

RECEIVED: 9-01-2017	REVIEWER: MAM	TYPE: CTB	APP NO: P MAM 1724459689
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Geological & 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

**Applicant:** Dugan Production Corp. **OGRID Number:** 006515  
**Well Name:** Ross Gathering System *ROSS FIELD #1 @ RIPPBY FIELD #1 @* **API:** *23-045-22484*  
**Pool:** *WAW* **Pool Code:** *8715*

**SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW**

*CTB - djd*

- 1) **TYPE OF APPLICATION:** Check those which apply for [A]  
 A. Location - Spacing Unit - Simultaneous Dedication  
 NSL       NSP (PROJECT AREA)       NSP (PRORATION UNIT)       SD
- B. Check one only for [I] or [II]  
 [I] Commingling - Storage - Measurement  
 DHC     CTB     PLC     PC     OLS     OLM  
 [II] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX     PMX     SWD     IPI     EOR     PPR

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- 2) **NOTIFICATION REQUIRED TO:** Check those which apply.  
 A.  Offset operators or lease holders  
 B.  Royalty, overriding royalty owners, revenue owners  
 C.  Application requires published notice  
 D.  Notification and/or concurrent approval by SLO  
 E.  Notification and/or concurrent approval by BLM  
 F.  Surface owner  
 G.  For all of the above, proof of notification or publication is attached, and/or,  
 H.  No notice required

FOR OCD ONLY	
<input type="checkbox"/>	Notice Complete
<input type="checkbox"/>	Application Content Complete

3) **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  
  
 Signature

9/1/2017  
 Date  
 505-325-1821  
 Phone Number  
 kevin.smaka@duganproduction.com  
 e-mail Address

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
811 S. First St., 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 August 1, 2011

**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: PO 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. \_\_\_\_\_  
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
Please see Attachments #2 & #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.  
(2) Is all production from same source of supply?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify)

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

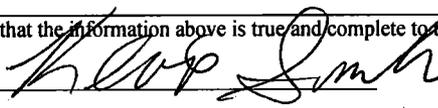
(1) Complete Sections A and E.

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

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

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

(1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.  
SIGNATURE:  TITLE: \_\_\_\_\_ DATE: 9/1/2017  
TYPE OR PRINT NAME Kevin Smaka TELEPHONE NO.: 505-325-1821  
E-MAIL ADDRESS: kevin.smaka@duganproduction.com



# dugan production corp.

RECEIVED OGD

2017 SEP -7 A 11: 15

September 1, 2017

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

Rick Fields, Field 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 at Dugan Production's newly formed  
Ross Gas Gathering System  
San Juan County, New Mexico

Dear. Mr. Catanach, and Mr. Fields,

We are writing to request your administrative approvals to create Dugan Production's Ross gathering system that requires approval for the surface commingling, off-lease measurement and sale of natural gas produced from 2 existing wells. Gas will be allocated to each well by allocation meters located at each well. NMOCD Form 107-B is attached with this application. A summary presenting the wells and production for each pool is presented on Attachment No. 4. Gas sales for the RGS will occur at Enterprise meter 99445, located in the SWNE quarter of Section 3, T-26N, R-13W. We are also requesting the NMOCD include a provision in their order that for future additions to the RGS, 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 RGS was obtained by DPC on April 1, 2016. Upon review of NMOCD records it was determined that Running Horse LLC had not acquired the necessary approvals to commingle production or conduct off-lease measurement. Currently there are 2 wells producing and selling natural gas within the RGS. Production currently averages a total of 94 mcf/d for an overall average of 47 mcf/d per well. Well production ranges from 26 to 68 mcf/d. Individual well production for the RGS is presented on Attachment 2 and a summary of pool production is presented on Attachment No. 4.

A description of each attachment has been included for clarity and informational purposes:

**Attachment No. 1** presents a map of the RGS with the wells and proposed locations 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 RGS has one central delivery gas sales meter, meter no. 99445, located in the SWNE quarter of Section 3, T-26N, R-13W. The meter delivers gas to Enterprise Field Services.

**Attachment No. 2** presents information for the wells DPC seeks to include in the formation of the Ross Gathering System. At the time of this application there are 2 wells connected and producing gas in the system. One well is considered marginal and the other is considered low volume by definitions found in 43 CFR 3173.

**Attachment No. 3** presents the interest ownership for the wells to be added to the RGS. From Attachment No. 3, Dugan Production holds 100% of the working interest in both wells and leases being added and their infill locations. Both wells being added sit on federal lands and pay federal royalties. No wells in the gathering system are located on state lands and as a result no royalty will be paid to state agencies. None of the involved leases pay royalty to any tribe or allottee. All interest owners in the wells being added as presented in Attachment No. 3 will receive

information pertaining to this application. 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 RGS. The RGS has wells completed in one pool (WAW Fruitland Sand PC) delivering gas to the gathering system. It is also noted that for the RGS production averages 94 mcf/d and ranges from 26 to 68 mcf/d per well. Of the 2 wells/locations to be added with this application, 2 are currently producing and connected to the gathering system. Dugan Production's leases for the wells in the Ross Gathering System are summarized on Page 2 of Attachment No. 4. The attachment identifies 2 federal leases which are to be included as part of the RGS. No tribal or state leases are being added with this application.

**Attachment No. 5** presents the allocation procedure being used for the RGS.

**Attachment No 6** presents a comparison of connecting the proposed wells to the existing RGS as opposed to directly connecting each well to the nearest pipeline which will be Enterprises line at the current CDP. This analysis was done to illustrate the benefits connecting wells to the gathering system.

From Attachment No. 6, to connect 2 wells and infill locations to DPC's RGS will have minimal cost and environmental impact since the wells were produced connected to the gathering system prior to DPC acquiring the wells.

If each well and lease, where possible, were to be individually connected directly to Enterprise for gas sales, the length of necessary would require DPC install .1 mile of additional pipe and disturb 5 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 \$0.00 for connecting to a gathering system to \$504,321.00 for connecting to Enterprise. In addition, and probably one of 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 on each line in order to deliver gas into Enterprise's pipeline which is currently averaging 325 psig. This will require purchasing and installing 2 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>
RGS	\$ 0.00	\$ 504,321.00	\$ 504,321.00

Considering that many of the wells to be added to the RGS are considered to be marginal producers, it will be very important that we receive approval to use the existing gathering system 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, and is within the threatened and endangered Brack's Cactus and Aztec Gila Habitat, it is important to minimize the surface disturbance and installation of necessary compression equipment.

**Attachment No. 7** presents a block diagram representing all gathering system facilities.

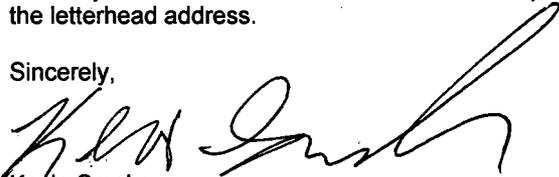
**Attachment No. 8** presents copies of our efforts to provide the required notice to all interest owners in the wells being added to the gathering system.

In summary, Dugan Production is requesting approvals to:

1. Create the Ross Gathering System.
2. Add 2 wells/locations to the Ross Gathering System.
3. Authorize the surface commingling of produced gas.
4. Authorize the off-lease measurement of gas.
5. Authorize beneficial off-lease fuel usage to run gathering system equipment.

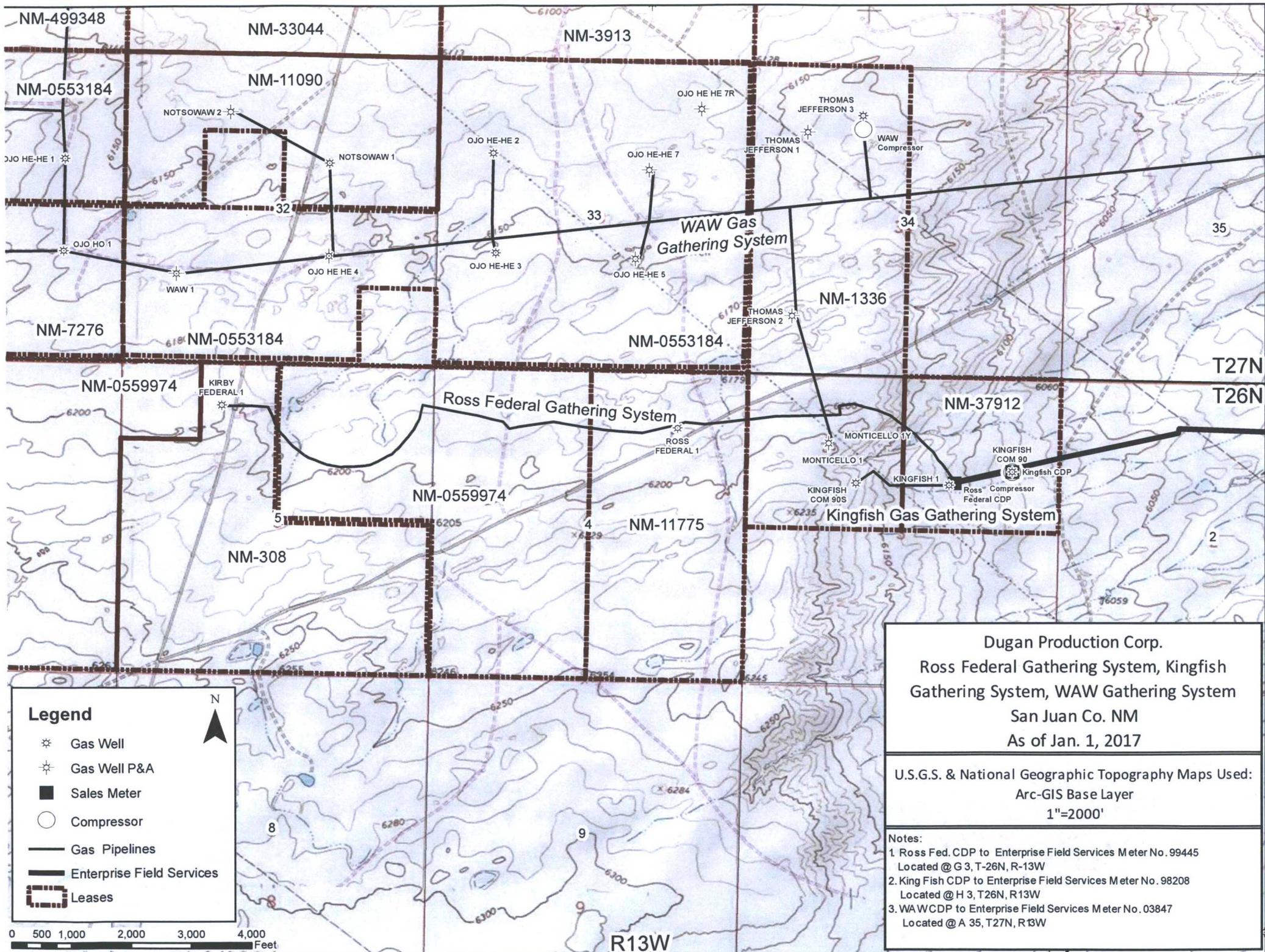
Should you need additional information or have questions regarding this application, please feel free to contact me at the letterhead address.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Smaka', written in a cursive style.

Kevin Smaka  
Production Engineer

cc: NMOCD - Aztec;



NM-499348

NM-33044

NM-3913

NM-0553184

NM-11090

NOTSOWAW 2

OJO HE-HE 1

NOTSOWAW 1

OJO HE-HE 2

OJO HE-HE 7

THOMAS JEFFERSON 3

WAW Compressor

WAW Gas Gathering System

NM-7276

NM-0553184

NM-0553184

NM-1336

35

NM-0559974

KIRBY FEDERAL 1

Ross Federal Gathering System

NM-37912

T27N

T26N

NM-0559974

NM-11775

Kingfish Gas Gathering System

NM-308

2

**Legend**



- Gas Well
- Gas Well P&A
- Sales Meter
- Compressor
- Gas Pipelines
- Enterprise Field Services
- Leases



R13W

ATTACHMENT NO. 2  
 DUGAN PRODUCTION CORP.  
 ROSS GATHERING SYSTEM  
 SAN JUAN COUNTY, NEW MEXICO

Well Name	API # 30-045-	Surface Location				Communitization Agreement No. (If Established)	Pool	Completion Date	Current Status ①	Current Average Production ②			Spacing Unit	Dates for SC, OLM & S ③		
		¼	Sec-Twn-Rng	Lease No.	Lease Type					BOPD	MCFD	BWPD		Application	APPROVAL BLM	NMOC
<b>WELLS TO BE ADDED (21 WELLS)</b>																
Ross Federal #1	22484	NENE	4-26N-13W	NM-11775	Federal	WAW Fruitland Sand PC	5/12/1978	P	0	69.08	25.59	NE/4 159.81	9/1/2017			
Kirby Federal #1	22143	NENW	5-26N-13W	NM-308	Federal	WAW Fruitland Sand PC	9/23/1977	P	0	25.94	0	NW/4 160.14	9/1/2017			

- 1 - Status of well 7/26/13  
 Loc = proposed general location  
 LOC A = proposed location - staked  
 LOC B = proposed location - APD submitted  
 NC = not connected to gathering system  
 P = producing, includes wells temporarily shut in but able to produce
- 2 - PREVIOUS YEARS AVERAGE PRODUCTION (June 2016-June 2017)
- 3 - The Ross Gathering System currently has 2 wells connected and sale gas at an Enterprise CDP:  
 (CDP) located in SWNE , Section 3, T-26N, R-13W on Enterprise Field Services Meter No. 99445.

**Attachment No. 3**

**Interest Ownership Summary**

**Dugan Production Corp.'s Ross Gathering System**

	Kirby Federal No. 1 (details on Pg. No. 2)		Ross Federal No. 1 (details on Pg. No. 3)	
	WI	NI	WI	NI
<u>Working Interest</u>				
Dugan Production Corp.	100.000	81.797	100.000	82.500
<u>Royalty Interest</u>				
United States - BLM		12.500		12.500
<u>Overriding Royalty Interest</u>				
Number of Owners		16		3
Total ORRI		5.703		5.000
<b>TOTALS</b>	<b>100.000</b>	<b>100.000</b>	<b>100.000</b>	<b>100.000</b>

ATTACHMENT NO. 3 – PAGE 3 of 3

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Ross Federal 1	Waw Fruitland Sand PC	NM-11775	NENE 4-26N-13W	NE/4-159.81A

**INTEREST OWNER**

	<u>INTEREST%</u>	
	<u>Gross</u>	<u>Net</u>
<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</u>		
Michael Eastwood 1954 Fletcher Ave. South Pasadena, CA 91763	-0-	1.500000
Kelly Hegarty PO Box 157 Flora Vista, NM	-0-	0.937500
Laurie A. Mangiagli 5137 Taos Dr. Montclair, CA 91763	-0-	1.500000
Unknown Owners	-0-	1.062500
<b><u>TOTAL WELL</u></b>	<b><u>100.000000</u></b>	<b><u>100.000000</u></b>

ATTACHMENT NO. 3 – PAGE 3 of 3

<u>Well Name</u>	<u>Pool</u>	<u>Lease #</u>	<u>Location</u>	<u>Spacing Unit</u>
Ross Federal 1	Waw Fruitland Sand PC	NM-11775	NENE 4-26N-13W	NE/4-159.81A

INTEREST OWNER

	<u>INTEREST%</u>	
	<u>Gross</u>	<u>Net</u>
<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</u>		
Michael Eastwood 1954 Fletcher Ave. South Pasadena, CA 91763	-0-	1.500000
Kelly Hegarty PO Box 157 Flora Vista, NM	-0-	0.937500
Laurie A. Mangiagli 5137 Taos Dr. Montclair, CA 91763	-0-	1.500000
Unknown Owners	-0-	1.062500
<b>TOTAL WELL</b>	<u>100.000000</u>	<u>100.000000</u>

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

POOL NAME & CODE	AVERAGE BTU btu/scf	WELLS OR COMPLETIONS ①		POOL PRODUCTION ALL WELLS - mcf ②		AVERAGE PRODUCTION PER WELL - mcf ②	
		EXISTING	PROPOSED	EXISTING	PROPOSED	EXISTING	PROPOSED
<b>Ross Gathering System</b>							
WAW Fruitland Sand PC (87190)	997	2(2)	0	95	95	47.5	0

Calculated BTU of commingled production for RGS = 997 btu/scf for all wells (existing and proposed) which is nearly identical to the actual BTU average at the CDP sales meter during July 2016 of 1009 btu/scf.

Calculated value of commingled production: commingling is necessary to get produced natural gas to a gas sales meter from 2 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. Data indicates average production was 182 MCFD from 2 wells. There should be no loss in value to any well as a result of this commingling.

**Notes:**

- ① - Wells as of 7-1-2017. Existing = wells currently approved for gathering system. Proposed = wells & locations to be added to gathering system. Active completions in parentheses.
- ② - Production data from July 2016-2017

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

**Ross Gathering System**

**Federal Leases**

NM-308	NM-11775
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**ATTACHMENT NO. 5**  
**Allocation Procedures**  
**Dugan Production Corp.'s**  
**Ross Gathering System**  
**Enterprise Field Services Meter #99445 located @ SWNE 3, T-26N, R-13W**  
**San Juan County, New Mexico**

**Base Data:**

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

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

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

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

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

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

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

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

B = On lease fuel usage, MCF. Determined from equipment specifications, operating conditions and days operated.

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  $(W/\text{SUM } W)$  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  $(W/\text{SUM } W)$ .

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

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

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

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

**ATTACHMENT 6**

**DIRECT CONNECT VS CONNECTION TO ROSS GATHERING SYSTEM**

**2 WELLS PROPOSED FOR GATHERING SYSTEM**

	Direct Connect to PL		Connect to RGS	
Wells to be added	2	Wells to be added	2	
Lines needed	2	Lines needed	1	
Total PL length (feet)	5,280	Total PL length (feet)	0	
Average PL length per well (feet/well)	2,640	Average PL length per well (feet/well)	0	
Surface disturbance w/40' ROW (acres)	5	Surface disturbance w/40' ROW (acres)	0	
# additional compressors needed	1	# additional compressors needed	0	
Additional compressor hp (horsepower)	236	Additional compressor hp (horsepower)	0	
Additional compressor fuel usage (MCF/year)	7,227	Additional compressor fuel usage (MCF/year)	0	
Engine exhaust volume (SCF)	57,984	Engine exhaust volume (MCF)	0	
Value of fuel gas - (\$/year) @\$3.00/mmbtu	\$21,681	Value of fuel gas - (\$/year) @\$3.00/mmbtu	\$0	
Pipeline Tap (USD) \$131,000.00/line	\$262,000	Pipeline Tap (USD) \$5,000/well	\$10,000	
Pipeline Installation Cost (USD) \$38/foot	\$200,640	Pipeline Installation Cost (USD) \$15/foot	\$0	
Pipeline Pigging System Cost (USD) \$10,000/line	\$20,000	Pipeline Pigging System Cost (USD) *Already in place	\$0	Difference
Additional costs (USD)	\$504,321	Additional Costs	\$10,000	\$494,321
Surface Disturbance (Acres)	4.8	Surface Disturbance	0.0	5
Additional Emissions (SCF)	7,248	Additional Emissions	0	7,248

**Other Considerations**

**Archaeological** - general area of significance

- Great North-South Road along western side of R-10W (T-23 to 27N)
- Great North-South Road along eastern side of R-11W (T23 to 24N)
- Anasazi Antelope Trap on Champ Lease (NW 6, T-23N, R-10W)
- Pierre's Site (T-23N, R-10 & 11W)
- Halfway House (T-25N, R-10 & 11W)

**Paleontology Significance**

- Betonnie Tsosie (T-23N, R-11W)
- Carson Fossil Pocket (T-25N, R-13W)
- Fossil Forest (T-23N, R-13W)
- Lybrook Fossil Area (T-23N, R-8 & 9W)

**Wilderness Area**

- Bisti De-Na Zin (T-24N, R-11, 12 & 13W)

Attachment #7

Ross Gathering System Facilities Diagram



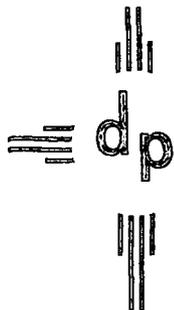
Compressor Information

<u>Engine</u>		<u>Horsepower</u>		<u>Fuel Usage</u>
5.9 Cummins		49 BHP		10.32 MCFD

**Attachment No. 8**  
**Interest Ownership Notification**  
**Dugan Production Corp.'s Application dated 9/1/17**  
**Proposing the Addition of 2 Wells to**  
**Dugan Production's Ross Gathering System**

Presenting evidence that interest ownership in the Ross Gathering System and the 2 wells proposed to be added have been given notice of Dugan's application, attached is:

1. A copy of Dugan's transmittal letter dated 9/1/17 used to send copies of the subject application to the 18 overriding royalty interest owners in the 2 wells/locations being added to the Ross Gathering System. Each overriding royalty interest owner was offered a copy of our application should they desire to receive one. Of the 2 wells/locations being added, Dugan Production will be the operator of all wells and holds 100% of the working interest in all of the 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 both wells/locations being added is federal. There is no state or fee royalty. Since the subject application is addressed to the Farmington Field Office of the Bureau of Land Management (for federal 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 the "Affidavit of Publication" for our advertisement published in the Legal Notice section of the Sunday, July 26<sup>th</sup>, 2017 issue of the Farmington Daily Times regarding the subject application to add 2 wells/locations to Dugan's Ross Gathering System. This publication was made in anticipation that of the notice mailed to 18 interest owners, there will be at least one either returned for some reason or the return receipt will be lost in the mail.



# dugan production corp.

**CERTIFIED MAIL**  
**RETURN RECEIPTS REQUESTED**

September 1, 2017

Interest Owners (Address list attached)

Re: Dugan Production's Application dated 9/1/17 to add 2 wells/locations to  
Ross Gathering System  
San Juan County, New Mexico

Dear Interest Owner,

According to our records, you have an overriding royalty interest in one of the wells that is proposed to be added to the Ross Gathering System (RGS). 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 the State Land Office (SLO), requests their approvals to add 2 wells/locations to Dugan's RGS. This will require surface commingling of gas production from the subject wells, plus the sale of gas at an off-lease central delivery sales meter (CDP). Each well will be equipped with a meter to measure production for allocation purposes. Attached for your information is a copy of Attachment No. 2 from the subject application which provides detailed information for all wells to be added and all wells currently approved. Since your interest in these wells is an overriding royalty, there are no costs chargeable to you. The wells to be added should not affect production from wells that are currently connected to the gathering system. Adding the subject wells to the RGS will allow these wells to begin selling produced natural gas for the benefit of all interest owners. This proposal will allow for optimum operations on all wells and will allow all wells to benefit from central compression which should keep wellhead operating pressures as low as possible. This method of operation will help to keep our operating expenses as low as possible, and will allow for the recovery of more of the gas reserves from each well.

Since the royalty interest is federal, and the application is addressed to the BLM, SLO & NMOCD, this notice letter is not being separately mailed to the royalty interest owners, but it is included in Attachment No. 8 to the application.

This matter does not require any action on your part. Current NMOCD regulations require that interest owners (in wells being added) receive notice of proposed additions to gathering systems. Included in Dugan's application is a request to that for future additions to the gathering system, only the interest owners in the wells to be added will require notification, provided the proposed additions will not adversely affect the existing wells. This will greatly simplify adding wells to the gathering system and should not affect the interests previously authorized to operate on the gathering system. Should you have any questions, need additional information, desire to receive a complete copy of our application, or have any concern as to our proposal, please let me know. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 1220 South St. Francis Drive, Santa Fe, NM 87505, and we would appreciate receiving a copy of your objection. Objections should be filed within 20 days after the NMOCD receives our application. We anticipate that our application will be received by the NMOCD approximately 9/6/17 or 9/7/17.

Sincerely,

  
Kevin Smaka  
Production Engineer

KS/tmf

attachments

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

**Ross Gathering System**  
*(wells with ownership interest in parentheses)*

*A = Kirby Federal 1; b = Ross Federal*

**Working Interest Owners**

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

**Royalty Interest Owners**

USA-BLM (a,b)  
6251 College Blvd, Suite A  
Farmington, NM 87402

**Overriding Royalty Interest Owners**

Black Stone Minerals Co., LP (a)  
PO Box 301267  
Dallas, TX 75303-1267

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

Monty Brosious (a)  
3761 E. Lake Todd Dr.  
Hernando, FL 34442

Darrell Driskell (a)  
8257 CR 47½  
Hudson, CO 80642

Marlin Driskell (a)  
7 Rompoon Rd.  
Wheatland, WY 82201

Mervin Driskell (a)  
301 3<sup>rd</sup> Ave.  
Tulare, SD 57476-2110

Michael Eastwood (b)  
1954 Fletcher Ave.  
South Pasadena, CA 91763

Kathlyn A. Gribby (a)  
No Address

Kelly Hegarty (a,b)  
PO Box 157  
Flora Vista, NM 87415

Myrna Leidy (a)  
2775 S Brook Drive #101  
Denver, CO 80222

Laurie A. Mangiagli (b)  
5137 Taos Dr.  
Montclair, CA 91763

J. Paul Mathias (a)  
8871 E. Easter Place  
Englewood, CO 80112

O'Brien Family, LLC (a)  
5461 Kent Place  
Denver, CO 80235

O'Connell Partners, LP (a)  
PO Box 301491  
Dallas, TX 75303-1491

Ann Lisa Pearson (a)  
PO Box 3707  
Centennial, CO 80161-3707

Rickard Properties, LLC (a)  
PO Box 1478  
Parker, CO 80134

R.W. Scott Investments, LLC (a)  
Colorado Limited Liability Co.  
1275 Lupine Way  
Golden, CO 80401

Buck (Leycester) Stanley Family Trust (a)  
RH Stanley & C Sullivan, Trustees  
38021 Fawn Meadows Trail  
Elizabeth, CO 80107

**AFFIDAVIT OF PUBLICATION**

**COPY OF PUBLICATION**

Ad No. 74130

**STATE OF NEW MEXICO**

**County of San Juan:**

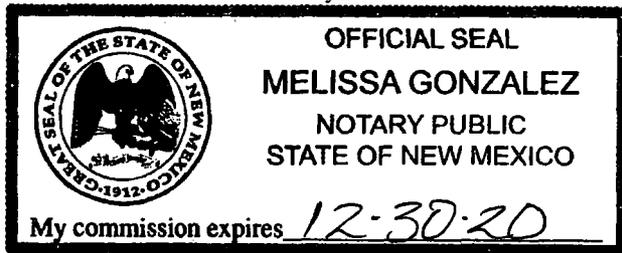
SAMMY LOPEZ, being duly sworn says: That She IS the PRESIDENT of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily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

Wednesday, July 26, 2017

And the cost of the publication is \$100.63



SAMMY LOPEZ appeared before me, whom I know personally to be the person who signed the above document on the 27<sup>th</sup> of July, 2017.



  
[Signature of Notary]  
Melissa Gonzalez NOTARY PUBLIC

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.  
Legal No. 74130 published in The Daily Times on July 26, 2017.

Dugan Production Corp. is applying to the Bureau of Land Management (BLM), New Mexico Oil Conservation Division (NMOCD), and the New Mexico State Land Office (NMSLO) for regulatory approvals to create a new gathering system and add 2 existing wells to Dugan Production's Ross Gathering System (RGS). This will require the surface commingling of produced natural gas 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 wells connected to the gathering system also be approved for providing natural gas as a "beneficial use" to field equipment necessary to operate the gathering system. The wells to be added and the existing gathering system are located within Sections 4 & 5 of T-26N, R-13W; all located in San Juan County, New Mexico. The gathering system currently has 2 wells which are completed in the WAW Fruitland Sand PC gas pool and are operated by Dugan Production Corp. The wells to be added are located upon, or the spacing units include the following leases held by Dugan Production Corp: Federal leases NM-308, NM-11775. The wells to be added are: Dugan Production's Kirby Federal #1 and Ross Federal #1. The wells being added to the RGS currently average 47 mcf/d per well and produce less than 200 mcf/d per well. The wells being added should have no effect upon the existing production. Any person holding an interest in any of these leases or wells may contact Dugan Production Corp. for additional

JUL 31 2017

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-120  
Effective 1-1-65

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

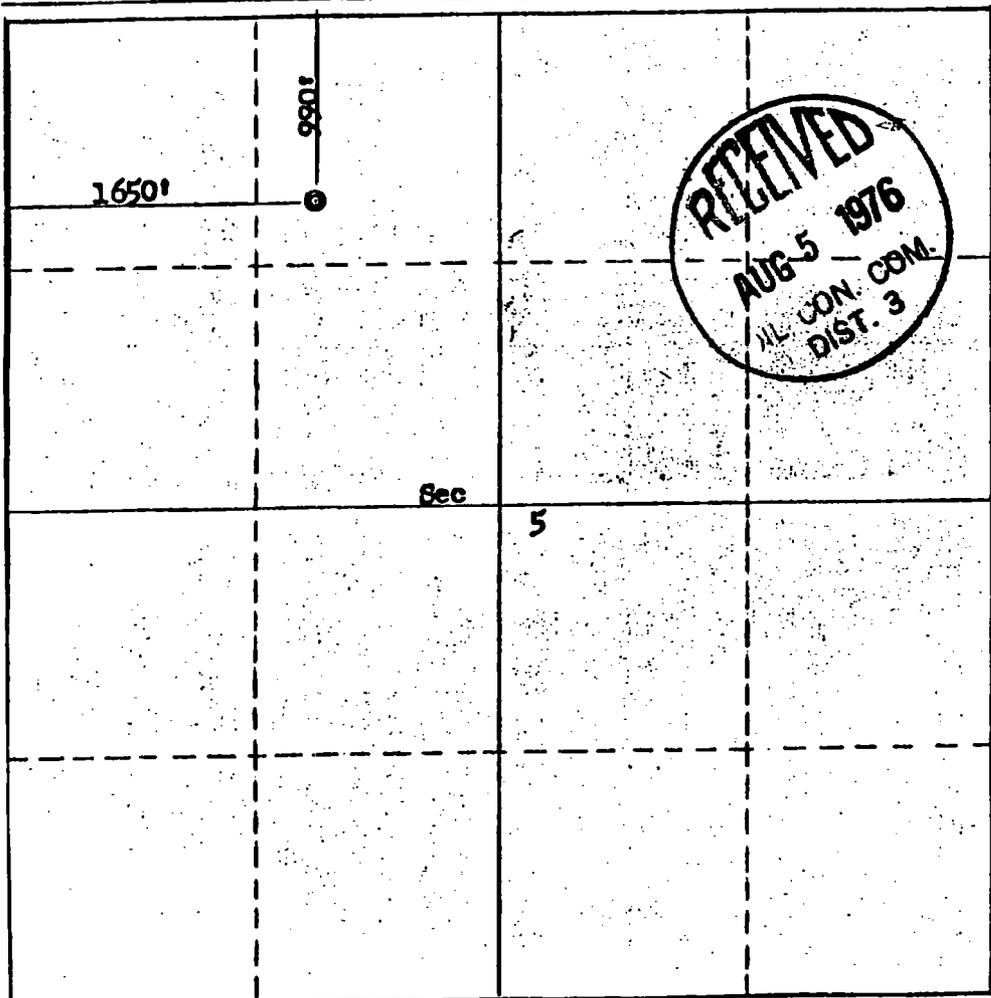
Operator <b>Kirby Exploration Company</b>		Lease <b>Federal</b>		Well No. <b>1</b>
Unit Letter <b>C</b>	Section <b>5</b>	Township <b>26N</b>	Range <b>13W</b>	County <b>San Juan</b>
Actual Footage Location of Well <b>990</b> feet from the <b>North</b> line and <b>1650</b> feet from the <b>West</b> line				
Ground Level Elev. <b>6198</b>	Producing Formation	Pool	Dedicated Acreage 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 \_\_\_\_\_

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 \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

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.

Date Surveyed

**July 22, 1976**

Registered Professional Engineer and/or Land Surveyor

*Fred B Kerr, Jr.*  
**Fred B Kerr, Jr.**

Certificate No.

**3950**

330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

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

All distances must be from the outer boundaries of the Section

Operator <b>KIRBY EXPLORATION, COMPANY</b>		Lease <b>ROSS FEDERAL</b>		Well No. <b>1</b>
Unit Letter <b>D</b>	Section <b>4</b>	Township <b>26 NORTH</b>	Range <b>13 WEST</b>	County <b>SAN JUAN</b>
Actual Footage Location of Well: <b>990</b> feet from the <b>NORTH</b> line and <b>1190</b> feet from the <b>EAST</b> line				
Ground Level Elev. <b>6187</b>	Producing Formation <b>Pictured Cliff</b>	Pool <b>WAW Pictured Cliff EXT</b>	Dedicated Acreage: <b>160-159.8/ Acres</b>	

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 \_\_\_\_\_

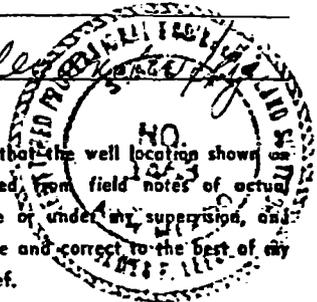
If answer is "no," list the owners and tract descriptions which have actually consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

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**

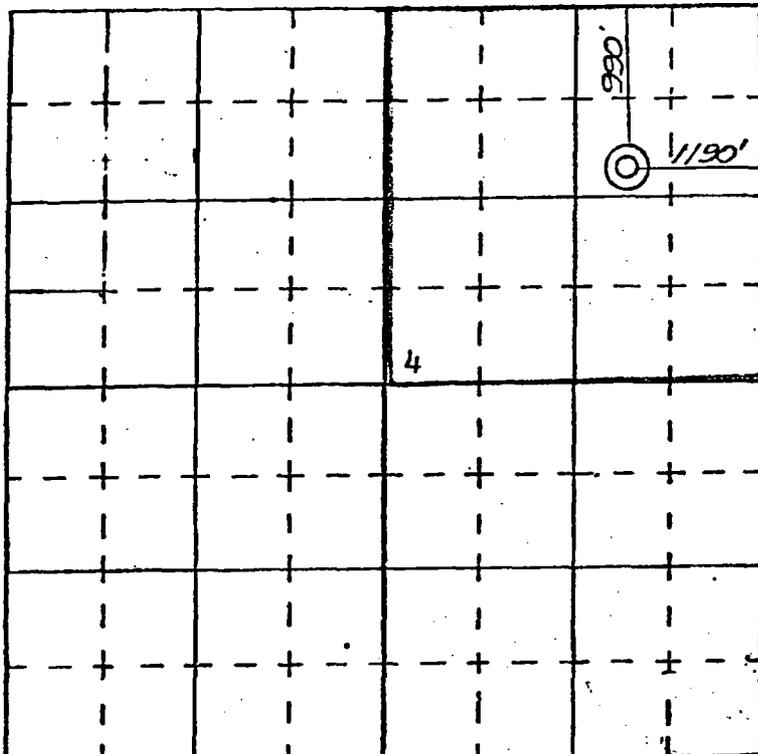
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

John Alexander  
Name  
Agent  
Position  
Kirby Exploration Company  
Company  
4-5-77  
Date

*John Alexander*  


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.

10 March 1977  
Date Surveyed  
*James P. Leese*  
Registered Professional Engineer  
and/or Land Surveyor James P. Leese



SCALE—4 INCHES EQUALS 1 MILE

KIRBY FEDERAL #001 and ROSS FEDERAL #001 Production

Production Summary Report					
API: 30-045-22143					
KIRBY FEDERAL #001					
Year	Pool	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I
1/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	762	60	31
2/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	670	60	28
3/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	813	0	31
4/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	654	0	30
5/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	808	5	31
6/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	779	5	30
<b>Cum</b>			<b>176762</b>		

Production Summary Report					
API: 30-045-22484					
ROSS FEDERAL #001					
Year	Pool	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I
1/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	2355	1146	31
2/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	2116	1003	28
3/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	2345	1396	31
4/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	2370	1150	30
5/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	2133	1166	31
6/1/2017	[87190] WAW FRUITLAND SAND PC (GAS)	0	2321	1166	30
<b>Cum</b>			<b>465914</b>		

## COPY OF PUBLICATION

Dugan Production Corp. is applying to the Bureau of Land Management (BLM), and New Mexico Oil Conservation Division (NMOCD), for regulatory approvals to create a new gathering system and add 2 existing wells to Dugan Production's Ross Gathering System (RGS). This will require the surface commingling of produced natural gas 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 wells connected to the gathering system also be approved for providing natural gas as a "beneficial use" to field equipment necessary to operate the gathering system. The wells to be added and the existing gathering system are located within Sections 4 & 5 of T-26N, R-13W; all located in San Juan County, New Mexico. The gathering system currently has 2 wells which are completed in the WAW Fruitland Sand PC gas pool and are operated by Dugan Production Corp. The wells to be added are located upon, or the spacing units include the following leases held by Dugan Production Corp; Federal leases NM-308, NM-11775. The wells to be added are: Dugan Production's Kirby Federal #1 and Ross Federal #1. The wells being added to the RGS currently average 47 mcf/d per well and produce less than 200 mcf/d per well. The wells being added should have with no affect upon the existing production. Any person holding an interest in any of these leases or wells may contact Dugan Production Corp. for additional information. Also Dugan is attempting to contact Kathlyn Grigsby, unknown heirs and devisees of her estate as well as the unknown interest holders in the Ross Federal #1. 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.

Legal No. 74281 published in The Daily Times on September 15, 2017.

# OCD Permitting

Home Land Searches Land Details

## Section : 04-26N-13W

Type: Normal

Total Acres: 639.8

County: San Juan (45)

D (4) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40.02	C (3) Indian <sup>1</sup> Federal <sup>2</sup> (45) 39.97	B (2) Indian <sup>1</sup> Federal <sup>2</sup> (45) 39.93	A (1) Indian <sup>1</sup> Federal <sup>2</sup> (45) 39.88
E (E) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	F (F) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	G (G) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	H (H) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40
L (L) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	K (K) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	J (J) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	I (I) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40
M (M) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	N (N) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	O (O) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	P (P) Indian <sup>1</sup> Federal <sup>2</sup> (45) 40

Note <sup>1</sup> = Surface Owner Rights

Note <sup>2</sup> = Sub-Surface Mineral Rights

### Land Restrictions

No land restrictions found for this section.

[Return to Search](#)

# OCD Permitting

Home Land Searches Land Details

## Section : 05-26N-13W

Type: Normal

Total Acres: 640.24

County: San Juan (45)

<b>D (4)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40.08	<b>C (3)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40.06	<b>B (2)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40.06	<b>A (1)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40.04
<b>E (E)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>F (F)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>G (G)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>H (H)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40
<b>L (L)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>K (K)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>J (J)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>I (I)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40
<b>M (M)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>N (N)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>O (O)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40	<b>P (P)</b> Indian <sup>1</sup> Federal <sup>2</sup> (45) 40

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[Return to Search](#)