

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

5. Lease Serial No.

~~NMSF078410~~ Fee

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

7. If Unit or CA/Agreement, Name and/or No.

NM-112517 FC LA

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.

FEDERAL I COM 102S

2. Name of Operator

DUGAN PRODUCTION CORP.

Contact: JOHN D ROE

E-Mail: johndroe@duganproduction.com

9. API Well No.

30-045-35013

3a. Address

PO BOX 420
FARMINGTON, NM 87499

3b. Phone No. (include area code)

Ph: 505-325-1821
Fx: 505-327-4613

10. Field and Pool, or Exploratory

BASIN FR COAL/HARPER HILL

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

Sec 12 T29N R14W NESE 2365FSL 1220FEL

11. County or Parish, and State

SAN JUAN COUNTY COUNTY, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	Subsurface Commingl
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	ng

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

*The Federal I com 102S is located on a fee lease, however the spacing units for both pools (E/2 for the Fruitland Coal and SE/4 for the Fruitland Sand-PC Pictured Cliffs will include Federal Lease SF-078110 plus Navajo Nation Lease 14-20-603-2198. The communitization agreement currently in place for the Fruitland Coal in Dugan's Federal I Com No. 102S (API No. 30-045-31792) will also apply to the Federal I Com 102S, however a new C/A will be submitted for the SE/4 spacing unit of the Harper Hill Fruitland Sand-PC completion. Dugan Production proposes to downhole commingle production from the Harper Hill Fruitland Sand-Pictured Cliffs and the Basin Fruitland Coal gas pools upon completing the Federal I Com 102S. We are proposing the commingled produciton be allocated using fixed factors, 53% to the Basin Fruitland Coal pool and 47% to the Harper Hill Fruitland Sand-Pictured Cliffs pool which were also previously approved for Federal I Com No. 102. Specifics for downhole commingling are presented in the attached applicaton (NMOCD Form C-103).

RCVD JAN 5 '11
OIL CONS. DIV.
DIST. 3

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

Electronic Submission #99444 verified by the BLM Well Information System
For DUGAN PRODUCTION CORP., sent to the Farmington

Name (Printed/Typed) JOHN D ROE

Title ENGINEERING MANAGER

Signature (Electronic Submission)

Date 12/22/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Joe Hewitt

Title Geo

Date 1-4-11

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office FFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

NMOCD

Submit 1 Copy 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

Form C-103

October 13, 2009

WELL API NO. 30-045-35013	
5. Indicate Type of Lease STATE ☐ FEE ☒	
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name Federal I Com	
8. Well Number 102 S	
9. OGRID Number 06515	
10. Pool name or Wildcat Harper Hill Fruitland Sand-PC Basin Fruitland Coal	
SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well ☐ Gas Well ☒ Other	
2. Name of Operator Dugan Production Corp.	
3. Address of Operator PO Box 420 Farmington, NM 87499	
4. Well Location Unit Letter I : 2365 feet from the South line and 1220 feet from the East line Section 12 Township 29N Range 14W NMPM County San Juan	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5401 GR	

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	
DOWNHOLE COMMINGLING ☒			
OTHER: ☐		OTHER: ☐	

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 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

This well was spudded on 10/11/10 and 5 1/2" casing cemented @ 1252'. We currently plan to complete intervals within the Harper Hill Fruitland Sand-Pictured Cliffs and the Basin Fruitland Coal gas pools. In addition, we plan to fracture stimulate the perforations in both pools simultaneously. It is proposed that both intervals be downhole commingled to clean up stimulation fluids and then produced.

1&2. NMOCD Order R-11363 established the Basin Fruitland Coal (71629) and Harper Hill Fruitland Sand-PC (78160) as pre-approved pools for down hole commingling.

3. Perforated intervals: Basin Fruitland Coal 952'-960', 990'-995', 1052'-1060' & 1068'-1074'. Harper Hill Fruitland Sand-PC 980'-984', 1002'-1006', 1026'-1030', 1044'-1047', 1062'-1064' & 1079'-1084'.

4. Proposed allocation method: Fixed factors based upon an analysis of production from both pools in a 9 section area adjacent or close to the subject well (Ref. Attachment No. 1). A total of 12 FR Coal wells, 13 Fruitland Sand-PC wells and 7 downhole commingled wells were evaluated.

Proposed Allocation	Fruitland Coal	Fruitland Sand/Pictured Cliffs
Gas	53%	47%
Water	53%	47%

5. Both pools are anticipated to produce high volumes of water & the proposed downhole commingling is necessary to economically & efficiently produce both zones. The value of production from either pool, will not be reduced, but will be maximized as a result of this downhole commingling.

6. The ownership is not identical for both zones. Dugan Production holds 37.4% of the Fruitland Sand-PC plus 56.1% of the Fruitland Coal working interest. Notice of this application was sent to all interest owners by certified mail, return receipt.

7. A copy of this sundry is being sent to the Bureau of Land Management.

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 12/15/2010
Type or print name John D. Roe E-mail address: johndroe@duganproduction.com PHONE: 505-325-1821
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
Conditions of Approval (if any): _____

Attachment No. 1
Offset Well Production
Dugan Production's Federal I No. 102S
Unit I, Section 12, T-29N, R-14W
San Juan County, New Mexico

r 0	Well	Location UL-S-T-R	1st Produced	06/2010 DHC @ %FC/%PC	Average Production - mcf/mo & # of mo. If less than 12) Cum. Production-mmcf@																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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Federal I #4/4R	Federal I #5/5R	Federal I #6	Federal I #100	Federal I #101	Federal I #101S Com #1	Com #2/2R	Com #3	Com #4	Com #91	Federal I #8	Federal I #90	King Com #2	King Com #90	Federal I Com #9	Federal I Com #102	Federal I Com #103	Navajo 13 #1	Navajo 13 #2	NV Navajo 13 #4	Navajo Tribal H #5	Benally 14 #3	WF Navajo 14 #1	Navajo 14 #2	Navajo Tribal H #12	Madrid 29 13 6 #111	SE Mounds #2	RPC 18 #3	ROPFO 18 #4	Fawkes #1	Total all wells	# wells	Average/well	% of FC & PC	Avg. 1st 5 yrs	Total excluding DHC wells	# wells	Average/well	% of FC & PC	Avg. 1st 5 yrs																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						

Dugan Production Corp., ROC=Richardson Operating Co., SOC=Synergy Operating LLC, XTO=XTO Energy, Inc.
Production data from HIS Inc. thru June 2010. All data normalized to 1st month of production. Fruitland Coal production from the Basin
land Coal pool (71629) and Fruitland Sand-PC production from the Harper Hill (78160) and Twin Mounds (86620) Fruitland Sand-Pictured
pools, plus West Kutz Pictured Cliffs pool (79680).
hole commingling factors for June 2010. % of total gas from Fruitland Coal and % of total gas from Fruitland Sand/Pictured Cliffs.
al I Well No. 101 (API No. 30-045-31785) - DHC-1947 approved 7/25/05 authorizes downhole commingling of Basin Fruitland
with Harper Hill Fruitland Sand - Pictured Cliffs using fixed gas allocation factors of 53.0% for Fruitland Coal and 47.0% for
Fruitland Sand - Pictured Cliffs.
King Com Well No. 2 (API No. 30-045-31116) - DHC-1946AZ approved 7/25/05 authorizes downhole commingling of Basin Fruitland
Coal with Harper Hill Fruitland Sand - Pictured Cliffs using fixed gas allocation factors of 53.0% for Fruitland Coal and 47.0% for
Fruitland Sand - Pictured Cliffs.

Attachment No. 1
Offset Well Production
Dugan Production's Federal I No. 102S
Unit I, Section 12, T-29N, R-14W
San Juan County, New Mexico

Well	Location UL-S-T-R	1st Produced	Average Production - mcf/mo & (# of mo. If less than 12) Cum. Production-mmcf @											
			Fruitland Sand-PC											
			Fruitland Coal											
			06/2010 DHC ③ %FC/%PC	1st 12 months	2nd 12 months	3rd 12 months	4th 12 months	5th 12 months	Cum 7/1/2010	1st 12 months	2nd 12 months	3rd 12 months	4th 12 months	5th 12 months

Notes Cont....

1. Com Well No. 102 (API No. 30-045-31792) - DHC-1952AZ dated 8/9/05 authorizes downhole commingling of Basin Fruitland with Harper Hill Fruitland Sand - Pictured Cliffs using fixed gas allocation factors of 53.0% for Fruitland Coal and 47.0% for Fruitland Sand - Pictured Cliffs.

2. 13 Well No. 1 (API No. 30-045-30652) - DHC-965AZ approved 11/02 authorizes downhole commingling of Basin Fruitland Coal West Kutz Pictured Cliffs. Fixed allocation factor of 49% Fruitland Coal and 51% Pictured Cliffs proposed and fixed allocation factor 50 used for production 5/03 thru 9/04. On 11/15/04, Richardson Operating proposed new fixed allocation factors of 78.3% Fruitland and 21.7% Pictured Cliffs, which were used for production 10/04 to current.

3. Tribal H No. 5 (API No. 30-045-13101) Administrative Order DHC-2478 dated 10/12/99 authorized downhole commingling of 1 Fruitland Coal with West Kutz Pictured Cliffs. Allocation factors to be based upon an exponential decline of 18%/year for the PC volume=PC base rate x e^{-dt} and by subtraction for the Fruitland Coal. A fixed gas allocation factor of 50/50 was used for production thru 5/08 and for 6/08 thru 6/10 PC factors ranged from 41% to 50% and coal factors ranged from 59% to 50%.

4. 14 Well No. 3 (API No. 30-045-30522) - DHC-3084AZ dated 3/24/09 authorizes downhole commingling of Basin Fruitland Coal with Kutz Pictured Cliffs using fixed gas allocation factors of 54% for Fruitland Coal and 46% Pictured Cliffs.

5. 18 Well No. 3 (API No. 30-045-30943) - DHC-894AZ dated 9/10/02 authorizes downhole commingling Basin Fruitland Coal with Kutz Pictured Cliffs using fixed gas allocation factors of 50% for the Fruitland Coal and 50% for the Pictured Cliffs.

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

¹ API Number 3004535013	² Pool Code 78160 / 71629	³ Pool Name HARPER HILL FRUITLAND SAND PICTURED CLIFFS / BASIN FRUITLAND COAL
⁴ Property Code 34366	⁵ Property Name FEDERAL I COM	⁶ Well Number 102S
⁷ OGRID No 006515	⁸ Operator Name DUGAN PRODUCTION CORPORATION	⁹ Elevation 5401'

¹⁰ Surface Location

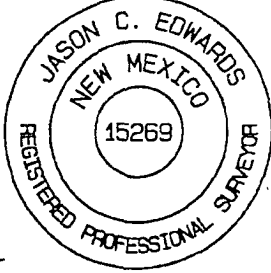
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	12	29N	14W		2365	SOUTH	1220	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

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

¹² Dedicated Acres 160.0 Acres (SE/4) - PC 320.0 Acres (E/2) - FC	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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 2643.30' 2641.32' 2426.16'	1223.30'	1326.60'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Kurt Fagrelus</i> 8-11-2009 Signature Date Kurt Fagrelus Printed Name ¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: JUNE 3, 2009 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269
	Dugan 100% SF-078110	XTO FEE	
12 LAT: 36.74029° N LONG: 108.25637° W DATUM NAD1983 1220' 2365' 2598.42' LOT 2 LOT 1 San Juan River LOT 3 5287.92' XTO Nav. 14-20-603-2198			