

ABOVE THIS LINE FOR DIVISION USE ONLY

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]

RECEIVED

JUN 13 2003

Oil Conservation Division

- [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
- identical ownership
- [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 SXO
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,
+ Notification letter is included as Attachment No. 2. + was sent certified Return Receipt. Receipts will be sent to NMOED upon receiving.
- [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.

John D. Roe John D Roe ENGR. MGR 6/12/03
 Print or Type Name Signature Title Date
Johnroe@dufanproduction.com
 e-mail Address

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
 Revised June 10, 2003

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

WELL API NO. See below
5. Indicate Type of Lease: FEDERAL STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Federal Lease NM-61
7. Lease Name or Unit Agreement Name Rachel
8. Well Number #2 & #91
9. OGRID Number 006515
10. Pool name or Wildcat See below
11. Elevation (Show whether DR, RKB, RT, GR, etc.)

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

4. Well Location
 See below
 Unit Letter _____ feet from the _____ line and _____ feet from the _____ line
 Section 34 Township 26N Range 12W NMPM County San Juan

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: Surface Commingle Pools w/ identical ownership <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

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.

Dugan production proposes to convert the existing gas sales meter for the Rachel No.2 (El Paso meter No.89857) to a central delivery gas sales meter for the Rachel No.2 & No.91 wells. This will require surface commingling of natural gas from the Basin Fruitland Coal & WAW Fruitland Sand-PC Pools. Only natural gas will be commingled & measurement will be on Lease. Dugan Production Corp. operates both wells & all interest ownership is identical.

(i). Well & Lease information is as follows:

Well Name	API No.	Location	Lease No.	Pool	Spacing Unit
Rachel No.2	30-045-22285	1550'FSL & 990'FEL(Unit I)	NM-61	WAW Fruitland Sand-PC(87190)	160A-SE/4
Rachel No.91	30-045-29835	1620'FSL & 1760'FWL (Unit K)	NM-61	Basin Fruitland Coal (71629)	160A-SW/4-NSP-1866

(ii) Commingled gas volumes (mcf & mmBTU) measured at the CDP sales meter will be allocated to each well using the "subtraction method" described in section 303 B.(3) (a) (iii). A conventional gas allocation meter will be installed at the Rachel No.91 & production for the Rachel No.2 will be computed. Individual well lease fuel plus fuel for the CDP compressor will be determined from equipment specifications & will be included in production determinations.

(iii) Certification of the identical ownership for both wells is presented in attached No.1. The spacing units for both wells encompass only Federal lease NM-61.

(iv) Since all royalty is federal, a copy of this notice is being sent by certified, Return Receipt, mail to the BLM. Copies of the Returned Receipt will be mailed to the NMOCD upon receiving. A copy of the transmittal Sundry notice to the BLM is presented as 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 6-12-03

Type or print name: John D. Roe E-mail address: johnroe@duganproduction.com Telephone No. 505-325-1821
 (This space for State use)

APPROVED BY Will Jones for Lou Strotenberg TITLE DIRECTOR DATE 6/16/03
 Conditions of approval, if any.

PC-1095

Attachment No. 1
NMOC Form 0-103 dated 6/12/03
Application of Dugan Prod.
Surface Commingle Natural Gas
Dugan's Rachel #2 + #91 wells
WAW Fruitland Sand-PC + Basin Emittad (201)

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

David M. Poage, a Land Manager presently employed by Dugan Production Corp. being first duly sworn on his oath, states that he is familiar with the following described property, to-wit:

Township 26 North, Range 12 West
Section 34: S/2, NE/4
San Juan County, New Mexico
Containing 480.00 acres, more or less
Federal O&G Lease NM-61

and that he is also familiar with the aforementioned lands and lease and has knowledge that said lands and lease are owned by Dugan Production Corp. Affiant states that the said lands and lease are identical in ownership. This ownership in these lands is identical in owners and percentaes for all working interest, royalty and overriding royalty owners. Affiant further states that no change in ownership has occurred and that Dugan Production Corp. has not sold, leased or otherwise made any commitments to affect a change in ownership of the aforementioned lands.

Further affiant saith not.

David M. Poage
David M. Poage, CPL # 1365

ACKNOWLEDGEMENT

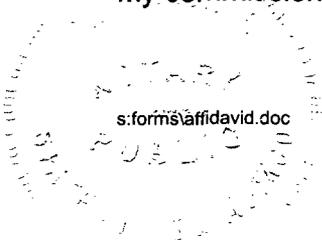
STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

BEFORE ME, the undersigned, a notary public in and for the county and state aforesaid, on this 12th of JUNE, 2003, personally appeared David M. Poage, to me personally known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year first above written.

My commission expires: 2/22/06

Wife Foster
Notary Public:
P.O. Box 420, Farmington, NM 87499-0420



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 2

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

<p>1. Type of Well</p> <p><input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other</p>	<p>5. Lease Designation and Serial No. NM-61</p> <p>6. If Indian, Allotted or Tribe Name</p> <p>7. If Unit or CA, Agreement Designation</p>
<p>2. Name of Operator Dugan Production Corp.</p>	<p>8. Well Name and No. Rachel #2 & #91</p>
<p>3. Address and Telephone No. P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821</p>	<p>9. API Well No. #2-30-045-22285 #91-30-045-29835</p>
<p>Location of Well (Footage, Sec., T., R., M., or Survey Description) #2 1550' FSL & 990' FEL (NESE) Section 34, T-26N, R-12W #91 1620' FSL & 1760' FWL (NESW) Section 34, T-26N, R-12W</p>	<p>10. Field and Pool, or Exploratory Area #2-WAW Fruitland Sand-PC #91-Basin Fruitland Coal</p> <p>11. County or Parish, State San Juan, NM</p>

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompile	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other	<input type="checkbox"/> Dispose Water
	<u>Surface Commingle</u> <u>Natural Gas-CDP</u>	

(Note: Report results of multiple completion on Well Completion or Recompile Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Dugan Production proposes to convert the existing gas sales meter for the Rachel No.2 (El Paso Meter No.89857) to a central delivery gas sales meter for the Rachel No. 2 & 91wells. This will require the Surface Commingling of natural gas from the Basin Fruitland Coal & WAW Fruitland Sand-PC Pools. Only natural gas will be commingled & Measurement will be on lease at the No.2 well. Dugan Production operates both wells & the spacing units for both wells encompass only Federal lease NM-61. The Rachel No.2 is currently shut-in with a cumulative production of 613 mmcf and does not have sufficient pressure to produce into the pipeline which ranges from 50 to 75 PSIA. The Rachel No. 91 was completed 12/12/02 in the Fruitland Coal & will require wellhead compression to produce. It is proposed to deliver gas from the 91 well to the sales meter for the #2 & use one compressor for both wells. This will allow the #2 well to be returned to production & the 91 well to efficiently produce gas from the Fruitland Coal. A copy of Dugan's application to the NMOCD for Surface Commingling is attached to provide additional information about this proposal.

14. I hereby certify that the foregoing is true and correct

Signed John D. Roe Title Engineering Manager Date 6/12/2003
John Roe

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.