

dugan production corp.

PME30-506635839

Rev: 2-25-05

Sup: 3-17-05

February 24, 2005

Certified – 7004 1350 0002 0327 1362

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED

FEB 25 2005

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Application for Administrative Approval of
Unorthodox Location for Dugan Production Corp.'s State Com #1-B
Unit L, Section 16, T32N, R12W
1980' FSL & 990' FWL, (S/2 - 320) - Surface Location
2219' FSL & 682' FWL, (S/2 - 320) - Bottom of Pay Zone
2251' FSL & 655' FWL, (S/2-320) - Bottom Hole Location
Blanco Mesaverde Pool

30-045-32284

Dear Mr. Stogner:

Dugan Production hereby requests administrative approval for an unorthodox location for the referenced well. Attached for your reference are the following exhibits:

1. Well location and acreage dedication plat for original proposed location before drilling (NMOCD Form C-102).
2. Well location and acreage dedication plat for actual location of bottom of pay after drilling (NMOCD Form C-102).
3. Topographic map.
4. Structure map of the top of the Point Lookout Sandstone of the Mesaverde Group.
5. Deviation surveys taken during drilling operations and reported to the NMOCD on February 3, 2005.
6. Depth chronology of attempts made while drilling to maintain a straight hole.
7. Halliburton (SDDT) Directional Data log run after drilling operations were complete.
8. Mesaverde - Offsetting Working Interest Owners Map.
9. Mesaverde - Offsetting Royalty Interest Owners Map.

The unorthodox location is necessary due to excessive and uncontrollable deviations encountered while drilling the State Com #1-B.

The Dugan Production Corp. State Com #1B gas well is located in Sec. 16, T32N, R12W 1980' FSL and 990' FWL and is dedicated to the S/2 320-acres proration unit (Exhibit 1). The objective of the well was to drill and complete the Point Lookout sand interval of the Mesaverde Group.

The location of the well on the steeply dipping (25° down to the southeast) Hogback Monocline on the northwest side of the San Juan Basin (Exhibit 3 and 4) and the water sensitive nature of the objective, Mesaverde interval created drilling concerns for Dugan Production. To address these concerns, during the planning stages for the well, drilling records were reviewed and numerous discussions with other operators, drilling contractors and service company personnel familiar with working in the immediate area and on similar problems were conducted. All parties involved were confident that a straight hole with minimal formation damage could be drilled using mud and down hole motors for the intermediate hole and using air with variations of weight on the bit and RPM's for the production hole.

In order to drill a straight hole and minimize damage to the producing zone from drilling fluids, the following bottom hole assembly and drilling procedure for the well was developed:

1. Drill surface hole with mud using a down-hole mud motor and 2-non-rotating stabilizers spaced out between 5-drill collars.
2. Drill intermediate casing hole with mud using a down-hole mud motor, a 3-point reamer and 20-drill collars.
3. Drill production casing hole with air, 1-square drill collar and 9-conventional drill collars.

During the drilling of the production casing hole, increasing deviation and produced formation waters became problematic (Exhibit 5 and 6). After considerable discussion with the drilling contractor, service company and Dugan personnel, the initial bottom hole assembly and drilling procedure for the well was modified as follows:

1. Drill remaining production casing hole with air mist, 3-point reamer and 20-drill collars.
2. Increase rate of deviation survey from 1 every 60-feet to 1 every 30-feet.
3. Minimize weight on bit by reducing weight from 6,000#'s to 2,000#'s.
4. Increase RPM's of bit from 65 RPM's to 80-RPM's.
5. Run Halliburton (SDDT) directional log at total depth to determine true bottom hole location.

Efforts to control deviation were unsuccessful. While drilling the intermediate hole with mud and down hole motors a deviation of 8-1/2° was recorded. While drilling the production hole with air, minimal weight (which dramatically reduced penetration rate) and variations in RPM's, deviations increased to 12° - 13°.

Once the well was drilled and open-hole logs were run, it was determined that the top of the Blanco Mesaverde Pool was at a depth of approximately 2,185' (behind pipe and not logged, the top was correlated from offset wells) and the bottom of the Blanco Mesaverde Pool would be at a depth of approximately 4854' (deeper than total depth of well). The directional log (Exhibit 7) was run from the bottom of the hole to the surface and recorded the following locations:

Surface Location (0')	1980' FSL & 990' FWL Unit L, Sec. 16, T32N, R12W
Top of Blanco Mesaverde Pool ($\approx$ 2,185')	2,000' FSL & 954' FWL Unit L, Sec. 16, T32N, R12W
Top of pay zone (4,354')	2204' FSL & 707' FWL Unit L, Sec. 16, T32N, R12W
Bottom of pay zone (4,536')	2221' FSL & 680' FWL Unit L, Sec. 16, T32N, R12W
Bottom Hole Location (4739')	2251' FSL & 655' FWL Unit L, Sec. 16, T32N, R12W

A new C-102 to that reflects that the bottom hole location of the well is different from the surface location has been filed with the Aztec office of the OCD (Exhibit 2).

Dugan Production Corp. is waiting to complete the well and will do so only after final approval of the application for unorthodox location is received.

By certified mail, a copy of this application and request for administrative approval has been sent to all Mesaverde offsetting working interest owners, all Mesaverde offsetting royalty interest owners and the Bureau of Land Management.

Please contact me if you have any questions or need additional information.

Sincerely,



Kurt Fagrelus

Attachments

Cc:

Bureau of Land Management – 1235 La Plata Hwy., Farmington, NM 87401
(Certified Return Receipt Requested –7004 1350 0002 0327 1348)

NMOCD - 1000 Rio Brazos Road, Aztec, NM 87410
(Certified Return Receipt Requested – 7004 1350 0002 0327 1355)

XTO Energy Inc., 810 Houston St., Fort Worth, TX 76102
(Certified Return Receipt Requested – 7004 1350 0002 0327 1560)

Griffin Family Trust, 732 Bison Ave., Newport Beach, CA 92660
(Certified Return Receipt Requested – 7004 1350 0002 0327 1577)

Peak Energy Operating LLC, 3473 Main Ave., Durango, CO 81301
(Certified Return Receipt Requested – 7004 1350 0002 0327 1584)

Henrietta E. Schultz, Trustee, 500 N. Akard, Suite 2940, Dallas, TX 75210-3360
(Certified Return Receipt Requested – 7004 1350 0002 0327 1591)

Schultz Management LTD, 500 N. Akard, Suite 2940, Dallas, TX 75201-3360
(Certified Return Receipt Requested – 7004 1350 0002 0327 1607)

J. Glenn Turner, JR, Two Turtle Creek Village, 3838 Oak Lawn, Suite 1450, Dallas
TX 75219 (Certified Return Receipt Requested – 7004 1350 0002 0327 1614)

John L. Turner, 317 S. Sidney Baker #400, PMB 285, Kerrville, TX, 78028
(Certified Return Receipt Requested – 7004 1350 0002 0327 1577)

Fred E. Turner, 4925 Greenville Ave., One Energy Square, Suite 852, Dallas, TX 75206
(Certified Return Receipt Requested – 7004 1350 0002 0327 1638)

Mary Francis Turner Tr., Attn: Iris Bradley, P.O. Box 200890, Houston, TX 77216
(Certified Return Receipt Requested – 7004 1350 0002 0327 1645)

Betty Turner Calloway, PO Box 191767, Dallas, TX 75219-1767
(Certified Return Receipt Requested – 7004 1350 0002 0327 1652)

William G. Webb, 1720 Regla ROW, Suite 232, Dallas, TX 75235-2219
(Certified Return Receipt Requested – 7004 1350 0002 0327 1669)

Bill L. Bledsoe, Trustee, 5615 Netherland Court, Dallas, TX 75229
(Certified Return Receipt Requested – 7004 1350 0002 0327 1577)

W.H. Atkins, 2209 North Parkwood, Harlingen, TX, 78550
(Certified Return Receipt Requested – 7004 1350 0002 0327 1683)

John W. Barringer, 1054 Lynwood Blvd., Nashville, TN 37215
(Certified Return Receipt Requested – 7004 1350 0002 0327 1690)

Lewis T. Barringer, 192 Sayre Drive, Princeton, NJ 08540
(Certified Return Receipt Requested – 7004 1350 0002 0327 1706)

Dr. Jo Anne Callan, 1028 Santa Florencia, Solano Beach, CA 92075
(Certified Return Receipt Requested – 7004 1350 0002 0327 1713)

Megan Callan, 208 Blue Bonnet Blvd., San Antonio, TX 78209-3208
(Certified Return Receipt Requested – 7004 1350 0002 0327 1720)

Ronald I. Albin, 627 Sea Pine Way (D-2), West Palm Beach, FL 33415
(Certified Return Receipt Requested – 7004 1350 0002 0327 1737)

Energen Resource Corp., 605 Richard Arrington Blvd. No., Birmingham, AL 35203
(Certified Return Receipt Requested – 7004 1350 0002 0327 1744)

EOG Resources Inc., PO Box 840321, Dallas, TX 75284-0321
(Certified Return Receipt Requested – 7004 1350 0002 0327 1751)

Francine Sue Gold, 64 Westminister Road, Yorktown Heights, NM 10598
(Certified Return Receipt Requested – 7004 1350 0002 0327 1768)

Rene Lippman, 899 Jeffery Street 111-1, Boca Raton, FL 33487
(Certified Return Receipt Requested – 7004 1350 0002 0327 1775)

Rene Parmet, 2409 Appaloosa Circle, Sarasota, FL 34240
(Certified Return Receipt Requested – 7004 1350 0002 0327 1782)

Jay Silverman, 859 Jeffery Street 711-2, Boca Raton, FL 33487
(Certified Return Receipt Requested – 7004 1350 0002 0327 1799)

Benjamin Stern, 27 Congress, Apt. 7, Nashua, NH 03062
(Certified Return Receipt Requested – 7004 1350 0002 0327 1805)

Harold Stern, 3124 Rumble Rd. E., Bloomington, IN 47408
(Certified Return Receipt Requested – 7004 1350 0002 0327 1812)

Steven Stern, 226 Arrowhead Ct., Johnston, PA 15905-2960
(Certified Return Receipt Requested – 7004 1350 0002 0327 1829)

Roxanne Tuerk, 14700, N. Beckley Square, Davie, FL 33325
(Certified Return Receipt Requested – 7004 1350 0002 0327 1836)

Jane Manning Pitkin Estate, 704 Canyon Crest Dr., Sierra Madre, CA 91024-1312
(Certified Return Receipt Requested – 7004 1350 0002 0327 1843)

Elizabeth White Family Trust, PO Box 780099, Dallas, TX 75378-0099
(Certified Return Receipt Requested – 7004 1350 0002 0327 1850)

Ben R. Howard, 11490 Audelia Rd., Apt. 215, Dallas, TX 75243
(Certified Return Receipt Requested – 7004 1350 0002 0327 1867)

Brian Downing Gibson, 66C Arroyo Hondo Trail, Santa Fe, NM 87505
(Certified Return Receipt Requested – 7004 1350 0002 0327 1874)

Gibson Family Trust, PO Box 546, Tesuque, NM 87574
(Certified Return Receipt Requested – 7004 1350 0002 0327 1881)

Gurdon Ranson Miller III, 704 Canyon Crest Dr., Sierra Madre, CA 91024
(Certified Return Receipt Requested – 7004 1350 0002 0327 1256)

Bonanza Creek Minerals, LLC, 2321 Candelaria, NW, Albuquerque, NM 87107
(Certified Return Receipt Requested – 7004 1350 0002 0327 1263)

BP America Production Co., Attn: Brian Anderson, PO Box 3092, Houston, TX 77253
(Certified Return Receipt Requested – 7004 1350 0002 0327 1270)

Mable Gleen Hamm Revocable Trust, 921 Grecian, NW, Albuquerque, NM 87107
(Certified Return Receipt Requested – 7004 1350 0002 0327 1287)

Aquaenco, Inc., PO Box 702416, Tulsa, OK 74170-2416
(Certified Return Receipt Requested – 7004 1350 0002 0327 1294)

Rains Living Trust, 19424 Shirley Court, Tarzana, CA 91356
(Certified Return Receipt Requested – 7004 1350 0002 0327 1300)

Scope Exploration Inc., PO Box 702571, Tulsa, OK 74170
(Certified Return Receipt Requested – 7004 1350 0002 0327 1850)

South Dakota Royalty Fund, Inc., PO Box 836366, Richardson, TX 75083-6366
(Certified Return Receipt Requested – 7004 1350 0002 0327 1850)

Aspen Land and Exploration Co., PO Box 4335, Tulsa, OK 74159-4335
(Certified Return Receipt Requested – 7004 1350 0002 0327 1331)

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form
Revised February 21,
Instructions or
Submit to Appropriate District ()
State Lease - 4 ()
Fee Lease - 3 ()

☐ AMENDED REP. 1.

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32284		*Pool Code 72319	*Pool Name BLANCO MESAVERDE
*Property Code 3850	*Property Name STATE COM		*Well Number 18
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6005'

10 Surface Location

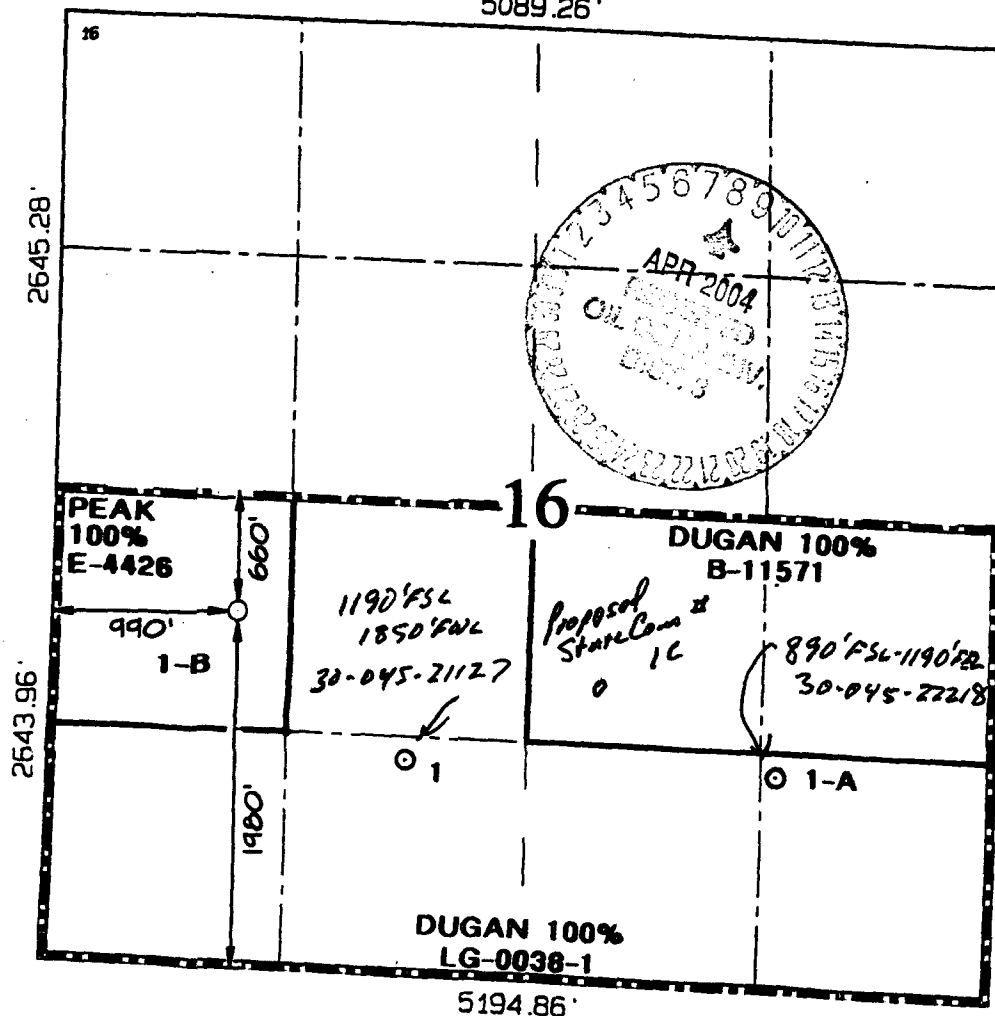
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	32N	12W		1980	SOUTH	990	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 320.0 Acres - (S/2)					*Joint or Infill	*Consolidation Code	*Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

5089.26'



17 OPERATOR CERTIFICATION

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

Kurt Fagrelus
Signature

Kurt Fagrelus

Printed Name
Geologist

Title
4/7/2004

Date

18 SURVEYOR CERTIFICATION

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 belief.

Survey Date: MARCH 19, 2004

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-
Revised February 21, 1994
Instructions on 1
Submit to Appropriate District Of
State Lease - 4 Col
Fee Lease - 3 Col

☐ AMENDED REPO

EXHIBIT 2.

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 72319	*Pool Name BLANCO MESAVERDE
*Property Code	*Property Name STATE COM		*Well Number 1B
*GRID No. 0065 15	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6005'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	32N	12W		1980	SOUTH	990	WEST	SAN JUAN

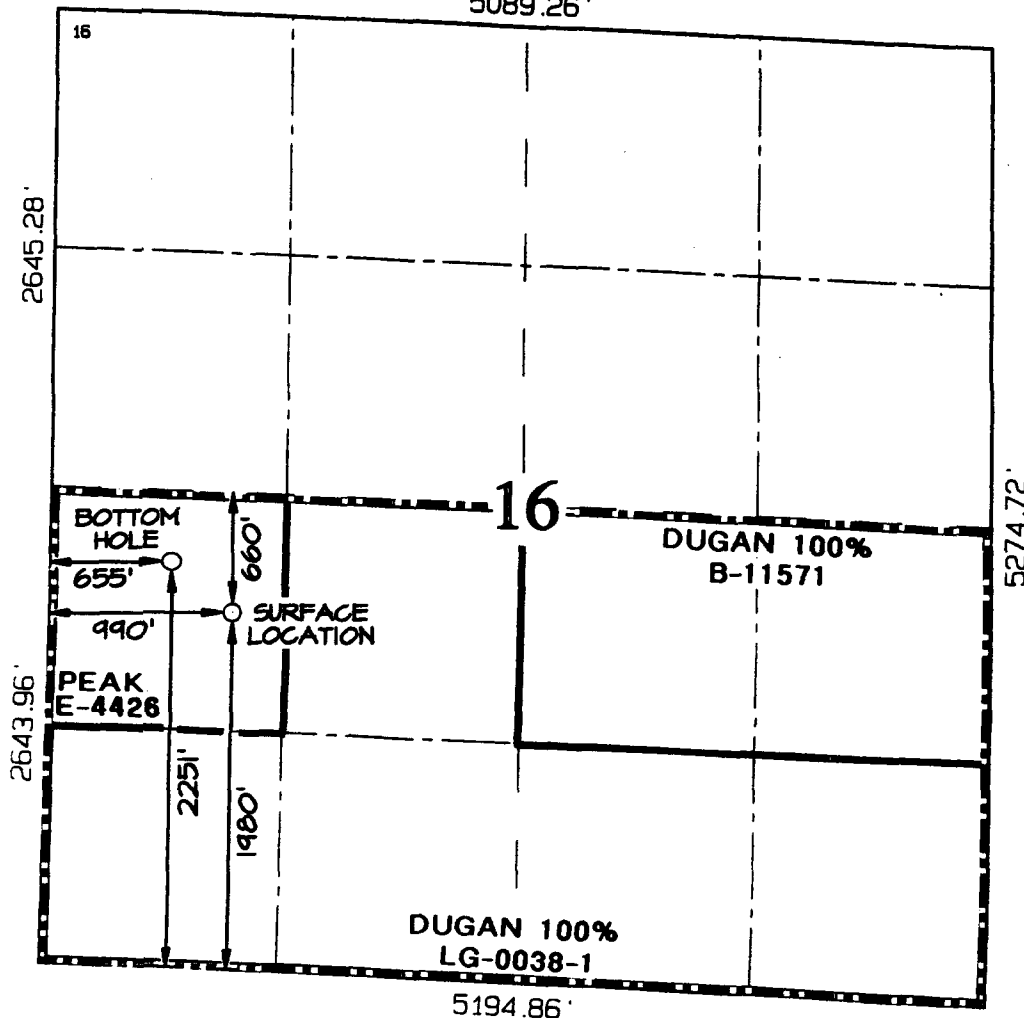
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	32N	12W		2251	SOUTH	655	WEST	SAN JUAN

¹² Dedicated Acres 320.0 Acres - (S/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

5089.26'



¹⁷ OPERATOR CERTIFICATION

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

Kurt Fagrelus
Signature

Kurt Fagrelus

Printed Name
Geologist

Title
February 23, 2005

Date

¹⁸ SURVEYOR CERTIFICATION

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 belief.

Survey Date: MARCH 19, 2004
Date Revised: FEBRUARY 22, 2005

Signature and Seal of Professional Surveyor

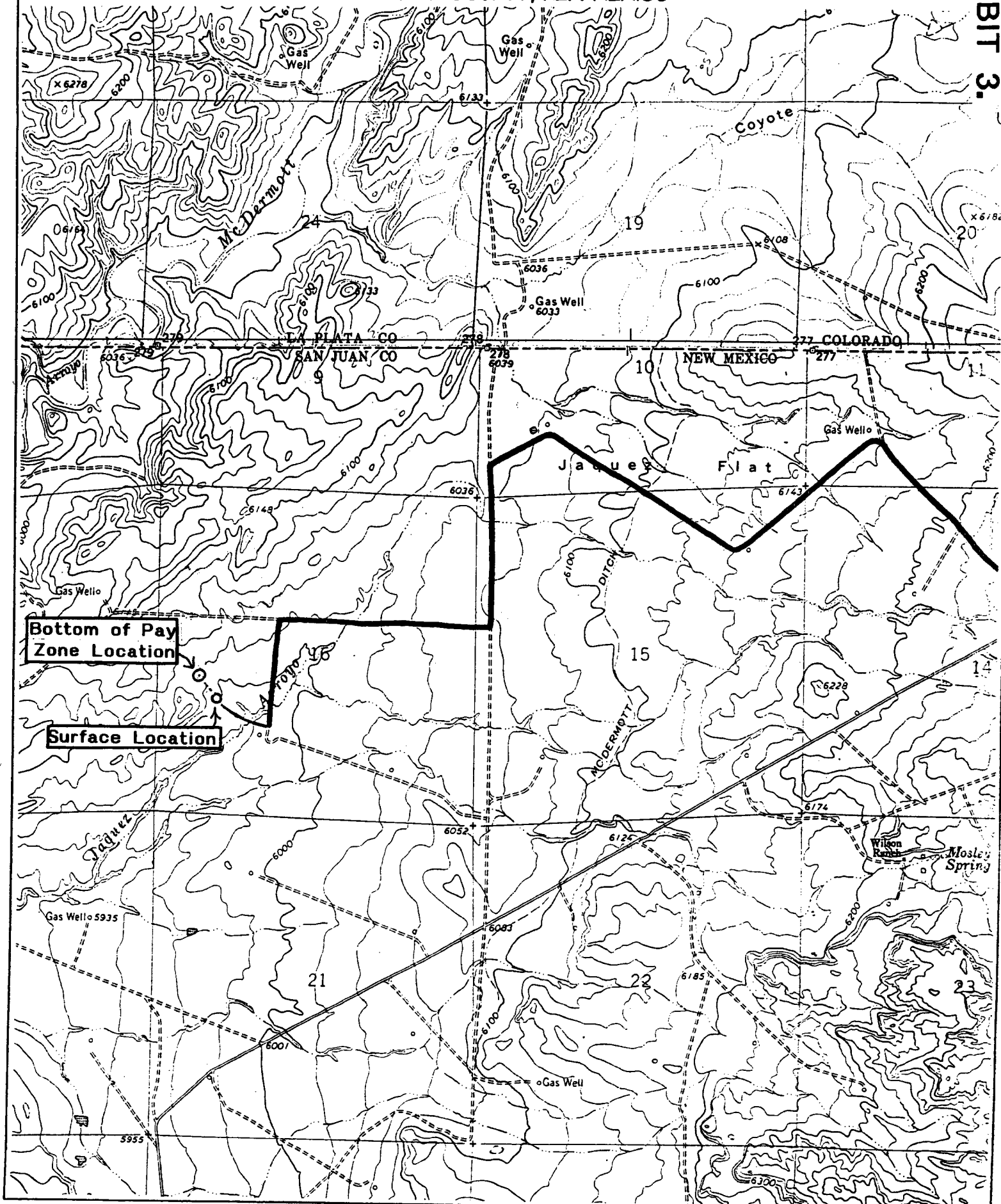


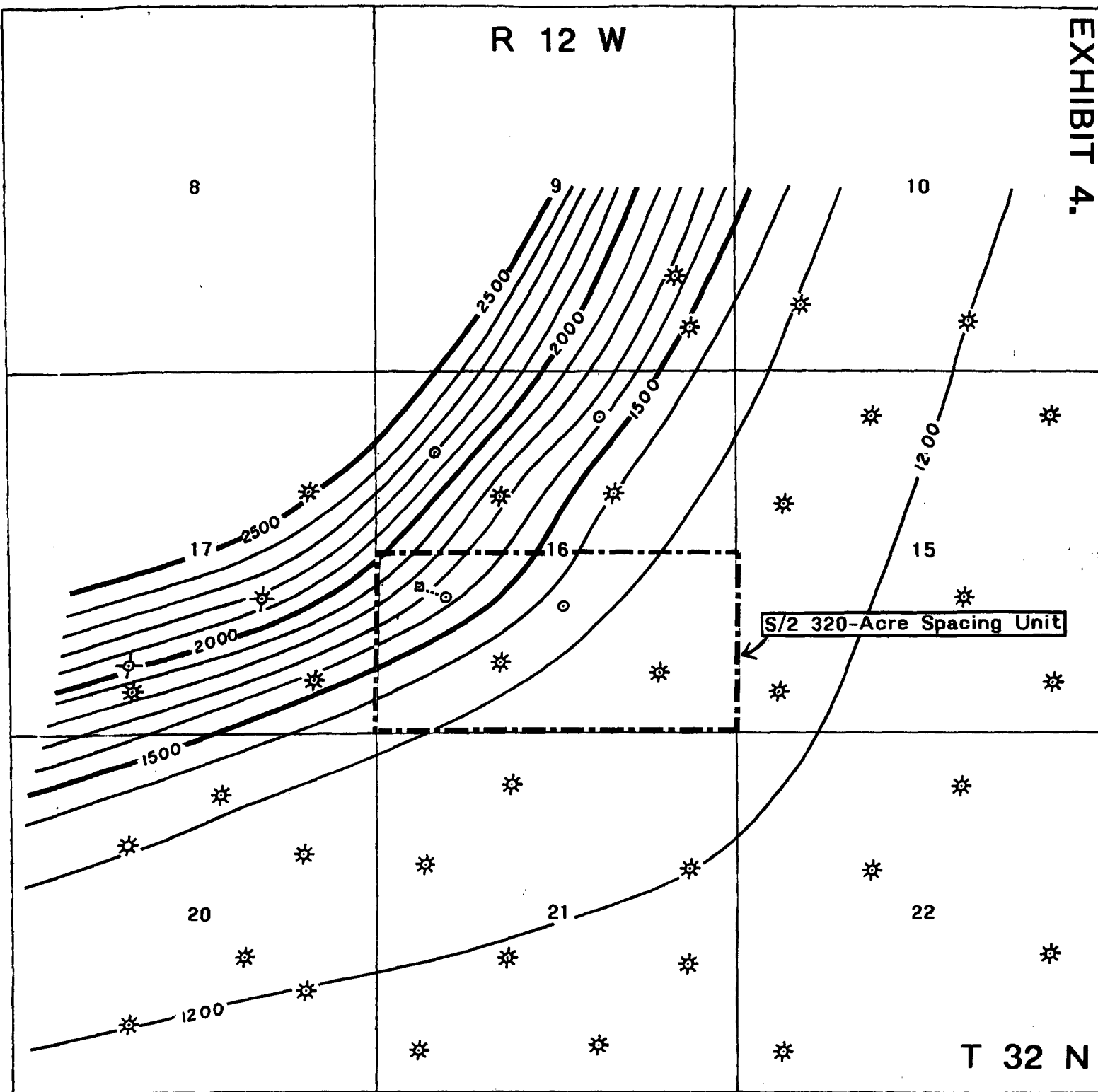
JASON C. EDWARDS
Certificate Number 15269

DUGAN PRODUCTION CORPORATION STATE COM #1B

1980' FSL & 990' FWL, SECTION 16, T32N, R12W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO

EXHIBIT 3.





**Application for Administrative Approval of
Unorthodox Location for Dugan Production Corp.'s State Com #1-B
Unit L, Section 16, T32N, R12W
1980' FSL & 990' FWL, (S/2 - 320)-Surface Location
2221' FSL & 680' FWL, (S/2 - 320)-Bottom of Pay Zone**

POINT LOOKOUT STRUCTURE MAP

Contour Interval 100-Feet

February 22, 2005



dugan production corp.

EXHIBIT 5.

February 3, 2005

New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Dugan Production Corp.
State Com #1B
API #30 045 32284
Unit L Sec. 16, T32N, R12W
San Juan County, NM

Ladies/Gentlemen:

Below are the deviations reported by the drilling contractor for the subject well:

3/4° @ 97'	4° @ 1332'	6-3/4° @ 2370'	8 1/2° @ 2982'	11° @ 3948'	12° @ 4480'
1/4° @ 197'	4° @ 1396'	8° @ 2434'	8 1/2° @ 3053'	12° @ 4010'	11° @ 4511'
1 1/4° @ 313'	5-3/4° @ 1544'	8° @ 2465'	8 1/2° @ 3116'	12 1/4° @ 4043'	12° @ 4541'
1-3/4° @ 384'	4 1/4° @ 1638'	8° @ 2495'	10° @ 3293'	13 1/4° @ 4103'	12° @ 4572'
1 1/2° @ 443'	6 1/4° @ 1701'	8° @ 2526'	10° @ 3324'	12° @ 4137'	12° @ 4605'
1-3/4° @ 536'	6 1/2° @ 1774'	7-3/4° @ 2558'	10° @ 3387'	12° @ 4165'	11° @ 4637'
1° @ 625'	6 1/4° @ 1797'	8-3/4° @ 2588'	10 1/4° @ 3463'	12° @ 4199'	10° @ 4667'
2° @ 705'	6 1/4° @ 1888'	8 1/2° @ 2642'	10 1/4° @ 3495'	12° @ 4230'	11 1/2° @ 4698'
2° @ 798'	6 1/4° @ 1951'	8 1/2° @ 2677'	10° @ 3578'	12° @ 4261'	11° @ 4730'
2° @ 902'	6° @ 2087'	8 1/4° @ 2730'	10° @ 3641'	13 1/4° @ 4292'	
2° @ 995'	5-3/4° @ 2150'	8 1/4° @ 2762'	10 1/4° @ 3713'	13° @ 4325'	
3° @ 1085'	7° @ 2213'	8 1/4° @ 2794'	10 1/4° @ 3767'	13° @ 4356'	
3 1/4° @ 1173'	6 1/4° @ 2245'	8 1/4° @ 2856'	10 1/4° @ 3822'	13° @ 4388'	
4 1/4° @ 1261'	6 1/2° @ 2308'	8 1/4° @ 2921'	10 1/4° @ 3885'	13° @ 4418'	

Sincerely,


John Alexander
Vice-President

JA/tmf

State of New Mexico) ss
County of San Juan)

Subscribed and sworn to before me this 3rd day of February, 2005.


Notary Public

My Commission Expires: 02/07/07

EXHIBIT 6.
Dugan Production Corp. - State Com #1B Drilling Chronology

Date	Deviation	Weight on Bit (lbs)	Rotary Table (rpm's)	Drilling Rate (ft./day)	Operation
01-04-05	¾° @ 97'			240'	Spud 12-1/4" surface hole (mud motor, 1- non-rotating stabelizer, drill collar, 1-non-rotating stabelizer & 4-drill collars).
01-05-05	¼° @ 197'				Cement 9-5/8" surface pipe at 230'.
01-06-05	1¼° @ 313'	10,000	60	415	Drilling with mud (8-3/4" HTC-HXS03 bit #2, mud motor, 3-pt. reamer & 20-drill collars)
	1-3/4° @ 384'	7,000			
	1½° @ 443'	5,000			
	1-3/4° @ 536'	5,000			
	1° @ 625'	5,000			
01-07-04	2° @ 705'	10,000	65	545	Drilling with mud
	2° @ 798'	8,000			
	2° @ 902'	8,000			
	2° @ 995'	8,000			
	3° @ 1085'	8,000			
	3¼° @ 1173'	6,000			
01-08-05	4¼° @ 1261'	4,000	65	430	Drilling with mud
	4° @ 1332'	4,000			
	4° @ 1396'	4,000			
	5-3/4° @ 1544'	4,000			
01-09-05	4¼° @ 1638'	4,000	65	173	Drilling with mud
	6¼° @ 1701'	4,000			
	6½° @ 1774'	4,000			
01-10-05	6¼° @ 1797'	4,000	70	37	Drilling with mud , trip for bit #3 (8-3/4" HTC-09CJ same drilling assembly as above).
	6¼° @ 1888'	4,000			
	6¼° @ 1951'	4,000			
01-11-05	6° @ 2087'	4,000	70	340	Drilling with mud
	5-3/4° @ 2150'	4,000			
	7° @ 2213'	4,000			
	6½° @ 2245'	4,000			
	6½° @ 2308'	4,000			
	6-3/4° @ 2370'	4,000			

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FEB 25 2005
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Dugan Production Corp. - State Com #1B Drilling Chronology

Date	Deviation	Weight on Bit (lbs)	Rotary Table (rpm's)	Drilling Rate (ft./day)	Operation
01-12-05	8° @ 2434'	4,000	70	169	Drilling with mud
	8° @ 2465'	4,000			
	8° @ 2495'	4,000			
	8° @ 2526'	4,000			
	7-3/4° @ 2558'	4,000			
01-13-08	8-3/4° @ 2588'	4,000	60	107	Drilling with mud, TD for intermediate casing reached 2700'.
	8½° @ 2642'	4,000			
	8½° @ 2677'	4,000			
01-14-05				0	Run and cement 7" intermediate casing.
01-15-05				0	Rig service, dry hole up and prepare to drill with air.
01-16-05	8¼° @ 2730'	4,000	70	447	Drilling with air, bit #4 (6-1/4" HTC HTX-20, square drill collar & 9-drill collars)
	8¼° @ 2762'	4,000	70		
	8¼° @ 2794'	4,000	70		
	8¼° @ 2856'	4,000	70		
	8¼° @ 2921'	4,000	70		
	8½° @ 2982'	4,000	70		
	8½° @ 3053'	4,000	70		
	8½° @ 3116'	4,000	70		
01-17-05	10° @ 3293'	4,000	75	316	Drilling with air
	10° @ 3324'	4,000	75		
	10° @ 3387'	4,000	75		
	10¼° @ 3463'	4,000	75		
01-18-05	10¼° @ 3495'	4,000	75	280	Drilling with air
	10° @ 3578'	4,000	75		
	10° @ 3641'	4,000	75		
	10½° @ 3713'	4,000	75		
01-19-05	10½° @ 3767'	4,000	70	64	Drilling with air mist, trip for bit #5 (6-1/4" HTC STX-35, 2-drill collars, 3-pt. reamer, 18-drill collars)
01-20-05	10½° @ 3822'	5,000	75	70	Drilling with air mist
01-21-05	10¼° @ 3885'	7,000	65	182	Drilling with air mist
	11° @ 3948'	6,000	65		

Dugan Production Corp. - State Com #1B Drilling Chronology

	12° @ 4010'	4,000	65		
Date	Deviation	Weight on Bit (lbs)	Rotary Table (rpm's)	Drilling Rate (ft./day)	Operation
01-22-05	12¼° @ 4043' 13½° @ 4103'	3,000 3,000	80 80	76	Drilling with air mist, trip for bit #6 (6-1/4" HTC STX-35, 3-pt. reamer & 20-drill collars)
01-23-05	12° @ 4137' 12° @ 4165'	2,000 2,000	80 80	223	Drilling with air mist
	12° @ 4199'	2,000	80		
	12° @ 4230'	2,000	80		
	12° @ 4261'	2,000	80		
	13¼° @ 4292'	2,000	80		
	13° @ 4325'	2,000	80		
01-24-05	13° @ 4356'	2,000	80	163	
	13° @ 4388'	2,000	80		
	13° @ 4418'	2,000	80		
	12° @ 4480'	2,000	80		
01-25-05	11° @ 4511'	2,000	80	129	Drilling with air mist, trip for bit #7 (6-1/4" HTC STX-20, 3-pt. reamer & 20-drill collars)
	12° @ 4541'	2,000	80		
	12° @ 4572'	2,000	80		
	12° @ 4605'	2,000	80		
	11° @ 4637'	2,000	80		
01-26-05	10° @ 4667'	3,000	80	100	Drilling with air mist, TD-4750', logging.
	11½° @ 4698'	3,000	80		
	11° @ 4730'	3,000	80		
01-27-05					Cement 4-1/2" production pipe at 4732'.

HALLIBURTON

DIRECTIONAL DATA

EXHIBIT 7.

COMPANY <u>DUGAN PRODUCTION CORP.</u>	
WELL <u>STATE COM No. 1B</u>	
FIELD <u>BLANCO MESAVERDE</u>	
COUNTY <u>SAN JUAN</u>	STATE <u>NM</u>

COMPANY <u>DUGAN PRODUCTION CORP.</u>	
WELL <u>STATE COM No. 1B</u>	
FIELD <u>BLANCO MESAVERDE</u>	
COUNTY <u>SAN JUAN</u>	STATE <u>NM</u>

API No. <u>300453228400</u>	Other Services HRI SDL/DSN
Location <u>1980' FSL 0980' FWL LAT -36.59 04 N LONG -108.06 22 W</u>	

Secd <u>16</u>	Twp <u>32N</u>	Rge <u>12W</u>
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Permanent Datum	GROUND LEVEL	Elev	6005'
Log measured from	K.B.	12	ft. above perm. datum
Drilling measured from	KELLY BUSHING		
Date	01-26-05		
Run No.	ONE		
Depth - Driller	4750'		
Depth - Logger	4728'		
Bottom - Logged Interval	4718'		
Top - Logged Interval	CASING		
Casing - Driller	7.00' @ 2700'		
Casing - Logger	2700'		
Bt Size	6.25"		
Type Fluid in Hole	AIR		
Dens. Visc.	N/A N/A		
Ph Fluid Loss	N/A N/A		
Source of Sample	N/A		
Rm @ Meas. Temp.	N/A @ N/A		
Rmf @ Meas. Temp.	N/A @ N/A		
Rmc @ Meas. Temp.	N/A @ N/A		
Source Rmf Rmc	N/A N/A		
Run @ BHT	N/A @ 145 F		
Time Since Circ.	01-25 2030		
Time on Bottom	01-26 0300		
Max. Rec. Temp.	149 F @ T.D.		
Equip. Location	48965 FMTN.		
Recorded By	D. MEDFORD		
Witnessed By	K. FAGRELIUS		

Service Ticket No.: <u>3498130</u>	API Serial No.: <u>300453228400</u>	PGM Version: <u>XL v5.0</u>
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CHANGE IN MUD TYPE OR ADDITIONAL SAMPLES				RESISTIVITY SCALE CHANGES			
Date Sample No.		Type Log	Depth	Scale Up Hole	Scale Down Hole		
Depth - Driller							
Type Fluid							
In Hole							
Dens. Visc.							
Ph Fluid Loss							
Source of Sample		RESISTIVITY EQUIPMENT DATA					
Rm @ Meas. Temp.		Run No.	Tool Type & No.	Pad Type	Tool Pos.	Other	
Rmf @ Meas. Temp.		ONE	HRI #133S025	N/A	FREE	N/A	
Rmc @ Meas. Temp.							
Source Rmf Rmc							
Rm @ BHT							
Rmf @ BHT							
Rmc @ BHT							

EQUIPMENT DATA							
GAMMA		ACOUSTIC		DENSITY		NEUTRON	
Run No.	ONE	Run No.		Run No.	ONE	Run No.	ONE
Serial No.	A070	Serial No.		Serial No.	I018P048	Serial No.	A007
Model No.	NGRT-A	Model No.		Model No.	SDL_DA	Model No.	DSN
Diameter	3.625"	No. of Cent.		Diameter	4.5"	Diameter	3.625"
Detector Model No.	102A	Spacing		Log Type	GAM-GAM	Log Type	EPITHERM
Type	SCINT.			Source Type	Ce137	Source Type	Am241Be
Length	4"	LSA [Y/N]	NO	Serial No.	2647 GW	Serial No.	DSN-34
Distance to Source	17'	FWDA [Y/N]	NO	Strength	1.5 Ci	Strength	18.5 Ci

LOGGING DATA														
GENERAL			GAMMA		ACOUSTIC			DENSITY			NEUTRON			
Run	Depth	Speed	Scale		Scale			Scale			Scale			
No.	From	To	Ft / Min	L	R	L	R	Matrix	L	R	Matrix	L	R	Matrix
ONE	T.D.	CSG.	REC.	0	200				30%	-10%	2.65	30%	-10%	SAND

DIRECTIONAL INFORMATION			
Maximum Deviation		deg. @	KOP

Remarks:

HRI-SDL-DSN-SDDT-GR WERE RUN IN COMBINATION.

ANNULAR HOLE VOLUME CALCULATED FOR 4.5" CASING.

ANNULAR HOLE VOLUME = 372 CU/FT. BORE HOLE VOLUME = 597 CU/FT.

BOREHOLE RUGOSITY AND TENSION PULLS MAY AFFECT TOOL RESPONSE.

YOUR CREW TODAY-- J. HAMMONS & J.D. BIZZELL.

RIG-- BEARCAT #3.

THANK YOU FOR CHOOSING HALLIBURTON ENERGY SERVICES, FARMINGTON, NM. (505)324-3500.

HALLIBURTON DOES NOT GUARANTEE THE ACCURACY OF ANY INTERPRETATION OF THE LOG DATA, CONVERSION OF LOG DATA TO PHYSICAL ROCK PARAMETERS OR RECOMMENDATIONS WHICH MAY BE GIVEN BY HALLIBURTON PERSONNEL OR WHICH APPEAR ON THE LOG OR IN ANY OTHER FORM. ANY USER OF SUCH DATA, INTERPRETATIONS, CONVERSIONS, OR RECOMMENDATIONS AGREES THAT HALLIBURTON IS NOT RESPONSIBLE EXCEPT WHERE DUE TO GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, FOR ANY LOSS, DAMAGES, OR EXPENSES RESULTING FROM THE USE THEREOF.

HALLIBURTON

RECORD OF TVD SURVEY

Date: 26-Jan-2005 06:09:

Calculated by Desktop Petrophysics TVD, Minimum Curvature Method

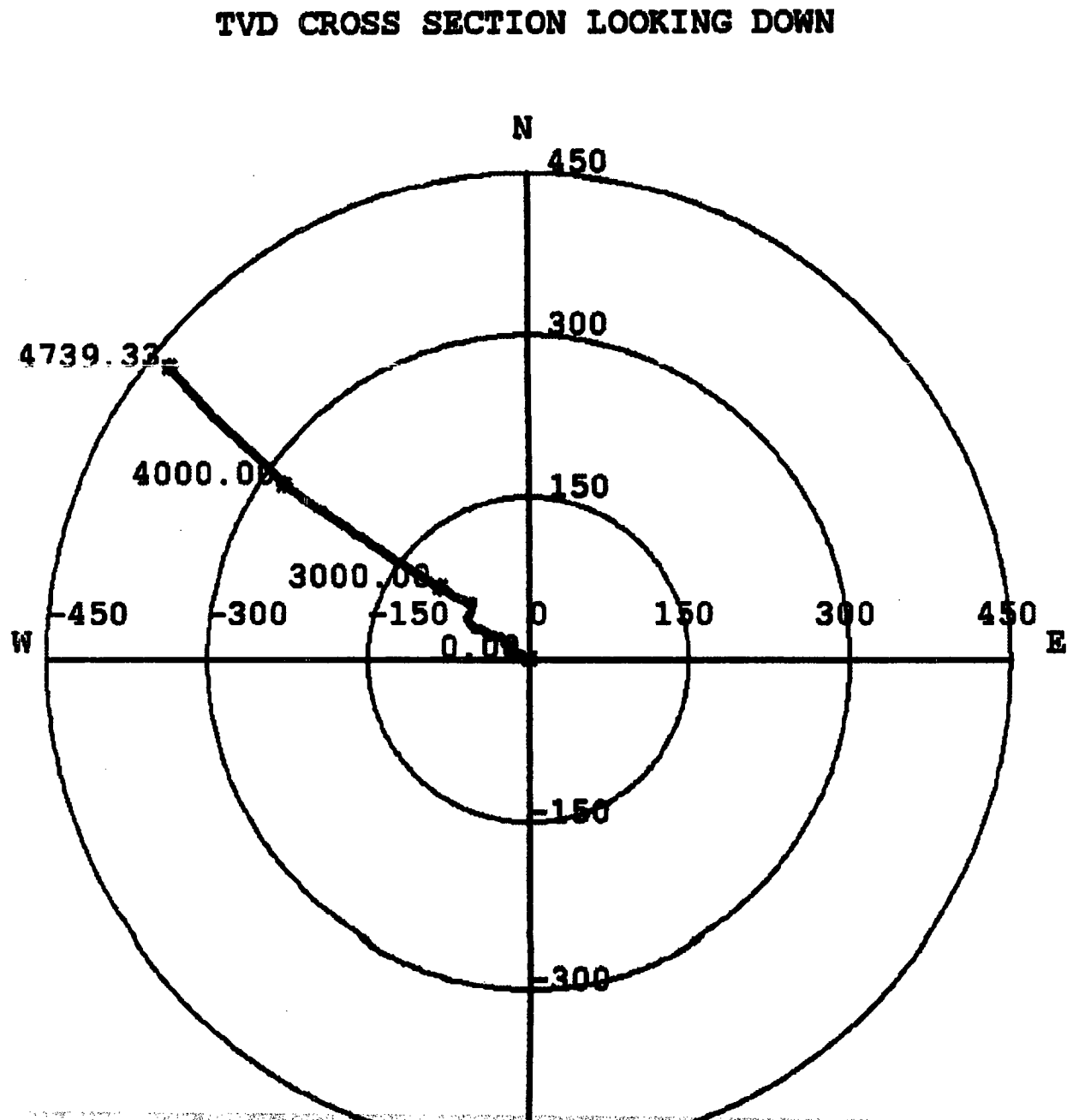
MEAS. DEPTH (FT)	DRIFT ANGLE (DEG)	T.V.D. (FT)	HOLE BEARING (DEG)	COURSE COORDINATES				TOTAL COORDINATES			
				NORTH (FT)	SOUTH (FT)	EAST (FT)	WEST (FT)	NORTH (FT)	SOUTH (FT)	EAST (FT)	WEST (FT)
-13.17	0.43	-13.17	357.69	0.00		0.00		0.00		0.00	
34.60	0.43	34.60	357.69	0.17		-0.05		0.34		-0.10	
58.48	0.43	58.48	357.69	0.17		-0.05		0.51		-0.15	
82.36	0.43	82.36	357.69	0.17		-0.05		0.68		-0.20	
106.24	0.43	106.24	357.69	0.17		-0.05		0.85		-0.25	
130.12	0.40	130.12	221.42	0.01		0.06		0.86		-0.31	
154.01	0.40	154.01	178.63	-0.15		-0.02		0.71		-0.33	
177.89	0.47	177.89	56.01	-0.01		0.09		0.70		-0.24	
201.77	0.45	201.77	223.29	-0.01		0.02		0.69		-0.22	
225.65	0.55	225.65	113.56	-0.10		0.07		0.59		-0.15	
249.53	0.56	249.53	288.14	-0.01		0.00		0.58		-0.15	
273.42	0.68	273.42	77.87	0.07		0.01		0.65		-0.14	
297.30	0.72	297.30	129.95	-0.01		0.26		0.64		0.12	
321.18	0.72	321.18	140.19	-0.16		0.25		0.48		0.37	
345.06	0.74	345.06	207.28	-0.24		0.08		0.24		0.45	
368.94	0.83	368.94	292.24	-0.12		-0.21		0.12		0.24	
392.83	0.91	392.83	294.92	0.07		-0.36		0.19		-0.12	
416.71	0.96	416.71	195.67	-0.16		-0.19		0.03		-0.31	
440.59	0.96	440.59	274.98	-0.23		-0.21		-0.20		-0.52	
464.47	1.08	464.47	221.92	-0.22		-0.31		-0.42		-0.83	
488.35	1.16	488.35	157.43	-0.39		0.03		-0.81		-0.80	
512.24	1.25	512.24	245.33	-0.36		-0.07		-1.17		-0.87	
536.12	1.28	536.12	79.17	-0.05		0.04		-1.22		-0.83	
560.00	1.37	560.00	175.29	-0.16		0.33		-1.38		-0.50	
583.88	1.44	583.87	244.98	-0.46		-0.15		-1.84		-0.65	
607.76	1.48	607.75	76.31	-0.05		0.04		-1.89		-0.61	
631.64	1.67	631.62	343.15	0.44		0.10		-1.45		-0.51	
655.53	1.72	655.51	201.32	-0.05		-0.23		-1.50		-0.74	
679.41	1.74	679.39	346.50	-0.03		-0.21		-1.53		-0.95	
703.29	1.76	703.26	349.82	0.66		-0.31		-0.87		-1.26	
727.17	1.89	727.13	293.81	0.41		-0.53		-0.46		-1.79	
751.05	1.90	751.00	332.69	0.38		-0.64		-0.08		-2.43	
774.94	1.91	774.88	341.35	0.64		-0.47		0.56		-2.90	
798.82	1.95	798.75	331.25	0.64		-0.48		1.20		-3.38	
822.70	1.84	822.62	283.33	0.31		-0.65		1.51		-4.03	
846.58	2.11	846.49	334.63	0.35		-0.66		1.86		-4.69	
870.46	2.14	870.35	342.78	0.73		-0.50		2.59		-5.19	
894.35	2.14	894.22	318.67	0.65		-0.59		3.24		-5.78	
918.23	2.16	918.09	190.81	-0.19		-0.35		3.05		-6.13	
942.11	2.23	941.96	25.07	0.00		0.11		3.05		-6.02	
965.99	2.26	965.82	24.77	0.92		0.19		3.97		-5.83	
989.87	2.31	989.68	335.41	0.84		-0.20		4.81		-6.03	
1013.76	2.29	1013.56	158.33	-0.01		-0.02		4.80		-6.05	
1037.64	2.44	1037.43	253.63	-0.64		-0.17		4.16		-6.22	
1061.52	2.58	1061.30	130.70	-0.50		0.03		3.66		-6.19	
1085.40	2.73	1085.16	174.20	-0.79		0.66		2.87		-5.53	
1109.28	2.85	1109.02	246.41	-0.89		-0.29		1.98		-5.82	
1133.17	2.81	1132.90	39.97	0.17		-0.21		2.15		-6.03	
1157.05	2.87	1156.77	256.70	0.26		-0.27		2.41		-6.30	
1180.93	2.83	1180.62	293.02	-0.16		-1.12		2.25		-7.42	
1204.81	2.77	1204.48	355.23	-0.65		-0.76		2.90		-8.18	
1228.69	2.81	1228.33	357.33	1.11		-0.33		4.01		-8.51	
1252.57	2.95	1252.18	325.94	0.98		-0.61		4.99		-9.12	
1276.46	3.08	1276.04	280.38	0.39		-1.09		5.38		-10.21	
1300.34	3.14	1299.90	166.70	-0.62		-0.35		4.76		-10.56	
1324.22	3.19	1323.76	266.95	-0.77		-0.35		3.99		-10.91	
1348.10	3.38	1347.61	344.95	0.44		-0.97		4.43		-11.88	
1371.98	3.38	1371.45	322.31	1.07		-0.88		5.50		-12.76	
1395.87	3.49	1395.30	297.97	0.63		-1.25		6.13		-14.01	
1419.75	3.63	1419.14	341.89	0.84		-1.09		6.97		-15.10	
1443.63	3.54	1442.99	239.24	0.14		-0.92		7.11		-16.02	
1467.51	3.84	1466.82	254.04	-0.90		-1.23		6.21		-17.25	
1491.39	3.98	1490.65	226.45	-1.08		-1.16		5.13		-18.41	
1515.28	4.15	1514.52	31.39	0.13		-0.18		5.26		-18.59	
1539.16	4.34	1538.33	43.85	1.60		0.74		6.86		-17.85	
1563.04	4.60	1562.14	54.28	1.50		1.10		8.36		-16.75	
1586.92	4.77	1585.96	125.01	0.35		1.55		8.71		-15.20	
1610.80	5.08	1609.76	175.49	-1.38		1.24		7.33		-13.96	
1634.69	5.20	1633.57	228.67	-1.89		-0.31		5.44		-14.27	

1610.80	5.08	1609.76	175.49	-1.38	1.24	7.33	-13.96
1634.69	5.20	1633.57	228.67	-1.89	-0.31	5.44	-14.27
1658.57	5.41	1657.40	349.64	0.15	-1.08	5.59	-15.35
1682.45	5.69	1681.17	349.10	2.12	-0.93	7.71	-16.28
1706.33	5.88	1704.93	349.42	2.20	-0.97	9.91	-17.25
1730.21	6.09	1728.69	309.09	1.68	-1.63	11.59	-18.88
1754.09	6.26	1752.52	102.59	0.57	0.16	12.16	-18.72
1777.98	6.40	1776.29	34.64	1.25	1.80	13.41	-16.92
1801.86	6.58	1800.11	184.48	-0.12	0.70	13.29	-16.22
1825.74	6.14	1823.90	82.23	-0.90	1.40	12.39	-14.82
1849.62	6.84	1847.72	238.65	-0.54	0.18	11.85	-14.64
1873.50	6.90	1871.54	30.96	0.37	-0.58	12.22	-15.22
1897.39	6.71	1895.35	270.42	1.06	-0.92	13.28	-16.14
1921.27	7.10	1919.06	254.00	-1.02	-2.65	12.26	-18.79
1945.15	7.05	1942.82	348.96	0.62	-1.89	12.88	-20.68
1969.03	6.89	1966.52	339.43	2.53	-1.39	15.41	-22.07
1992.91	6.73	1990.23	352.98	2.51	-1.27	17.92	-23.34
2016.80	6.48	2013.96	331.81	2.33	-1.37	20.25	-24.71
2040.68	6.26	2037.70	293.43	1.25	-2.17	21.50	-26.88
2064.56	6.01	2061.49	197.87	-1.01	-1.39	20.49	-28.27
2088.44	5.82	2085.31	330.08	-0.36	-0.93	20.13	-29.20
2112.32	5.80	2109.07	311.31	1.46	-1.89	21.59	-31.09
2136.21	5.76	2132.84	303.30	0.99	-2.19	22.58	-33.28
2160.09	5.59	2156.63	224.69	-0.57	-1.74	22.01	-35.02
2183.97	5.81	2180.39	222.72	-2.04	-1.21	19.97	-36.23
2207.85	6.17	2204.21	347.59	0.11	-1.15	20.08	-37.38
2231.73	6.35	2227.96	23.82	2.46	-0.30	22.54	-37.68
2255.61	6.59	2251.78	231.56	0.23	-0.61	22.77	-38.29
2279.50	6.60	2275.01	28.52	0.25	-0.49	25.02	-38.76
2303.38	6.94	2299.35	326.74	2.32	-0.68	25.34	-39.46
2327.26	7.18	2323.16	174.42	-0.42	-0.57	24.92	-40.03
2351.14	7.61	2346.97	332.47	-0.21	-0.56	24.71	-40.59
2375.02	7.83	2370.66	283.44	1.22	-2.66	25.93	-43.25
2398.91	8.02	2394.35	335.82	1.34	-2.64	27.27	-45.89
2422.79	8.26	2418.06	248.94	0.37	-2.44	27.64	-48.33
2446.67	8.08	2441.80	355.13	0.64	-1.94	28.28	-50.27
2470.55	8.07	2465.46	312.67	2.43	-1.97	30.71	-52.24
2494.43	7.93	2489.11	322.43	1.88	-2.73	32.59	-54.97
2518.32	7.52	2512.80	356.29	2.55	-1.72	35.14	-56.69
2542.20	8.06	2536.47	32.33	3.08	0.10	38.22	-56.59
2566.08	8.26	2560.11	40.38	3.10	1.34	41.32	-55.25
2589.96	8.28	2583.74	45.74	2.97	1.72	44.29	-53.53
2613.84	8.52	2607.39	355.86	3.14	0.41	47.43	-53.12
2637.73	8.72	2631.06	56.90	3.00	0.74	50.43	-52.38
2661.61	8.77	2654.71	354.81	3.04	0.69	53.47	-51.69
2685.49	8.83	2678.48	208.73	-0.03	-1.07	53.44	-52.76
2709.37	8.68	2702.08	223.19	-3.32	-1.40	50.12	-54.16
2733.25	8.42	2725.81	116.47	-1.97	0.80	48.15	-53.36
2757.14	8.15	2749.61	324.55	0.72	0.44	48.87	-52.92
2781.02	8.10	2773.25	311.68	1.93	-2.74	50.80	-55.66
2804.90	8.27	2796.89	312.25	1.65	-2.97	52.45	-58.63
2828.78	8.13	2820.53	311.18	1.64	-2.99	54.09	-61.62
2852.66	8.34	2844.16	312.25	1.64	-3.00	55.73	-64.62
2876.54	8.41	2867.79	312.01	1.69	-3.04	57.42	-67.66
2900.43	8.42	2891.42	311.89	1.69	-3.06	59.11	-70.72
2924.31	8.34	2915.05	312.66	1.70	-3.04	60.81	-73.76
2948.19	8.61	2938.67	313.28	1.76	-3.05	62.57	-76.81
2972.07	8.52	2962.28	313.18	1.79	-3.07	64.36	-79.88
2995.95	8.68	2985.89	313.29	1.80	-3.09	66.16	-82.97
3019.84	8.65	3009.51	313.24	1.81	-3.11	67.97	-86.08
3043.72	8.65	3033.12	313.26	1.81	-3.10	69.78	-89.18
3067.60	8.83	3056.72	313.60	1.84	-3.13	71.62	-92.31
3091.48	8.80	3080.32	314.05	1.88	-3.14	73.50	-95.45
3115.36	8.92	3103.92	314.06	1.90	-3.15	75.40	-98.60
3139.25	8.51	3127.53	310.83	1.78	-3.15	77.18	-101.75
3163.13	9.00	3151.13	313.03	1.76	-3.18	78.94	-104.93
3187.01	9.23	3174.71	315.07	1.95	-3.24	80.89	-108.17
3210.89	9.20	3198.28	314.42	2.01	-3.25	82.90	-111.42
3234.77	9.31	3221.85	313.93	1.99	-3.29	84.89	-114.71
3258.66	9.46	3245.42	315.07	2.04	-3.32	86.93	-118.03
3282.54	9.60	3268.97	315.62	2.12	-3.34	89.05	-121.37
3306.42	9.86	3292.51	315.82	2.18	-3.40	91.23	-124.77
3330.30	9.88	3316.04	315.68	2.21	-3.44	93.44	-128.21
3354.18	9.94	3339.56	316.40	2.24	-3.45	95.68	-131.66
3378.06	10.26	3363.07	316.27	2.30	-3.50	97.98	-135.16
3401.95	10.15	3386.58	316.66	2.33	-3.53	100.31	-138.69
3425.83	10.09	3410.09	316.20	2.31	-3.50	102.62	-142.19
3449.71	10.09	3433.60	317.01	2.32	-3.48	104.94	-145.67
3473.59	10.21	3457.11	316.20	2.33	-3.50	107.27	-149.17
3497.47	10.25	3480.61	315.61	2.30	-3.56	109.57	-152.73
3521.36	10.28	3504.12	315.63	2.29	-3.59	111.86	-156.32
3545.24	10.34	3527.61	316.19	2.32	-3.59	114.18	-159.91
3569.12	10.37	3551.10	316.47	2.36	-3.59	116.54	-163.50
3593.00	10.42	3574.59	316.25	2.37	-3.60	118.91	-167.10
3616.88	10.55	3598.07	316.43	2.39	-3.63	121.30	-170.73
3640.77	10.89	3621.54	317.12	2.47	-3.69	123.77	-174.42
3664.65	10.68	3645.00	317.00	2.50	-3.70	126.27	-178.12
3688.53	10.52	3668.47	317.66	2.48	-3.63	128.75	-181.75
3712.41	10.68	3691.94	316.91	2.47	-3.63	131.22	-185.38
3736.29	10.80	3715.40	317.98	2.52	-3.67	133.74	-189.05
3760.18	10.77	3738.87	317.54	2.55	-3.67	136.29	-192.72
3784.06	10.88	3762.33	318.18	2.56	-3.68	138.85	-196.40
3807.94	10.75	3785.79	316.93	2.54	-3.69	141.39	-200.09
3831.82	10.67	3809.25	317.42	2.49	-3.67	143.88	-203.76
3855.70	10.73	3832.71	318.83	2.55	-3.63	146.43	-207.39
3879.58	10.70	3856.17	319.26	2.61	-3.59	149.04	-210.98
3903.47	10.57	3879.65	318.04	2.57	-3.58	151.61	-214.56
3927.35	10.48	3903.13	318.06	2.51	-3.57	154.12	-218.13
3951.23	10.00	3926.63	317.59	2.42	-3.48	156.54	-221.61
3975.11	9.99	3950.15	322.82	2.42	-3.48	156.54	-221.61

3903.47	10.37	3873.83	318.04	2.57	-3.58	151.81	-214.58
3927.35	10.48	3903.13	318.06	2.51	-3.57	154.12	-218.13
3951.23	10.00	3926.63	317.59	2.42	-3.48	156.54	-221.61
3975.11	9.90	3950.15	322.82	2.49	-3.28	159.03	-224.89
3998.99	10.15	3973.67	326.07	2.75	-3.11	161.78	-228.00
4022.88	10.46	3997.17	327.59	2.96	-3.08	164.74	-231.08
4046.76	11.40	4020.62	329.93	3.25	-3.16	167.99	-234.24
4070.64	11.35	4044.03	329.76	3.44	-3.22	171.43	-237.46
4094.52	12.03	4067.41	331.30	3.57	-3.27	175.00	-240.73
4118.40	13.67	4090.69	330.50	3.94	-3.56	178.94	-244.29
4142.29	12.92	4113.94	323.36	3.81	-3.94	182.75	-248.23
4166.17	13.11	4137.21	323.75	3.50	-4.09	186.25	-252.32
4190.05	12.60	4160.49	323.37	3.45	-4.04	189.70	-256.36
4213.93	12.46	4183.80	323.75	3.37	-3.94	193.07	-260.30
4237.81	12.78	4207.10	325.16	3.45	-3.91	196.52	-264.21
4261.70	12.59	4230.41	326.61	3.57	-3.84	200.09	-268.05
4285.58	12.75	4253.71	324.97	3.56	-3.84	203.65	-271.89
4309.46	12.34	4277.02	325.87	3.50	-3.83	207.15	-275.72
4333.34	12.15	4300.36	325.38	3.43	-3.73	210.58	-279.45
4357.22	12.49	4323.69	325.73	3.45	-3.75	214.03	-283.20
4381.10	12.64	4347.00	326.62	3.55	-3.79	217.58	-286.99
4404.99	12.88	4370.30	327.19	3.66	-3.80	221.24	-290.79
4428.87	12.55	4393.59	327.91	3.69	-3.75	224.93	-294.54
4452.75	12.25	4416.91	329.79	3.68	-3.57	228.61	-298.11
4476.63	12.14	4440.25	329.45	3.67	-3.46	232.28	-301.57
4500.51	12.17	4463.59	330.25	3.67	-3.44	235.95	-305.01
4524.40	11.77	4486.96	329.59	3.62	-3.38	239.57	-308.39
4548.28	11.43	4510.35	330.59	3.52	-3.27	243.09	-311.66
4572.16	11.32	4533.76	330.50	3.47	-3.18	246.56	-314.84
4596.04	11.04	4557.19	332.06	3.46	-3.08	250.02	-317.92
4619.92	11.26	4580.62	333.07	3.51	-2.99	253.53	-320.91
4643.81	11.03	4604.06	332.23	3.52	-2.99	257.05	-323.90
4667.69	10.95	4627.50	333.36	3.48	-2.94	260.53	-326.84
4691.57	10.83	4650.95	334.24	3.50	-2.85	264.03	-329.69
4715.45	10.86	4674.40	334.49	3.51	-2.81	267.54	-332.50
4739.33	10.80	4697.85	335.79	3.54	-2.75	271.08	-335.25

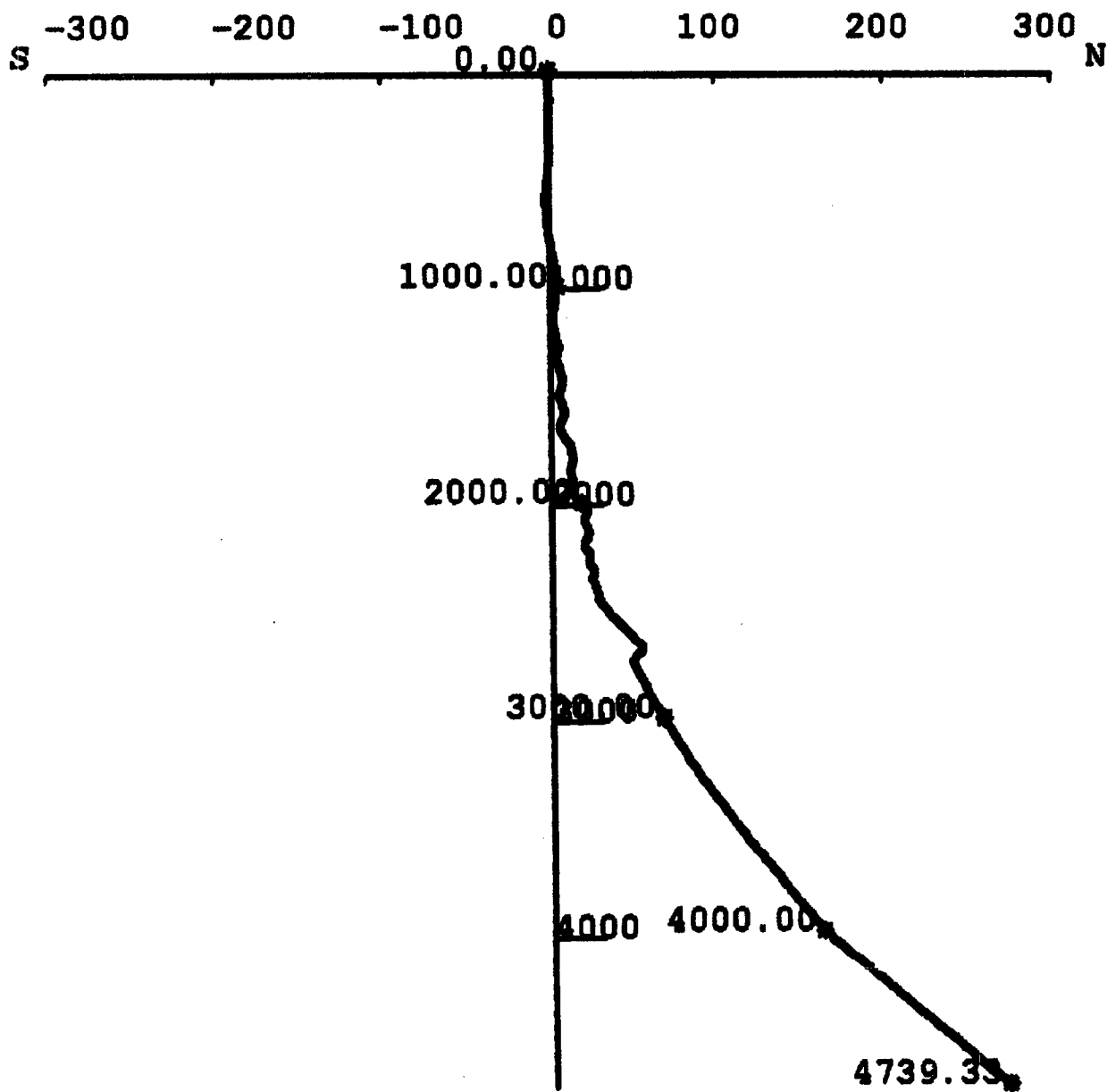
MAGNETIC DECLINATION (Directional Offset) = 13.00
CLOSURE DISTANCE = 431.14 FEET
CLOSURE ANGLE = 308.96 DEGREE

Hole Bearing is corrected for Magnetic Declination (Directional Offset).



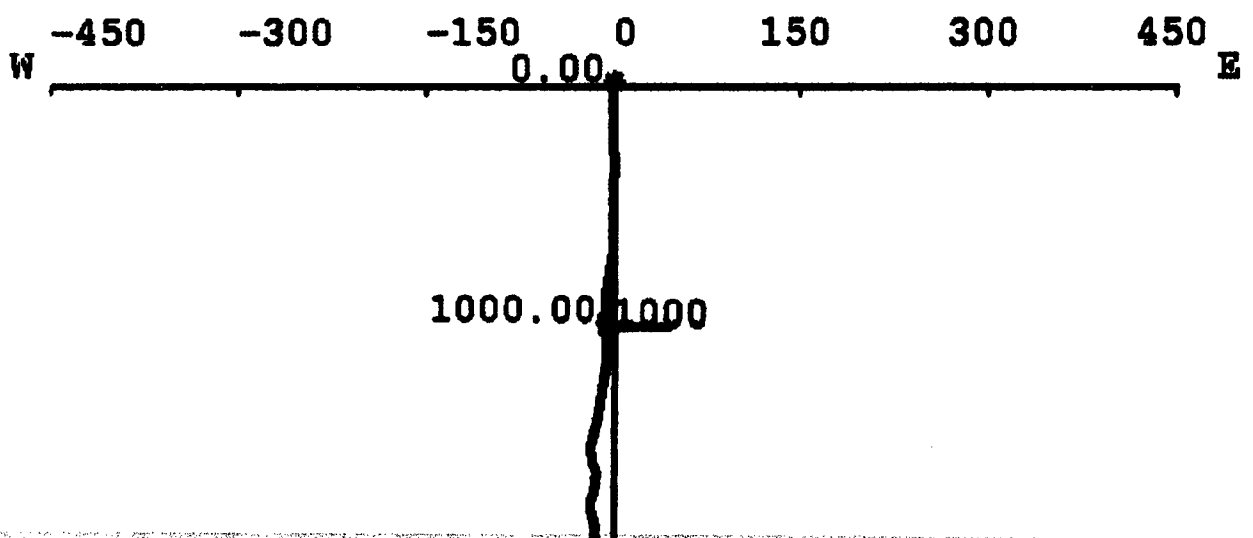
-450
S
Scale: 150 # feet/division

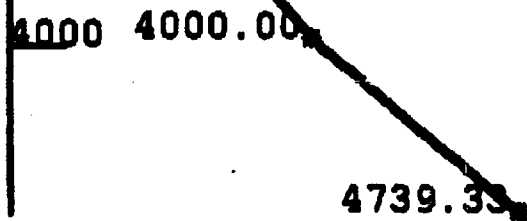
TVD CROSS SECTION LOOKING WEST



Horizontal Scale: 100 feet/division
Depth Scale: 1000 feet/division

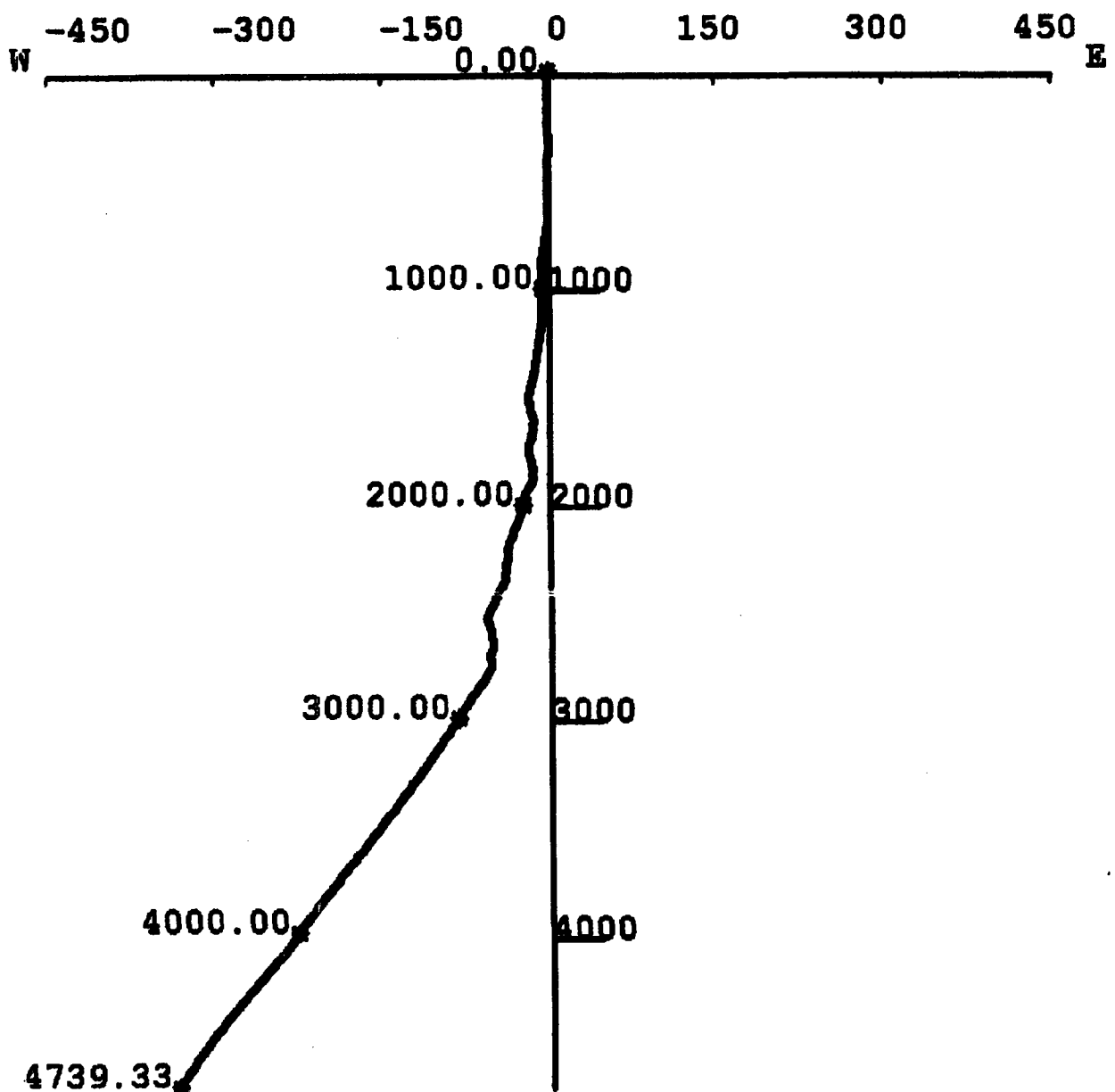
TVD CROSS SECTION LOOKING NORTH





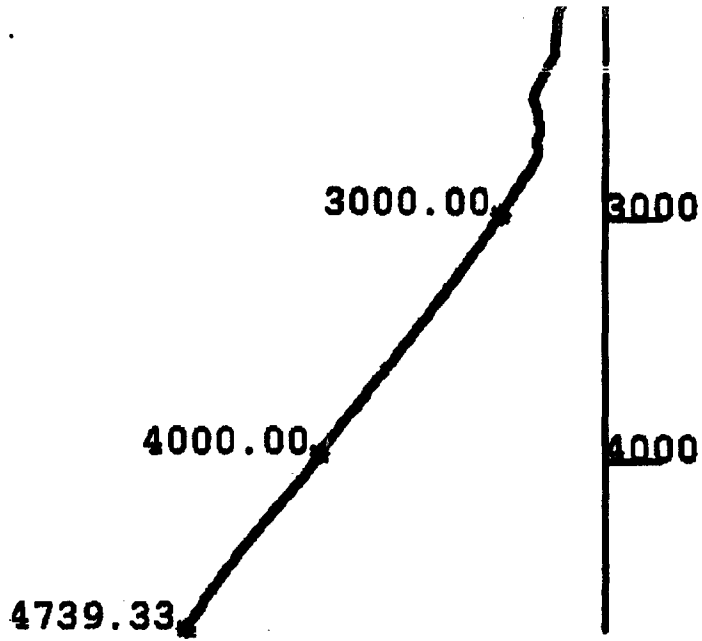
Horizontal Scale: 100 feet/division
Depth Scale: 1000 feet/division

TVD CROSS SECTION LOOKING NORTH



Horizontal Scale: 150 feet/division
Depth Scale: 1000 feet/division

COMPANY	DUGAN PRODUCTION CORP.		
WELL	STATE COM No. 1B		
FIELD	BLANCO MESAVERDE		
COUNTY	SAN JUAN	STATE	NM
HALLIBURTON		DIRECTIONAL DATA	



Horizontal Scale: 150 feet/division
Depth Scale: 1000 feet/division

COMPANY	DUGAN PRODUCTION CORP.		
WELL	STATE COM No. 1B		
FIELD	BLANCO MESAVERDE		
COUNTY	SAN JUAN	STATE	NM

HALLIBURTON

**DIRECTIONAL
DATA**

**DUGAN PRODUCTION CORP.
APPLICATION FOR
NON-STANDARD WELL LOCATION
OFFSET WORKING INTEREST OWNER PLAT
STATE COM #1B
MESAVERDE FORMATION
2251' FSL & 655' FWL
Section 16, Township 32 North, Range 12 West, NMPM**

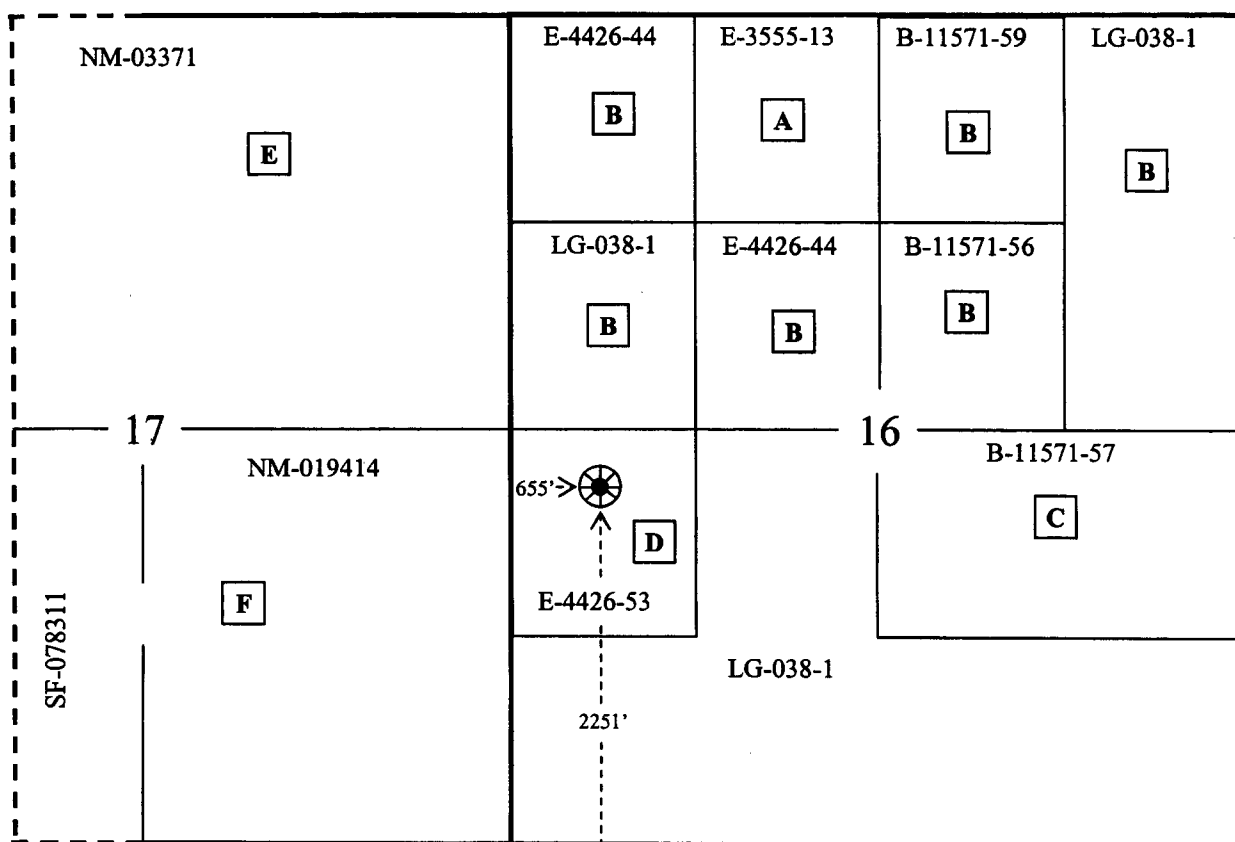
NM-03371 Burlington Resources Oil & Gas Co		E-4426-44 XTO Energy Inc	E-3555-13 Dugan Production Corp	B-11571-59 Griffin Family Trust	LG-038-1 Dugan Production Corp
		LG-038-1 Dugan Production Corp	E-4426-44 XTO Energy Inc	B-11571-56 XTO Energy Inc	
17	NM-019414 XTO Energy Inc, et al see attachment	655' >  Peak Energy Resources, Inc E-4426-53	16 B-11571-57 Dugan Production Corp		
SF-078311		2251' 	LG-038-1 Dugan Production Corp		

**DUGAN PRODUCTION CORP.
APPLICATION FOR
NON-STANDARD WELL LOCATION
OFFSET WORKING INTEREST OWNER PLAT
STATE COM #1B
MESAVERDE FORMATION
2251' FSL & 655' FWL
Section 16, Township 32 North, Range 12 West, NMPM**

**XTO WORKING INTEREST PARTNERS
S/2 SECTION 17, T32N, R12W**

Henrietta E. Schultz, Trustee
Schultz Management, Ltd
J. Glenn Turner, Jr
John L. Turner
Fred E. Turner
Mary Francis Turner, Jr. Trust
Betty Turner Calloway
William G. Webb
Bill L. Bledsloe, Trustee

DUGAN PRODUCTION CORP.
APPLICATION FOR
NON-STANDARD WELL LOCATION
OFFSET ROYALTY OWNER PLAT
 STATE COM #1B
 MESAVERDE FORMATION
 2251' FSL & 655' FWL
 Section 16, Township 32 North, Range 12 West, NMPM



**NON-STANDARD MESAVERDE WELL LOCATION
STATE COM #1B**

Tract	Royalty Interest Owner	Overriding Royalty Owner
A	State of New Mexico	None
B	State of New Mexico	W. H. Atkins John W. Barringer Lewis T. Barringer Dr. Jo Anne Callan Megan Callan
C	State of New Mexico	Ronald I. Albin Energen Resources Corp. EOG Resources, Inc. Francine Sue Gold Rene Lippman Rene Parmet Jay Silverman Benjamin Stern Harold Stern Steven Stern Roxanne Tuerk
D	State of New Mexico	Aquaenco, Inc Rains Living Trust Scope Exploration South Dakota Royalty Fund, Inc Aspen Land & Exploration Co
E:	USA	Jane Manning Pitkin Estate Elizabeth White Family Trust Ben R. Howard Brian Downing Gibson Gibson Family Trust Gurdon Ranson Miller, III Bonanza Creek Minerals, LLC BP America Production Co Mabel Glenn Hamm Revocable Trust
F.	USA	Jane Manning Pitkin Estate Elizabeth White Family Trust Ben R. Howard Brian Downing Gibson Gibson Family Trust Gurdon Ranson Miller, III Bonanza Creek Minerals, LLC ConocoPhillips Company Mabel Glenn Hamm Revocable Trust

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Dugan Production Corp. 709 East Murray Drive Farmington, New Mexico 87401 (505) 325-1821		OGRID Number 006515
Property Code 3850	State Com	API Number 30-045-32284
Property Name		Well No. 1-B

Surface Location

U/L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	32N	12W		1980	South	990	West	San Juan

Proposed Bottom Hole Location If Different From Surface

U/L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Proposed Pool 1 Blanco Mesaverde					Proposed Pool 2				

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 6005' GL
Multiple No	Proposed Depth 4625'	Formation Mesaverde	Contractor Unknown	Spud Date ASAP

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12-1/4"	8-5/8"	24#	200'	125 cu.ft.	Surface
7-7/8"	4-1/2"	10.5#	4625'	1575 cu.ft.	Surface

Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Plan to drill a 12-1/4" hole and set 200' of 8-5/8" O.D., 24#, J-55 surface casing. Then plan to drill a 7-7/8" hole to total depth using standard 2,000 psi BOP and gel-water mud program to test the Mesaverde. Plan to run IES and CDL logs. If determined productive, will run 4-1/2", 10.5#, J-55 casing, selectively perforate, frac, clean out after frac and complete well.

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

Signature:

Kurt Fagrelus

Printed name: Kurt Fagrelus

Title: Geoloeist

Date: 4/7/2004

Phone: 505-325-1821

OIL CONSERVATION DIVISION

Approved by:

[Signature]

Title:

DEPUTY OIL & GAS INSPECTOR, DIST. 8

Approval Date:

APR - 8 2004

Expiration Date:

APR - 8 2005

Conditions of Approval:

Attached ☐

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
March 4, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-32284
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. E-4426
7. Lease Name or Unit Agreement Name State Com
8. Well Number 1B
9. OGRID Number 006515
10. Pool name or Wildcat Blanco Mesaverde

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6005' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL _____ Sect _____ Twp _____ Rng _____ Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____

Distance from nearest surface water _____ Below-grade Tank Location UL _____ Sect _____ Twp _____ Rng _____ ;
feet from the _____ line and _____ feet from the _____ line

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
P. O. Box 420, Farmington, NM 87499-0420

4. Well Location
Unit Letter L : 1980 feet from the South line and 990 feet from the West line
Section 16 Township 32N Range 12W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6005' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL _____ Sect _____ Twp _____ Rng _____ Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____

Distance from nearest surface water _____ Below-grade Tank Location UL _____ Sect _____ Twp _____ Rng _____ ;
feet from the _____ line and _____ feet from the _____ line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK ☐	REMEDIAL WORK ☐
PLUG AND ABANDON ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	COMMENCE DRILLING OPNS. ☐
CHANGE PLANS ☒	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	CASING TEST AND CEMENT JOB ☐
MULTIPLE COMPLETION ☐	OTHER: ☐
OTHER: ☐	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Request casing program be changed as follows:
9-5/8" 36# surface casing set at 200' in 13-3/8" hole cemented to surface
7" 23# intermediate casing set at approximately 2200' (Lewis Shale) in 8-3/4" mud drilled hole, cemented to surface
4 1/2" 10.5# production liner set at 2000-4625' in 6-1/4" air drilled hole, cemented to liner top.

All other portions of APD remain unchanged.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John Alexander TITLE Vice-President DATE June 10, 2004

Type or print name John Alexander E-mail address: johncalexander@duganproduction.com Telephone No. 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 25 DATE JUN 10 2004

Conditions of approval, if any:

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
March 4, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

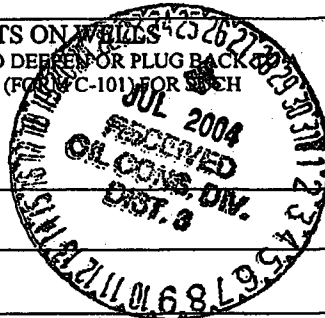
WELL API NO. 30-045-32284
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. E-4426
7. Lease Name or Unit Agreement Name State Com
8. Well Number 1B
9. OGRID Number 006515
10. Pool name or Wildcat Basin Fruitland Coal

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEEN OR PLUG BACK DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
P. O. Box 420, Farmington, NM 87499-0420



4. Well Location
Unit Letter L : 1980 feet from the South line and 990 feet from the West line
Section 16 Township 32N Range 12W NMPM County San Juan
11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6005' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
Pit Location: UL L Sect 16 Twp 32N Rng 12W Pit type Lined Reserve Pit Depth to Groundwater >100' Distance from nearest fresh water well 1.6 miles
Distance from nearest surface water * Below-grade Tank Location UL L Sect 16 Twp 32N Rng 12W ;
feet from the line and feet from the line *Location is within the vulnerable area boundary established for Jaquez Arroyo

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPLETION ☐	CASING TEST AND CEMENT JOB ☐	
OTHER: Supplement to APD For Rule 50 Compliance ☒		OTHER: ☐	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.
APD Dated 4/7/04 did not include pit tank information for NMOCD Rule 50 compliance. During drilling and completion a lined reserve pit will exist. Upon completion, one below grade tank, equipped with leak detection, will be installed for the separator and tank drains. The reserve pit will be assessed for closure requirements. If appropriate, the excess liner will be removed and disposed of at an authorized disposal site, the pit fluids allowed to evaporate and the pit covered and contoured. NMOCD guidelines will be followed until a general permit is secured.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John D. Roe TITLE Engineering Manager DATE July 23, 2004
Type or print name John D. Roe E-mail address: johnroe@duganproduction.com Telephone No. 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 8 DATE JUL 26 2004
Conditions of approval, if any:

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
March 4, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-32284
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. E-4426
7. Lease Name or Unit Agreement Name State Com
8. Well Number 1B
9. OGRID Number 006515
10. Pool name or Wildcat Basin Fruitland Coal

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well ☐ Gas Well ☒ Other	
2. Name of Operator Dugan Production Corp.	
3. Address of Operator P. O. Box 420, Farmington, NM 87499-0420	
4. Well Location Unit Letter <u>L</u> : <u>1980</u> feet from the <u>South</u> line and <u>990</u> feet from the <u>West</u> line Section <u>16</u> Township <u>32N</u> Range <u>12W</u> NMPM County <u>San Juan</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6005' GL	
Pit or Below-grade Tank Application! (For pit or below-grade tank closures, a form C-144 must be attached)	
Pit Location: UL <u>L</u> Sect <u>16</u> Twp <u>32N</u> Rng <u>12W</u> Pit type <u>Lined Reserve Pit</u> Depth to Groundwater <u>>100'</u> Distance from nearest fresh water well <u>1.6 miles</u> Distance from nearest-surface water <u>650'</u> Below-grade Tank Location UL <u>L</u> Sect <u>16</u> Twp <u>32N</u> Rng <u>12W</u> ; feet from the _____ line and _____ feet from the _____ line *Location is within the vulnerable area boundary established for Jaquez Arroyo	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐	REMEDIAL WORK ☐ ALTERING CASING ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐	CASING TEST AND CEMENT JOB ☐
OTHER: Supplement to APD For Rule 50 Compliance ☒	OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Sundry dated 7/23/04 provided supplemental APD information for NMOCD Rule 50 compliance. The distance to nearest surface water is being revised to reflect an ephemeral drainage not initially considered.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John D. Roe TITLE Engineering Manager DATE November 12, 2004

Type or print name John D. Roe E-mail address: johnroe@duganproduction.com Telephone No. 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 6 DATE NOV 15 2004
Conditions of approval, if any:

Submit 3 Copies To Appropriate District
Office,
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
March 4, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-32284
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. E-4426
7. Lease Name or Unit Agreement Name State Com
8. Well Number 1B
9. OGRID Number 006515
10. Pool name or Wildcat Blanco Mesaverde

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
P. O. Box 420, Farmington, NM 87499-0420

4. Well Location

Unit Letter L : 1980 feet from the South line and 990 feet from the West line

Section 16 Township 32N Range 12W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6005' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL Sect Twp Rng Pit type Depth to Groundwater Distance from nearest fresh water well

Distance from nearest surface water Below-grade Tank Location UL Sect Twp Rng ;
feet from the line and feet from the line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☒	COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPLETION ☐	CASING TEST AND CEMENT JOB ☐	
OTHER: ☐		OTHER: ☐	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Change casing sizes as follows:
Surface 9-5/8" 36 lb/ft at 200' in 12-1/4" hole.
Intermediate 7" 23 lb/ft. at 2700' in 8-3/4" hole
Production Liner 4-1/2" 10.5 lb/ft. 200' inside 7" to TD 4625' in 6-1/4" hole.
Surface and intermediate will be mud drilled.
Air will be used to drill below the 7" to TD.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John Alexander TITLE Vice-President DATE November 30, 2004

Type or print name John C. Alexander E-mail address: johncalexander@duganproduction.com Telephone No. 505-325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 48 DATE DEC -1 2004

Conditions of approval, if any:

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-32284
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. E-4426
7. Lease Name or Unit Agreement Name State Com
8. Well Number 1B
9. OGRID Number 006515
10. Pool name or Wildcat Blanco Mesaverde

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☐ Other

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
P. O. Box 420, Farmington, NM 87499-0420

4. Well Location

Unit Letter L : 1980 feet from the South line and 990 feet from the West line

Section 16 Township 32N Range 12W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

6005' GL

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Spud, surface casing ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Spud 12-1/4" hole on 1-3-05. Run 9-5/8" 36# J-55 API csg. Land @ 230'. Cement w/200 sx Class "B" neat w/2% CaCl2 w/1/4# celloflake/sx. Displace w/15.5 water. Circ 10 bbls contaminated cement. Pressure test csg to 600#, held.



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCDD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John C. Alexander TITLE Vice-President DATE January 11, 2005

Type or print name John C. Alexander E-mail address: johncalexander@duganproduction.com Telephone No. 505-325-1821
For State Use Only

APPROVED BY: Chad R. ... TITLE Acting SUPERVISOR DISTRICT #3 DATE JAN 12 2005
Conditions of Approval (if any):

Submit 3 Copies To Appropriate District Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM

87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
May 27, 2004

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-045-32284
1. Type of Well: Oil Well ☐ Gas Well ☐ Other ☐		5. Indicate Type of Lease STATE ☒ FEE ☐
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. E-4426
3. Address of Operator P. O. Box 420, Farmington, NM 87499-0420		7. Lease Name or Unit Agreement Name State Com
4. Well Location Unit Letter <u>L</u> : <u>1980</u> feet from the <u>South</u> line and <u>990</u> feet from the <u>West</u> line Section <u>16</u> Township <u>32N</u> Range <u>12W</u> NMPM San Juan County		8. Well Number 1B
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6005' GL		9. OGRID Number 006515
Pit or Below-grade Tank Application ☐ or Closure ☐		10. Pool name or Wildcat Blanco Mesaverde
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____		
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Production casing, TD ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Drill to TD @ 4750' on 1-26-05. Run 4 1/2" 10.5# J-55 Maverick csg. Land @ 4732', float collar @ 4692'. Cement csg liner: 30 sx Premium Lite High Strength FM + 2% KCL, 1/4# celloflake, .3% CD-32, .65% FL-52 & 3% PhenoSeal. Tail w/190 sx Premium Lite FM, 2% KCL, 1/4# celloflake & 3% PhenoSeal (500 cu ft total slurry). Bump plug w/2000 psi, held ok. 4 1/2" liner top @ 2488'. Circ out 20 bbls cement.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John C. Alexander TITLE Vice-President DATE February 2, 2005

Type or print name John C. Alexander E-mail address: johncalexander@duganproduction.com Telephone No. 505-325-1821

For State Use Only

APPROVED BY: Chad L. ... TITLE SUPERVISOR DISTRICT # 3 DATE FEB -3 2005

Conditions of Approval (if any):

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-32284
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. E-4426
7. Lease Name or Unit Agreement Name State Com
8. Well Number 1B
9. OGRID Number 006515
10. Pool name or Wildcat Blanco Mesaverde

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☐ Other ☐

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
P. O. Box 420, Farmington, NM 87499-0420

4. Well Location
Unit Letter L : 1980 feet from the South line and 990 feet from the West line
Section 16 Township 32N Range 12W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6005' GL

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	
OTHER: ☐		OTHER: <u>Intermediate</u> Production casing, TD ☒	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Ran intermediate casing: 64 jts 7" OD 23# J-55 8rd csg. Set @ 2700' RKB. Cement csg: 10 bbls Mud Clean II followed by 5 bbls fresh water. 347 sx Premium Lite FM + 3% BWOC CaCl₂ + 0.25#/sx celloflake + 8% BWOC Bentonite + 0.4% BWOC sodium metasilicate + 3% BWOC PhenoSeal (763.4 cu ft total slurry). Followed by 90 sx Type III cement + 1% BWOC CaCl₂ + 0.25#/sx celloflake + 5#/sx LCM-1 (126.9 cu ft total slurry). Circulate 15 bbls cement to surface.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John C. Alexander TITLE Vice-President DATE February 2, 2005

Type or print name John C. Alexander E-mail address: johncalexander@duganproduction.com Telephone No. 505-325-1821

For State Use Only

APPROVED BY: Charles Lee TITLE Acting SUPERVISOR DISTRICT # 3 DATE FEB - 3 2005

Conditions of Approval (if any):

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.	30-045-32284
5. Indicate Type of Lease	STATE ☒ FEE ☐
6. State Oil & Gas Lease No.	E-4426
7. Lease Name or Unit Agreement Name	State Com
8. Well Number	1-B
9. OGRID Number	006515
10. Pool name or Wildcat	Blanco Mesaverde

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO REOPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☐ Other ☐

2. Name of Operator Dugan Prod. Corp.

3. Address of Operator

4. Well Location
Unit Letter L : 1980 feet from the south line and 990 feet from the west line
Section 16 Township 32N Range 12W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6005

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type Drilling Depth to Groundwater >100' Distance from nearest fresh water well 1.6mi Distance from nearest surface water 650'

Pit Liner Thickness: 12-mil. mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Due to deviation problems encountered while drilling, the bottom hole location is not the same as the surface location. The directional log run after drilling the well records the following locations:

Surface Location (0')	1980' FSL & 990' FWL
Top of Blanco Mesaverde Pool (2185')	2000' FSL & 954' FWL
Top of pay zone (4354')	2204' FSL & 707' FWL L-16-32N-12W
Bottom of pay zone (4536')	2221' FSL & 680' FWL
Bottom Hole Location (4739')	2251' FSL & 655' FWL

A new C-102 reflecting that the bottom hole location is different from the surface location is attached. Also, an Application for Administrative Approval of Non-Standard Location has been filed with the Santa Fe and Aztec offices of the NMOCD.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Kurt Fagrelus TITLE Geologist DATE 02/23/2005

Type or print name Kurt Fagrelus E-mail address kfagrelus@duganproduction.com Telephone No. 505-325-1821

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 30 DATE FEB 25 2005

Conditions of Approval (if any):

HOLD CIDA FOR Directional Survey

CMD :
OG5SECT

ONGARD

INQUIRE LAND BY SECTION

03/31/05 08:23:57

OGOMES -TPXP

PAGE NO: 1

Sec : 16 Twp : 32N Rng : 12W Section Type : NORMAL

D 40.00 CS E04426 0044 WILLIAMS PRODUCTI C 10/13/60 A	C 40.00 CS E03555 0013 DUGAN PRODUCTION C 05/26/60 A	B 40.00 CS B11571 0059 GRIFFIN FAMILY TR C 10/21/54 A	A 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A
E 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A	F 40.00 CS E04426 0044 WILLIAMS PRODUCTI C 10/13/60 A	G 40.00 CS B11571 0056 WILLIAMS PRODUCTI C 10/21/54 A	H 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A
L 40.00 CS E04426 0053 XTO ENERGY, INC. C 10/13/60 A	K 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A	J 40.00 CS B11571 0057 EOG RESOURCES & M C 10/21/54 A	I 40.00 CS B11571 0057 EOG RESOURCES & M C 10/21/54 A
M 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A	N 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A	O 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A	P 40.00 CS LG0038 0001 DUGAN PRODUCTION C 04/01/82 A