

DATE IN 12/18/2015	SUSPENSE	ENGINEER M Am	LOGGED IN 12/18/2015	TYPE PCL	APP NO. PLMAM1535255141
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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]

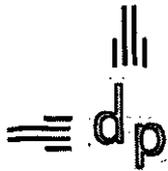
- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 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, Ad was placed in The Farmington Daily Times, Affidavit of Publication will be submitted when received.
- [F] Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

-PCL
 -Dugan Production Comp
 6515
 Well
 -Charger count
 30-045-35444
 +
 11 wells
 Pool
 -Basin Parakee
 71599
 -Basin Fruitland
 Coal
 71629

[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.

Kevin Smaka Print or Type Name	<i>Kevin Smaka</i> Signature	Production Engineer Title	December 18, 2015 Date
		kevin.smaka@duganproduction.com e-mail Address	



dugan production corp.

December 18, 2015

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

Mr. Aubrey Dunn, Commissioner
New Mexico State Land Office
P. O. Box 1148
Santa Fe, NM 87504-1148

Ms. Victoria Barr, Manager
Bureau of Land Management
6251 College Blvd., Suite A
Farmington, NM 87402

Re: Application to surface commingle and for the Off-Lease
Measurement/sale of produced natural gas for wells
to be added to Dugan Production's
Latex Gas Gathering System
San Juan County, New Mexico

Dear Mr. Catanach, Ms. Barr and Mr. Dunn,

We are writing to request your administrative approvals for the surface commingling, plus off-lease measurement and sale of natural gas produced from 17 wells (9 existing and 8 proposed locations) to be added to Dugan Production's Latex Gas Gathering System (LGGS). No oil or condensate will be commingled. NMOCD Form 107-B is attached for this application to add wells to the gathering system. A summary presenting the wells and production for each pool is presented on Attachment No. 4. Gas sales for the LGGS will continue to be at the central delivery sales meter (CDP) established for the LGGS. The CDP is located in section 3 of 25-North, 10-West and delivers gas to Enterprise Field Services meter #99325. We are also requesting the NMOCD to include a provision in their order that for future additions to the LGGS, only the interest owners in the wells being added need to be notified, providing that it is reasonably certain that the proposed additions will not adversely affect the interest owners in the wells already approved for the gathering system. This provision will be very helpful and will significantly reduce the work effort necessary to add future wells to the gathering system.

The LGGS was installed by DPC and was approved for operation in August of 1997. There are currently 2 wells approved for the LGGS with 6 other wells connected to the system all of which are currently active. Production currently averages a total of 503 mcf/d for an overall average of 63 mcf/d per well. Well production ranges from 8 to 144 mcf/d. Of the seventeen wells proposed to be added to the LGGS, there are 9 existing wells, three of which have not connected whereas six have been connected and currently produce a total of 320 mcf/d for an average of 53 mcf/d per well, ranging from 8 mcf/d to 144 mcf/d. Individual well production for the LGGS is presented on Attachment 2 and a summary of pool production is presented on Attachment No. 4.

Dugan Production does understand that regulatory approvals are needed to add wells to gathering systems and will work to avoid future wells being added prior to receiving approvals to do so. We request that consideration be given to the fact that all but four wells at LGGS are considered to be marginal producers (less than 100 mcf/d) and that all production has been accounted for using the allocation procedures that have been approved for all other wells within the gathering system. There has not been any economic harm to anyone. Each of the subject wells was frac'd during completion and to insure minimal exposure to reservoir damage and to minimize the volumes of gas vented during flowback, it was important to place each well on production into the gathering system as quickly as possible following the frac, which was easy to do having the gathering system available.

Attachments No. 1 presents maps of the LGGS with the wells proposed to be added highlighted in blue. In addition, Dugan Production's leases are also presented. Dugan Production has a majority of the leasehold interest and to date most wells drilled are considered to be marginal producers. The LGGS has one central delivery gas sales meter. The meter, #99325, is located in the SESW of Section 3, Township-25 North, Range-10 West, the meter delivers gas to Enterprise Field Services.

Attachment No. 2 presents information for the wells currently approved and the wells to be added to the LGGS. Detailed production information for wells to be added is presented in Note 5 of Attachment No. 2 for the LGGS. Of the current wells approved for the gathering system all but 2 produce less than 100 mcf/d and are considered marginal producers.

Attachment No.3 presents the interest ownership for the wells to be added to the LGGS. From Attachment No. 3, Dugan Production holds 100% of the working interest in all wells being added except for the Neoprene Com #90 &91. Of the 17 wells being added 8 pay federal royalty. There are 2 wells being added that pay state royalty. There is 1 well that pays Navajo Allotted royalty. No leases or wells pay tribal royalty that are part of the Latex Gas Gathering System. There are 16 interest owners that hold an overriding royalty interest in the 17 wells being added to the gathering system. All interest owners in the wells being added as presented in Attachments No. 3 will receive information pertaining to this application, and Attachment No. 8 presents copies of our interest owner notice efforts. All notice letters have been sent by certified mail with return receipts, and upon receiving the receipts, copies will be forwarded to the NMOCD.

Attachment No. 4 presents a summary of the pools, wells, production and leases for the LGGS. The LGGS produces gas from one pool (Basin Fruitland Coal). It is also noted that for the LGGS, of the 2 wells currently approved for the gathering system, production averages 92 mcf/d and ranges from 77 to 106 mcf/d per well. Of the 10 wells/locations to be added with this application, 6 are currently producing and average 53 mcf/d per well. Dugan Production's leases for the wells in the Latex Gas Gathering System are summarized on Page 2 of Attachment No. 4. The LGGS has 4 federal, 3 state and 2 Navajo allotted leases.

Attachment No. 5 presents the proposed allocation procedures to be used for the LGGS.

Attachments No 6 presents a comparison of connecting the proposed wells to the existing LGGS as opposed to directly connecting each well to the nearest pipeline which will be Enterprise's line at the current CDP. This analysis was done to address the BLM's Instruction Memorandum No. 2013-152 dated 7/3/2013 and to support connecting the proposed wells to an existing gathering system operated by Dugan Production Corp.

From Attachment No. 6, to connect each of the ten wells to Dugan's LGGS, will require installing an estimated 3,000' (.57 miles) of 4" polypipe which with a 40' ROW, will require disturbing an estimated 2.8 acres of surface. If each well were to be individually connected directly to a pipeline company for gas sales, the length of necessary pipeline would increase to 41,000' (7.8 miles) and result in disturbing 37.6 acres of surface. In addition, since we typically will install the required compressor at the well site, the line between the well and connection to the pipeline will be operating at a higher pressure for direct connection, which will require using 4" steel line as opposed to 4" polypipe which will increase the installation costs from \$15/ft to \$38/ft and will result in the pipeline cost increasing from \$55,000.00 for connecting to a gathering system to \$2,265,829.00 for connecting directly to Enterprise. In addition, and probably one off the biggest benefits of operating a gathering system is that we can install central gas compression facilities to serve multiple wells and we typically operate our gathering systems at 20 to 30 psig which provides an optimum surface operating pressure for wells connected to it. For direct connect, it will be necessary to install a compressor at each well in order to deliver gas into Enterprise's pipeline which is currently averaging 325 psig. This will require purchasing and installing significantly more compressors to deliver the same gas, which will result in using more produced gas for fuel and producing more noise and exhaust gas. In addition, the cost to make a connection to our gathering system averages about \$5,000/tap and meter run where Enterprise will charge an average of \$131,000 for each pipeline tap and meter run. For our analysis, since the infill wells will have the same interest ownership as the initial spacing unit well, we assumed it will be acceptable to connect the infill well to the initial well and use only one line and compressor to deliver the gas to Enterprise which will not only reduce the necessary pipeline length, but will reduce the meter run and connection cost for the infill well to \$5,000 and enable the infill well to use the compressor installed for the initial well.

Thus considering all factors of connecting to the existing gathering system versus directly connecting to Enterprise pipeline, the total costs presented in attachment 6 are summarized as follows:

<u>Gathering System</u>	<u>Connect to Gathering System</u>	<u>Connect to Enterprise</u>	<u>Additional Cost for Direct Connections</u>
LGGS	\$55,000	\$ 2,265,829	\$ 2,210,829.00

Considering that all but two of the wells to be added to the LGGS are considered to be marginal producers, it will be very important that we receive approval to use the existing gathering systems as opposed to directly connecting each well to the pipeline company. Also considering that these wells are in an area that has significant archaeological, cultural, and paleontology presence, plus is in close proximity to two wilderness areas, it is important to minimize the surface disturbance and installation of necessary compression equipment.

Attachment 7 presents a summary of the equipment and facilities that are currently installed for the LGGGS. Dugan Production has drilled and currently operates one SWD well, the Neoprene #1 SWD. This is an important part of producing low volume gas wells and economically disposing of the water produced in association with the gas. Typically, when installing the gas pipeline, we also install a second pipeline for the produced water. The water is collected at a central location and any gas that may also be in the water stream is removed using a Conventional 2 Phase Separator. All gas recovered from the water will be metered and then delivered to the gas gathering line for sale. The metered volumes at the separator will then be used to allocate CDP gas volumes back to the separator using the same allocation procedure used for all other wells. The gas volumes allocated to the separator will then be allocated to each well that delivers water to the separator based upon the water volumes delivered and the percentage of all water delivered to the separator. This procedure for handling and disposing of the produced water is a very important part of operating our gathering system and without this, as would be necessary for direct connection, it would be necessary to install separators and storage tanks at each well and to truck the water from each well for disposal. Thus we are able to reduce a significant surface disturbance for facilities to handle and store the produced water at the wellsite plus we significantly reduce the truck traffic and road maintenance needed to haul and dispose of the produced water. As part of this application, we request approvals to surface commingle the produced water and dispose of the produced water at one of Dugan's water disposal wells or if necessary, at a commercial water disposal facility.

There is one central compressor station on the LGGGS which is necessary to maintain an optimum gathering system pressure of 20 to 30 psi for wells located throughout the entirety of the gathering system.

Since the water disposal and central compression are a very important part of operating our gathering systems, we are requesting that the fuel gas needed to operate the equipment be considered a "beneficial use" for the wells connected to the gathering system.

Attachment No. 8 presents copies of our efforts to provide the required notice to all interest owners in the wells being added plus all interest owners in the wells currently approved for each gathering system.

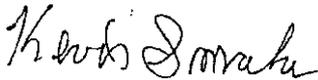
In summary, Dugan Production is requesting approvals to:

1. Expand the original order, OLM-15, to be an order granting pool and lease commingling.
2. Authorize the addition of 17 wells/locations to Dugan's Latex Gathering System;
3. Authorize the beneficial use of fuel used by equipment necessary to operate the gathering system;
4. Authorize the surface commingling plus off-lease disposal of produced water.
5. Authorize Dugan to only send notice to interest owners of wells being added to the Topaz Gathering System after this application.

The majority of the wells on the gathering system are considered to be low volume producers (100 mcf/d or less), many of which are marginally economic to operate. Dugan Production has made a substantial investment in the LGGGS which was necessary to sell gas from the low volume producers typical to this area, and is optimistic that we will be able to aggressively develop our leasehold interest in an area that has little other oil and gas development activity.

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

Sincerely,



Kevin Smaka
Production Engineer

cc: NMOCD - Aztec; All Working Interest Owners

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. OLM-15

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
		See Attachment #4		

(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)

(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. Basin Fruitland Coal (71629)
 (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) Each well will be equipped with an allocation meter or an approved method of alternative measurement

(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. 3 & 8

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

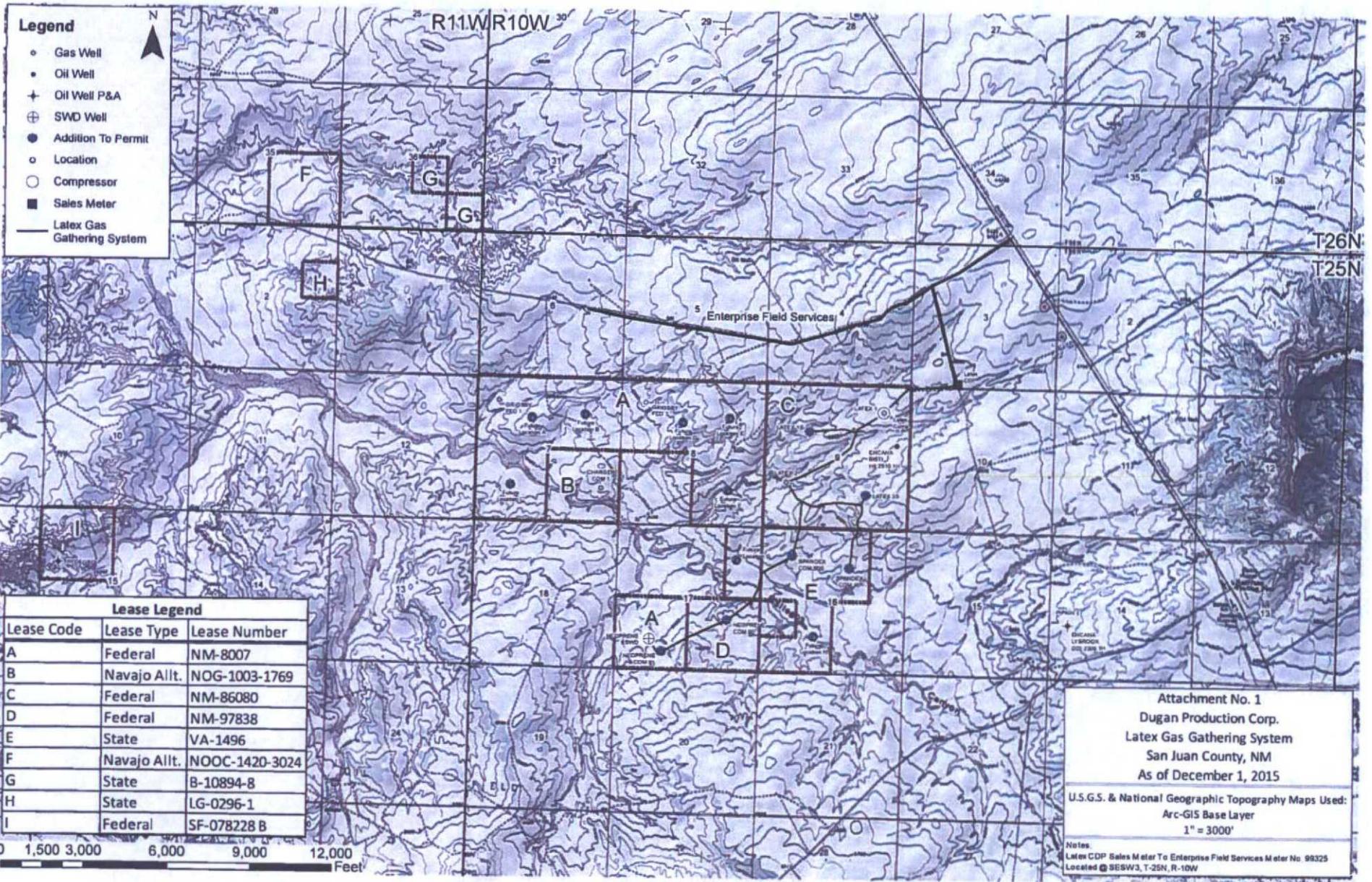
- (1) A schematic diagram of facility, including legal location. See Attachment No. 3 & 8
 (2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. Attachment No. 1
 (3) Lease Names, Lease and Well Numbers, and API Numbers. See Attachment No. 2

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

SIGNATURE: Kevin Smaka TITLE: Production Engineer DATE: 12/18/15

TYPE OR PRINT NAME Kevin Smaka TELEPHONE NO.: 505-325-1821

E-MAIL ADDRESS: kevin.Smaka@duganproduction.com



**ATTACHMENT NO. 2
DUGAN PRODUCTION CORP. LATEX GATHERING SYSTEM AND CPD 12/15/15
CDP SALES METER @ SESW SECTION 3, T25N, R10W (ENTERPRISE METER NO. 99325)
SAN JUAN COUNTY, NEW MEXICO**

Well Name	API No.	Well Location			CA Number	Pool	Completion Date	Current Production			Spacing Unit	Dates for SC, OLM & S			
		1/4-2-1/4-1/4	Lease No.	Lse Type				BOPD	MCFD	BWPD		Application	BLM Approval	NMSLO Approval	NMOCD Approval
WELLS TO BE ADDED (17)															
Charger Com 1	35444	SESE 7-25N-10W	NO-G-1003-1769	Nav Atrd	NMNM130087	Basin FR Coal	4/10/13		179	250	S/2 - 318.87A				
Gngsby Federal 1	21396	NWNW 7-25N-10W	NM-8007	Federal		Basin Dakota	3/29/74	0.47	53	0	N/2 - 318.97A				
Gngsby Federal 3	21623	NWNW 8-25N-10W	NM-8007	Federal		Basin Dakota	11/20/74	0.23	26	0	N/2 - 320.0A				
Latex 1S	34021	SENE 9-25N-10W	NM-86080	Federal		Basin FR Coal	3/27/08		20	12	N/2 - 320.0A				
Latex 2S	34022	SWSE 9-25N-10W	NM-86080	Federal		Basin FR Coal	4/1/08		144	30	S/2 - 320.0A				
Neoprene Com 90	33994	NESE 17-25N-10W	NM-97838	Federal	NMNM119614	Basin FR Coal	1/25/07		65	33	S/2 - 320.0A				
Neoprene Com 91	34356	SESW 17-25N-10W	NM-8007	Federal	NMNM119614	Basin FR Coal	4/10/08		71	25	S/2 - 320.0A				
Spandex Com 90	30637	SWNE 16-25N-10W	VA-1496	State	State CA	Basin FR Coal	7/23/01		8	51	N/2 - 320.0A				
Spandex Com 90S	34000	NWNW 16-25N-10W	VA-1496	State	State CA	Basin FR Coal	4/8/08		12	9	N/2 - 320.0A				
Location A		NW/4 7-25N-10W	NM-8007	Federal		Basin FR Coal									
Location B		NE/4 7-25N-10W	NM-8007	Federal		Basin FR Coal									
Location C		SW/4 7-25N-10W	NM-8007	Federal		Basin FR Coal									
Location D		NW/4 8-25N-10W	NM-8007	Federal		Basin FR Coal									
Location E		NE/4 8-25N-10W	NM-8007	Federal		Basin FR Coal									
Location F		SE/4 8-25N-10W	NM-8007	Federal		Basin FR Coal									
Location G		NE/4 17-25N-10W	NM-8007	Federal		Basin FR Coal									
Location H		SW/4 16-25N-10W	VA-1496	State		Basin FR Coal									
WELLS PREVIOUSLY APPROVED FOR SYSTEM (2 WELLS)															
Latex 1	29244	NENE 9-25N-10W	NM-86080	Federal		Basin FR Coal	5/10/96		106	25	N/2 - 320.0A	8/15/97	8/22/97	N/A	8/18/97
Latex 2	29448	NWSW 9-25N-10W	NM-86080	Federal		Basin FR Coal	7/9/97		77	43	S/2 - 320.0A	8/15/97	8/22/97	N/A	8/18/97
SWD WELLS (1 WELL)															
Neoprene 1 SWD	22295	SWSW 17-25N-10W	SF-078155	Federal		Entrada SWD	1/30/08								

Footnotes:

N/A - Not applicable or not needed

- Current production data represents average for September, 2015
- Basin FR Coal = Basin Fruitland Coal (71629); Basin Dakota (71599)
- Dugan Production Corp. received initial approval for off-lease measurement for the Latex No. 1 from the BLM on 8/22/96 and the NMOCD on 9/11/96. The Latex No. 2 was added at a later time and was approved by OGD Order OLM-15 on 8/18/97 (amended 12/1/97), and BLM on 8/22/97. NMSLO approval was not required on original application, as both wells are located on a federal lease.
- NMOCD Administrative Order SWD-1098 dated 9/26/07 authorizes SWD by underground injection.
- Cumulative production for wells being added to gathering system (already connected to CDP):

Well Name	Date of 1st Delivery	Cumulative Production 12/1/15		
		MCF	BQ	BW
Latex 1S	5/7/08	44,845	0	50,490
Latex 2S	4/3/08	68,431	0	39,584
Neoprene Com 90	5/10/07	191,853	0	102,172
Neoprene Com 91	4/23/08	131,103	0	73,276
Spandex Com 90	5/10/07	10,664	0	17,867
Spandex Com 90S	4/23/08	21,458	0	30,469

- Wells have not been connected to CDP as of 12/1/15. The Grigsby Federal No. 1 & No. 3 wells are currently directly connected to Enterprise; the Charger Com No. 1 is directly connected to Williams. Cumulative production for these wells is as follows:

Well Name	Date of 1st Delivery	Cumulative Production 12/1/15		
		MCF	BQ	BW
Charger Com 1	5/15/13	67,216	0	158,214
Grigsby Federal 1	3/1/76	1,068,537	11,301	4,386
Grigsby Federal 3	3/1/76	366,870	8,788	5,172

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SAN JUAN COUNTY, NEW MEXICO**

Well Name	API No.	Well Location			CA Number	Pool ②	Completion Date	Current Production ④			Spacing Unit	Dates for SC, OLM & S ⑤			
		¼-Sec-Twn-Rng	Lease No.	Lse.Type				BOPD	MCFD	BWPD		Application	BLM Approval	NMSLO Approval	NMOCD Approval
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Spandex Com 90	30637	SWNE 16-25N-10W	VA-1496	State	State CA	Basin FR Coal	7/23/01		8	51	N/2 - 320.0A				
Spandex Com 90S	34000	NWNW 16-25N-10W	VA-1496	State	State CA	Basin FR Coal	4/8/08		12	9	N/2 - 320.0A				
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Latex 1S	5/7/08	44,845	0	50,490
Latex 2S	4/3/08	68,431	0	39,584
Neoprene Com 90	5/10/07	191,853	0	102,172
Neoprene Com 91	4/23/08	131,103	0	73,276
Spandex Com 90	5/10/07	10,664	0	17,867
Spandex Com 90S	4/23/08	21,458	0	30,469

6. Wells have not been connected to CDP as of 12/1/15. The Grigsby Federal No. 1 & No. 3 wells are currently directly connected to Enterprise; the Charger Com No. 1 is directly connected to Williams. Cumulative production for these wells is as follows:

Well Name	Date of 1st Delivery	Cumulative Production 12/1/15		
		MCF	BO	BW
Charger Com 1	5/15/13	67,216	0	158,214
Grigsby Federal 1	3/1/76	1,068,537	11,301	4,386
Grigsby Federal 3	3/1/76	366,870	8,788	5,172

ATTACHMENT NO. 3 - PAGE 2 OF 8
 Dugan Production Corp.'s
 Charger Com #1
 Basin Fruitland Coal
 Well Location: SE/4 SE/4 7, T-25N, R-10W
 Spacing Unit: S/2 (319.72A)
 San Juan County, New Mexico

INTEREST OWNER	INTEREST%	
	Gross	Net
<u>Working Interest</u> Dugan Production Corp.	100.000000	81.872786
<u>Royalty</u> USA - c/o Bureau of Land Management 6251 College Blvd., Suite A Farmington, NM 87402	-0-	9.408223
Navajo Allotted c/o Farmington Indian Minerals Office 6251 College Blvd., Suite B Farmington, NM 87402	-0-	6.227851
<u>Overriding Royalty Interest</u> Kathlyn R. Anderson P O Box 106 St. Paul, AK 72760	-0-	0.124557
Robert T. Anderson 5892 NW Lac Leman Dr. Issaquah, WA 98027	-0-	0.124557
Tom Foster Anderson Trust Tom Foster Anderson, Trustee 907 East Hudson Street Tyler, TX 75701-5608	-0-	0.124557
Sam Boltz Family Trust Sam T. Boltz, Jr., Trustee 509 Princeton Drive Tyler, TX 75703-5164	-0-	0.026157
Monty Brosius 2484 W Dolphin Drive Citrus Springs, FL 34434	-0-	0.006876
Warren D. Driskell c/o 1252 Pine Street Wheatland, WY 82201	-0-	0.029894
Haymaker Holding Company P O Box 205415 Dallas, TX 75320	-0-	0.590400
Mary Jane Holstine P O Box 694 East Bernard, TX 77435-0694	-0-	0.124557
Susan Lowthorp 1814 Leney Longview, TX 75605	-0-	0.124557
J. Paul Mathias 8871 E. Easter Place Englewood, CO 80112	-0-	0.005904
O'Brien Family, LLC 5461 Kent Place Denver, CO 80235	-0-	0.026157
Ann Lisa Pearson P O Box 3707 Centennial, CO 80161-3707	-0-	0.005904
Ken Perkins Oil & Gas Inc. 50 Sugar Creek Center Blvd, Suite 275 Sugar Land, TX 77478	-0-	0.904284
Ricard Properties P O Box 1478 Parker, CO 80134	-0-	0.028157
R. W. Scott Investments, LLC A Colorado Limited Liability Company 1275 Lupine Way, Genesee Golden, CO 80401	-0-	0.123311
Buck (Leycester) Stanley RH Stanley & C. Sullivan, Trustees 38021 Fawn Meadows Trail Elizabeth, CO 80107	-0-	0.123311
TOTAL WELL	100.000000	100.000000

ATTACHMENT NO. 3 – PAGE 3 OF 8
Dugan Production Corp.'s
Grigsby Federal 1-7
Basin Dakota
Well Location: NW/4 NW/4 7, T-25N, R-10W
Spacing Unit: N/2 (318.87A)
San Juan County, New Mexico

INTEREST OWNER	INTEREST%	
	Gross	Net
<u>Working Interest</u> Dugan Production Corp.	100.000000	82.500000
<u>Royalty</u> USA – c/o Bureau of Land Management 6251 College Blvd., Suite A Farmington, NM 87402	-0-	12.500000
<u>Overriding Royalty Interest</u> Kathlyn R. Anderson P O Box 106 St. Paul, AK 72760	-0-	0.249980
Robert T. Anderson 5892 NW Lac Lemah Drive Issaquah, WA 98027	-0-	0.249980
Tom Foster Anderson Trust Tom Foster Anderson, Trustee 907 E. Hudson Street Tyler, TX 75701-5608	-0-	0.250080
Sam Boltz Family Trust Sam T. Boltz, Jr., Trustee 509 Princeton Drive Tyler, TX 75703-5184	-0-	0.052500
Monty M. Brosious 2484 W Dolphin Drive Citrus Springs, FL 34434	-0-	0.013800
Warren D. Driskell c/o 1252 Pine Street Wheatland, WY 82201	-0-	0.060000
Haymaker Holding Company P O Box 205415 Dallas, TX 75320	-0-	3.000000
Mary Jane Holstine P O Box 694 East Bernard, TX 77435-0694	-0-	0.249980
Susan Lowthorp 1814 Laney Longview, TX 75605	-0-	0.249980
J. Paul Mathias 8871 E. Easter Place Englewood, CO 80112	-0-	0.011850
O'Brien Family, LLC 5461 Kent Place Denver, CO 80235	-0-	0.052500
Ann Lisa Pearson P O Box 3707 Centennial, CO 80161-3707	-0-	0.011850
Rickard Properties, LLC P O Box 1478 Parker, CO 80134	-0-	0.052500
R.W. Scott Investments, LLC A Colorado Limited Liability Company 1275 Lupine Way, Genesee Golden, CO 80401	-0-	0.247500
Buck (Laycester) Stanley F RH Stanley & C. Sullivan, Trustees 38021 Fawn Meadows Trail Elizabeth, CO 80107	-0-	0.247500
TOTAL WELL	100.000000	100.000000

ATTACHMENT NO. 3 - PAGE 4 of 8
Dugan Production Corp.

Well Name	Pool	Lease #	Location	Spacing Unit
Grigsby Federal 3-8	Basin Dakota	NM8007	NWNW 8-25N-10W	N/2-320.0A
Location A	Basin Fruitland Coal	NM8007	NW 7-25N-10W	N/2-320.0A
Location B	Basin Fruitland Coal	NM8007	NE 7-25N-10W	N/2-320.0A
Location C	Basin Fruitland Coal	NM8007	SW 7-25N-10W	S/2-320.0A
Location D	Basin Fruitland Coal	NM8007	NW 8-25N-10W	N/2-320.0A
Location E	Basin Fruitland Coal	NM8007	NE 8-25N-10W	N/2-320.0A
Location F	Basin Fruitland Coal	NM8007	SE 8-25N-10W	S/2-320.0A
Location G	Basin Fruitland Coal	NM8007	NE 17-25N-10W	N/2-320.0A

INTEREST OWNER

	INTEREST%	
	Gross	Net
<u>Working Interest</u> Dugan Production Corp.	100.000000	78.750000
<u>Royalty</u> USA - c/o Bureau of Land Management 6251 College Blvd., Suite A Farmington, NM 87402	-0-	12.500000
<u>Overriding Royalty Interest</u> Kathlyn R. Anderson P O Box 106 St. Paul, AK 72760	-0-	0.249980
Robert T. Anderson 5692 NW Lac Leman Drive Issaquah, WA 98027	-0-	0.249980
Tom Foster Anderson Trust Tom Foster Anderson, Trustee 907 E. Hudson Street Tyler, TX 75701-5608	-0-	0.250080
Sam Boltz Family Trust Sam T. Boltz, Jr., Trustee 509 Princeton Drive Tyler, TX 75703-5164	-0-	0.052500
Monty M. Brosious 2484 W Dolphin Drive Citrus Springs, FL 34434	-0-	0.013800
Warren D. Driskoll c/o 1252 Pine Street Wheatland, WY 82201	-0-	0.060000
Haymaker Holding Company P O Box 205415 Dallas, TX 75320	-0-	3.000000
Mary Jane Holstine P O Box 694 East Bernard, TX 77435-0694	-0-	0.249980
Susan Lowthorp 1814 Laney Longview, TX 75605	-0-	0.249980
J. Paul MatNias 8871 E. Easter Place Englewood, CO 80112	-0-	0.011850
McCully-Chapman Exploration P O Box 421 Sealy, TX 77474	-0-	0.937500
Moon Royalty, LLC P O Box 720070 Oklahoma City, OK 73172-0070	-0-	0.937500
O'Brien Family, LLC 5461 Kent Place Denver, CO 80235	-0-	0.052500
Ann Lisa Pearson P O Box 3707 Centennial, CO 80161-3707	-0-	0.011850
Rickard Properties, LLC P O Box 1478 Parker, CO 80134	-0-	0.052500
R.W. Scott Investments, LLC A Colorado Limited Liability Company 1275 Lupine Way, Genesee Golden, CO 80401	-0-	0.247500
Southland Royalty Company, LLC 400 West 7 th Street Fort Worth, TX 76102	-0-	1.875000
Buck (Leycester) Stanley F RH Stanley & C. Sullivan, Trustees 38021 Fawn Meadows Trail Elizabeth, CO 80107	-0-	0.247500
TOTAL WELL	100.000000	100.000000

ATTACHMENT NO. 3 – PAGE 5 of 8
Dugan Production Corp.

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Latex #1S	Basin Fruitland Coal	NM86080	SENW 9-25N-10W	N/2-320.0A
Latex #2S	Basin Fruitland Coal	NM86080	SWSE 9-25N-10W	S/2-320.0A

INTEREST OWNER

INTEREST%

Working Interest
Dugan Production Corp.

<u>Gross</u>	<u>Net</u>
100.000000	87.500000

Royalty
USA – c/o Bureau of Land Management
6251 College Blvd., Suite A
Farmington, NM 87402

-0-	12.500000
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TOTAL WELL

<u>100.000000</u>	<u>100.000000</u>
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ATTACHMENT NO. 3 – PAGE 6 OF 8
 Dugan Production Corp.'s
 Neoprene Com #90
 Basin Fruitland Coal
 Well Location: NE/4 SE/4 17, T-25N, R-10W
 Spacing Unit: S/2 (320.0A)
 San Juan County, New Mexico

INTEREST OWNER	BPO%		APO%	
	Gross	Net	Gross	Net
<u>Working Interest</u> Dugan Production Corp	78.125000	66.853125	62.500000	54.062500
Cat Springs Properties, LLC P O Box 450 Sealy, TX 77474			6.250000	5.156250
Charger Resources, LLC 9001 Airport Freeway, Suite 670 North Richland Hills, TX 76180			12.500000	10.312500
Energex Resources Corp. 2198 Bloomfield Highway Farmington, NM 87401	15.625000	12.890625	12.500000	10.312500
Moon Royalty, LLC P O Box 720070 Oklahoma City, OK 73172-0070	6.250000	5.156250	6.250000	5.156250
<u>Royalty</u> USA-Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.500000	-0-	12.500000
<u>Overriding Royalty</u> Kathlyn R. Anderson P O Box 106 St. Paul, AK 72760	-0-	0.124990	-0-	0.124990
Robert T. Anderson 5892 NW Lac Leman Drive Issaquah, WA 98027	-0-	0.124990	-0-	0.124990
Tom Foster Anderson Trust Tom Foster Anderson, Trustee 907 East Hudson Street Tyler, TX 75701-5608	-0-	0.125040	-0-	0.125040
Sam Boltz Family Trust Sam T. Boltz, Jr., Trustee 509 Princeton Drive Tyler, TX 75703-5164	-0-	0.026250	-0-	0.026250
Monly M. Brosicus 2484 W Dolphin Drive Citrus Springs, FL 34434	-0-	0.006900	-0-	0.006900
Warren D. Driskell c/o 1252 Pine Street Wheatland, WY 82201	-0-	0.030000	-0-	0.030000
Haymaker Holding Company P O Box 205415 Dallas, TX 75320	-0-	1.500000	-0-	1.500000
Mary Jane Hotstline P O Box 694 East Bernard, TX 77435-0694	-0-	0.124990	-0-	0.124990
Susan Lowthorp 1814 Laney Longview, TX 75605	-0-	0.124990	-0-	0.124990
J. Paul Mathias 8871 E. Easter Place Englewood, CO 80112	-0-	0.005925	-0-	0.005925
O'Brien Family, LLC 5451 Kent Place Denver, CO 80235	-0-	0.026250	-0-	0.026250
Ann Lisa Pearson P O Box 3707 Centennial, CO 80161-3707	-0-	0.005925	-0-	0.005925
Rickard Properties, LLC P O Box 1478 Parker, CO 80134	-0-	0.026250	-0-	0.026250
R.W. Scott Investments, LLC A Colorado Limited Liability Company 1275 Lupine Way, Genesee Golden, CO 80401	-0-	0.123750	-0-	0.123750
Buck (Leycester) Stanley F RH Stanley & C. Sullivan, Trustees 38021 Fawn Meadows Trail Elizabeth, CO 80107	-0-	0.123750	-0-	0.123750
TOTAL WELL	100.000000	100.000000	100.000000	100.000000

ATTACHMENT NO. 3 – PAGE 7 OF 8
 Dugan Production Corp.'s
 Neoprene Com #91
 Basin Fruitland Coal
 Well Location: SE¼ SW¼ 17, T-25N, R-10W
 Spacing Unit: S/2 (320.0A)
 San Juan County, New Mexico

INTEREST OWNER

	BPO%		APQ%	
	Gross	Net	Gross	Net
<u>Working Interest</u>				
Dugan Production Corp.	80.000000	88.500000	62.500000	54.062500
Charger Resources, LLC 9001 Airport Freeway, Suite 670 North Richland Hills, TX 76180			12.500000	10.312500
Energen Resources Corp. 2198 Bloomfield Highway Farmington, NM 87401	13.333333	11.000000	12.500000	10.312500
Moon Royalty, LLC P O Box 720070 Oklahoma City, OK 73172-0070	6.656667	5.500000	6.250000	5.156250
McCully-Chapman Exploration P O Box 421 Sealy, TX 77474			6.250000	5.156250
<u>Royalty</u>				
USA-Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.500000	-0-	12.500000
<u>Overriding Royalty</u>				
Kathlyn R. Anderson P O Box 106 St. Paul, AK 72760	-0-	0.124990	-0-	0.124990
Robert T. Anderson 5892 NW Lac Leman Drive Issaquah, WA 98027	-0-	0.124990	-0-	0.124990
Tom Foster Anderson Trust Tom Foster Anderson, Trustee 907 East Hudson Street Tyler, TX 75701-5608	-0-	0.125040	-0-	0.125040
Sam Boltz Family Trust Sam T. Boltz, Jr., Trustee 509 Princeton Drive Tyler, TX 75703-5164	-0-	0.026250	-0-	0.026250
Monty M. Brosious 2484 W Dolphin Drive Citrus Springs, FL 34434	-0-	0.006900	-0-	0.006900
Warren D. Driskell c/o 1252 Pine Street Wheatland, WY 82201	-0-	0.030000	-0-	0.030000
Haymaker Holding Company P O Box 205415 Dallas, TX 75320	-0-	1.500000	-0-	1.500000
Mary Jane Holstine P O Box 894 East Bernard, TX 77435-0694	-0-	0.124990	-0-	0.124990
Susan Lowthorp 1814 Laney Longview, TX 75605	-0-	0.124990	-0-	0.124990
J. Paul Mathias 8871 E. Easter Place Englewood, CO 80112	-0-	0.005925	-0-	0.005925
O'Brien Family, LLC 5461 Kent Place Denver, CO 80235	-0-	0.026250	-0-	0.026250
Ann Lisa Pearson P O Box 3707 Centennial, CO 80161-3707	-0-	0.005925	-0-	0.005925
Rickard Properties, LLC P O Box 1478 Parker, CO 80134	-0-	0.026250	-0-	0.026250
R.W. Scott Investments, LLC A Colorado Limited Liability Company 1275 Lupino Way, Connesse Golden, CO 80401	-0-	0.123750	-0-	0.123750
Buck (Leycester) Stanley F RH Stanley & C. Sullivan, Trustees 38021 Fawn Meadows Trail Elizabeth, CO 80107	-0-	0.123750	-0-	0.123750
TOTAL WELL	100.000000	100.000000	100.000000	100.000000

ATTACHMENT NO. 3 – PAGE 8 of 8
Dugan Production Corp.

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Spandex Com 90	Basin Fruitland Coal	VA-1496	SWNE 16-25N-10W	N/2-320.0A
Spandex Com 90S	Basin Fruitland Coal	VA-1496	NWNW 16-25N-10W	N/2-320.0A
Location H	Basin Fruitland Coal	VA-1496	SW/4 16-25N-10W	S/2-320.0A

INTEREST OWNER

	<u>INTEREST%</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u> Dugan Production Corp.	100.000000	85.375000
<u>Royalty</u> State of New Mexico New Mexico State Land Office P O Box 1149 Santa Fe, NM 87504-1149	-0-	12.500000
<u>Overriding Royalty</u> Energen Resources Corp. 2198 Bloomfield Highway Farmington, NM 87401	-0-	2.125000
TOTAL WELL	<u>100.000000</u>	<u>100.000000</u>

**ATTACHMENT NO. 4
PRODUCTION SUMMARY
WELLS CONNECTED OR TO BE CONNECTED TO DUGAN PRODUCTION'S
LATEX GAS GATHERING SYSTEM**

POOL NAME & CODE	AVERAGE BTU btu/scf	WELLS OR COMPLETIONS ①		POOL PRODUCTION ALL WELLS - mcf/d ②		AVERAGE PRODUCTION PER WELL - mcf/d ②	
		EXISTING	PROPOSED	EXISTING	PROPOSED	EXISTING	PROPOSED
Latex Gas Gathering System (LGGS)							
Basin Dakota (71599)	1256	2	0	79	0	39.5	0
Basin Fruitland Coal Gas (71629)	985	0	17 (6)	183	499	91.5	83

Calculated BTU of commingled production for LGGS = btu/scf for all wells (existing and proposed) which compares fairly closely to the actual BTU average at the CDP sales meter during September of 2015

Calculated value of commingled production: commingling is necessary to get produced natural gas to a gas sales meter from 17 (2 existing & 15 proposed) low volume gas wells. CDP gas revenue and MMBTU will be allocated to individual wells using factors determined from the MMBTU produced from each well. Each well will be equipped with an allocation meter or an approved method of alternative measurement. During September 2015, CDP sales volume from all wells averaged 40 mcf/d. There should be no loss in value to any well as a result of this commingling.

Notes:

- ① - Wells as of 12-1-2015. Existing = wells currently approved for gathering system. Proposed = wells & locations to be added to gathering system. Active completions in parentheses.
- ② - Production information during September, 2015

**Attachment No. 4
Dugan Production's
Lease Summary**

Latex Gathering System

Federal Leases - NM-8007, NM-86080, NM-97838

State Leases - V-1496

Navajo Allotted Leases - NOG-1003-1769

Attachment No. 5
Allocation Procedures
Dugan Production Corp.'s
Latex Gas Gathering System
CDP - SESW 3, T25N, R10W
San Juan County, New Mexico

Base Data:

W = Volume (MCF) from Well Allocation Meter

X = Volume (MCF) from CPD Sales Meter

Y = BTU's from CPD Sales Meter

Z = Gas Revenue (\$) from CPD Sales Meter

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

A = Allocated Sales Volume, MCF.

$$=(W/SUM W) \times X$$

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

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

D = 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/SUM W) for the wells involved.

E = 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/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's On shore Order No. 5.

3. Allocated Individual Well Gas Revenues = $(\text{Allocated Individual well BTU's} / \text{Sum Allocated individual well BTU's}) \times Z$

ATTACHMENT 6
DIRECT CONNECT VS CONNECTION TO TGGG
10 WELLS PROPOSED FOR
ADDITION TO LATEX GAS GATHERING SYSTEM

	Direct Connect to PL	Connect to TGS
Wells to be added	10	10
# Lines Required	4	2
Total PL length	7.8 miles=41,000'	.56 miles = 3,000'
Average PL length per well	.47 miles=4,100'	0.056 miles = 316.8'
Surface disturbance w/40' ROW	37.6 A	2.75 A
# additional compressors needed	4	0
Additional compressor hp	472 - 4 @ 118 hp	0
Additional compressor fuel	79.2 mcf - 4 @ 19.8 mcf	0
Additional compressor exhaust volume	2.4 mmcf - 604 cfm/compressor	0
Value of fuel gas - \$/year	\$143,829 - \$4.095/mcf - 1215 btu	0
Pipeline Tap	\$524,000 - 4 @ 131,000/well	\$10,000 = 2 @ \$5,000/well
Pipeline Installed	\$1,558,000 - 41,000' @ \$38/ft	\$45,000 = 3,000' @ \$15/ft
Pipeline Pigging System	\$40,000 - 4 @ \$10,000/line	0
Totals	\$2,265,829.00	\$55,000.00

ATTACHMENT NO. 7

GATHERING SYSTEM &
WATER DISPOSAL FACILITIES

DUGAN PRODUCTION CORP'S
LATEX GAS GATHERING SYSTEM

Gas Sales Meters

<u>Name</u>	<u>Description</u>	<u>Location</u>
CDP	gas sales to Enterprise Field Services Meter #99325	SESW 3, T-25N, R-10W

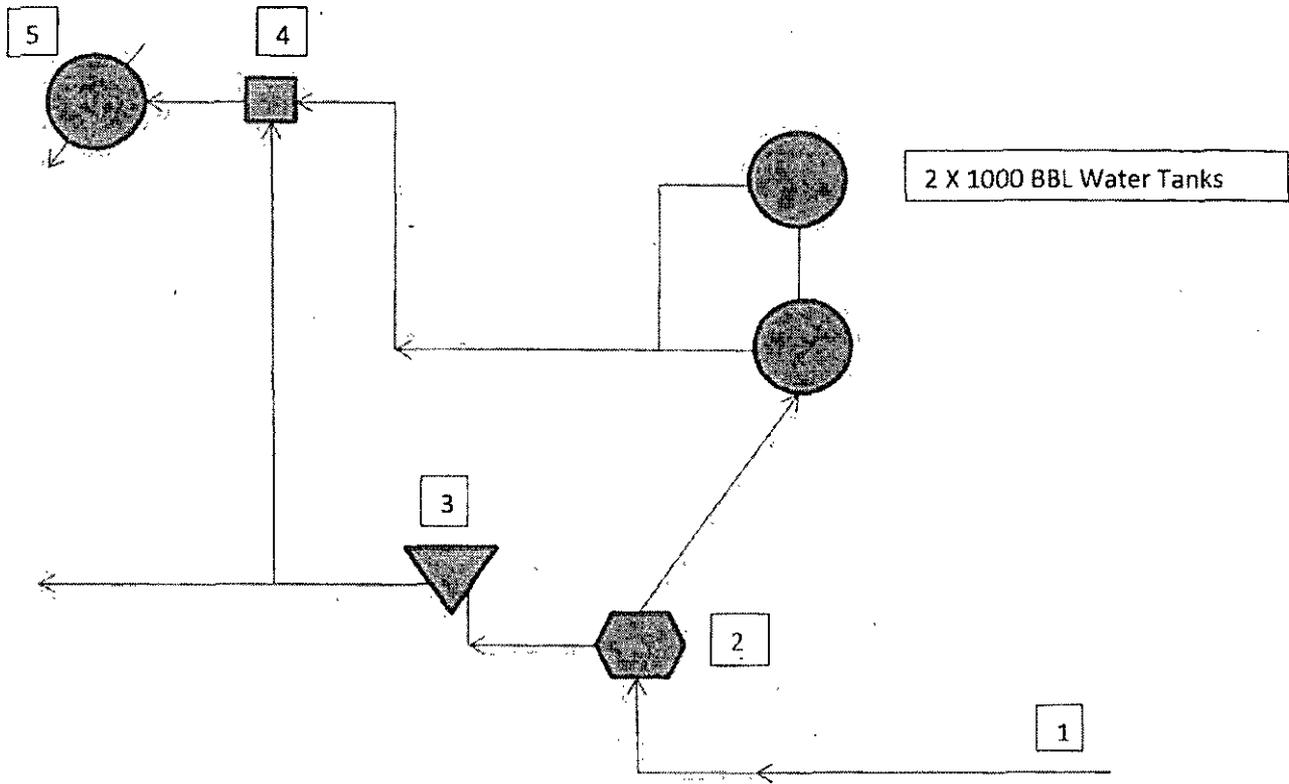
Compressors

<u>Name</u>	<u>Location</u>	<u>Make & Model</u>	<u>Engine HP</u>	<u>Fuel-mcfd</u>
Latex Compressor	SWNW 9-25N-10W at the Latex #1	5.9 Cummins GD F Screw	116	23,2

Water Disposal Facilities (see page 2)

<u>Facility</u>	<u>Location</u>	<u>Injection Pump Make & Model</u>	<u>Engine HP</u>	<u>Fuel-mcfd</u>
Neoprene #1 SWD	NESW 17-25N-10W North of Neoprene Com #91	5.9 Cummins	49	10.32

**ATTACHMENT NO. 7
 GATHERING SYSTEM & WATER DISPOSAL FACILITIES
 DUGAN PRODUCTION CORP'S
 LATEX GAS GATHERING SYSTEM**



Dugan Production Corp.
 Neoprene #1 SWD
 NESW Section 17 T-25N, R-10W
 Administrative Order SWD-1098-
 San Juan County, NM

1. Fluid from wells produced up tubing and
 Delivered to disposal facility by pipeline
 Mostly water and some gas
2. Gas/water Separator
3. Gas Allocation Meter
4. Water Injection Pumps
5. Injection Well

Pump information: 49 HP 5.9 Cummins, Fuel Usage 10.32 MCFD

Attachment No. 8
Interest Ownership Notification
Dugan Production Corp.'s Application dated 12/18/15
Proposing the Addition of 17 Wells to
Dugan Production's Latex Gas Gathering System

Presenting evidence that interest ownership in the Latex Gas Gathering System and the 17 wells proposed to be added have been given notice of Dugan's application, attached is:

1. A copy of Dugan's transmittal letters dated 12/18/15 used to send copies of the subject application to all interest owners in all wells/locations being added to the Latex Gas Gathering System under NMOCD Commingling Order OLM-15. Each overriding royalty interest owner was offered a copy of our application should they desire to receive one. Of the 17 wells/locations being added, Dugan Production will be the operator of all wells and holds 100% of the working interest in 15 of the 17 wells. Dugan shares working interest with others in the Neoprene Com 90 and Neoprene Com 91 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. The royalty interest for all 17 wells/locations being added is federal (14 wells/locations), state (3 wells/locations), Navajo allotted (1 well/location). Since the subject application is addressed to the Farmington Field Office of the Bureau of Land Management (for federal and Indian leases), and the New Mexico State Land Office (for state leases) a separate notice to royalty interest owners was not needed. The applications were sent by certified mail with a return receipt requested and upon receiving the receipts, copies will be sent to the NMOCD.
3. Copy of our advertisement published in the Legal Notice section of the Wednesday, December 13th, 2015 issue of the Farmington Daily Times regarding the subject application to add 17 wells/locations to Dugan's Latex Gas Gathering System. This publication was made in anticipation that of the notice mailed to all interest owners, there will be at least one either returned for some reason or the return receipt will be lost in the mail. An original "Affidavit of Publication" will be submitted to the Santa Fe office of the NMOCD when received from the Daily Times newspaper.



dugan production corp.

December 18, 2015

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Working Interest Owners (Address list attached)

Re: Dugan Production's Application dated 12/18/15
Proposed addition of 17 wells to Dugan's Latex Gas Gathering System
San Juan County, New Mexico

Dear Ladies/Gentlemen:

According to our records, each of you has an interest in one or more of the wells that is either currently connected or proposed to be connected to Dugan's Latex Gas Gathering System. Attached for your information and review is a complete copy of Dugan's application to the NMOCD, BLM and State Land Office (SLO), requesting their approvals to add 17 wells to the Latex Gas Gathering System which currently has 2 wells approved for the system. This will require surface commingling of production from the subject wells, plus the sale of gas at a central delivery sales meter (CDP). Dugan Production will install, operate, and maintain the gathering system, central battery, and water disposal facilities and will pay all costs associated with this proposal. As a working interest owner in wells connected or to be connected to the Latex Gas 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 for any costs associated with installing the gathering system (including the allocation meters) and water disposal facilities. Dugan Production's current company-wide gathering system fee is \$0.27/MMBTU, and our compression fee is \$0.09/MMBTU. These fees will be used until operating economics indicate the need for revisions.

This proposal will not affect your interest in these wells and should allow for optimum operations on Fruitland coal wells that typically produce large volumes of water in association with the gas. Since produced water will be transported for disposal by pipeline and all wells producing water will share in disposal costs, the water disposal costs will be kept to a minimum. In addition, all wells will benefit from central compression which should keep wellhead operating pressures as low as possible. This method of operation will help to keep our 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. 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 a gathering system and should not affect the interests previously authorized to operate on a gathering system. Should you have any questions, need additional information, 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 in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

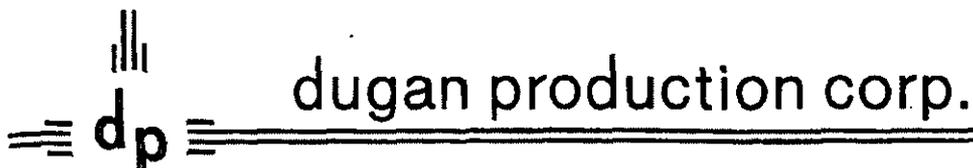
Sincerely,

Kevin Smaka
Production Engineer

KS/tmf

Attachments

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



dugan production corp.

December 18, 2015

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Overriding Interest Owners (Address list attached)
Dugan Production Corp.'s Latex Gas Gathering System

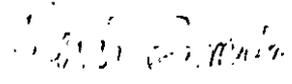
Re: Dugan Production's Application dated 12/18/15
Proposed addition of 17 wells to Dugan's Latex Gas Gathering System
San Juan County, New Mexico

Dear Ladies/Gentlemen:

According to our records, each of you has an interest in one or more of the wells that is either currently connected or proposed to be connected to Dugan's Latex Gas Gathering System. The wells and interest owners are listed on the attached address list. The subject application to the New Mexico Oil Conservation Division (NMOCD), Bureau of Land Management (BLM) and State Land Office (SLO), requests their approvals to add 17 wells to the Latex Gas Gathering System which currently has 2 wells approved for the system. This will require surface commingling of production from the subject wells, plus the sale of gas at a central delivery sales meter (CDP). Dugan Production will install, operate, and maintain the gathering system, central battery, and water disposal facilities and will pay all costs associated with this proposal. Since your interest in these wells is an overriding royalty interest, there are no costs chargeable to you and this proposal should not affect your interest in these wells. This proposal will however, allow for optimum operations on Fruitland coal wells that typically produce large volumes of water in association with the gas and since produced water will be transported for disposal by pipeline rather than truck, the water disposal costs will be kept to a minimum. In addition, all wells will benefit from central compression which should keep wellhead operating pressures as low as possible. This method of operation will help to keep our 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. 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 a gathering system and should not affect the interests previously authorized to operate on a 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 in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,


Kevin Smaka
Production Engineer

KS/tmf

Attachments

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

Wells to be Added
Latex Gas Gathering System Interest Owners Address List
(wells with ownership interest in parentheses)

a=Charger Com 1; b=Grigsby Federal 1-7; c=Grigsby Federal 3-8, Locations A-G; d=Latex 1S & 2S;
e=Neoprene Com 90 BPO & APO; f=Neoprene Com 91 BPO & APO; g=Spandex Com 90 & 90S & Location H;

Working Interest Owners

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

Cat Springs Properties, LLC (e)
P O Box 450
Sealy, TX 77474

Charger Resources, LLC (e,f)
9001 Airport Freeway, Suite 670
North Richland Hills, TX 76180

Energen Resources Corp. (e,f)
2198 Bloomfield Hwy
Farmington, NM 87401

McCully-Chapman Exploration (f)
P O Box 421
Sealy, TX 77474

Moon Royalty, LLC (e,f)
P O Box 720070
Oklahoma City, OK 73172-0070

Royalty Interest Owners

New Mexico State Land Office (g)
Office of Commissioner of Public Lands
P O Box 1148
Santa Fe, NM 87504-1148

USA-c/o Bureau of Land Management (a-f)
6251 College Blvd., Suite A
Farmington, NM 87402

Navajo Allotted (a)
Federal Indian Minerals Office
6251 College Blvd., Suite B
Farmington, NM 87402

Overriding Royalty Interest Owners

Kathlyn R. Anderson (a,b,c,e,f)
P O Box 106
St. Paul, AK 72760

Robert T. Anderson (a,b,c,e,f)
5892 NW Lac Leman Dr.
Issaquah, WA 98027

Tom Foster Anderson Trust (a,b,c,e,f)
Tom Foster Anderson, Trustee
90 East Hudson Street
Tyler, TX 75703-5164

Sam Boltz Family Trust (a,b,c,e,f)
Sam T. Boltz, Jr., Trustee
509 Princeton Drive
Tyler, TX 75703-5164

Monty Brosious (a,b,c,e,f)
2484 W. Dolphin Drive
Citrus Springs, FL 34434

Warren D. Driskell (a,b,c,e,f)
c/o 1252 Pine Street
Wheatland, WY 82201

Energen Resources Corp. (g)
2198 Bloomfield Hwy
Farmington, NM 87401

Haymaker Holding Company (a,b,c,e,f)
P O Box 205415
Dallas, TX 75320

Mary Jane Holstine (a,b,c,e,f)
P O Box 694
East Bernard, TX 77435-0694

Ken Perkins Oil & Gas Inc. (a)
50 Sugar Creek Center Blvd., Suite 275
Sugar Land, TX 77478

Susan Lowthorp (a,b,c,e,f)
1814 Laney
Longview, TX 75605

J. Paul Mathias (a,b,c,e,f)
8871 E. Easter Place
Englewood, CO 80112

McCully-Chapman Exploration (c)
P O Box 421
Sealy, TX 77474

Moon Royalty, LLC (c)
P O Box 720070
Oklahoma City, OK 73172-0070

O'Brien Family, LLC (a,b,c,e,f)
5461 Kent Place
Denver, CO 80235

Ann Lisa Pearson (a,b,c,e,f)
P O Box 3707
Centennial, CO 80161-3707

R.W. Scott Investments, LLC (a,b,c,e,f)
A Colorado Limited Liability Company
1275 Lupine Way, Genesee
Golden, CO 80401

Rickard Properties (a,b,c,e,f)
P O Box 1478
Parker, CO 80134

Southland Royalty Company, LLC (c)
400 West 7th Street
Fort Worth, TX 76102

Buck (Leycester) Stanley (a,b,c,e,f)
RH Stanley & C. Sullivan, Trustees
38021 Fawn Meadows Trail
Elizabeth, CO 80107

AFFIDAVIT OF PUBLICATION

COPY OF PUBLICATION

Ad No. 72193

STATE OF NEW MEXICO
County of San Juan:

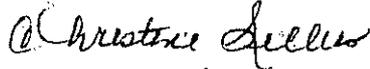
SAMMY LOPEZ, being duly sworn says: That he IS the PUBLISHER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Sunday, December 13, 2015

And the cost of the publication is \$1111.13



ON 12/15/15 SAMMY LOPEZ appeared before me, whom I know personally to be the person who signed the above document.



Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD), the Bureau of Land Management (BLM) and the New Mexico State Land Office (NMSLO) for regulatory approvals to add 17 wells to Dugan Production's Latex Gas Gathering System (LGGS). This will require the surface commingling of produced natural gas and 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 existing NMOCD order, OLM-15, be amended to allow future gathering system additions 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 7, 8, 9, 16, 17, of Township 25 North, Range 10 West, all located in San Juan County, New Mexico. The central delivery gas sales meter (CDP) is located in the SESW of Section 3, T. 25N, R. 10W and delivers gas to Enterprise Field Services at their Meter No. 99325. The gathering system currently has 12 wells authorized, both of which are completed in the Basin Fruitland Coal gas pool. Fifteen of the wells to be added are completed or will be completed in the Basin Fruitland Coal gas pool. The two remaining wells are completed in the Basin Dakota pool. All wells (existing and to be added) are operated by Dugan Production Corp. and are located upon, or the spacing units include the following leases held by Dugan Production Corp.: Federal Leases NM-8007, NM-86080, NM-97838, State Lease VA-1496, and Navajo Allotted lease NOG-1003-1769. The wells to be added are: Dugan Production's Latex 1S & 2S, Spandex 90 & 90S, Neoprene 90 & 91, Grigsby Federal 1 & Grigsby Federal 3, Charger Com 1 and 8, proposed locations that have yet to be drilled. The two wells currently authorized for the LGGS currently average 92 mcf/d per well and range from 77 to 106 mcf/d per well. The wells to be added produce natural gas volumes similar to the wells currently authorized for the LGGS. Any person holding an interest in any of these leases or wells may contact Dugan Production Corp. for additional information. Inquiries should be directed to Kevin Smaka 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 date of this publication.

In the absence of objection, Dugan Production Corp. is requesting that the NMOCD approve its application administratively. NMOCD's address is 1220 South St. Fran Drive, Santa Fe, NM 87505.
Legal No. 72193 published in The Daily Times on December 13, 2015.



DEC 17 2015

BY:

Please place in the legal ads for the Sunday, December 13th, 2015 publication of the Farmington Daily Times. Once the ad has been run, please send Affidavit of Publication to Dugan Production Corp., Attn: Kevin Smaka, P. O. Box 420, Farmington, NM 87499-0420.

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD), the Bureau of Land Management (BLM) and the New Mexico State Land Office (NMSLO), for regulatory approvals to add 17 wells to Dugan Production's Latex Gas Gathering System (LGGS). This will require the surface commingling of produced natural gas and 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 existing NMOCD order, OLM-15, be amended to allow future gathering system additions 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 7, 8, 9, 16, 17 of Township 25-North, Range-10 West, all located in San Juan County, New Mexico. The central delivery gas sales meter (CDP) is located in the SESW of Section 3, T-25N, R-10W and delivers gas to Enterprise Field Services at their Meter No. 99325. The gathering system currently has 2 wells authorized, both of which are completed in the Basin Fruitland Coal gas pool. Fifteen of the wells to be added are completed or will be completed in the Basin Fruitland Coal gas pool. The two remaining wells are completed in the Basin Dakota pool. All wells (existing and to be added) are operated by Dugan Production Corp. and are located upon, or the spacing units include the following leases held by Dugan Production Corp.; Federal Leases NM-8007, NM-86080, NM-97838; State Lease VA-1496; and Navajo Allotted lease NOG-1003-1769. The wells to be added are: Dugan Production's Latex 1S & 2S, Spandex 90 & 90S, Neoprene 90 & 91, Grigsby Federal 1 & Grigsby Federal 3, Charger Com 1, and 8 proposed locations that have yet to be drilled. The two wells currently authorized for the LGGS currently average 92 mcf/d per well and range from 77 to 106 mcf/d per well. The wells to be added produce natural gas volumes similar to the wells currently authorized for the LGGS. Any person holding an interest in any of these leases or wells may contact Dugan Production Corp. for additional information. Inquiries should be directed to Kevin Smaka 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 date of this publication. In the absence of objection, Dugan Production Corp. is requesting that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
311 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9730
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico **RECEIVED** Form C-102
Energy, Minerals & Natural Resources Department Revised August 1, 2011
OIL CONSERVATION DIVISION **DEC 14 2012** Submit one copy to appropriate District Office
1220 South St. Francis Dr. Farmington Field Office AMENDED REPORT
Santa Fe, NM 87505 Bureau of Land Management

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-35444	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 39739	⁵ Property Name CHARGER	
⁷ OGRID No. 006515	⁶ Well Number 1	
⁸ Operator Name DUGAN PRODUCTION CORPORATION		⁹ Elevation 6445

" Surface Location

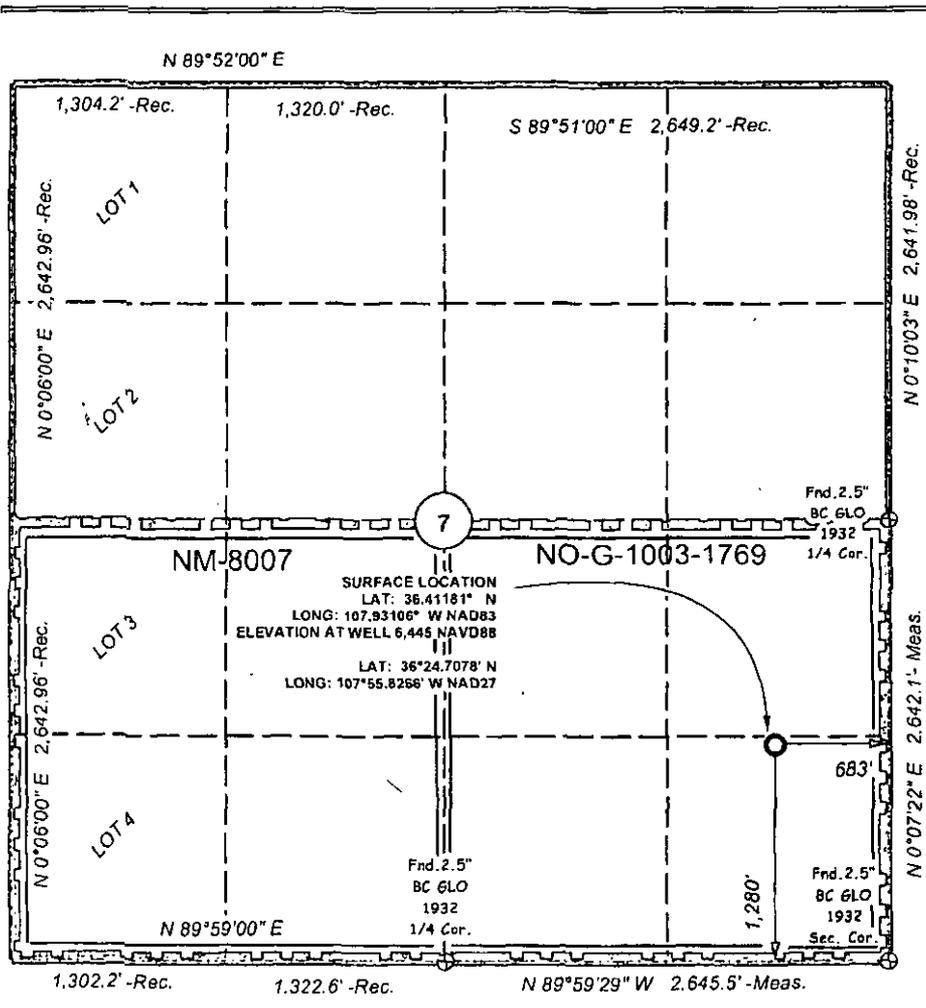
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	7	25 N	10 W		1280	SOUTH	683	EAST	SAN JUAN

" 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

¹² Dedicated Acres 319.72 S/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

318.87
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.



" OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore approved by the division.

Kurt Fagrelis 12-12-12
Signature Date

Kurt Fagrelis
Printed Name

kfagrelis@duganproduction.com
E-mail Address

" 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.

Dec 10, 2012
Date of Survey

Signature and Seal of Professional Surveyor:

Certificate #14827

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACERAGE DEDICATION PLAT**

All distances must be from the outer boundaries of the Section

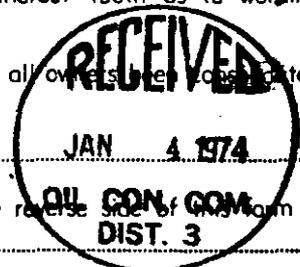
Operator Universal Resources Corp.		Lease Grigsby Federal		Well No. 1
Unit Letter D	Section 7	Township 25 North	Range 10 West	County San Juan County, New Mexico
Actual Footage Location of Well: 890 feet from the North line and 790 feet from the West line				
Ground Level Elev. 6422.02	Producing Formation Dakota	Pool PASIN	Dedicated Acreage: 317.84 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both ds to working interest and royalty),
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

() Yes () No If answer is "yes," type of consolidation

If answer is "no," list the owners and tract descriptions which have actually consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

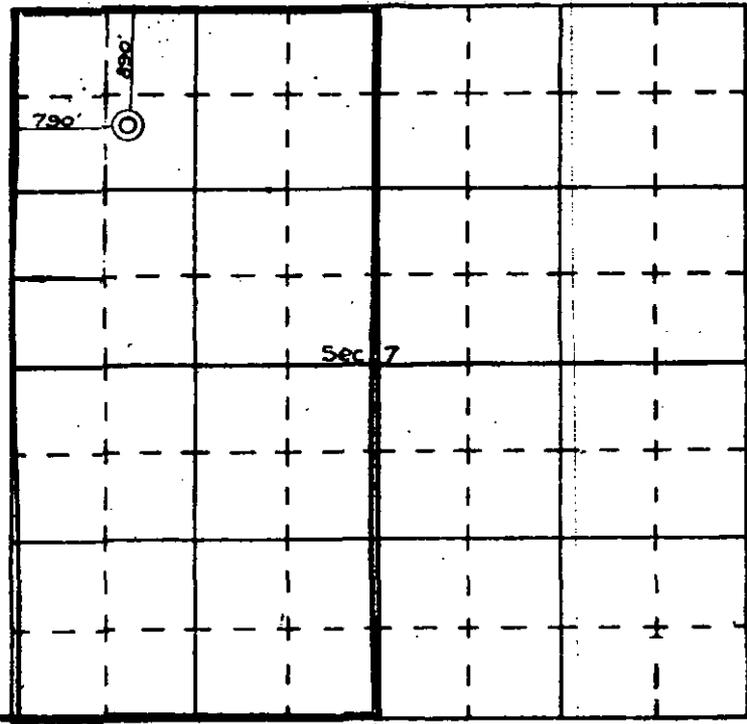
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Warren G. Hicks

Name
Warren G. Hicks
Position
Vice President
Company
Universal Resources Corp.
Date
12-31-73

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: **December 28, 1973**
Registered Professional Engineer and Land Surveyor
James P. Leese
NEW MEXICO
Certificate No. **1185 P. LEESE**



NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-100
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

UNIVERSAL RESOURCES CORP.		GRIGSBY FEDERAL		Well No. 30
Section 8	Township 25 NORTH	Range 10 WEST	County SAN JUAN	
Location of Wells:				
feet from the NORTH line and 850		feet from the WEST line		
Surface Elev. 6479.0	Producing Formation Dakota	Pool Basin-Dakota	Dedicated Acreage 320 Acres	

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

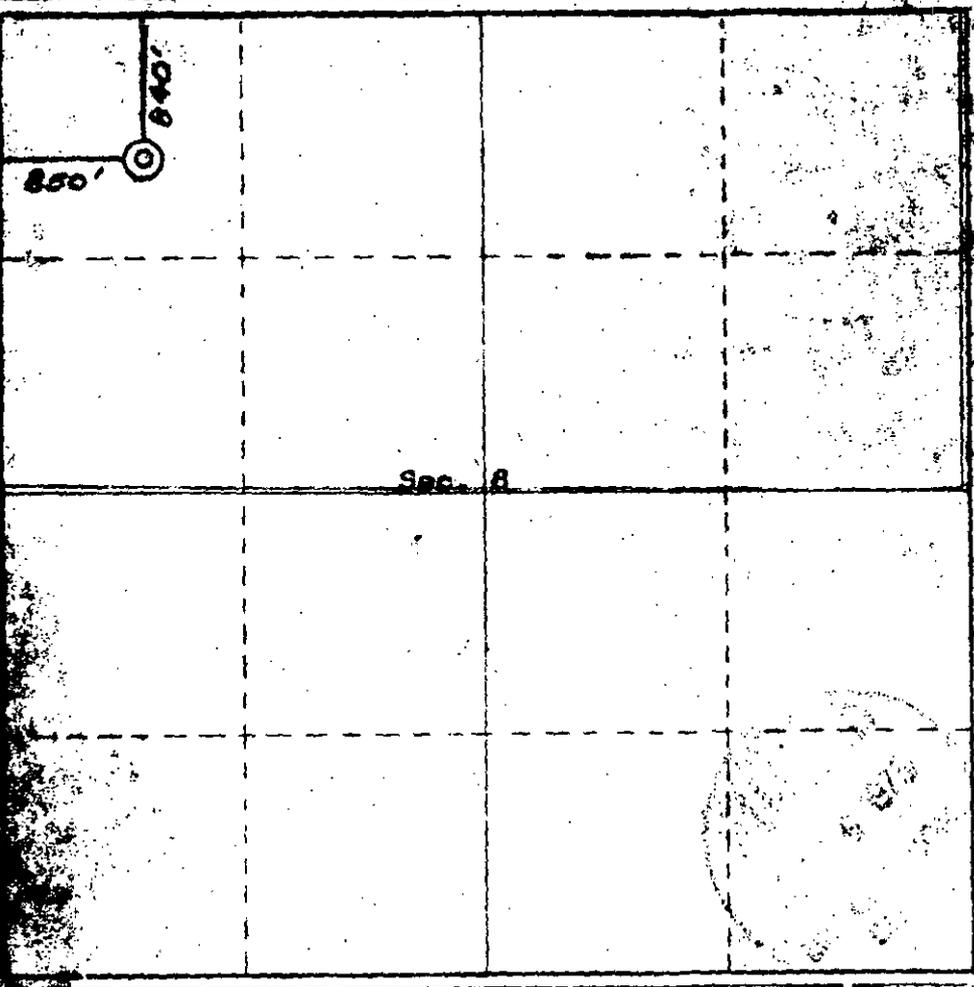
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

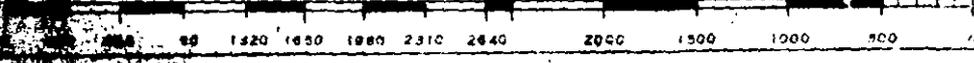
V. N. Baker

Name V. N. Baker
Agent
Position
Universal Resources Corp.
Company
1-2-75
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

11 September, 1974
Date Surveyed

JAMES P. LEESE
Register of Deeds and Land
1963
SUN JUAN COUNTY
JAMES P. LEESE



RCVD JAN 31 07

OIL CONS. DIV.

Form C-102

Revised: February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DIST. 3

AMENDED REPORT

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

RECEIVED

CTO E...

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-34021		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 19014	*Property Name LATEX		*Well Number 15
*OGRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6565'

10 Surface Location

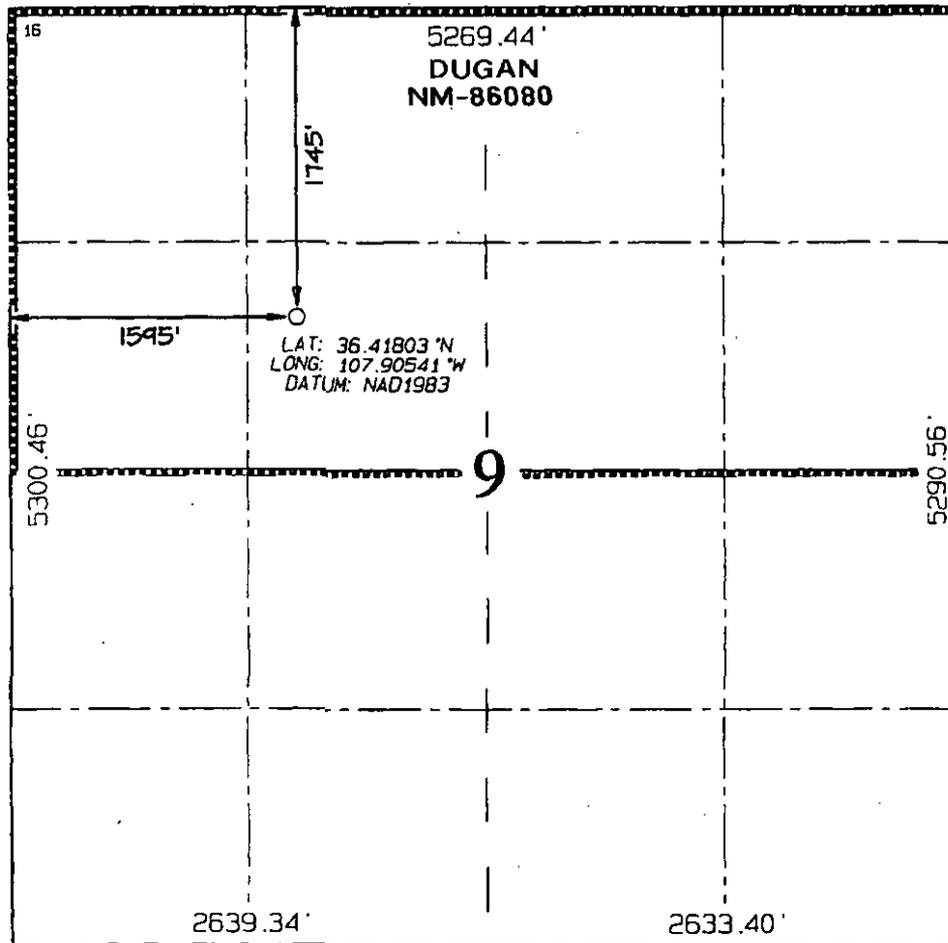
UL or lot no.	Section	Township	Range	Lot Idh	Feet from the	North/South line	Feet from the	East/West line	County
F	9	25N	10W		1745	NORTH	1595	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idh	Feet from the	North/South line	Feet from the	East/West line	County

*Dedicated Acres 320.0 Acres - (N/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



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
Geology
Title
10-18-2006
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: OCTOBER 13, 2006

Signature and Seal of Professional Surveyor



Jason C. Edwards
Certificate Number: 15269

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Revised: February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

DIST. 3

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

AMENDED REPORT

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

RECEIVED

070 FEBRUARY 2006

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-34022		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 17014	*Property Name LATEX		*Well Number 2S
*OGRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6638'

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
0	9	25N	10W		1275	SOUTH	1550	EAST	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
					¹² Joint or Intell	¹⁴ Consolidation Code	¹⁵ Order No.		
¹³ Dedicated Acres 320.0 Acres - (S/2)									

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

16	5269.44'	<p>9</p> <p>DUGAN NM-86080</p> <p>LAT: 36.41178°N LONG: 107.89820°W DATUM: NAD1983</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kurt Fagrelis</i></p> <p>Signature Kurt Fagrelis</p> <p>Printed Name Geology</p> <p>Title 10-18-2006</p> <p>Date</p>
	5300.46'		
2639.34'	1316.70'	1275'	1550'
	1316.70'		

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

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

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

2008 OCT 10 AM 9:57

AMENDED REPORT

RECEIVED
C/O FARMINGTON

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33994		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 36154	*Property Name NEOPRENE COM		*Well Number 90
*OGRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6513'

¹⁰ Surface Location

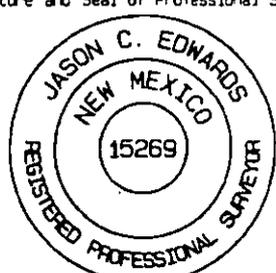
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	17	25N	10W		1880	SOUTH	1200	EAST	SAN JUAN

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

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

<p>¹⁶</p> <p>2632.74'</p> <p>2634.06'</p> <p>5288.58'</p> <p>5280.00'</p> <p>2631.42'</p> <p>1320.33'</p> <p>1320.33'</p>	<p>17</p> <p>CHAPARRAL ETAL NM-8007</p> <p>DUGAN NM-97838</p> <p>LAT: 36.39893°N LONG: 107.91494°W DATUM: NAD1983</p> <p>1200'</p> <p>1880'</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kurt Fagrelius</i> Signature</p> <p>Kurt Fagrelius Printed Name</p> <p>Geology Title</p> <p>10/9/2006 Date</p>
		<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Survey Date: SEPTEMBER 13, 2006</p> <p>Signature and Seal of Professional Surveyor:</p> <div style="text-align: center;">  </div> <p>JASON C. EDWARDS Certificate Number 15269</p>

B

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, 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 & Natural Resources Department

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

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-34350		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 36154	*Property Name NEOPRENE COM		*Well Number 91
*DGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6527'

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
N	17	25N	10W		675	SOUTH	1715	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

<p>16</p> <p>2632.74'</p> <p>2634.06'</p> <p>5288.58'</p> <p>1715'</p> <p>2631.42'</p> <p>675'</p> <p>1320.33'</p> <p>1320.33'</p> <p>LAT: 36.39562°N LONG: 107.92295°W DATUM: NAD1983</p>	<p>17</p> <p>Chaparral ETAL NM-8007</p> <p>Dugan Prod. NM-97838</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kurt Fagrelius</i> 06/26/2007 Signature Date</p> <p>Kurt Fagrelius Printed Name</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey: JUNE 11, 2007</p> <p>Signature and Seal of Professional Surveyor</p> <p></p> <p>JASON C. EDWARDS Certificate Number 15269</p>	

District I
 PO Box 1968, Hobbs, NM 88241-1968
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1088 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

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number 30 045 30637		* Pool Code 71629	* Pool Name Basin Fruitland Coal
* Property Code 29965	* Property Name Spandex Com		* Well Number 90
* OGRID No. 006515	* Operator Name Dugan Production Corporation		* Elevation 6576'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Ene	Feet from the	East/West Ene	County
G	16	25N	10W		1400	North	2050	East	San Juan

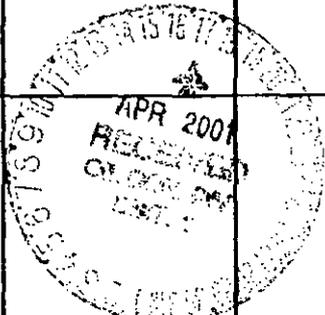
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Ene	Feet from the	East/West Ene	County

* Dedicated Acres 320	* 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

	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Kurt Fagrelius</i> Signature Kurt Fagrelius Printed Name Geologist Title 2-26-01 Date</p>	
	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>February 26, 2001 Date of Survey Signature: <i>Edgar</i> PROFESSIONAL SURVEYOR NEW MEXICO 6979 Certificate Number NMPLS #5979</p>	



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

District II
PO Drawer 00, 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

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-34000		Pool Code 71629	Pool Name BASIN FRUITLAND COAL
Property Code 27965	Property Name SPANDEX COM		Well Number 90S
OGRID No 006515	Operator Name DUGAN PRODUCTION CORPORATION		Elevation 6524'

¹⁰ Surface Location

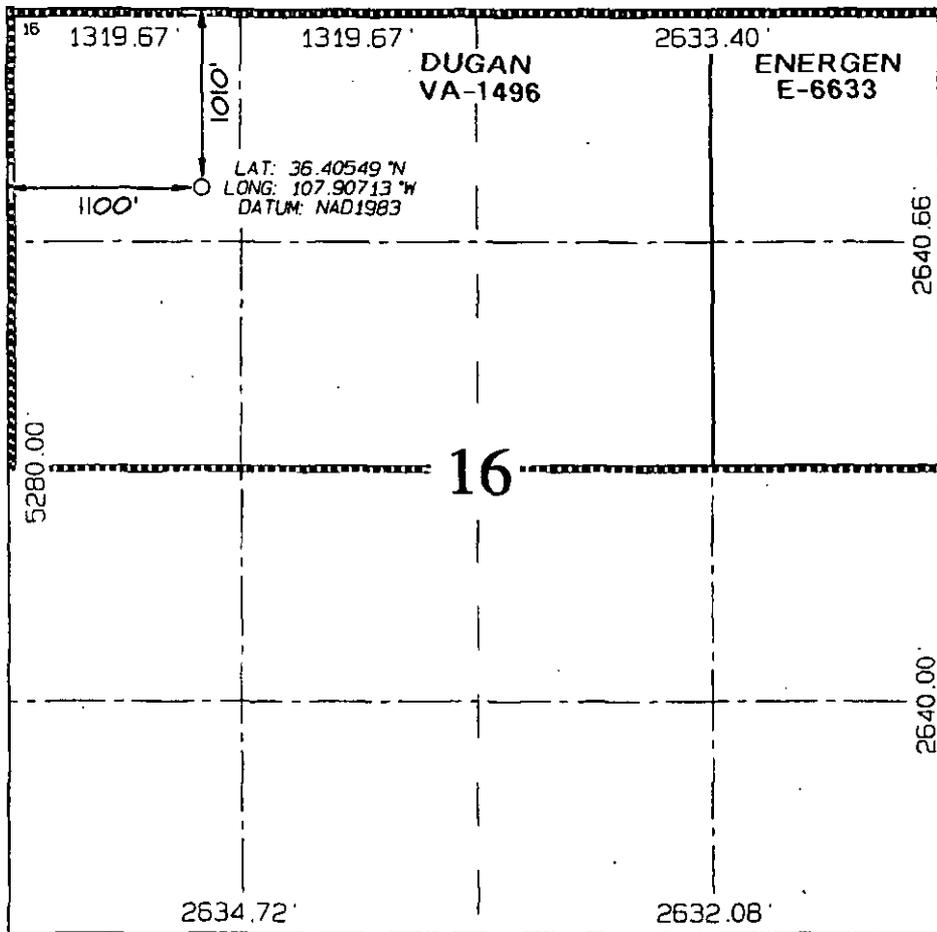
UL or Lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	16	25N	10W		1010	NORTH	1100	WEST	SAN JUAN

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

¹² Dedicated Acres 320.0 Acres - (N/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

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¹⁷ OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Kurt Fagrelius
Signature
Kurt Fagrelius
Printed Name
Geology
Title
October 11, 2006
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: SEPTEMBER 13, 2006
Signature and Seal of Professional Surveyor

JASON C. EDWARDS
Certificate Number 15269

District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1008 Rio Bravo Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APN Number 30-045-29244		Pool Code 96363		Well Name Wildcat - Pictured Cliffs	
Property Code 17014		Property Name Latex			Well Number 1
DGRID No. 006515		Operator Name Dugan Production Corporation			Elevation 6643' Estimated

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County
A	9	25N	10W		990	North	990	East	San Juan

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or In/In	Consolidation Code	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

16	Section	Dugan Prod. NM 86080	990'		<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Sherman E. Dugan</i> Signature Sherman E. Dugan Printed Name Vice-President Title 3/7/95 Date</p>
		<p>RECEIVED MAY 1 1995 OIL CON. DIV. DIST. 3</p>	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>December 20, 1994 Date of Survey Signature and Seal of Professional Surveyor: Edgar L. Risenhooper Certificate Number 5948</p>		

District I
 PU Box 1900, Hobbs, NM 88241-1900
 District II
 PU Drawer DD, Artesia, NM 88211-4719
 District III
 1000 Rio Bravo 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

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number 30 045 29448		* Pool Code 71629	* Pool Name Basin Fruitland Coal
* Property Code 017014	* Property Name Latex		* Well Number 2
* OGRID No. 006515	* Operator Name Dugan Production Corporation		* Elevation 6542' Estimated

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
L	9	25N	10W		1700	South	790	West	San Juan

11 Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

* Dedicated Acres 320	* Joint or Infill	* Consolidation Code	* 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

16 <p>Dugan Production - NM-86080</p> <p>790'</p> <p>1700'</p>	RECEIVED APR 14 1997 OIL CON. DIV. DIST. 3	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
		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.
Section 9		Signature: <u>Sherman E. Dugan</u> Printed Name: Sherman E. Dugan Title: Vice-President Date: 3/6/97
February Date of Survey		Signature and Seal: <u>Edgar L. Risenhoover</u> Certificate Number: 5979

District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-8719
 District III
 1008 Rio Brans 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

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 Revised February 21, 1994
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number 30 045 29448		* Pool Code 71629		* Pool Name Basin Fruitland Coal	
* Property Code 017014		* Property Name Latex			* Well Number 2
* OGRID No. 006515		* Operator Name Dugan Production Corporation			* Elevation 6542' Estimated

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	9	25N	10W		1700	South	790	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	* 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

16 <p>Dugan Production - NM-86080</p> <p>790'</p> <p>1700'</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">RECEIVED</p> <p style="text-align: center;">APR 14 1997</p> <p style="text-align: center; font-weight: bold;">OIL CON. DIV.</p> <p style="text-align: center; font-weight: bold;">DIST. 3</p>	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
		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.

Sherman E. Dugan
 Signature
 Sherman E. Dugan
 Printed Name
 Vice-President
 Title
 3/6/97
 Date

February
 Date of Survey
 Signature and

 Certificate Number 5979

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

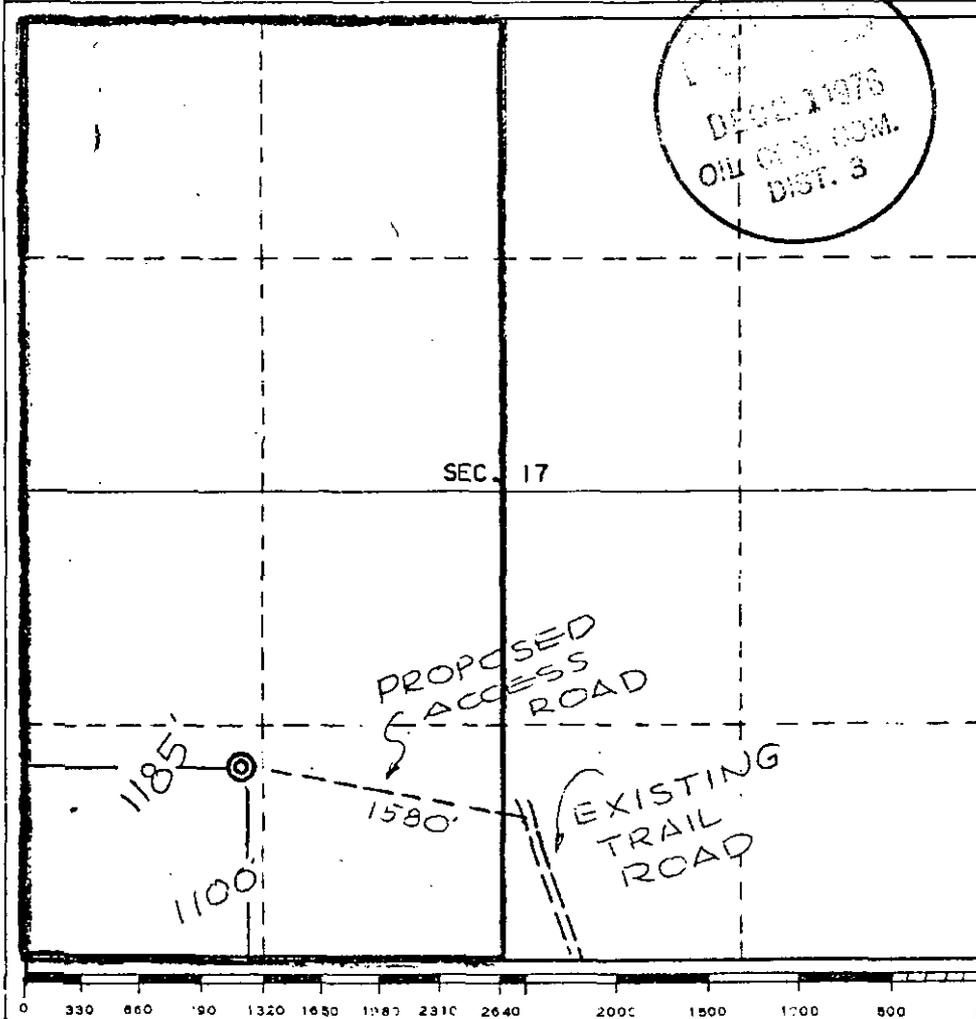
Operator Union Oil Company of California		Lease Federal		Well No. 1 (M 17)
Unit Letter M	Section 17	Township 25 North	Range 10 West	County San Juan
Actual Footage Location of Well: 1100 feet from the South line and 1185 feet from the West line				
Ground Level Elev. 6493	Producing Formation Jicarilla & Graneros	Pool Basin Dakota	Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes," type of consolidation (SEE REVERSE SIDE)

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name: Ralph A. Lally
 Position: District Drilling Supt.
 Company: Union Oil Co. of California
 Date: December 17, 1976

I hereby certify that the location shown on this plat was plotted from field notes of a Registered Professional Engineer and/or Land Surveyor under my supervision, and that it is true and correct to the best of my knowledge and belief.

Date Surveyed: December 3, 1976
 Registered Professional Engineer and/or Land Surveyor:
E. V. Echohawk
 Certificate No. 3602
E. V. Echohawk LS