

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

State of New Mexico  
 Energy, Minerals and Natural Resources

Form C-103  
 May 27, 2004

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

WELL API NO. See below
5. Indicate Type of Lease <i>FEDERAL</i> & STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. See Below
7. Lease Name or Unit Agreement Name Garrett A & Garrett Federal Com
8. Well Number 1 & 1E
9. OGRID Number 006515
10. Pool name or Wildcat See Below

SUNDRY NOTICES AND REPORTS ON WELLS

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

1. Type of Well: Oil Well  Gas Well  Other

2. Name of Operator  
Dugan Production Corp.

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

4. Well Location G 1450 North 1530 East  
 Unit Letter B : 1170 feet from the North line and 1470 feet from the East line  
 Section 12 Township 29N Range 11W NMPM San Juan County

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

Pit or Below-grade Tank Application  or Closure

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

Pit Liner Thickness: \_\_\_\_\_ mil Below-Grade Tank: Volume \_\_\_\_\_ bbls: Construction Material \_\_\_\_\_

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

NOTICE OF INTENTION TO:

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

SUBSEQUENT REPORT OF:

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

OTHER: Application to surface commingle – identical ownership

OTHER: APPROVED AS PC-1169

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

Dugan Production proposes to convert the existing gas sales meter for the Garrett A No. 1 (Enterprise Field Services Meter No. 90306) to a central delivery gas sales meter for the Garrett A No. 1 & Garrett Federal Com No. 1E wells. This will require surface commingling of natural gas from Otero Chacra, Blanco Mesaverde & Basin Dakota gas pools. Only natural gas will be commingled & measurement will be on lease. Dugan Production operates both wells and all interest ownership is identical.

(i) Well & lease information is as follows:

Well Name	API No.	Lease/CA#	Pool & Pool No. ①	Spacing Unit	Current Production
Garrett A No. 1	30-045	Fee/SRM-1425	Otero Chacra Gas (82329)	160A-NE/4	5.2 mcf/d
Garrett Fed Com No. 1E	24302	Fee/14080017547	Basin Dakota Prorated Gas (71599)	320A-E/2	39.6 mcf/d
Garrett Fed Com No. 1E	24302	Fee/SCR331	Blanco MV Prorated Gas (72319)	320A-E/2	50.4 mcf/d

(ii) Commingled gas volumes (mcf & mmBTU) measured at the CDP sales meter will be allocated to each well using the "subtraction method" described in Section 303B.(3)(a)(iii). The gas sales meter currently installed for the Garrett No. 1E will be converted to an allocation meter maintained by Dugan Prod. & will measure the commingled MV & DK gas stream from the Garrett No. 1E. Production for the Garrett A No. 1 will be computed. All production is anticipated to be less than top allowable. Fuel for lease equipment and CDP compressor will be determined from equipment specifications and included in production determinations.

(iii) Certification of the identical ownership for both wells is Attachment No. 1. The spacing units for both wells include a Fee lease & federal lease NM-03717-B. The 160A NE/4 spacing unit is 80A Fee (W/2NE/4) and 80A federal (E/2NE/4). The 320A E/2 spacing unit is 160A Fee (W/2E/2) & 160A federal (E/2E/2).

(iv) Since 1/2 of the royalty is federal, a copy of this notice is being sent by certified return-receipt to the BLM. Copy of the return receipt will be mailed to the NMOCD upon receiving. A copy of the transmittal sundry to the BLM is Attachment No 2.

Note ①- Downhole Commingling Order DHC-1966 authorized downhole commingling of Blanco Mesaverde & Basin Dakota for Garrett Federal Com No. 1E. Wellbore work to downhole commingle production has not been done, however production streams are commingled at the surface & commingled production is allocated using factors approved for downhole commingling (for gas, 56% to Mesaverde & 44% to Dakota; for oil, 0% to Mesaverde & 100% to Dakota)

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

SIGNATURE John D. Roe TITLE Engineering Manager DATE July 19, 2006

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

For State Use Only

APPROVED BY: Will Dugan TITLE Engineer DATE 7/29/06

Conditions of Approval (if any):

PC-1169