

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

State of New Mexico
Energy, Minerals and Natural Resources

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

copy to AZTee

Form C-103
Revised June 10, 2003

WELL API NO. See below
5. Indicate Type of Lease: FEDERAL STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Federal Lease NM-61
7. Lease Name or Unit Agreement Name Rachel
8. Well Number #2 & #91
9. OGRID Number 006515
10. Pool name or Wildcat See below

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator Dugan Production Corp.	
3. Address of Operator P.O. Box 420 Farmington, NM 87499	
4. Well Location See below Unit Letter _____ feet from the _____ line Section 34 Township 26N Range 12W NMPM County San Juan	
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: Surface Commingle Pools w/ identical ownership <input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>

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

Dugan production proposes to convert the existing gas sales meter for the Rachel No.2 (El Paso meter No.89857) to a central delivery gas sales meter for the Rachel No.2 & No.91 wells. This will require surface commingling of natural gas from the Basin Fruitland Coal & WAW Fruitland Sand-PC Pools. Only natural gas will be commingled & measurement will be on Lease. Dugan Production Corp. operates both wells & all interest ownership is identical.

(i). Well & Lease information is as follows:

Well Name	API No.	Location	Lease No.	Pool	Spacing Unit
Rachel No.2	30-045-22285	1550'FSL & 990'FEL(Unit I)	NM-61	WAW Fruitland Sand-PC(87190)	160A-SE/4
Rachel No.91	30-045-29835	1620'FSL & 1760'FWL (Unit K)	NM-61	Basin Fruitland Coal (71629)	160A-SW/4-NSP-1866

(ii) Commingled gas volumes (mcf & mmBTU) measured at the CDP sales meter will be allocated to each well using the "subtraction method" described in section 303 B.(3) (a) (iii). A conventional gas allocation meter will be installed at the Rachel No.91 & production for the Rachel No.2 will be computed. Individual well lease fuel plus fuel for the CDP compressor will be determined from equipment specifications & will be included in production determinations.

(iii) Certification of the identical ownership for both wells is presented in attached No.1. The spacing units for both wells encompass only Federal lease NM-61.

(iv) Since all royalty is federal, a copy of this notice is being sent by certified, Return Receipt, mail to the BLM. Copies of the Returned Receipt will be mailed to the NMOCD upon receiving. A copy of the transmittal Sundry notice to the BLM is presented as attachment No.2.

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

SIGNATURE John D. Roe TITLE Engineering Manager DATE 6-12-03

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

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #10 DATE JUN 16 2003
Conditions of approval, if any:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 2

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

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)

#2 1550' FSL & 990' FEL (NESE) Section 34, T-26N, R-12W
#91 1620' FSL & 1760' FWL (NESW) Section 34, T-26N, R-12W

5. Lease Designation and Serial No.

NM-61

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Rachel #2 & #91

9. API Well No. #2-30-045-22285
#91-30-045-29835

10. Field and Pool, or Exploratory Area

#2-WAW Fruitland Sand-PC
#91-Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

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

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompile
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Surface Commingle
Natural Gas-CDP
- ☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompile 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.)

Dugan Production proposes to convert the existing gas sales meter for the Rachel No.2 (El Paso Meter No.89857) to a central delivery gas sales meter for the Rachel No. 2 & 91wells. This will require the Surface Commingling of natural gas from the Basin Fruitland Coal & WAW Fruitland Sand-PC Pools. Only natural gas will be commingled & Measurement will be on lease at the No.2 well. Dugan Production operates both wells & the spacing units for both wells encompass only Federal lease NM-61. The Rachel No.2 is currently shut-in with a cumulative production of 613 mmcf and does not have sufficient pressure to produce into the pipeline which ranges from 50 to 75 PSIA. The Rachel No. 91 was completed 12/12/02 in the Fruitland Coal & will require wellhead compression to produce. It is proposed to deliver gas from the 91 well to the sales meter for the #2 & use one compressor for both wells. This will allow the #2 well to be returned to production & the 91 well to efficiently produce gas from the Fruitland Coal. A copy of Dugan's application to the NMOCD for Surface Commingling is attached to provide additional information about this proposal.

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

Signed John D. Roe Title Engineering Manager Date 6/12/2003
John Roe

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

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

- identical ownership

[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 SXO
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

- Notification letter is included as Attachment No. 2. + was sent certified Return Receipt. Receipts will be sent to NMOED upon receiving.

[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
Print or Type Name

John D. Roe
Signature

ENGR. MGR
Title

6/12/03
Date

johnroe@duganproduction.com
e-mail Address