

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]

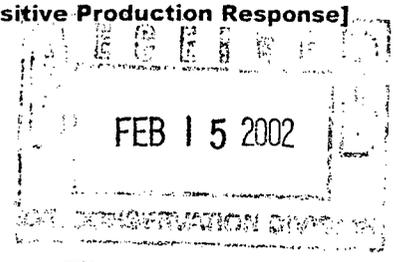
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]  
 [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

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,

[F]  Waivers are Attached  
*\* BLM & Farmington Indian Minerals office are the only Notice Requirements. Both were mailed application for approvals + certified. Return Receipts will be mailed to NMOC upon Receipt.*

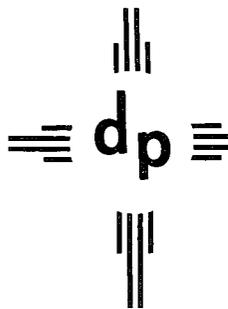
[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

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

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

John D. Roe                      John D Roe                      Engineering mgr                      2/12/02  
 Print or Type Name                      Signature                      Title                      Date

dugan@cpnet.com  
 e-mail Address



# dugan production corp.

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February 11, 2002

Ms. Lori Wrotenberg  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Mr. Steve Henke  
Bureau of Land Management-FFO  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

Re: Proposed surface commingling & off-lease measurement  
Six wells operated by Dugan Production Corp.  
Dugan Production's Proposed Leah Marie Gas Gathering System  
San Juan County, New Mexico

Dear Ms. Wrotenberg and Mr. Henke:

We are writing to request your approvals for the surface commingling and off-lease measurement of natural gas produced from six wells operated by Dugan Production Corp. Four of the wells are located on Federal Lease NM-55113, and since the proposed CDP sales meter will also be located on this lease, will not require off-lease measurement, but will require approvals for surface commingling. Two of the wells are located on Navajo Allotted Lease NOG-9909-1356 and will require approvals to surface commingle and for off-lease measurement.

Of the six wells, only one, Dugan's Leah Marie #1, has an established producing history. A second well, Dugan's Mitzi No. 1 has recently been completed, but has not been connected to a pipeline. Four of the wells have recently been drilled, but completions have been postponed until the subject gas gathering system is ready to deliver gas. The six wells are all located within Section 23, T-26N, R12W and include two Fruitland Coal completions (Pool No. 71629), plus four WAW Fruitland Sand-Pictured Cliffs completions (Pool No. 87190).

This new gathering system will be known as the Leah Marie Gas Gathering System and will deliver natural gas to a central delivery sales meter (CDP) to be installed, operated, and maintained by El Paso Field Services (EPFS) in the NWSW of Section 23, T-26N, R-12W at the Leah Marie No. 2 well site. Only natural gas will be surface commingled. All liquids will be separated, stored, and disposed of at each individual well. We do not anticipate any liquid hydrocarbon production. Dugan Production holds 100% of the working interest in all wells.

Attachment No. 1 was reproduced from the Carson Trading Post USGS Quadrangle topography map and presents Dugan's proposed Leah Marie Gas Gathering System along, with the six wells proposed to be connected to the system. In addition, Dugan Production's leasehold interest in this area is also presented. This gathering system will consist of approximately 10,200' of buried 2" to 8", 160# working pressure, new polyethylene pipe. To insure the initial system integrity, we will pressure test all lines to approximately 120 psi. To insure continued gathering system integrity, the entire gathering system will be periodically surveyed, using Dugan's portable gas detector. The frequency of our monitoring will primarily be dependent upon the indicated need, but will most likely be at least annually. We anticipate maintaining a system gathering pressure of  $\pm 10$  psi and will be using a single-stage compressor located at the CDP to deliver gas into El Paso's pipeline, which is currently averaging 50 to 75 psi. Each well will be equipped with continuous recording allocation meters (Barton dry-flow or similar), which will be maintained by Dugan Production in accordance with state and federal regulations (currently Onshore Order No. 5). The monthly charts from each allocation meter will be integrated by a commercial integration company and the volumes recorded will be used to determine factors for allocating sales volumes, BTU's and revenues from the CDP sales meter to each well.

Attachment No. 2 presents well and lease information for each of the six wells to be connected to the gathering system. Attachment No. 3 presents the C-102's for each of the wells along with the dedicated spacing units and associated leases. Attachment No. 4 presents the ownership for each of the six wells, and Attachment No. 5 presents the proposed allocation procedures.

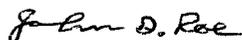
The six wells to be connected to this gathering system are completed, or will be completed, in either the WAW Fruitland Sand-Pictured Cliffs or the Basin Fruitland Coal pools, and the natural gas from each pool is believed to be mutually compatible. Since five of the six wells have no production history (four have been drilled, but not completed; and one has been completed, but not first delivered), we only have actual production data for one well, Dugan's Leah Marie No. 1, which was completed 10/01/90 in the Basin Fruitland Coal. The production history for this well is presented on Attachment No. 6, and as of 01/01/02, a total of 131,802 mcf have been produced. Production currently averages 86 mcf/d plus 11 BWPD. Anticipated production of  $\pm 400$  mcf/d for each of the wells to be completed is based upon our experience with similar completions in the general area. Attachment No. 7 presents a copy of a gas analysis from Dugan's Leah Marie No. 1 Fruitland Coal completion, which is believed to be representative for the Fruitland Coal in this area. Also presented in Attachment No. 7 is a copy of a gas analysis from a Fruitland Sand-Pictured Cliffs completion in the SW/4 of Section 26, which is also believed to be representative of production from the WAW Fruitland Sand-Pictured Cliffs in this area. Attachment No. 8 presents a sketch of the Central Delivery Sales Meter site. The equipment at the CDP will consist of a central compressor, a two-phase separator (to recover any water that inadvertently gets into the system), a 100 bbl. steel water storage tank, and El Paso's gas sales meter, which will be an orifice-type meter.

As previously stated, Dugan Production is the operator and holds 100% of the working interest in all six wells. All leasehold interest is either Federal or Navajo Allotted, and there is no overriding royalty interest. A complete copy of this application is being sent to the Farmington Indian Minerals Office (FIMO) for their review and concurrence, as it is our understanding that FIMO will review this application on behalf of the Navajo Allottees and will provide the Allottees with whatever notice and information they need. Copies of this application sent to the BLM and FIMO are being sent by certified return-receipt mail and upon receiving the return receipts, we will provide copies to the NMOCD as evidence of interest owner notification.

In summary, Dugan Production Corp. is proposing to install a new gas gathering system which will gather produced natural gas from six wells and deliver the gas to a CDP sales meter belonging to El Paso Field Services. Dugan Production is the operator of all six wells and will install and operate the Leah Marie Gas Gathering System. A central gathering system compressor will be installed, which will allow all wells to benefit from the operation of one compressor and eliminate the need for individual wellhead compressors (which may not be economically feasible for some wells). A central compressor, as opposed to individual wellhead compressors, will provide an overall more efficient operation, will reduce the volumes of compressor fuel needed, plus will reduce compressor noise and exhaust emissions, which is an important consideration since there are people living in this general area (none close to the CDP site). All gas volumes, BTU's and revenues will be allocated from the CDP to the individual wells using allocation factors determined from gas volumes recorded by allocation meters located at each well and BTU's determined for each well. This should help to insure that the proposed surface commingling and off-lease measurement will not diminish the production value of any one well.

Should you have questions or need additional information, please let me know.

Sincerely,



John D. Roe  
Engineering Manager

JDR:sh

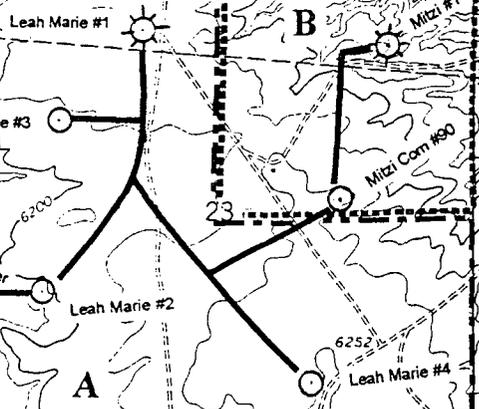
xc: NMOCD-Aztec  
Farmington Indian Minerals Office

R-12W

T  
26  
N

PIPELINE

CDP Sales Meter  
El Paso Pipeline



Lease Key			
Index	Lease Name	Lease Type	Lease Number
A	Leah Marie	Federal	NM-55113
B	Mitzi	Navajo Allotted	NOG-9909-1356

ATTACHMENT NO. 1  
 Dugan Production Corp.  
 Proposed Leah Marie Gathering System  
 CDP Sales Meter @ Leah Marie #2 (L-23-26N-12W)  
 San Juan County, New Mexico

ATTACHMENT NO. 2 - PAGE 1 OF 1  
 DUGAN PRODUCTION CORP.  
 PROPOSED LEAH MARIE GATHERING SYSTEM AND CDP  
 SAN JUAN COUNTY, NEW MEXICO

Well Name	API No. 30-045-	Well Location		Well Location Lease No.	Lse. Type	CA Number	Pool	Completion Date	Current Prod. 1			Spacing Unit
		UL-Sec-Twn-Rng							MCFD	BC/D	BW/D	
<b>WELLS TO BE ADDED TO SYSTEM</b>												
Leah Marie No. 1	27126	C-23-26N-12W		NM55113	FED	N/A	Basin Fruitland Coal	10/01/90	86	0	11	W/2-320A
Leah Marie No. 2	29831	L-23-26N-12W		NM55113	FED	N/A	WAW FR Sand/PC	Note 2	400	0	40	SW/4-160A
Leah Marie No. 3	30314	E-23-26N-12W		NM55113	FED	N/A	WAW FR Sand/PC	Note 3	400	0	40	NW/4-160A
Leah Marie No. 4	30315	O-23-26N-12W		NM55113	FED	N/A	WAW FR Sand/PC	Note 4	400	0	40	SE/4-160A
Mitzi No. 1 (Note 5)	24811	A-23-26N-12W		NOG-9909-1356	Navajo Allotted	N/A	WAW FR Sand/PC	02/08/01	400	0	40	NE/4-160A
Mitzi Com No. 90	30093	G-23-26N-12W		NOG-9909-1356	Navajo Allotted	Pending	Basin Fruitland Coal	Note 6	400	0	40	E/2-320A

**Notes:**

N/A - Not applicable or not needed.

1. Production data for Leah Marie No. 1 is actual average during 11/01 and 12/01. Since all other wells have not produced or have not been completed, production data represents anticipated rates of production.
2. Leah Marie No. 2 was spudded on 01/14/02. Drilled TD = 1,405' and 4-1/2" casing is cemented @ 1,400'. The wellbore is currently ready to be completed, which will occur in conjunction with completion efforts on Leah Marie No. 3, 4 and Mitzi Com No. 90.
3. Leah Marie No. 3 was spudded on 01/21/02. Drilled TD = 1,480' and 4-1/2" casing is cemented @ 1,474'. The wellbore is currently ready to be completed, which will occur in conjunction with completion efforts on Leah Marie No. 2, 4 and Mitzi Com No. 90.
4. Leah Marie No. 4 was spudded on 01/28/02. Drilled TD = 1,485' and 4-1/2" casing is cemented at 1,476'. The wellbore is currently ready to be completed, which will occur in conjunction with completion efforts on the Leah Marie No. 2, 3 and Mitzi Com No. 90.
5. The Mitzi No. 1 completion is a re-entry of an abandoned wellbore (Tenneco's Navajo Yazza No. 1). The Pictured Cliffs formation was completed 02/08/01 and tested a rate of 97 mcf + 140 BWPD. The well is currently shut in pending a pipeline connection.
6. The Mitzi Com No. 90 was spudded on 05/24/01. Drilled TD = 1,505' and 4-1/2" casing is cemented at 1,482'. The wellbore is currently ready to be completed, which will occur in conjunction with completion efforts on the Leah Marie No. 2, 3 and 4.

OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Attachment  
No. 3  
Pg 1 of 6

Form C-102  
Revised 10-1-78

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

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

Operator Dugan Production Corporation		Lease Leah Marie (30-045-27126)		Well No. 1
Unit Letter C	Section 23	Township 26 North	Range 12 West	County San Juan

Actual Footage Location of Well:  
790 feet from the North line and 1850 feet from the West line

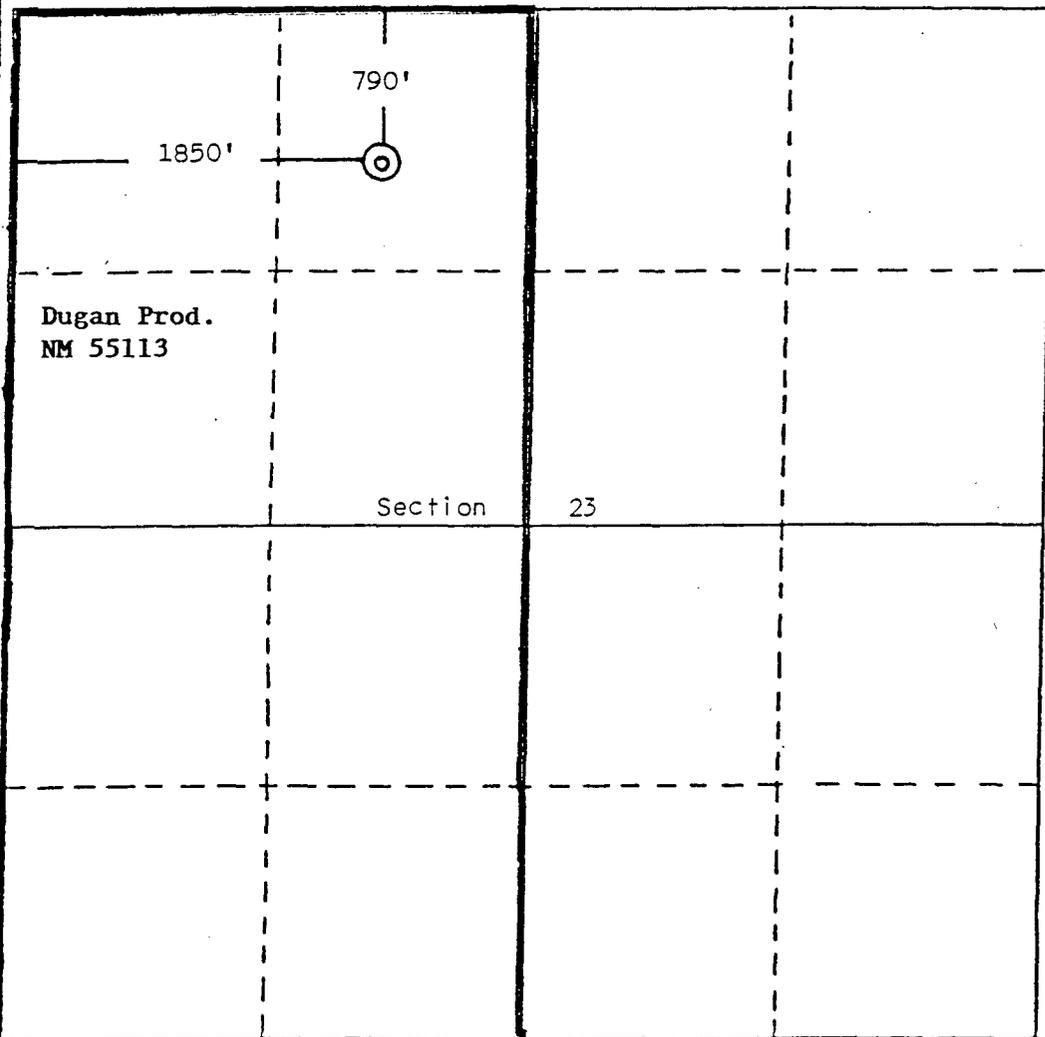
Ground Level Elev. 6225	Producing Formation Fruitland Coal	Pool Basin Fruitland Coal	Dedicated Acreage: 320 Acres
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1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is 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 Division.



**CERTIFICATION**

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

*Jim L. Jacobs*

Name  
**Jim L. Jacobs**

Position  
**Geologist**

Company  
**Dugan Production Corp.**

Date  
**10-23-90**

EDGAR L. RISENHOVER

NEW MEXICO

5979

I certify that the location shown on this plat was located from field notes taken by me or under my supervision and that the same is correct to the best of my knowledge.

Date Surveyed  
**February 8, 1988**

Registered Professional Engineer and/or Land Surveyor  
*Edgar L. Risenhoover*

Certificate No. **5979**  
**Edgar L. Risenhoover, LS**

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 811 South First, Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Attachment  
 No. 3  
 pg 2 of 6

Form C-102  
 Revised October 18, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-045-28497 29831		<sup>2</sup> Pool Code 87190	<sup>3</sup> Pool Name WAW Fruitland Sand/Pictured Cliffs
<sup>4</sup> Property Code 013851	<sup>5</sup> Property Name Leah Marie		<sup>6</sup> Well Number 2
<sup>7</sup> OGRID No. 006515	<sup>8</sup> Operator Name Dugan Production Corp.		<sup>9</sup> Elevation 6200' (est)

<sup>10</sup> 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	23	26N	12W		1800	SOUTH	800	WEST	SAN JUAN

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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><b><sup>17</sup> OPERATOR CERTIFICATION</b></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        Agent        Title        8/31/98        Date</p>
	<p>Section 23</p> <p>Dugan Prod.        NM-55113</p> <p>800'</p> <p>1800'</p>	23		<p><b><sup>18</sup> SURVEYOR CERTIFICATION</b></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>JULY 23, 1990        Date of Survey</p> <p>Signature and Seal of Professional Surveyer:</p> <p>ORIGINAL        SIGNED BY        Edgar L. Risenhoover #5979</p>

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

Attachment  
 No. 3  
 Pg 3 of 6

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number 30 045 30314		2 Pool Code 87190		3 Pool Name Waw Fruitland Sand/PC	
4 Property Code 013851		5 Property Name Leah Marie			6 Well Number 3
7 OGRID No. 006515		8 Operator Name Dugan Production Corporation			9 Elevation 6217'

10 Surface Location

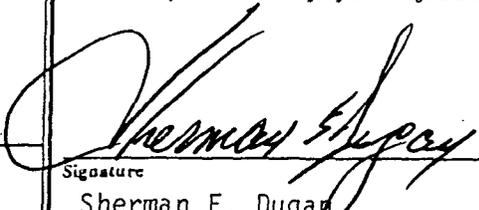
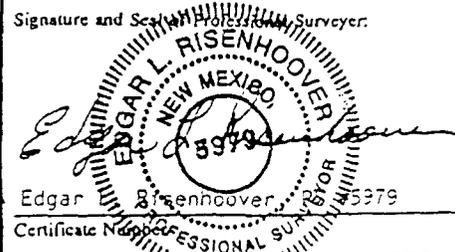
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	23	26N	12W		1700	North	950	West	San Juan

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 160	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

	Section 23	<b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Sherman E. Dugan Printed Name Vice-president Title July 12, 2000 Date
		<b>18 SURVEYOR CERTIFICATION</b> 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. April 7, 2000 Date of Survey Signature and Seal of Professional Surveyor  Edgar Risenhoover, 3979 Certificate No.

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
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State of New Mexico  
 Energy, Minerals & Natural Resources Department

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

Attachment  
 No. 3  
 Pg 4 of 6

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30 045 30315		2 Pool Code 87190		3 Pool Name WAW Fruitland Sand/PC	
4 Property Code 013851		5 Property Name Leah Marie #4			6 Well Number 4
7 OGRID No. 006515		8 Operator Name Dugan Production Corporation			9 Elevation 6258'

10 Surface Location

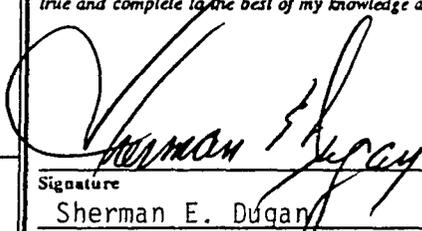
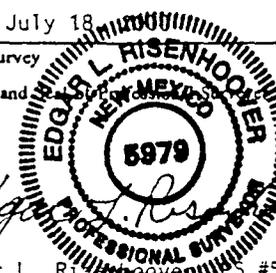
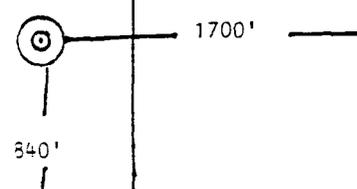
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	23	26N	12W		840'	South	1700	East	San Juan

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	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

16				17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>  Signature Sherman E. Dugan Printed Name Vice-president Title July 24, 2000 Date
	Section 23			18 SURVEYOR CERTIFICATION <i>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.</i> July 18 Date of Survey  Signature and  Edgar L. Risenhoover #5979 Certificate Number
		Dugan Prod. NM-55113		
				

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
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 811 South First, Artesia, NM 88210  
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 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Attachment  
 No. 3  
 Pg 5 of 6

Form C-102  
 Revised October 18, 1994  
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OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-045- 24811		<sup>2</sup> Pool Code 87190		<sup>3</sup> Pool Name WAW Fruitland SD/PC	
<sup>4</sup> Property Code		<sup>5</sup> Property Name Mitzi			<sup>6</sup> Well Number 1
<sup>7</sup> OGRID No. 006515		<sup>8</sup> Operator Name Dugan Production Corp.			<sup>9</sup> Elevation 6174'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	23	26N	12W		900	North	900	East	San Juan

<sup>11</sup> 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
<sup>12</sup> Dedicated Acres: 160 <sup>13</sup> Joint or Infill <sup>14</sup> Consolidation Code <sup>15</sup> 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

						<sup>17</sup> OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i> 	
		DPC NOG-9909-1356				Signature Sherman E. Dugan Printed Name Vice-President Title July 18, 2000	
Section 23						<sup>18</sup> SURVEYOR CERTIFICATION <i>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.</i> Original signed 1/20/1981 by Fred B. Kerr, Jr. Date of Survey	
						Signature and Seal of Professional Surveyor  Certificate Number 3950	

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

Attachment  
No. 3  
Pg 6 of 6

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30 045 30093		1 Pool Code 71629		1 Pool Name Basin Fruitland Coal	
4 Property Code 013851		4 Property Name Mitzi Com			4 Well Number 90
7 OGRID No. 006515		7 Operator Name Dugan Production Corporation			7 Elevation 6242' 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
G	23	26N	12W	G	2510	North	1380	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	13 Joint or Infill	14 Consolidation Code C	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

16	Section 23		<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></p> <p>Signature Sherman E. Dugan Printed Name Vice-President Title Date</p>
		<p>Dugan Production NOG-9909-1356</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>March 2, 1998</p> <p>Date of Survey</p> <p>Signature and Seal</p> <p><i>Edgar L. Risenhoover</i></p> <p>EDGAR L. RISENHOOVER NEW MEXICO PROFESSIONAL SURVEYOR 5979</p> <p>Certificate Number 5979</p>
		<p>Dugan Prod. NM 55113</p>	



**ATTACHMENT 4 - PAGE 2 OF 4**  
**Dugan Production Corp.**

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Leah Marie No. 1	Basin Fruitland Coal	NENW 23, T-26N, R12W	W/2 - 320A
Leah Marie No. 2	WAW FR Sand/PC	NWSW 23, T-26N, R12W	SW/4 - 160A
Leah Marie No. 3	WAW FR Sand/PC	SWNW 23, T-26N, R-12W	NW/4 - 160A
Leah Marie No. 4	WAW FR Sand/PC	SWSE 23, T-26N, R-12W	SE/4 - 160A

<u>INTEREST OWNER</u>	<u>INTEREST%</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u> Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	100.0000	87.5000
<u>Royalty</u> USA - Bureau of Land Management 1235 La Plata Hwy., Suite A Farmington, NM 87401	0.0000	12.5000
<b>TOTAL WELL</b>	<b>100.0000</b>	<b>100.0000</b>

**ATTACHMENT 4 - PAGE 3 OF 4**  
**Dugan Production Corp.**  
**Mitzi No. 1**  
**WAW Fruitland Sand - Pictured Cliffs Pool**  
**Well Location: NENE 23, T-26N, R-12W**  
**Spacing Unit: NE/4 (160A)**  
**San Juan County, New Mexico**

<u>INTEREST OWNER</u>	<u>INTEREST%</u>	
<u>Working Interest</u>	<u>Gross</u>	<u>Net</u>
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	100.0000	83.3333
<u>Royalty</u> Navajo Allotment No. 59730 c/o Farmington Indian Minerals Office 1235 La Plata Hwy., Suite B Farmington, NM 87401	0.0000	16.6667
<b>TOTAL WELL</b>	<b>100.0000</b>	<b>100.0000</b>

**ATTACHMENT 4 - PAGE 4 OF 4**  
**Dugan Production Corp.**  
**Mitzi Com No. 90**  
**Basin Fruitland Coal Pool**  
**Well Location: SWNE 23, T-26N, R-12W**  
**Spacing Unit: E/2 (320A)**  
**San Juan County, New Mexico**

<u>INTEREST OWNER</u>	<u>INTEREST%</u>	
<u>Working Interest</u>	<u>Gross</u>	<u>Net</u>
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	100.0000	85.4167
<u>Royalty</u>		
USA - Bureau of Land Management 1235 La Plata Highway, Suite A Farmington, NM 87401	0.0000	6.2500
Navajo Allotment No. 59730 c/o Farmington Indian Minerals Office 1235 La Plata Hwy., Suite B Farmington, NM 87401	0.0000	8.3333
<b>TOTAL WELL</b>	<b>100.0000</b>	<b>100.0000</b>

**ATTACHMENT 5 - PAGE 1 OF 1**  
**PROPOSED ALLOCATION PROCEDURES**  
**DUGAN PRODUCTION CORP.'S**  
**PROPOSED LEAH MARIE GAS GATHERING SYSTEM**  
**CDP GAS SALES METER: NWSW 23-26N-12W (New El Paso Meter)**  
**SAN JUAN COUNTY, NEW MEXICO**

**Base Data:**

W = Gas Volume (MCF) from allocation meters at individual wells 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

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.

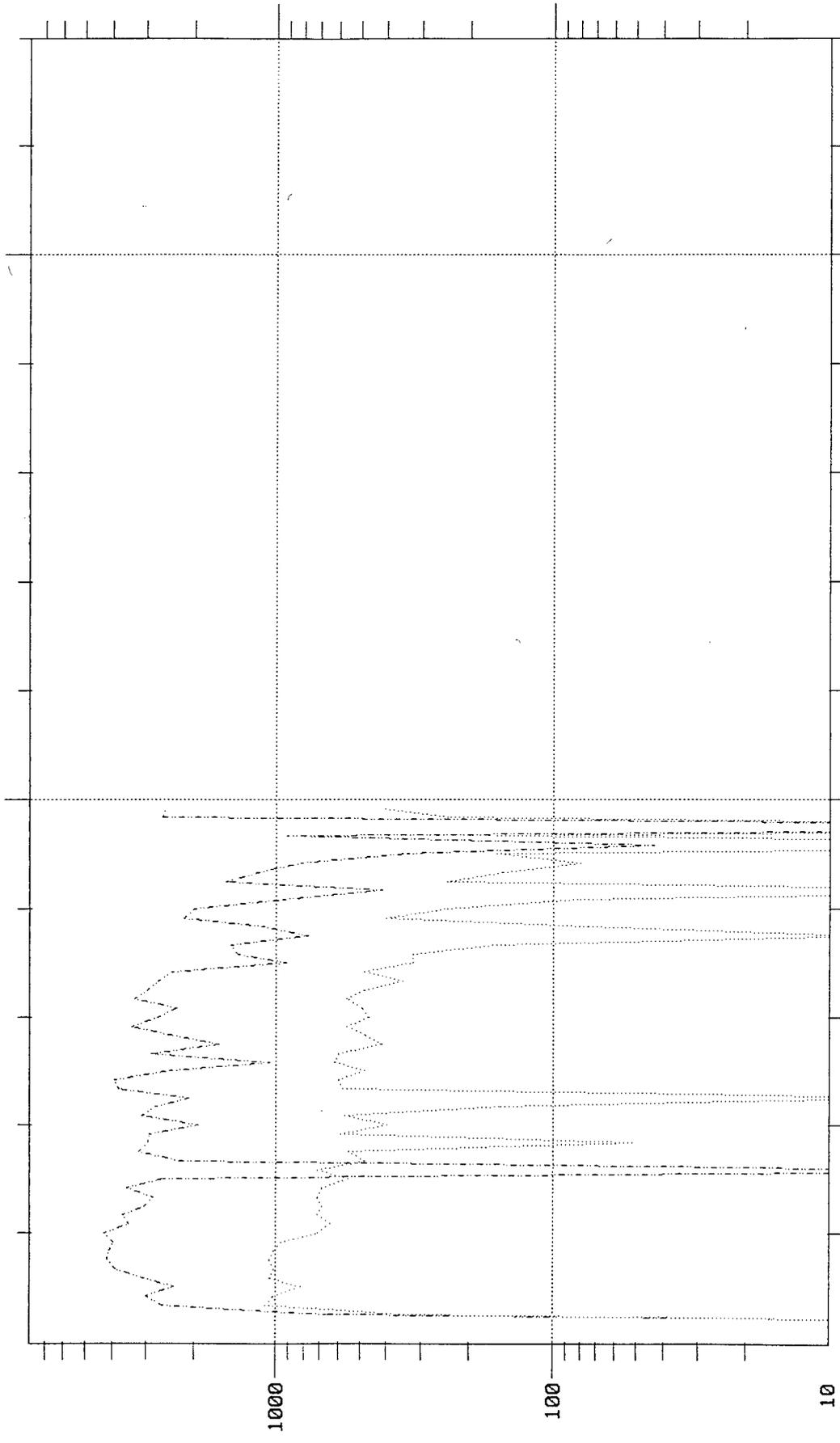
2. Allocated Individual Well BTU's =  $((W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU})) \times Y$ .

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

Production  
 Oil  
 Gas  
 Water

*Attachment  
 No. 6  
 PS 10/1*

DUGAN PRODUCTION CORP.  
 Production Rate vs Time  
 Bbl/Mo or Mcf/Mo vs Months  
 Leah Marie No. 1  
 Basin Fruitland Coal (C-23-26N-12W)



2007

2002

1997

cumulative production as of 1-1-02  
 Reported Oil Production = 0 Bbls  
 Reported Gas Production = 131802 Mcf  
 Reported Water Production = 26808 bbl

CO.CD 23 EL PASO NATURAL GAS  
CUSTOMER ACCOUNTING SERVICES DEPARTMENT  
VOLUME CALCULATION DIVISION  
POST OFFICE BOX 1492  
EL PASO, TEXAS 79978

CONTACTS:  
EL PASO FIELD SERVICES  
(713) 757-5953  
EL PASO MAINLINE  
(915) 496-2595

DATE 11/05/98

CHROMATOGRAPHIC GAS ANALYSIS REPORT

*Attachment  
No. 7  
PS 1 of 2*

MAILEE  
26730

DUGAN PRODUCTION CORPORATION  
P O BOX 420  
FARMINGTON, NM 87499-0420

METER NUMBER 99403 - LEAH MARIE #1 - *Basin Fruitland Coal*  
OPERATOR 1862 - DUGAN PRODUCTION CORP

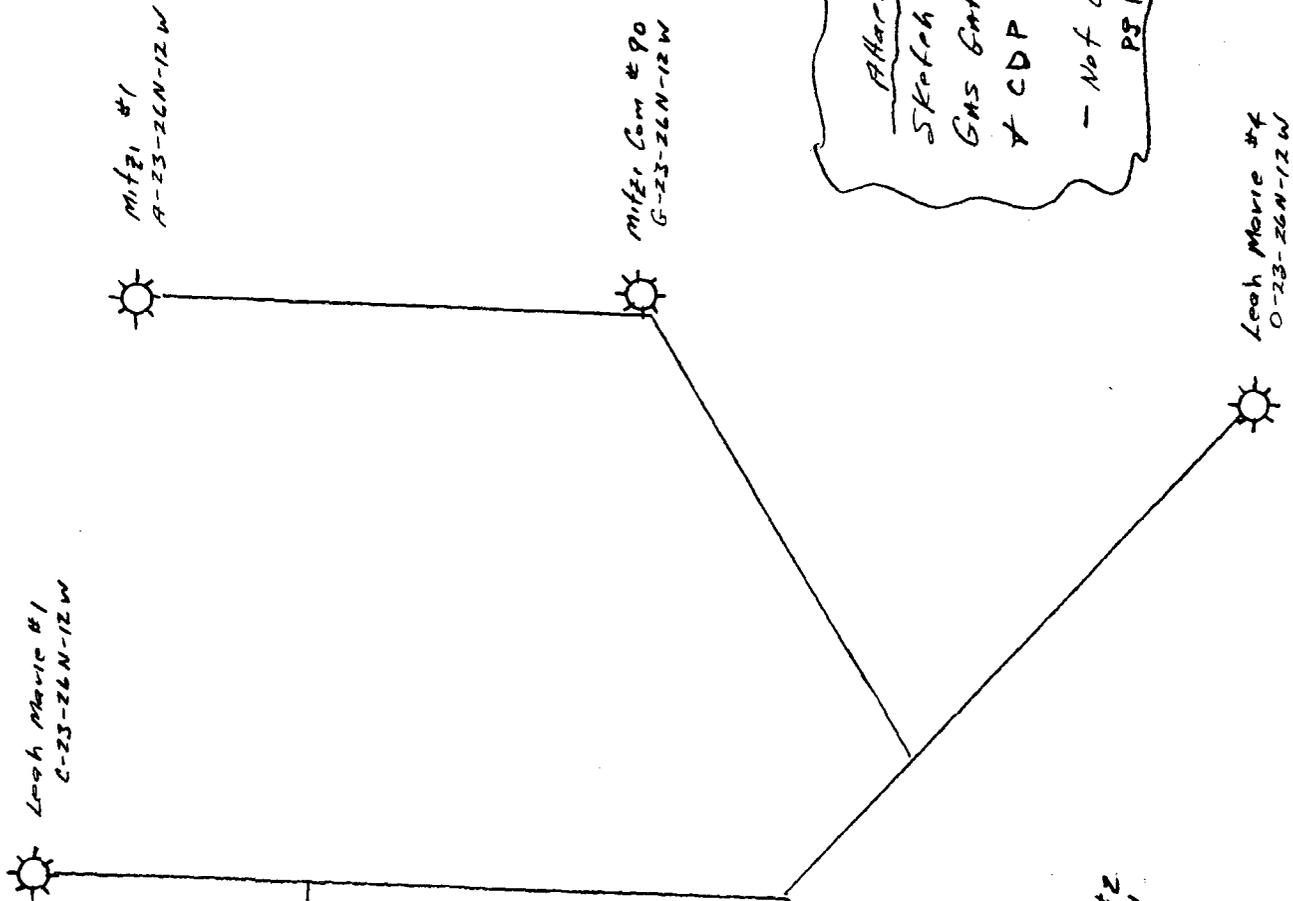
ANALYSIS DATE 10/28/98 TYPE CODE 2 - ACTUAL  
SAMPLE DATE 10/03/98 H2S GRAINS 0  
EFFECTIVE DATE 11/01/98 LOCATION F - FARM BECK  
EFFECTIVE FOR 6 MONTHS

<u>COMPONENTS</u>	<u>NORMALIZED MOL %</u>	<u>GPM</u>
CO2	.72	.000
H2S	.00	.000
N2	2.00	.000
METHANE	96.63	.000
ETHANE	.64	.171
PROPANE	.01	.003
ISO-BUTANE	.00	.000
NORM-BUTANE	.00	.000
ISO-PENTANE	.00	.000
NORM-PENTANE	.00	.000
HEXANE PLUS	<u>.00</u>	<u>.000</u>
	100.00	0.174

SPECIFIC GRAVITY .573  
MIXTURE HEATING VALUE  
(BTU @ 14.73 DRY) 992  
RATIO OF SPECIFIC HEATS .000  
NO TEST SECURED FOR H2S CONTENT

*BASIN Fruitland Coal  
C-23-76N-12 W*

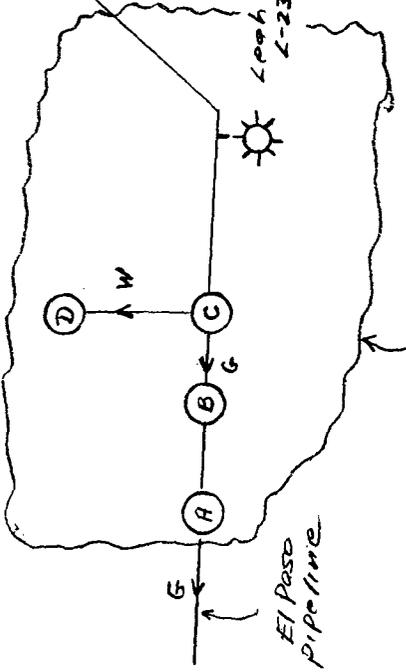




Attachment No. 8  
 Sketch of Leah Marie  
 GMS Gathering System  
 & CDP facility  
 - Not drawn to Scale -  
 PS 1 of 1

Detail of CDP Facilities (L-23-26N-12W)

- A - El Paso Field Services CDP Gas Sales meter.
- B - Gathering System Compressor Initial design = single stage
- C - 2 Phase Gas/Water Separator
- D - 100 bbl Steel Water Storage tank



well site location for Leah Marie #2

Leah Marie #3  
 E-23-26N-12W

Leah Marie #1  
 C-23-26N-12W

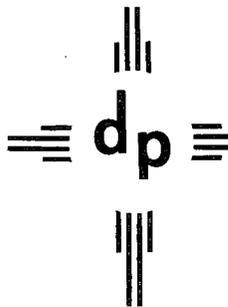
Mifzi #1  
 A-23-26N-12W

Mifzi Com #90  
 G-23-26N-12W

Leah Marie #4  
 O-23-26N-12W

Leah Marie #2  
 L-23-26N-12W

El Paso pipeline



dugan production corp.

OIL CONSERVATION DIV.  
02 FEB 19 PM 2:52

February 15, 2002

Ms. Lori Wrotenbery  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Re: Dugan Production's application dated 02/11/02  
Surface commingling and off-lease measurement  
Proposed Leah Marie Gas Gathering System  
San Juan County, NM

Dear Ms. Wrotenbery,

Attached for your consideration in the captioned application are copies of the return-receipt cards, which reflect that the two royalty interest owners have received copies of Dugan's application to install and operate the Leah Marie Gas Gathering System. Dugan Production Corp. holds 100% of the working interest, and there are no over-riding royalty interest owners.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe  
Engineering Manager

JDR:sh

Attachments

Johnroe/LeahMarie/WrotenberyLetter to OCD w/Return Receipts

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Leona P

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) **Bejay, Program Assistant** B. Date of Delivery **2/13/02**

C. Signature **[Signature]**  Agent  Addressee

D. Is delivery address different from item 1?  Yes  No  
If YES, enter delivery address below:

FARMINGTON INDIAN MINERALS OFFICE  
1235 La Plata Highway, Suite B  
Farmington, NM 87401

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label) 7000 1670 0010 7385

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Mr. Steve Henke  
BUREAU OF LAND MANAGEMENT  
Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) **Virginia Barber** B. Date of Delivery **2-13-02**

C. Signature **[Signature]**  Agent  Addressee

D. Is delivery address different from item 1?  Yes  No  
If YES, enter delivery address below:

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label) 7000 1670 0010 0492 7392

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952