

1/13/10 DATE IN	SUSPENSE	DB ENGINEER	1153 LOGGED IN	NSL TYPE	PCUW 1001 357583 APP NO.
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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



Dugan
Federal I Com #102

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,
- [F] Waivers are Attached

RECEIVED OCD
 2010 JAN 13 AM 11:44

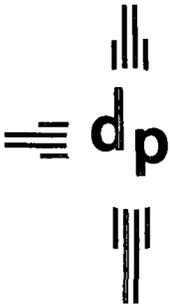
[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kurt Fagrelus	<i>Kurt Fagrelus</i>	Geology	1-11-2010
Print or Type Name	Signature	Title	Date
		kfagrelus@duganproduction.com	
		e-mail Address	

"Federal I Com #102S"



dugan production corp.

RECEIVED

2010 JAN 13 PM 12 05

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

January 11, 2010

CERTIFIED MAIL - 7005 1820 0001 6168 8564

Re: Application for Administrative Approval of Unorthodox Location for Dugan
Production Corp.'s Federal I Com #102-S
Unit I, Section 12, T29N, R14W 2365' FSL and 1220' FEL
Harper Hill Fruitland Sand Pictured Cliffs Pool (SE/4-160)

Dear Mr. Brooks:

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

1. Well location and acreage dedication plat (NMOCD Form C-102)
2. Topographic map.
3. Offsetting Fruitland Sand and Pictured Cliffs Working Interest Owners Map.

The unorthodox location is necessary due to topographic conditions.

The subject well is located inside the Farmington city limits. Existing, commercial and private interests occupy all favorable topographic and orthodox areas within the proration unit.

By certified mail, a copy of this application and request for administrative approval has been sent to all Fruitland Sand and Pictured Cliffs offsetting operators (XTO Energy Inc.), the NMOCD district office in Aztec, the Bureau of Land Management, and the City of Farmington.

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

Sincerely,

Kurt Fagrelius

VP-Exploration

Cc:

Bureau of Land Management, Mr. David Mankiewicz – 1235 La Plata Hwy.,
Farmington, NM 87401

(Certified Return Receipt Requested – 7005 1820 0001 6168 8595)

NMOCD, Mr. Charlie Perrin – 1000 Rio Brazos Road, Aztec, NM 87410

(Certified Return Receipt Requested – 7005 1820 0001 6168 8571)

City of Farmington, Mr. Fran Fillerup – 800 Municipal Drive, Farmington, NM 87401

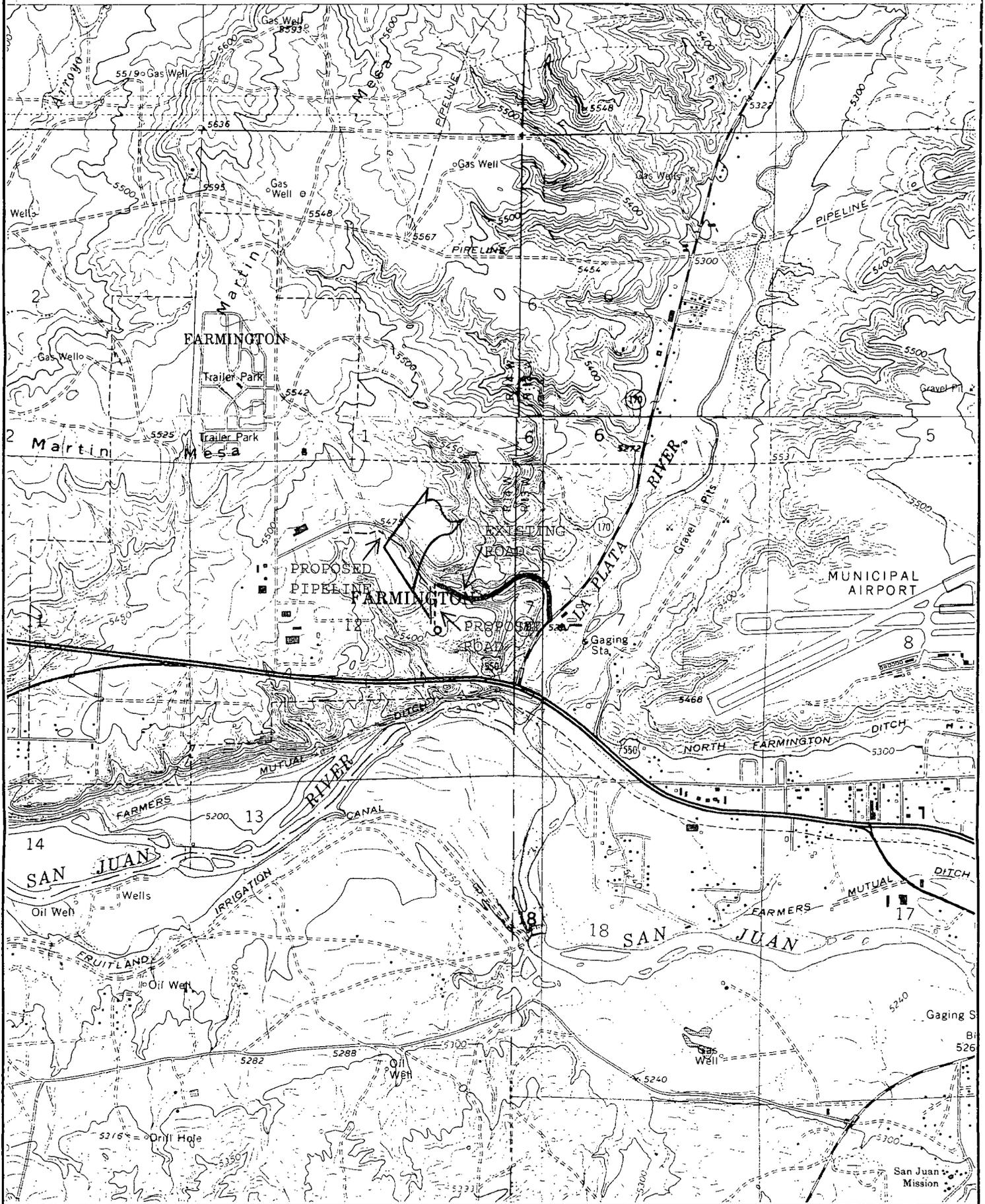
(Certified Return Receipt Requested – 7005 1820 0001 6168 8588)

XTO Energy Inc. – 2700 Farmington Ave., Farmington, NM 87401

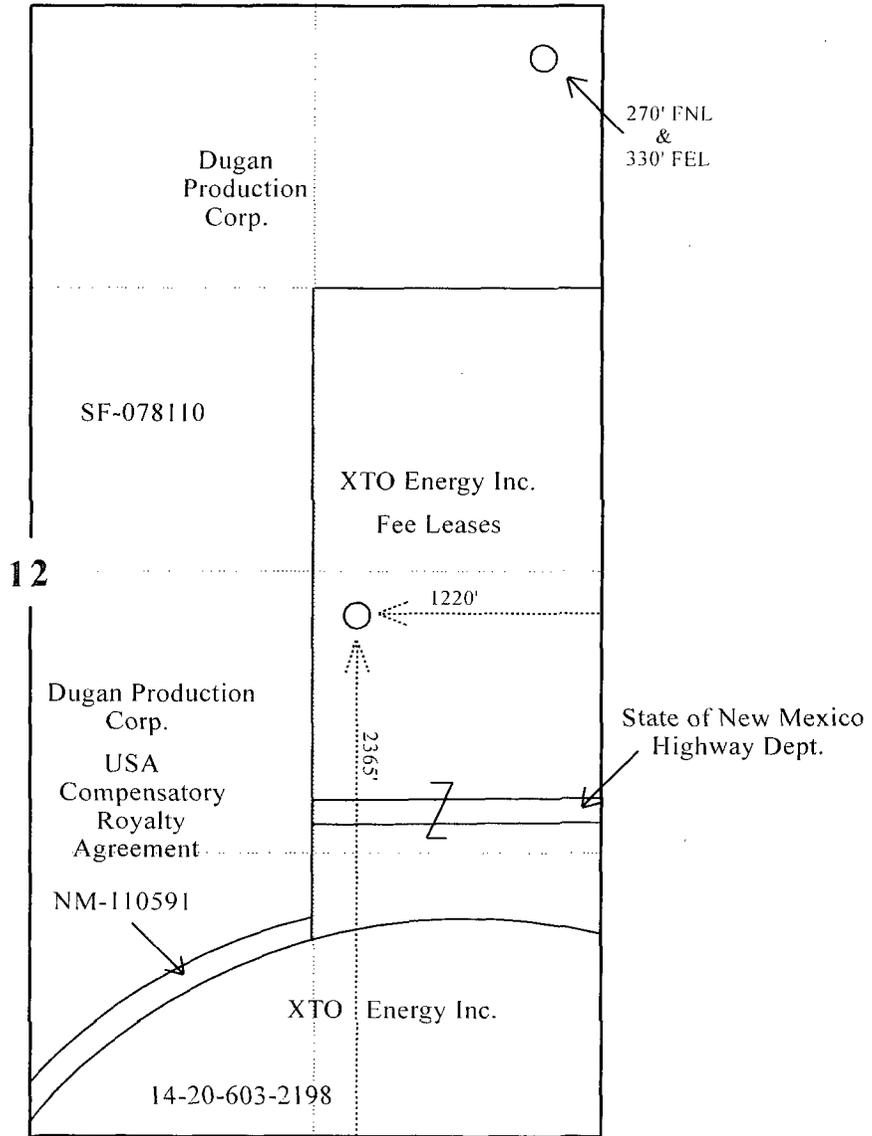
(Certified Return Receipt Requested – 7005 2570 0001 3772 0408)

DUGAN PRODUCTION CORPORATION FEDERAL I COM #1025
2365' FSL & 1220' FEL, SECTION 12, T29N, R14W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO

EXHIBIT 2.



UNORTHODOX WELL LOCATION APPLICATION
DUGAN PRODUCTION CORP
Federal I Com #102S
SE/4 Section 12, T 29 N, R 14 WEST
Harper Hill Fruitland Sand/Pictured Cliffs Pool



7005 1820 0001 6168 8564

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 or PO Box No. 1220 South St. Francis Drive
 City, State, ZIP+4
 Santa Fe NM 87505

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0001 6168 8571

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 or PO Box No. 1000 Rio Bravo Road
 City, State, ZIP+4
 Bterce NM 87410

PS Form 3800, June 2002 See Reverse for Instructions

7005 2570 0001 3772 0408

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Total Postage & Fees	\$

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Sent To
 XTO Energy Inc
 Street, Apt. No.,
 or PO Box No. 2700 Farmington Avenue
 City, State, ZIP+4
 Farmington NM 87401

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0001 6168 8588

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 Street, Apt. No.,
 or PO Box No. 800 Municipal Drive
 City, State, ZIP+4
 Farmington NM 87401

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0001 6168 8595

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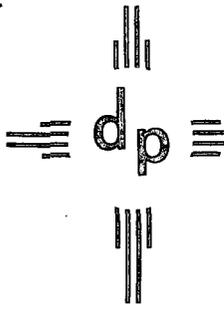
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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
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Sent To
 Bureau of Land Management
 Street, Apt. No.,
 or PO Box No. 1235 La Plata Highway
 City, State, ZIP+4
 Farmington NM 87401

PS Form 3800, June 2002 See Reverse for Instructions



dugan production corp.

January 11, 2010

City of Farmington
Attention: Mr. Fran Fillerup
800 Municipal Drive
Farmington, NM 87401

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 1820 0001 6168 8588

Re: Notice of Application for Administrative Approval of Unorthodox Location.

Dear Mr. Fillerup:

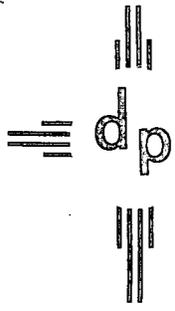
Dugan Production Corp. has filed an application for administrative approval of unorthodox location for Dugan Production Corp.'s Federal I Com #102S gas well. The subject well is located in Section 12, T29N, R14W (2,365' FSL and 1,220' FEL). A copy of the application is attached.

The City of Farmington is being notified of this application because the proposed well is located within the Farmington City limits. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 20-days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelus
VP-Exploration



dugan production corp.

January 11, 2010

XTO Energy Inc.
2700 Farmington Ave.
Farmington, NM 87401

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3772 0408

Re: Notice of Application for Administrative Approval of Unorthodox Location.

Dear XTO Energy Inc.:

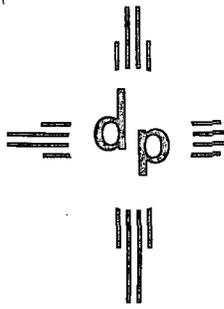
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As an offsetting working interest owner you are being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 20-days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelus
VP-Exploration



dugan production corp.

January 11, 2010

New Mexico Oil Conservation Division
Attention: Mr. Charlie Perrin
1000 Rio Brazos Drive
Aztec, NM 87410

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 1820 0001 6168 8571

Re: Notice of Application for Administrative Approval of Unorthodox Location.

Dear Mr. Perrin:

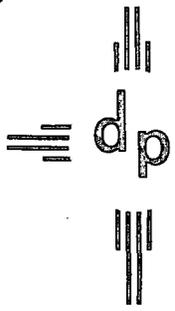
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If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelius

Kurt Fagrelius
VP-Exploration



dugan production corp.

January 11, 2010

Bureau of Land Management
Attention: Mr. David Mankiewicz
1235 La Plata Highway
Farmington, NM 87401

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 1820 0001 6168 8595

Re: Notice of Application for Administrative Approval of Unorthodox Location.

Dear Mr. Mankiewicz:

Dugan Production Corp. has filed an application for administrative approval of unorthodox location for Dugan Production Corp.'s Federal I Com #102S gas well. The subject well is located in Section 12, T29N, R14W (2,365' FSL and 1,220' FEL). A copy of the application is attached.

As the mineral lessee, the BLM is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 20-days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelius
VP-Exploration

District I
1525 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

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

EXHIBIT 1

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-35013	² Pool Code 78160 / 71629	³ Pool Name <i>under</i> HARPER HILL FRUITLAND SAND PICTURED CLIFFS / BASIN FRUITLAND COAL
⁴ Property Code	⁵ Property Name FEDERAL I COM	⁶ Well Number 102S
⁷ OGRID No. 006515	⁸ Operator Name DUGAN PRODUCTION CORPORATION	⁹ Elevation 5401'

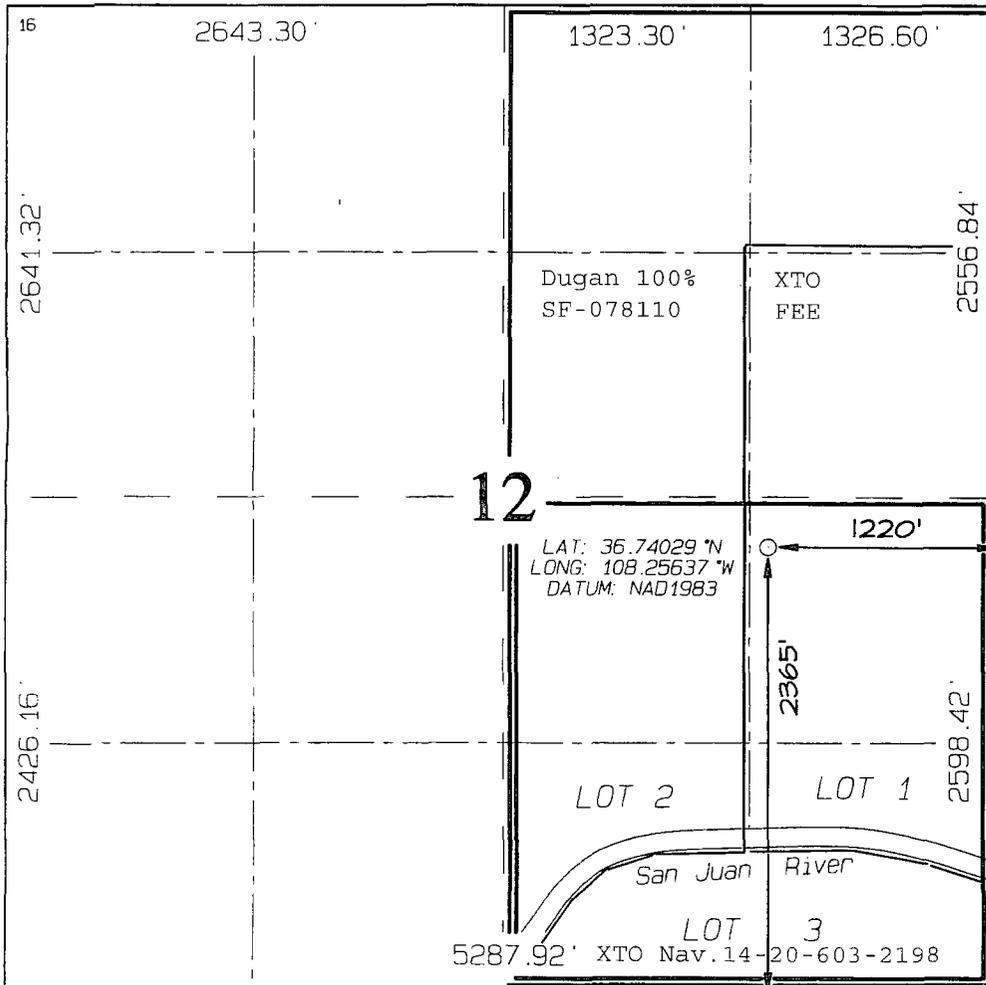
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	12	29N	14W		2365	SOUTH	1220	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		160.0 Acres (SE/4) - PC 320.0 Acres (E/2) - FC			¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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, 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.

Kurt Fagrelius 8-11-2009
Signature Date
Kurt Fagrelius
Printed Name

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.

Date of Survey: JUNE 3, 2009
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269