

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 - 22 - A

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

[D] Other: Specify Move Administrative order OLM-22 from Dugan Production's Coaly #90 to Coaly #3 - well bores are 50' apart, are on same lease, ownership is the same + prod. interval is the same.

[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, Certified-Return Receipt Notice letter is Attached - Return Receipts to be submitted upon receiving.

[F]  Waivers are Attached

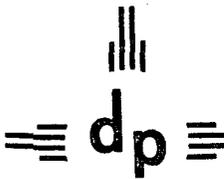
[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[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 Manager 1-20-2011  
 Print or Type Name Signature Title Date

johnroe@duganproduction.com  
 e-mail Address



# dugan production corp.

---

MAILED CERTIFIED-RETURN RECEIPT



January 20, 2011

Energen Resources  
605 Richard Arrington, Jr. Blvd. North  
Birmingham, AL 35203

Petrohawk Properties, LP  
P.O. Box 4346  
Houston, TX 77210-4346

Four Star Oil & Gas Co.  
P.O. Box 36366  
Houston, TX 77010

Re: Dugan Production Corp.'s  
Off-lease Gas Measurement & Sales  
Coaly No. 90 & Coaly No. 3  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information and review is a copy of our letter dated 1-17-11 requesting that the New Mexico Oil Conservation Division (NMOCD) and Bureau of Land Management (BLM) transfer their existing approvals for the off-lease measurement and sale of gas from Dugan Production's Coaly No. 90 to Dugan Production's Coaly No. 3. The Coaly No. 3 was recently drilled to develop a Farmington Sand that had been encountered during the drilling of the Coaly No. 90. However upon drilling the Coaly No. 3 at a location 50' west of the Coaly No. 90 we did not encounter the Farmington Sand and subsequently completed the Coaly No. 3 in the Basin Fruitland Coal which required us to abandon the Basin Fruitland Coal Completion in the Coaly No. 90 prior to recompleting the Coaly No. 90 in the Farmington Sand.

You are receiving this information because the NMOCD requires that all interest owners receive notice and if there are comments or objection, they must be made within 20 days from the date of this letter. Dugan Production holds 100% of the working interest and as an overriding royalty interest owner, there are no costs to you. Your interest in the Coaly No. 3 is the same as in the Coaly No. 90. Hopefully, all interest owners will benefit from production that is developed by recompleting the Coaly No. 90 from the Basin Fruitland Coal to the Farmington Sand. Production revenues from the Basin Fruitland Coal completion in the Coaly No. 3 should be similar to the Basin Fruitland Coal completion in the Coaly No. 90.

Should you have any questions or need additional information, please let me know. Should you have an objection to our application, please let me know or you can contact the NMOCD directly by calling Mr. Terry Warnell in the Engineering Bureau @ 505-476-3466 and I would appreciate receiving a copy of your objection.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager

Attachments

**DUGAN PRODUCTION CORP.  
Coaly No. 90 & Coaly No. 3  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico**

Basin Fruitland Coal - 320A E/2 Spacing unit  
Undesignated Farmington Sand - 160A SE/4 Spacing unit

	<u>Working Interest - %</u>	<u>Net Interest - %</u>
<b><u>Working Interest Owners</u></b>	100.00	80.000000
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420		
<b><u>Royalty Interest Owners</u></b>		
USA - Bureau of Land Management 1235 LaPlata Hwy, Suite A Farmington, NM 87401 Federal Lease NM-33021	0	12.500000
<b><u>Overriding Royalty Interest Owners</u></b>		
Energen Resources 605 Richard Arrington, Jr. Blvd. North Birmingham, AL 35203	0	3.750000
Four Star Oil & Gas Co. P. O. Box 36366 Houston, TX 77010	0	1.250250
Petrohawk Properties, LP P. O. Box 4346 Houston, TX 77210-4346	0	2.499750
<b>TOTAL</b>	100.00	100.00



# dugan production corp.

January 17, 2011

Mr. Richard Ezeanyim  
 NMOCD Engineering Bureau  
 1220 South St. Francis Drive  
 Santa Fe, NM 87505

Mr. Dave Evans  
 Bureau of Land Management - FFO  
 1235 La Plata Highway  
 Farmington, NM 87401

Re: Off-Lease Gas Measurement & Sale  
 Dugan Production Corp.'s Coaly No. 90 & Coaly No. 3  
 Basin Fruitland Coal pool (OCD Pool No. 71629)  
 API No. 30-045-33905 & 30-045-35012  
 SESE Section 28, T-27N, R-12W  
 San Juan County, New Mexico

Dear Mr. Ezeanyim & Mr. Evans,

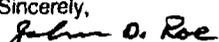
We are writing to request that the Off-Lease Gas Measurement & Sale currently approved for Dugan Production's Coaly No. 90 (NMOCD Administrative order OLM-22) be transferred to Dugan Production's Coaly No. 3. Both wells are located on Federal Lease NM-33021 and are only 50' apart. Attachment No. 1 presents a map showing both wells along with the gas line and off-lease sales meter location which is Enterprise Field Service's meter No. 88741. The Coaly No. 90 was completed 12/03/2008 in the Basin Fruitland Coal with an E/2 spacing unit (see Attachment No. 2) and as of 11/01/2011, has produced a total of 5,902 mcf plus 20,890 bbl water from the Basin Fruitland Coal. At a twin location 50' to the west of the Coaly No. 90, (Coaly No 90 location is 660' FSL & 1000' FEL, Coaly No. 3 location is 660' FSL & 1050' FEL of section 28, T-27N, R-12W), Dugan Production spudded the Coaly No. 3 on 9/15/2010 with plans to complete a wildcat Farmington Sand which had been encountered while drilling the Coaly No. 90. Upon reaching TD in the Coaly No. 3, we had not encounter the Farmington Sand and modified our plans to move the Basin Fruitland Coal completion from the Coaly No. 90 to the Coaly No. 3 and recompleate the Coaly No. 90 in the Farmington Sand after abandoning the Fruitland Coal completion. Attachment No. 3 presents the plan change in the Coaly No. 3 and attachment No. 4 presents the plan change in the Coaly No. 90.

The Fruitland Coal completion in the Coaly No. 90 was averaging 21 mcf plus 56 bwpd and was abandoned on 10/28/2010 and the Farmington Sand (724'-750') is currently being evaluated for completion. The Coaly No. 3 was completed on 12/20/2010 in the Basin Fruitland Coal with the E/2 spacing unit which was previously established for the Coaly No. 90 (see attachment No. 5).

It is Dugan production's proposal to produce the Basin Fruitland Coal in our Coaly No. 3 using the off-lease sales meter previously approved for our Coaly No. 90. Upon completing the Farmington Sand in the Coaly No. 90, we anticipate oil production with very little gas. Should there be sufficient gas volumes, we will submit an application to surface commingle the gas from both wells and convert the current Enterprise gas sales meter to a central delivery sales meter.

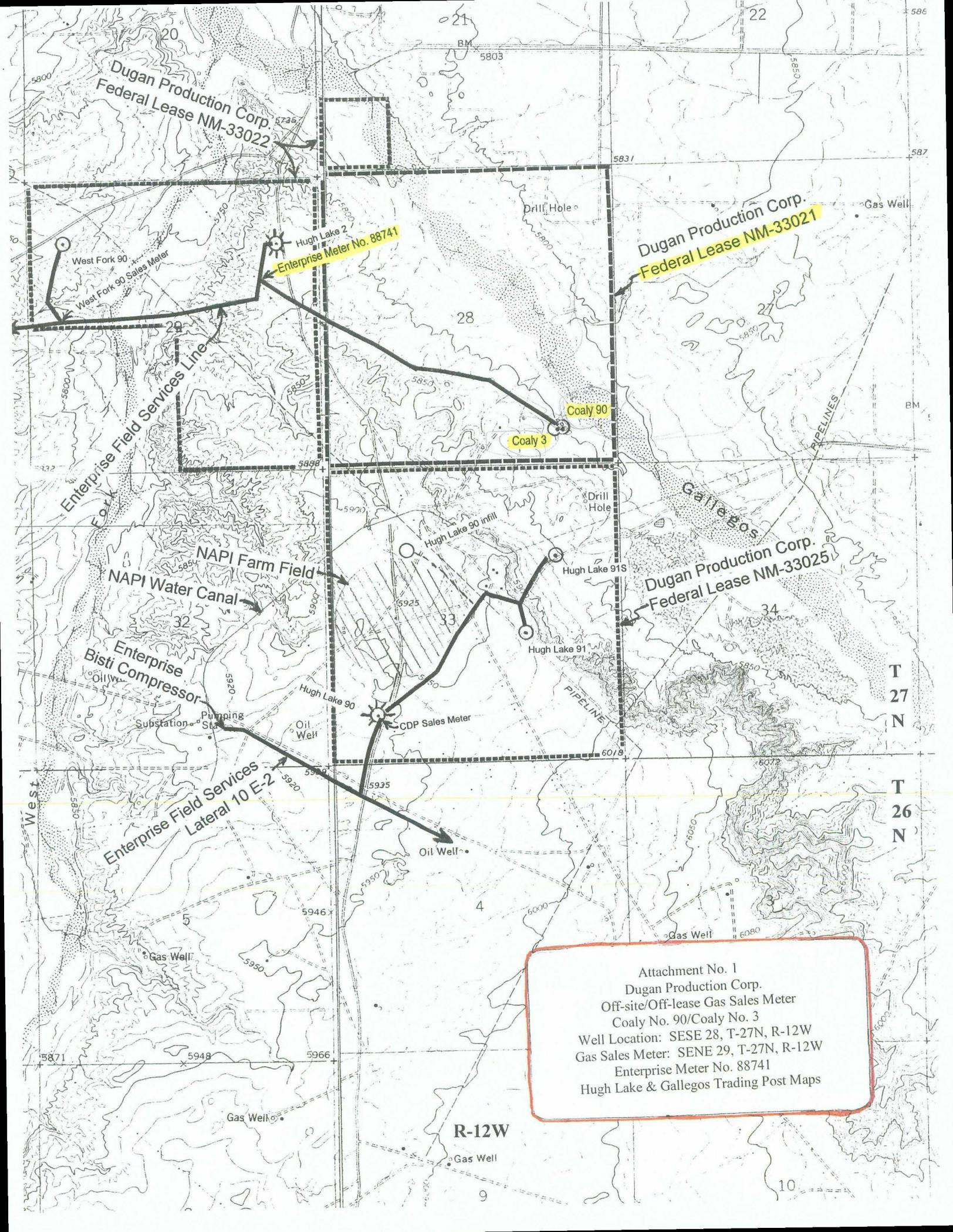
There is only one Federal Lease (NM-33021) for both spacing units. Dugan Production holds 100% of the working interest and all interest in the Farmington Sand and Fruitland Coal is the same. A copy of this letter is being sent to the interest owners.

Should there be questions or additional information needed, please let me know.

Sincerely,  
  
 John D. Roe  
 Engineering Manager

attachments

XC: NMOCD - Aztec



Attachment No. 1  
 Dugan Production Corp.  
 Off-site/Off-lease Gas Sales Meter  
 Coaly No. 90/Coaly No. 3  
 Well Location: SESE 28, T-27N, R-12W  
 Gas Sales Meter: SENE 29, T-27N, R-12W  
 Enterprise Meter No. 88741  
 Hugh Lake & Gallegos Trading Post Maps

Dugan Production Corp.  
 Federal Lease NM-33022

Dugan Production Corp.  
 Federal Lease NM-33021

Dugan Production Corp.  
 Federal Lease NM-33025

Hugh Lake 2  
 Enterprise Meter No. 88741

Coaly 90  
 Coaly 3

NAPI Farm Field  
 NAPI Water Canal

Enterprise Bisti Compressor  
 Substation

Enterprise Field Services  
 Lateral 10 E-2

CDP Sales Meter

R-12W

T  
27  
N  
  
T  
26  
N

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised February 21, 1994

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

Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

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

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

AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number <b>30045-33905</b>		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code <b>34492</b>	*Property Name COALY		*Well Number 90
*OGRIID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5795'

<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
P	28	27N	12W		660	SOUTH	1000	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 320.0 Acres - (E/2)	<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>16</sup>

**28**

DUGAN  
NM-33021

LAT: 36.54076°N  
LONG: 108.11139°W  
DATUM: NAD1983

<sup>17</sup> OPERATOR CERTIFICATION

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

*Kurt Fagrelis*

Signature  
Kurt Fagrelis

Printed Name  
Geology

Title  
July 3, 2006

Date

---

<sup>18</sup> 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: APRIL 24, 2006

Signature and Seal of Professional Surveyor

**JASON C. EDWARDS**  
Certificate Number 15269

Attachment  
No. 2

Attachment  
No. 3

Form 3160-5  
(June 1990)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-G135  
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT ." for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

660' FSL & 1050' FEL  
Sec. 28, T27N, R12W NMPM

5. Lease Designation and Serial No.  
NMNM33021

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.  
Coaly #3

9. API Well No.  
30-045-35012

10. Field and Pool, or Exploratory Area  
Farmington Sand

11. County or Parish, State  
San Juan

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other Complete Fruitland Coal and not Farmington Ss	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Plan to perforate Fruitland Coal from 964 - 968, 992 - 996 and 1147 - 1162.

Will then swab test to evaluate for frac. The new C-102 "Well Location and

Acreage Dedication Plat" for the Fruitland Coal completion is attached.

RCVD OCT 28 '10  
OIL CONS. DIV.  
DIST. 3

Complete TA work on Coaly #3 before beginning this work &

14. I hereby certify that the foregoing is true and correct

Signed Kurt Fegelin Title Geology Date 10-25-2010

(This space for Federal or State office use)

Approved by [Signature] Title Petr. Eng. Date 10/27/10  
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instruction on Reverse Side

NMOCN

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Attachment  
No 4

FORM APPROVED  
Budget Bureau No. 1G04-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well

Oil Well     
  Gas Well     
  Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

660' FSL & 1000' FEL  
Sec. 28, T27N, R12W NMPM

5. Lease Designation and Serial No.  
NMNM33021

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Coaly #90

9. API Well No.

30-045-33905

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan

**12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other Temp Abandon Fruitland Coal <sup>1</sup> & Test Farmington Ss	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Plan to set CIBP at 900-feet to temporarily abandon the Fruitland Coal; then perforate lower Farmington Sandstone at 724 - 731 and 746 - 750. Will then swab test to evaluate for frac. A report C-102 for the Farmington SS completion is attached.

RCVD OCT 28 '10  
MIL CONS. DIV.  
DIST. 3

Must Comply with NMOC D Rules  
19.15.25.12, 19.15.25.13 and  
19.15.25.14

*Complete TA on this well before Perting #3*

14. I hereby certify that the foregoing is true and correct

Signed Kurt Fitzgerald Title Geology Date 10-25-2010

(This space for Federal or State office use)

Approved by [Signature] Title Petr. Eng. Date 10/27/10

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instruction on Reverse Side

NMOC D

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

District II  
1301 W. Grand Avenue, Artesia, NM 88210

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

District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-35012		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name COALY		*Well Number 3
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5797'

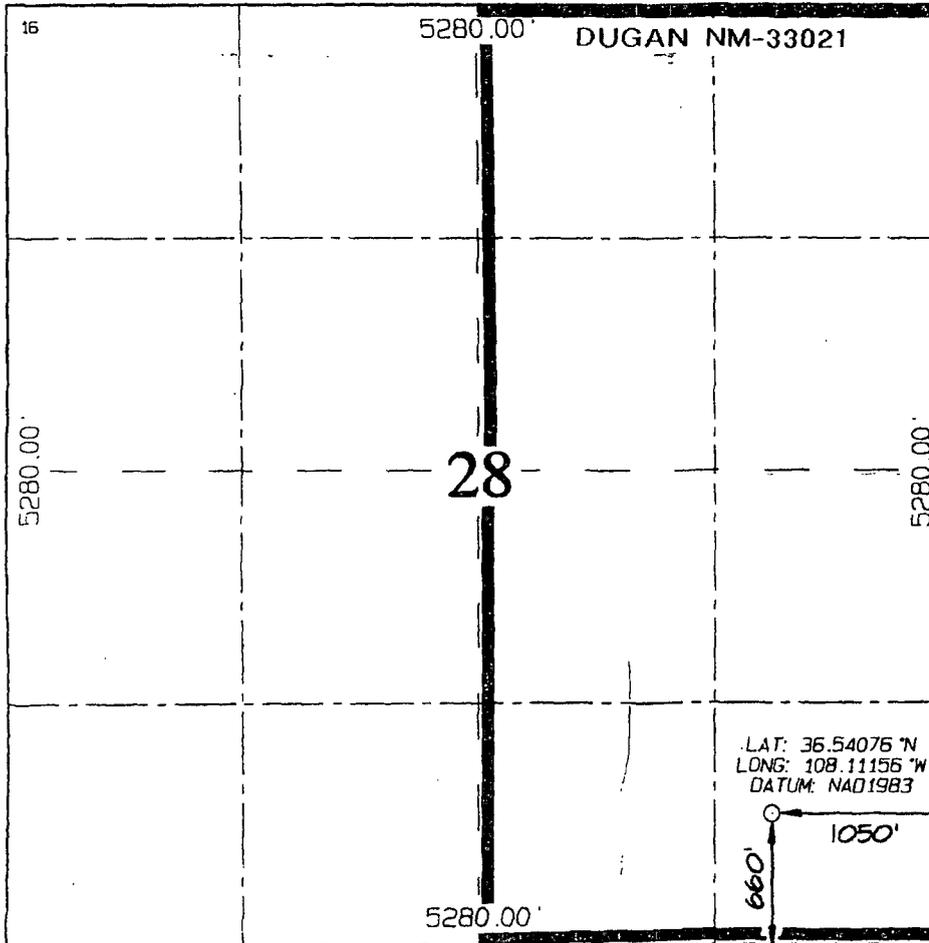
<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	28	27N	12W		660	SOUTH	1050	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 320.0 Acres - E/2					<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 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.

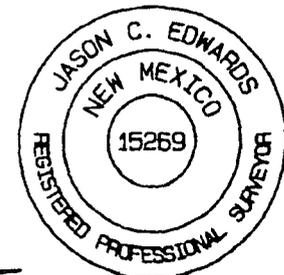
*Kurt Fagrelius* 10-27-2010  
Signature Date  
*Kurt Fagrelius*  
Printed Name

<sup>18</sup> SURVEYOR CERTIFICATION

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

Survey Date: SEPTEMBER 11, 2008

Signature and Seal of Professional Surveyor



*JASON C. EDWARDS*  
Certificate Number 15269

Attachment  
No. 5



# dugan production corp.

RECEIVED OCD

2011 JAN 19 P 1:22



January 17, 2011

Mr. Richard Ezeanyim  
NMOCD Engineering Bureau  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Mr. Dave Evans  
Bureau of Land Management – FFO  
1235 La Plata Highway  
Farmington, NM 87401

Re: Off-Lease Gas Measurement & Sale  
Dugan Production Corp.'s Coaly No. 90 & Coaly No. 3  
Basin Fruitland Coal pool (OCD Pool No. 71629)  
API No. 30-045-33905 & 30-045-35012  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico

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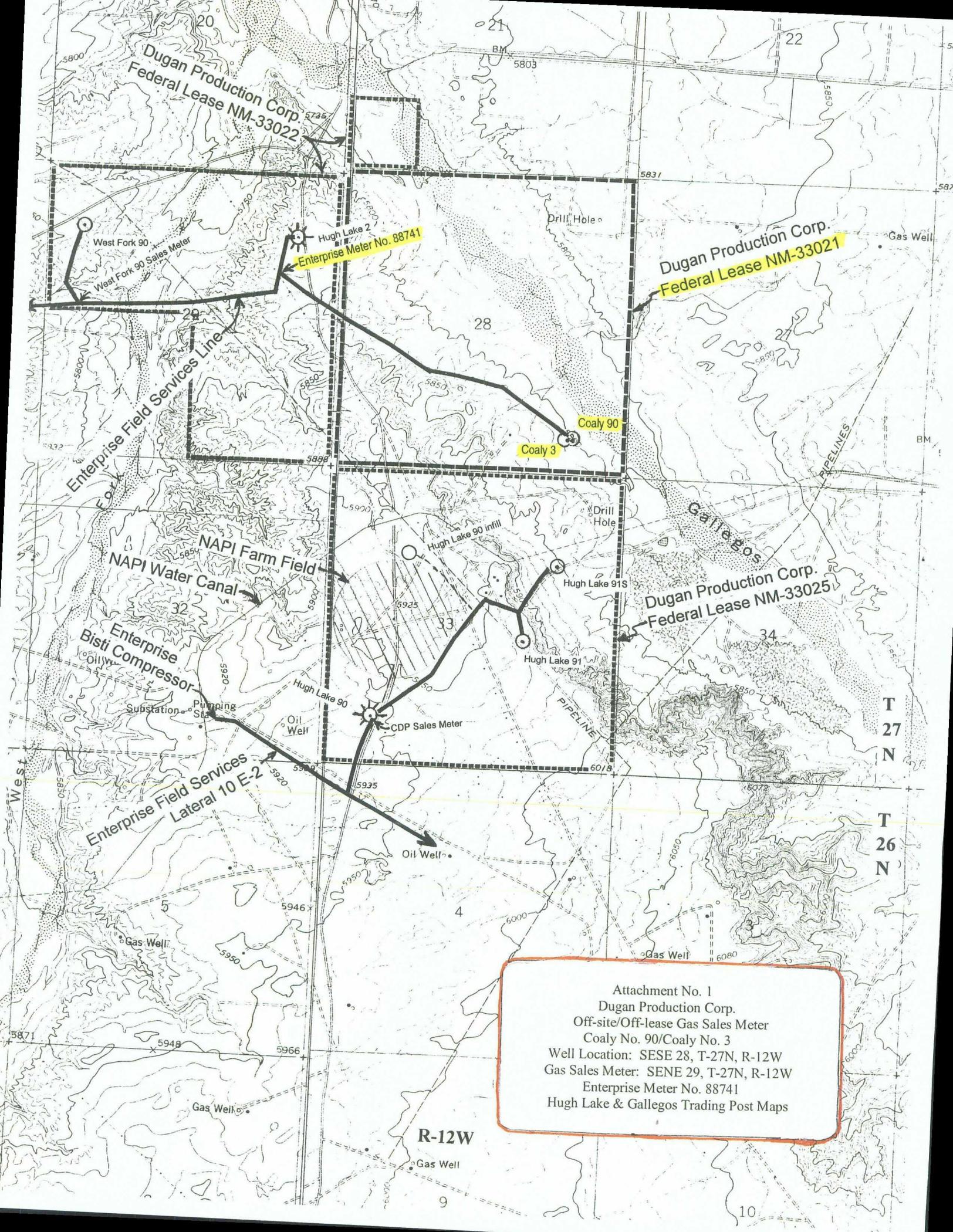
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Should there be questions or additional information needed, please let me know.

Sincerely,  
*John D. Roe*  
John D. Roe  
Engineering Manager

attachments

XC: NMOCD - Aztec



Attachment No. 1  
 Dugan Production Corp.  
 Off-site/Off-lease Gas Sales Meter  
 Coaly No. 90/Coaly No. 3  
 Well Location: SESE 28, T-27N, R-12W  
 Gas Sales Meter: SENE 29, T-27N, R-12W  
 Enterprise Meter No. 88741  
 Hugh Lake & Gallegos Trading Post Maps

R-12W

T  
27  
N  
  
T  
26  
N

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

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

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

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

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

AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number <b>30045-33905</b>		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code <b>34492</b>	*Property Name COALY		*Well Number 90
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5795'

<sup>10</sup> Surface Location

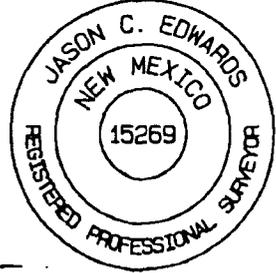
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	28	27N	12W		660	SOUTH	1000	EAST	SAN JUAN

<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: 320.0 Acres - (E/2)     <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

16	5280.00'		DUGAN NM-33021	<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief <i>Kurt Fagrelis</i> Signature Kurt Fagrelis Printed Name Geology Title July 3, 2006 Date
	5280.00'	28		
5280.00'			LAT: 36.54076°N LONG: 108.11139°W DATUM: NAD1983	<sup>18</sup> 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: APRIL 24, 2006 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269
5280.00'		660'	1000'	

Attachment  
No. 2

Attachment  
No. 3

Form 3160-5  
(June 1990)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-G135  
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. NMM33021
2. Name of Operator Dugan Production Corp.	6. If Indian, Allotted or Tribe Name
3. Address and Telephone No. P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821	7. If Unit or CA, Agreement Designation
Location of Well (Footage, Sec., T., R., M., or Survey Description) 660' FSL & 1050' FEL Sec. 28, T27N, R12W NMPM	8. Well Name and No. Coaly #3
	9. API Well No. 30-045-35012
	10. Field and Pool, or Exploratory Area Farmington Sand
	11. County or Parish, State San Juan

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other Complete Fruitland Coal and not Farmington Ss
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water <small>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</small>

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Plan to perforate Fruitland Coal from 964 - 968, 992 - 996 and 1147 - 1162.  
Will then swab test to evaluate for frac. The new C-102 "Well Location and Acreage Dedication Plat" for the Fruitland Coal completion is attached.

RCVD OCT 28 '10  
OIL CONS. DIV.  
DIST. 3

Complete TA work on Coaly #3 before beginning this work &

14. I hereby certify that the foregoing is true and correct

Signed Kurt Fegelin Title Geology Date 10-25-2010

(This space for Federal or State office use)

Approved by [Signature] Title Petr. Eng. Date 10/27/10  
Conditions of approval, if any.

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instruction on Reverse Side

NMOCA

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Attachment  
No. 4

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

**SUBMIT IN TRIPLICATE**

<p>1. Type of Well</p> <p><input type="checkbox"/> Oil Well      <input checked="" type="checkbox"/> Gas Well      <input type="checkbox"/> Other</p>	<p>5. Lease Designation and Serial No. NMNM33021</p> <p>6. If Indian, Allotted or Tribe Name</p> <p>7. If Unit or CA, Agreement Designation</p>
<p>2. Name of Operator Dugan Production Corp.</p>	<p>8. Well Name and No. Coaly #90</p>
<p>3. Address and Telephone No. P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821</p>	<p>9. API Well No. 30-045-33905</p>
<p>Location of Well (Footage, Sec., T., R., M., or Survey Description) 660' FSL &amp; 1000' FEL Sec. 28, T27N, R12W NMPM</p>	<p>10. Field and Pool, or Exploratory Area Basin Fruitland Coal</p>
<p>11. County or Parish, State San Juan</p>	

**12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other Temp Abandon Fruitland Coal & Test Farmington SS	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Plan to set CIBP at 900-feet to temporarily abandon the Fruitland Coal; then perforate lower Farmington Sandstone at 724 - 731 and 746 - 750. Will then swab test to evaluate for frac. A well C-102 for the Farmington SS completion is attached.

**RCVD OCT 28 '10  
NIL CONS. DIV.  
DIST. 3**

**Must Comply with NMOCD Rules  
19.15.25.12, 19.15.25.13 and  
19.15.25.14**

*Complete TA on this well before Permitting #3*

14. I hereby certify that the foregoing is true and correct

Signed Kurt Fitzgerald Title Geology Date 10-25-2010

(This space for Federal or State office use)

Approved by [Signature] Title Petr. Eng. Date 10/27/10

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instruction on Reverse Side

**NMOCD**

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-35012		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL	
*Property Code	*Property Name COALY		*Well Number 3	
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5797'	

<sup>10</sup> Surface Location

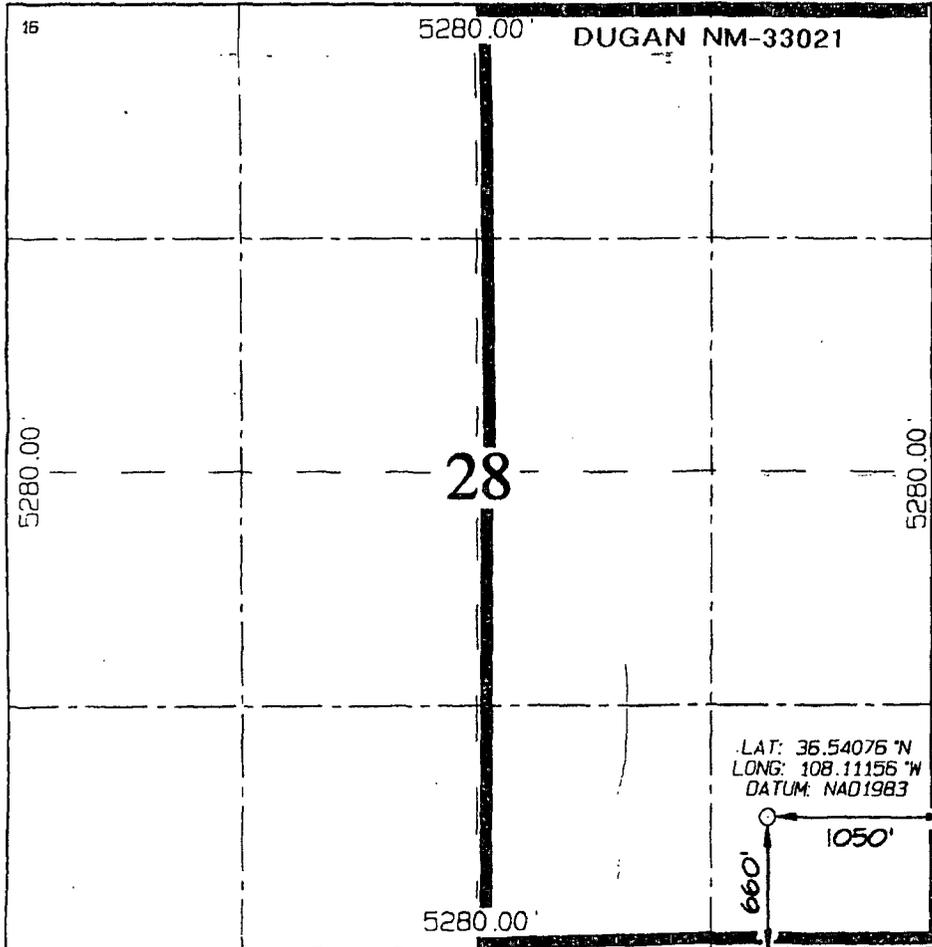
UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
P	28	27N	12W		660	SOUTH	1050	EAST	SAN JUAN

<sup>11</sup> Bottom Hole Location If Different From Surface

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

<sup>12</sup> Dedicated Acres 320.0 Acres - E/2	<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 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* 10-27-2010  
Signature Date  
*Kurt Fagrelius*  
Printed Name

<sup>18</sup> SURVEYOR CERTIFICATION

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

Survey Date: SEPTEMBER 11, 2008

Signature and Seal of Professional Surveyor

*JASON C. EDWARDS*  
Certificate Number 15269

Attachment  
No. 5

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

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 - 22-A

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

[D] Other: Specify *Move Administrative order OLM-22 from Dugan Production's Coaly #90 to Coaly #3 - well bores are 50' apart, are on same lease, ownership is the same + prod. interval is the same.*

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

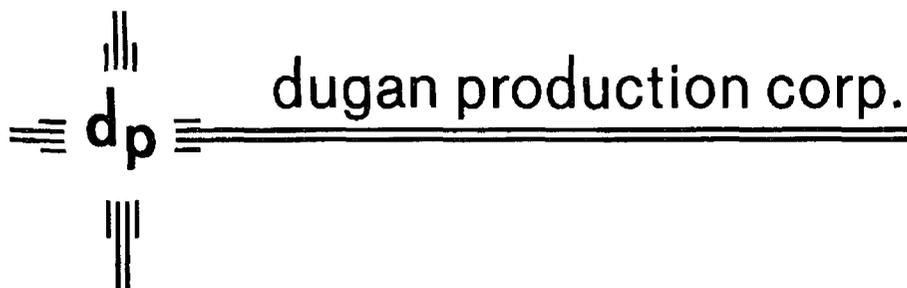
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or S&O  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or, *Certified-Return Receipt Notice letter is Attached - Return Receipts to be submitted upon receiving.*
- [F]  Waivers are Attached

[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 Manager \_\_\_\_\_ 1-20-2011  
 Print or Type Name Signature Title Date  
 \_\_\_\_\_ johnroe@duganproduction.com \_\_\_\_\_  
 e-mail Address



January 20, 2011

Mr. Terry Warnell  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Fax number – 505-476-3462

Re: Dugan Production's Letter of 1/17/11  
Off-Lease Gas Measurement and Sale  
Coaly Well No. 90 & Well No. 3

Dear Mr. Warnell,

Attached for your use in considering the subject letter, is an Administrative Application Checklist. As I mentioned on the phone, I was hoping that this could be a simple matter since the Coaly No. 3 well is only 50' to the west of our Coaly No. 90 and considering that both wells are on the same lease, the spacing unit consists of only one lease, the ownership (WI, RI & ORRI) is exactly the same in both wells and the Basin Fruitland Coal producing interval in the Coaly No. 90 has been replaced by a correlative interval in the Coaly No. 3.

To expedite things, I'm faxing this to you, but well also mail the original.

Please let me know if you have questions or need additional information.

Sincerely,

John D. Roe  
Engineering Manager



# dugan production corp.

MAILED CERTIFIED-RETURN RECEIPT

January 20, 2011

Energen Resources  
605 Richard Arrington, Jr. Blvd. North  
Birmingham, AL 35203

Petrohawk Properties, LP  
P.O. Box 4346  
Houston, TX 77210-4346

Four Star Oil & Gas Co.  
P.O. Box 36366  
Houston, TX 77010

Re: Dugan Production Corp.'s  
Off-lease Gas Measurement & Sales  
Coaly No. 90 & Coaly No. 3  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information and review is a copy of our letter dated 1-17-11 requesting that the New Mexico Oil Conservation Division (NMOCD) and Bureau of Land Management (BLM) transfer their existing approvals for the off-lease measurement and sale of gas from Dugan Production's Coaly No. 90 to Dugan Production's Coaly No. 3. The Coaly No. 3 was recently drilled to develop a Farmington Sand that had been encountered during the drilling of the Coaly No. 90. However upon drilling the Coaly No. 3 at a location 50' west of the Coaly No. 90 we did not encounter the Farmington Sand and subsequently completed the Coaly No. 3 in the Basin Fruitland Coal which required us to abandon the Basin Fruitland Coal Completion in the Coaly No. 90 prior to recompleting the Coaly No. 90 in the Farmington Sand.

You are receiving this information because the NMOCD requires that all interest owners receive notice and if there are comments or objection, they must be made within 20 days from the date of this letter. Dugan Production holds 100% of the working interest and as an overriding royalty interest owner, there are no costs to you. Your interest in the Coaly No. 3 is the same as in the Coaly No. 90. Hopefully, all interest owners will benefit from production that is developed by recompleting the Coaly No. 90 from the Basin Fruitland Coal to the Farmington Sand. Production revenues from the Basin Fruitland Coal completion in the Coaly No. 3 should be similar to the Basin Fruitland Coal completion in the Coaly No. 90.

Should you have any questions or need additional information, please let me know. Should you have an objection to our application, please let me know or you can contact the NMOCD directly by calling Mr. Terry Warnell in the Engineering Bureau @ 505-476-3466 and I would appreciate receiving a copy of your objection.

Sincerely,

*John D. Roe*

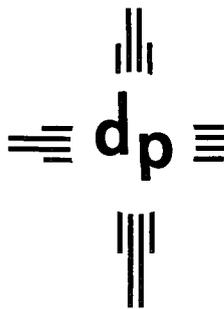
John D. Roe  
Engineering Manager

Attachments

**DUGAN PRODUCTION CORP.  
Coaly No. 90 & Coaly No. 3  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico**

Basin Fruitland Coal - 320A E/2 Spacing unit  
Undesignated Farmington Sand - 160A SE/4 Spacing unit

	<u>Working Interest - %</u>	<u>Net Interest - %</u>
<b><u>Working Interest Owners</u></b>	100.00	80.000000
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420		
<b><u>Royalty Interest Owners</u></b>		
USA - Bureau of Land Management 1235 LaPlata Hwy, Suite A Farmington, NM 87401 Federal Lease NM-33021	0	12.500000
<b><u>Overriding Royalty Interest Owners</u></b>		
Energen Resources 605 Richard Arrington, Jr. Blvd. North Birmingham, AL 35203	0	3.750000
Four Star Oil & Gas Co. P. O. Box 36366 Houston, TX 77010	0	1.250250
Petrohawk Properties, LP P. O. Box 4346 Houston, TX 77210-4346	0	2.499750
<b>TOTAL</b>	<u>100.00</u>	<u>100.00</u>



dugan production corp.

RECEIVED OGD

2011 JAN 21 P 12:38

January 20, 2011

Mr. Terry Warnell  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Fax number – 505-476-3462

Re: Dugan Production's Letter of 1/17/11  
Off-Lease Gas Measurement and Sale  
Coaly Well No. 90 & Well No. 3

Dear Mr. Warnell,

Attached for your use in considering the subject letter, is an Administrative Application Checklist. As I mentioned on the phone, I was hoping that this could be a simple matter since the Coaly No. 3 well is only 50' to the west of our Coaly No. 90 and considering that both wells are on the same lease, the spacing unit consists of only one lease, the ownership (WI, RI & ORRI) is exactly the same in both wells and the Basin Fruitland Coal producing interval in the Coaly No. 90 has been replaced by a correlative interval in the Coaly No. 3.

To expedite things, I'm faxing this to you, but well also mail the original.

Please let me know if you have questions or need additional information.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager