	pending	pending	N/A
Piflon Com #90S		I-13-30N-14W	SF-079070	FED	FED	NMNM108161	Basin Fruitland Coal	6	200	0	S/2-311.80A	08/20/2004	pending	11/04/2002	N/A

*AHarper
 #5
 P86 of 88*

Notes:

N/A - Not applicable or not needed.

- ① Current production data represents daily average for 5/04 & 6/04. For wells completed but not producing, data presents IP test. For wells not completed, data presents anticipated production rates.
- ② Application for surface commingling (SC) plus off-lease measurement & sale (OLM&S) of natural gas. Since there are no state leases, approvals are only required from the New Mexico Oil Conservation Division (NIMOC) and the Bureau of Land Management (BLM). NIMOC's most recent order is PLC-219 dated 11/4/02.
- ③ NIMOC Commingling Order PC-1017, dated 08/30/00, authorized converting El Paso Meter #93115 (NENE 15-30N-14W) to a CDP for Dugan's Big Field No. 1 & 5 wells, plus the off-lease measurement for both wells. BLM approval was dated 09/14/00. NIMOC Order PLC-219 dated 11/4/02 (BLM approval 10/28/02) authorized both wells for Pifon Mesa Gathering System (El Paso meter 90018).
- ④ NIMOC Commingling Order PC-1019, dated 09/18/00, authorized converting El Paso Meter #90019 (SENW 14-30N-14W) to a CDP for Dugan's Mucho Deal No. 1 & 14 wells. BLM approval was dated 09/14/00. NIMOC Order PLC-219 dated 11/4/02 (BLM approval 10/28/02) authorized both wells for Pifon Mesa Gathering System (El Paso meter 90018).

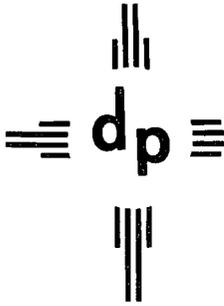
⑤ As a result of surface topography, the infill well, Big Field No. 91S will be connected to Dugan's Turks Toast Gas Gathering System to the west. A separate application to do so will be made.

Well	Spud	Casing Size & Depth	Well Status as of 8/23/04
Big Field No. 7	05/24/2004	5 1/2" @ 1875'	Started completion 8/18/04 - perf'd & frac'd FR Sand-PC
Big Field No. 8	07/15/2004	5 1/2" @ 1414'	Waiting on completion
Big Field No. 90S	---	---	Location is tentative - APD to be submitted
Big Field No. 92	07/28/2004	5 1/2" @ 1505'	Waiting on completion
Big Field No. 92S	08/03/2004	5 1/2" @ 1483'	Waiting on completion
Humble Kirtland No. 3	---	---	Location is tentative - APD to be submitted
Humble Kirtland Com No. 90S	---	---	Location is tentative - APD to be submitted
Lisbon No. 3	08/11/2004	---	Drilling @ 1920'-TD. Prep to run casing.
Lisbon No. 90S	---	---	APD approved 8/4/04 - waiting to be drilled
Molly Pitcher No. 5	05/04/2004	5 1/2" @ 1838'	Testing - perf'd FR Sand & PC, frac'd w/130,000# sand
Molly Pitcher No. 90S	04/28/2004	5 1/2" @ 1810'	Testing - perf'd FR Coal, frac'd w/130,000# sand
Mucho Deal Com No. 15	08/09/2004	5 1/2" @ 1830'	Started completion 8/18/04 - perf'd & frac'd FR Sand-PC
Mucho Deal Com No. 90S	07/01/2004	5 1/2" @ 1928'	Waiting on completion
Pifon No. 3	---	---	Location is tentative - APD to be submitted
Pifon Com No. 90S	---	---	Location is tentative - APD to be submitted

Attachment No. 5
To be published Wednesday, August 25, 2004

Please place in the legal ads as soon as possible. Once the ad has been run, please send Affidavit of Publication to Dugan Production Corp., Attn: John Roe, P. O. Box 420, Farmington, NM 87499-0420.

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM), for regulatory approvals to add 9 existing plus 6 proposed natural gas wells to Dugan Production Corp.'s Piñon Mesa Gas Gathering System. In addition, it is proposed to move the central delivery sales meter from the SENE of Section 14, T-30N, R-14W to the NENE of Section 24, T-30N, R-14W of San Juan County. This will require the surface commingling of natural gas and produced water plus the off-lease measurement and sale of natural gas. There will not be any commingling of oil or condensate. Dugan Production is also requesting that the NMOCD amend the existing surface commingling order to allow future additions to the gathering system following notice only to the interest owners being added, provided it is reasonably certain that the proposed additions will not affect the wells previously authorized for the gathering system. The wells to be added and the existing gathering system are located within Sections 10,11,13,14,15&24 of T-30N, R-14W, all located in San Juan County, New Mexico. The central delivery gas sales meter (CDP) currently authorized is located in the SE/4 NE/4 of Section 14, T-30N, R-14W and delivers gas to Gulferra Field Services (previously El Paso Field Services) at their meter No. 90018. The gathering system currently has 23 wells which are completed in the following 3 pools; Basin Dakota gas (8 wells), Basin Fruitland Coal gas (7 wells) and Harper Hill Fruitland Sand Pictured Cliffs gas (8 wells). Of the 15 wells proposed to be added, 8 will be completed in the Basin Fruitland Coal gas pool and 7 in the Harper Hill Fruitland Sand Pictured Cliffs gas pool. All wells are located upon one of the following federal leases held by Dugan Production Corp.; NM-628, NM-2555, NM-6899, NM-10561, NM-15272, NM-26052, NM-71716, SF-079070 and SF-081231-B. Any person holding an interest in any of these lands or leases may contact Dugan Production Corp. for additional information. Inquiries should be directed to John Roe at 505-325-1821 or by mail at P. O. Box 420, Farmington, NM 87499. Any objection or request for a formal hearing should be filed in writing with the NMOCD's Santa Fe Office within 20 days from the initial date of this publication. In the absence of objection, Dugan Production Corp. has requested that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.



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August 25, 2004

Mr. Mark Fesmire, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, Nm 87505

Mr. Steve Henke, Manager
Bureau of Land Management – FFO
1235 La Plata Highway, Suite A
Farmington, NM 87401

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Dugan's application dated 8/24/04
Proposed Surface Commingling plus Off-lease Measurement & Sale of Natural Gas
15 Additional Wells Operated by Dugan Production Corp.
Dugan Production Corp.'s Piñon Mesa Gathering System
San Juan County, New Mexico

Dear Mr. Fesmire, Mr. Henke and Mr. Chavez,

Please substitute the enclosed Attachment No. 1 for the Attachment No. 1 which was included with our application dated 8/24/04. The revised Attachment No. 1 contains cosmetic changes only. The initial map presented five wells (Big Field 6, Lisbon 2 & 90, Molly Pitcher 3 & 90) as locations and the revised map presents these five wells as being completed.

Sorry for any inconvenience this may create.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

enclosure

