

DATE IN <u>6-27-11</u>	SUSPENSE	ENGINEER <u>RE</u>	LOGGED IN <u>6-27-11</u>	TYPE <u>PLS</u>	APP NO <u>1117853810</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



*30 wells*

### 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]**

*San Juan*

#### [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

#### [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.

<u>John D. Roe</u>	<u>John D. Roe</u>	<u>Engineering Manager</u>	<u>06/24/2011</u>
Print or Type Name	Signature	Title	Date
		<u>johnroe@duganproduction.com</u>	
		e-mail Address	

2011 JUN 27 P 2:43  
 RECEIVED OOD

ATTACHMENT NO. 2  
DUGAN PRODUCTION CORP.  
WAW GATHERING SYSTEM (05-01-11)  
CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W  
SAN JUAN COUNTY, NEW MEXICO

PLC-343 (8/12/11)

Well Name	API No 30-045-	Well Location			Well Location		CA Number (if established)	Pool	Completion Date	Cumulative Prod 01/01/2011		Current Prod		Spacing Unit	Gas Measurement Locations	
		UL-Sec-Twn-Rng	N/S	E/W	Lease No	Lse Type				MCF	BW	MCFD	BWPD			
WELLS PREVIOUSLY APPROVED FOR WAW GATHERING SYSTEM (28 Wells - 31 Completions)																
FAF #1	21773	P-30-27N-13W	1000 FS	990FE	NM499348	Federal		WAW FR SAND PC	5/4/1975	54,833	7,482	13	0 02	SE/4 160	1,13	
FAF #2	21907	A-30-27N-13W	920 FN	1107 FE	NM499348	Federal		WAW FR SAND PC	3/8/1976	118,872	14,237	0 9	0	NE/4 160	1,15	
FAF #3	22968	C-30-27N-13W	790 FN	2000 FW	NM499348	Federal		WAW FR SAND PC	6/1/1978	180,343	194	2 6	0 02	NW/4 185.12	1,15.19	
FAF #4	22969	K-30-27N-13W	1850 FS	2000 FW	NM499348	Federal		WAW FR SAND PC	5/8/1978	336,192	480	23 5	0 05	SW/4 185 44	1,15.14	
KR #1	21838	B-29-27N-13W	1000 FN	1800 FE	NM11580	Federal		WAW FR SAND PC	8/12/1975	85,302	751	P&A 7/28/94		NE/4 160	1,16	
KR #2	Note	21897	D-29-27N-13W	973 FN	1000 FW	Federal		WAW FR SAND PC	3/16/1976	37,445	405	P&A 7/28/94		NW/4 160	1,16	
								BASIN FR COAL	3/16/1976	0	0	P&A 7/28/94		N/2 320	1,16	
KR #3		22695	O-20-27N-13W	790 FS	1850 FE	Federal		WAW FR SAND PC	6/14/1979	0	0	P&A 3/20/96		SE/4 160	1,16	
KR #3J		25535	I-20-27N-13W	1850 FS	790 FE	Federal		WAW FR SAND PC	12/22/1983	0	0	P&A 2/2/96		SE/4 160	1,16	
KR #4	Note	22694	M-20-27N-13W	790 FS	790 FW	Federal		WAW FR SAND PC	4/13/1979	20,797	13	0 4	0	SW/4 160	1,16	
								BASIN FR COAL	4/13/1979	1,582	11	0 2	0	S/2 320	1,16	
KR #6	Note	22691	N-19-27N-13W	990 FS	1850 FW	Federal		WAW FR SAND PC	1/11/1978	22,199	10	2 3	0	SW/4 184 64	1,16	
								BASIN FR COAL	2/16/1999	2,444	8	0 8	0	S/2 344 64	1,16	
KR #7		22693	E-20-27N-13W	1850 FN	990 FW	Federal		WAW FR SAND PC	11/12/1977	172,558	269	10 6	0 05	NW/4 160	1,16	
KR #8		22690	H-19-27N-13W	1850 FN	990 FE	Federal		WAW FR SAND PC	3/24/1978	129,752	267	3 7	0 04	NE/4 160	1,16	
KR #10		23509	J-19-27N-13W	2000 FS	1850 FE	Federal		WAW FR SAND PC	9/7/1979	94,115	243	3 7	0 03	SE/4 160	1,16	
Monticello #1Y		22758	C-3-26N-13W	1170 FN	1450 FW	Federal		WAW FR SAND PC	9/29/1977	62,647	106	P&A 10/25/95		NW/4 159 75	1,3	
Notsowaw #1		21698	G-32-27N-13W	1850 FN	1850 FE	Federal		WAW FR SAND PC	4/12/1975	288,596	185	1 2	0 02	NE/4 160	1,7	
Notsowaw #2		22413	C-32-27N-13W	1000 FN	1800 FW	Federal	SRM 1304	WAW FR SAND PC	7/12/1977	11,747	183	P&A 8/6/86		NW/4 160	1,6	
Ojo-He-He #1		21833	H-31-27N-13W	1850 FN	1000 FE	Federal		WAW FR SAND PC	8/12/1975	63,816	134	3 2	0 01	NE/4 160	1,12	
Ojo-He-He #2		21857	E-33-27N-13W	1615 FN	920 FW	Federal		WAW FR SAND PC	10/12/1975	163,638	206	5 9	0 02	NW/4 160	1,5	
Ojo-He-He #3		21856	L-33-27N-13W	1960 FS	990 FW	Federal		WAW FR SAND PC	10/12/1975	289,564	142	7 2	0 02	SW/4 160	1,5	
Ojo-He-He #4		22414	J-32-27N-13W	1848 FS	1770 FE	Federal	SRM 1301	WAW FR SAND PC	12/29/1977	17,784	454	P&A 9/27/88		SE/4 160	1,8	
Ojo-He-He #5		21855	J-33-27N-13W	1905 FS	1853 FE	Federal		WAW FR SAND PC	7/21/1976	26,788	33	P&A 8/23/95		SE/4 160	1,4	
Ojo-He-He #6		21858	C-31-27N-13W	1000 FN	2276 FW	Federal		WAW FR SAND PC	4/20/1976	87,184	192	7 0	0 02	NW/4 186 07	1,11	
Ojo-He-He #7		21854	G-33-27N-13W	1850 FN	1650 FE	Federal		WAW FR SAND PC	3/16/1976	52,100	34	P&A 9/03/97		NE/4 160	1,4	
Ojo-Ho #1		21874	I-31-27N-13W	1850 FS	1000 FE	Federal		WAW FR SAND PC	6/4/1976	69,555	2,080	2 6	0	SE/4 160	1,10	
Ojo-Ho #2		21875	L-31-27N-13W	1750 FS	1546 FW	Federal		WAW FR SAND PC	7/22/1976	10,401	11	P&A 4/18/95		SW/4 187 01	1,10	
Thomas Jefferson #2		22037	M-34-27N-13W	1000 FS	1000 FW	Federal		WAW FR SAND PC	7/11/1976	21,807	42	P&A 3/30/90		SW/4 160	1,3	
Thomas Jefferson #3		23510	C-34-27N-13W	850 FN	1850 FW	Federal		WAW FR SAND PC	9/7/1979	45,579	150	0 3	0 03	NW/4 160	1,2	
WAW #1		20652	L-32-27N-13W	1500 FS	950 FW	Federal		WAW FR SAND PC	6/20/1970	89,486	32	P&A 6/25/02		SW/4 160	1,9	
WELLS TO BE ADDED TO SYSTEM (2 Wells - 3 Completions)																
Faith #1		23107	F-19-27N-13W	1450 FN	2000 FW	Federal		WAW FR Sand PC	10/29/1982	41,938	52,398	4 9	50 8	NW/4 184 00	1,16,17	
Faith #4	Note	25587	K-18-27N-13W	1850 FS	1850 FW	Federal		WAW FR SAND PC	3/5/1985	4,345	136	0 4	0 02	SW/4 183 44	1,16,18	
							NMNM85741	BASIN FR COAL	3/5/1985	775	54	0 1	0	W/2 - 366 40	1,16,18	
TOTAL											2,604,184	80,942	82.8	51 15		

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WAW GATHERING SYSTEM (05-01-11)  
CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W  
SAN JUAN COUNTY, NEW MEXICO

Notes

- ① Daily average production during 2010
- ② WAW Fruitland Sand Pictured Cliffs gas pool (OCD Pool No 87190) and Basin Fruitland Coal gas pool (OCD Pool No 71629), WAW and BFC, respectively
- ③ KR well No 2 was completed 3/16/76 in the WAW Pictured Cliffs gas pool with perforations in the Fruitland and Pictured Cliffs. NMOC order R-5359 (effective 1/25/77) authorized downhole commingling of production from Fruitland and Pictured Cliffs. Upon establishing the Basin Fruitland Coal gas pool (NMOC order R-8768) effective 11/1/88, the completed intervals were redesignated WAW Fruitland Sand - Pictured Cliffs and Basin Fruitland Coal gas pools. Of the 37,445 mcf total gas production, 37,265 mcf occurred prior to April 1985 and as such 100% was reported to be from the WAW Fruitland - Pictured Cliffs. The well was P&A 7/28/94
- ④ Well downhole commingled

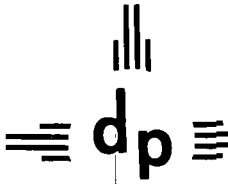
Well No	NMOC	BLM	Allocation Factors			
			Gas-%		Water-%	
			WAW	BFC	WAW	BFC
KR 4	R-5359	11/16/99	70	30	50	50
KR 6	DHC-1402	12/02/96	75	25	50	50
Faith 4	DHC-893AZ	08/30/02	85	15	65	35

⑤ WAW Gathering System (WGS) - Gas Measurement Locations 5/01/2011Active MetersLocationWells Metered

- 1 - CDP Sales Meter No. 03847 operated & maintained by Enterprise Field Services - all wells measured
- 2 - Thomas Jefferson 3 - @ wellhead
- 5 - Ojo He He 2 & 3 - @ tie into WGS \*
- 7 - Notsowaw 1 - @ wellhead
- 10 - Ojo Ho 1 - @ wellhead - #2 P&A
- 11 - Ojo He He 6 - @ wellhead
- 12 - Ojo He He 1 - @ wellhead
- 13 - FAF 1 - @ wellhead
- 14 - FAF 4 - @ wellhead
- 16 - KR 4,6,7,8,10 plus Faith 1 & 4 - @ tie into WGS. \*
- KR 1, 2, 3 & 3J all P&A
- 17 - Faith 1 - @ wellhead
- 18 - Faith 4 - @ wellhead
- 19 - FAF 3 - @ wellhead
- \* - For allocation to wells, wells are tested annually using portable tester

Discontinued MetersLocationWells Metered

- 3 - Thomas Jefferson 2 & Monticello 1Y - both wells P&A
- 4 - Ojo He He 5 & 7 - both wells P&A
- 6 - Notsowaw 2 - well P&A
- 8 - Ojo He He 4 - well P&A
- 9 - WAW 1 - well P&A
- 15 - FAF 2, 3 & 4 - #2 to be P&A, meters installed @ 3 & 4



# dugan production corp.

June 24, 2011

Ms. Jami Bailey, Director  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Mr. Dave Evans, Manager  
Bureau of Land Management  
Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

RE: Application to surface commingle and for the off-lease measurement and sale of  
produced natural gas  
Dugan Production's WAW Gathering System  
San Juan County, New Mexico

Dear Ms. Bailey & Mr. Evans,

We are writing to request your administrative approvals for the surface commingling plus off-lease measurement and sale of natural gas produced from 30 wells (34 completions) presented on Attachment No. 2 and connected to Dugan Production's WAW Gathering System (WAWGS). Dugan Production Corp. is the operator of all wells and did install and does operate the WAWGS. There are a total of 137 federal leases comprising the spacing units for all 30 wells. There are no Fee, Indian or State leases.

Our application to the Bureau of Land Management (BLM) is to add 2 wells (3 completions); Dugan's Faith No. 1 and Faith No. 4 to the WAWGS and to provide updated gathering system information.

**Attachment No. 3** is a copy of Dugan Production's initial application to the BLM dated 01/25/1984 for operation of the WAWGS which included 32 wells, 21 of which were active at the time of application. The BLM approved Dugan's application on 01/26/1984.

Our application to the New Mexico Oil Conservation Division (NMOCD) is to request NMOCD approval for operation of the WAW Gathering System which initially had 32 wells and currently has 18 wells (21 completions) active. We inadvertently did not include the NMOCD in our initial application, presumably since only federal leases were involved. We do understand that NMOCD approval for surface commingling and off-lease measurement is required and we now solicit NMOCD approval. We request that the NMOCD consider that the BLM did approve our operation of the WAWGS in 1984 and that all gas has been measured using conventional dry flow, continuous recording chart allocation meters prior to leaving each lease and that all leasehold interest is federal. There are no fee, indian or state leases. Dugan Production has our own gas measurement department and strives to maintain all allocation meters and their calibrations. **Attachment No. 2** presents individual well and lease information for each of the 30 wells and 34 completions that have delivered gas into the WAWGS. Of the 18 wells (21 completions) currently active, the largest well (our KR #4) averaged 23.5 mcf/d during 2010. The combined daily average production from all 18 wells during 2010 was 82.8 mcf/d and the average per well production for all 18 wells was 4.6 mcf/d. Although this is an area that is fairly marginal for production, as of 01/01/2011, a total of 2.6 billion cf of gas have been produced from the 30 wells connected to the WAWGS and 8 of the wells have produced more than 100 mmcf, one of which has produced 336 mmcf.

**Attachment No. 1** presents a map of the WAWGS which was produced from the Hugh Lake and Kirtland SE Quadrangles. Included on Attachment No. 1 are the wells and leases connected to the WAWGS along with the location of the CDP gas sales meter (Enterprise Field Services Meter 03847) plus the 18 individual well/lease allocation meters, 6 of which are currently removed from service as the wells they served have been plugged. A description of each allocation meter along with the wells metered by each is presented in Note No. 5 for Attachment No. 2. The WAWGS includes approximately 14.2 miles of

pipeline all located within Sections 18 thru 20, and 29 thru 35 in T-27N, R-13W plus Section 3 of T-26N, R-13W. The central delivery gas sales meter (CDP) is on Enterprise Field Service's (EFS) System (EFS Meter No. 03847) and is located in the NENE Section 35, T-27N, R-13W. EFS operates and maintains the sales meter. All allocation meters are operated and maintained by Dugan Production and the continuous recording charts are integrated monthly by a commercial integration service, currently R&L Chart Services in Bloomfield, NM. Volumes recorded by the allocation meters are used for allocating the CDP gas sales volumes and revenues to the individual wells and leases. The allocation procedures are presented on **Attachment No. 6**.

Since all 30 wells connected to the WAWGS produce from the WAW Fruitland Sand-Pictured Cliffs Gas Pool plus 4 wells are also completed in the Basin Fruitland Coal Gas Pool at depths of approximately 1300' to 1400', we attempt to operate the WAWGS at fairly low surface pressures (currently 10 to 15 psig). This is achieved by using a system compressor located at the Thomas Jefferson No. 3 well site. **Attachment No. 5** presents a "site facility diagram" for the WAWGS compressor and associated facilities. Since the WAWGS is located in an area currently being farmed by Navajo Agricultural Products Industry (NAPI) both for security purposes and to minimize surface utility, we have placed the CDP compressor upon our Thomas Jefferson No. 3 well location, which is approximately 1.7 miles to the southwest of our CDP sales meter.

**Attachment No. 4** presents a summary of the interest owners in the wells connected to the WAWGS. Dugan Production is the operator of all wells and has 100% working interest in 28 of the 30 wells. For 2 of the wells, we have a WI of 85.96% and there are 3 other WI owners. It should be noted, that these 2 wells, our Notsowaw No. 2 and Ojo-He-He No. 4 are both currently plugged and are included in this application since they have delivered gas into the WAWGS, but are currently not connected following their abandonments in 1986 and 1988 respectively. All royalty interest is federal and there are 19 overriding royalty interest owners. As required, all interest owners in these wells are receiving notice of our application. **Attachment No. 7** presents copies of our notice efforts regarding this application. Also included in Attachment No. 7 is a copy of the "Affidavit of Publication" for the advertisement which was published in the Farmington Daily Times on May 15, 2011 to further provide notice to all interest owners, anticipating that out of the 23 notices mailed by certified mail, there will invariably be some receipts not returned. All notice letters have been sent by certified, return receipt mail and upon receiving the receipts, copies will be forwarded to the NMOCD.

In summary, Dugan Production is requesting BLM approval to add 2 wells to our WAW Gathering System which was approved by the BLM in 1984. In addition, we are requesting administrative approval from the NMOCD for operation of our WAW Gathering System. We did not solicit NMOCD approval in 1984 at the time of applying to the BLM and are sincerely sorry for this over-site. We can only offer that all gas has been measured using allocation meters prior to leaving the lease and all royalty interest is federal. In addition, all 30 wells are marginal producers and currently 12 have been plugged and abandoned. We currently have 18 active wells (21 completions) and during 2010, production averaged 4.6 mcf/d per well.

Should you need additional information or have questions regarding any of this information, please feel free to contact me at the letterhead address.

Sincerely,



John D. Roe  
Engineering Manager

JDR/jdc

attachments

xc: NMOCD – Aztec  
All working & royalty interest owners

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

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original  
application to the Santa Fe  
office with one copy to the  
appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: Dugan Production Corp.

OPERATOR ADDRESS: PO Box 420, Farmington, NM 87499-0420

APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☒ Pool and Lease Commingling ☒ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. \_\_\_\_\_

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☒ Yes ☐ No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes
WAW Fruitland Sand	1120	1,119		81.7 mcf/d
Pictured Cliffs (87190)				
Basin Fruitland Coal (71629)	1020			1.1 mcf/d

(2) Are any wells producing at top allowables? ☐ Yes ☒ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Pool Name and Code. Attachment No. 2

(2) Is all production from same source of supply? ☐ Yes ☒ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ Other (Specify) Each lease will be equipped with an allocation meter or an approved method of alternative measurement

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attach sheets with the following information

(1) Is all production from same source of supply? ☐ Yes ☒ No See Attachment No. 2

(2) Include proof of notice to all interest owners. See Attachment No. 7

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location. See Attachment No. 1

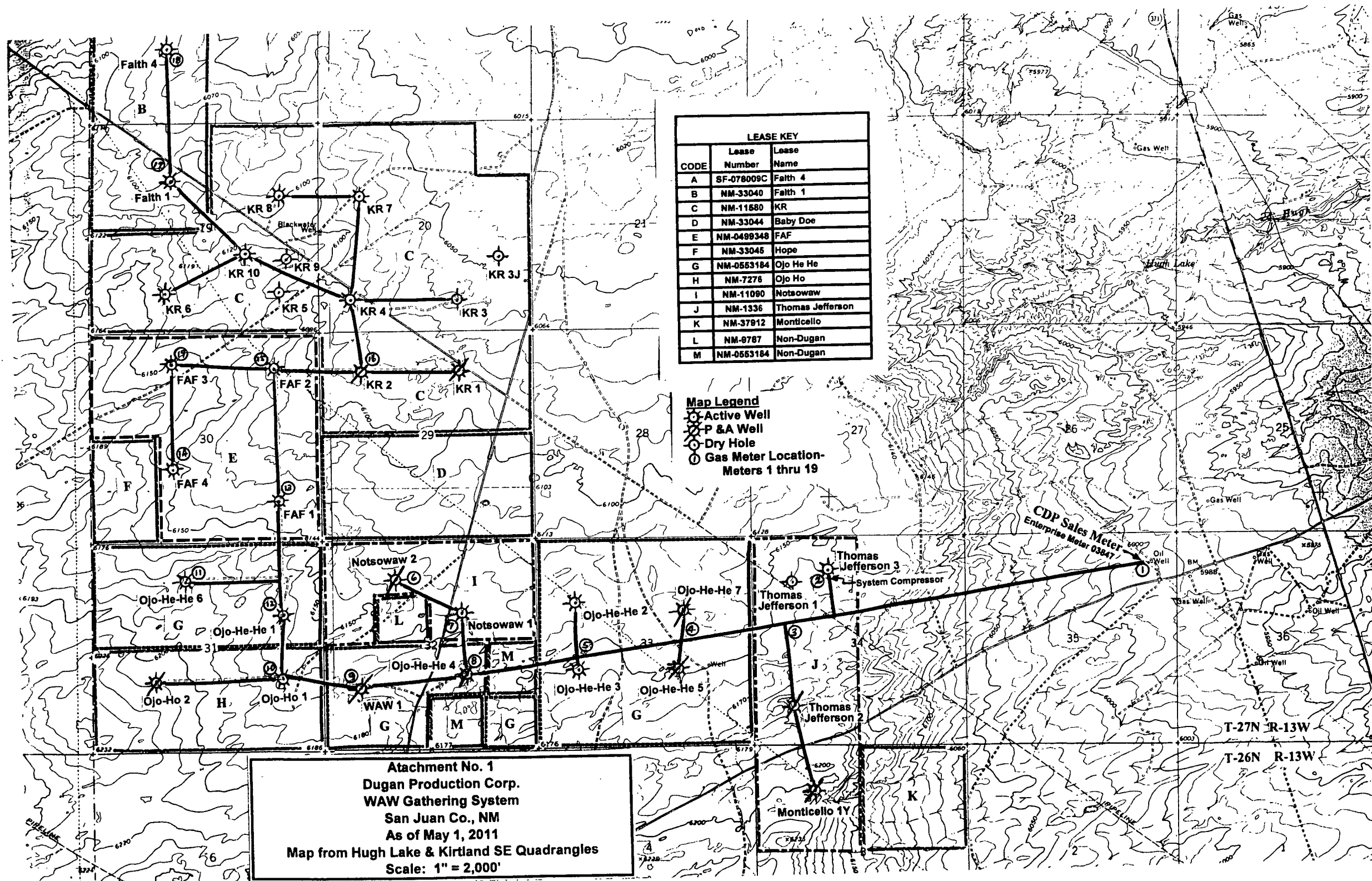
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. Attachment No. 1

(3) Lease Names, Lease and Well Numbers, and API Numbers See 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: 06/24/2011

TYPE OR PRINT NAME John D. Roe TELEPHONE NO.: 505-325-1821 E-MAIL ADDRESS: johnroe@duganproduction.com



**ATTACHMENT NO. 2**  
**DUGAN PRODUCTION CORP.**  
**WAW GATHERING SYSTEM (05-01-11)**  
**CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W**  
**SAN JUAN COUNTY, NEW MEXICO**

PLC-343 (8/12/11)

Well Name	API No. 30-045-				Well Location		CA Number (If established)	Pool ②	Completion Date	Cumulative		Current Prod. ①		Spacing Unit	Gas ⑤ Measurement Locations	
		Well Location	ft	ft	Lease No.	Lse.Type				Prod. 01/01/2011		MCFD	BWPD			
		UL-Sec-Twn-Rng	N/S	E/W						MCF	BW					
WELLS PREVIOUSLY APPROVED FOR WAW GATHERING SYSTEM (28 Wells - 31 Completions)																
FAF #1	21773	P-30-27N-13W	1000 FS	990FE	NM499348	Federal		WAW FR SAND PC	5/4/1975	54,833	7,482	1.3	0.02	SE/4 160	1,13	
FAF #2	21907	A-30-27N-13W	920 FN	1107 FE	NM499348	Federal		WAW FR SAND PC	3/8/1976	118,872	14,237	0.9	0	NE/4 160	1,15	
FAF #3	22968	C-30-27N-13W	790 FN	2000 FW	NM499348	Federal		WAW FR SAND PC	6/1/1978	180,343	194	2.6	0.02	NW/4 185.12	1,15,19	
FAF #4	22969	K-30-27N-13W	1850 FS	2000 FW	NM499348	Federal		WAW FR SAND PC	5/8/1978	336,192	480	23.5	0.05	SW/4 185.44	1,15,14	
KR #1	21838	B-29-27N-13W	1000 FN	1800 FE	NM11580	Federal		WAW FR SAND PC	8/12/1975	85,302	751	P&A 7/28/94		NE/4 160	1,16	
KR #2      Note ③	21897	D-29-27N-13W	973 FN	1000 FW	NM11580	Federal		WAW FR SAND PC	3/16/1976	37,445	405	P&A 7/28/94		NW/4 160	1,16	
								BASIN FR COAL	3/16/1976	0	0	P&A 7/28/94		N/2 320	1,16	
KR #3	22695	O-20-27N-13W	790 FS	1850 FE	NM11580	Federal		WAW FR SAND PC	6/14/1979	0	0	P&A 3/20/96		SE/4 160	1,16	
KR #3J	25535	I-20-27N-13W	1850 FS	790 FE	NM11580	Federal		WAW FR SAND PC	12/22/1983	0	0	P&A 2/2/96		SE/4 160	1,16	
KR #4      Note ④	22694	M-20-27N-13W	790 FS	790 FW	NM11580	Federal		WAW FR SAND PC	4/13/1979	20,797	13	0.4	0	SW/4 160	1,16	
								BASIN FR COAL	4/13/1979	1,582	11	0.2	0	S/2 320	1,16	
KR #6      Note ④	22691	N-19-27N-13W	990 FS	1850 FW	NM11580	Federal		WAW FR SAND PC	1/11/1978	22,199	10	2.3	0	SW/4 184.64	1,16	
								BASIN FR COAL	2/16/1999	2,444	8	0.8	0	S/2 344.64	1,16	
KR #7	22693	E-20-27N-13W	1850 FN	990 FW	NM11580	Federal		WAW FR SAND PC	11/12/1977	172,558	269	10.6	0.05	NW/4 160	1,16	
KR #8	22690	H-19-27N-13W	1850 FN	990 FE	NM11580	Federal		WAW FR SAND PC	3/24/1978	129,752	267	3.7	0.04	NE/4 160	1,16	
KR #10	23509	J-19-27N-13W	2000 FS	1850 FE	NM11580	Federal		WAW FR SAND PC	9/7/1979	94,115	243	3.7	0.03	SE/4 160	1,16	
Monticello #1Y	22758	C-3-26N-13W	1170 FN	1450 FW	NM1336	Federal		WAW FR SAND PC	9/29/1977	62,647	106	P&A 10/25/95		NW/4 159.75	1,3	
Notsowaw #1	21698	G-32-27N-13W	1850 FN	1850 FE	NM11090	Federal		WAW FR SAND PC	4/12/1975	288,596	185	1.2	0.02	NE/4 160	1,7	
Notsowaw #2	22413	C-32-27N-13W	1000 FN	1800 FW	NM11090	Federal	SRM 1304	WAW FR SAND PC	7/12/1977	11,747	183	P&A 8/6/86		NW/4 160	1,6	
Ojo-He-He #1	21833	H-31-27N-13W	1850 FN	1000 FE	NM0553184	Federal		WAW FR SAND PC	8/12/1975	63,816	134	3.2	0.01	NE/4 160	1,12	
Ojo-He-He #2	21857	E-33-27N-13W	1615 FN	920 FW	NM0553184	Federal		WAW FR SAND PC	10/12/1975	163,638	206	5.9	0.02	NW/4 160	1,5	
Ojo-He-He #3	21856	L-33-27N-13W	1960 FS	990 FW	NM0553184	Federal		WAW FR SAND PC	10/12/1975	289,564	142	7.2	0.02	SW/4 160	1,5	
Ojo-He-He #4	22414	J-32-27N-13W	1848 FS	1770 FE	NM0553184	Federal	SRM 1301	WAW FR SAND PC	12/29/1977	17,784	454	P&A 9/27/88		SE/4 160	1,8	
Ojo-He-He #5	21855	J-33-27N-13W	1905 FS	1853 FE	NM0553184	Federal		WAW FR SAND PC	7/21/1976	26,788	33	P&A 8/23/95		SE/4 160	1,4	
Ojo-He-He #6	21858	C-31-27N-13W	1000 FN	2276 FW	NM0553184	Federal		WAW FR SAND PC	4/20/1976	87,184	192	7.0	0.02	NW/4 186.07	1,11	
Ojo-He-He #7	21854	G-33-27N-13W	1850 FN	1650 FE	NM0553184	Federal		WAW FR SAND PC	3/16/1976	52,100	34	P&A 9/03/97		NE/4 160	1,4	
Ojo-Ho #1	21874	I-31-27N-13W	1850 FS	1000 FE	NM7276	Federal		WAW FR SAND PC	6/4/1976	69,555	2,080	2.6	0	SE/4 160	1,10	
Ojo-Ho #2	21875	L-31-27N-13W	1750 FS	1546 FW	NM7276	Federal		WAW FR SAND PC	7/22/1976	10,401	11	P&A 4/18/95		SW/4 187.01	1,10	
Thomas Jefferson #2	22037	M-34-27N-13W	1000 FS	1000 FW	NM1336	Federal		WAW FR SAND PC	7/1/1976	21,807	42	P&A 3/30/90		SW/4 160	1,3	
Thomas Jefferson #3	23510	C-34-27N-13W	850 FN	1850 FW	NM1336	Federal		WAW FR SAND PC	9/7/1979	45,579	150	0.3	0.03	NW/4 160	1,2	
WAW #1	20652	L-32-27N-13W	1500 FS	950 FW	NM0553184	Federal		WAW FR SAND PC	6/20/1970	89,486	32	P&A 6/25/02		SW/4 160	1,9	
WELLS TO BE ADDED TO SYSTEM (2 Wells - 3 Completions)																
Faith #1	23107	F-19-27N-13W	1450 FN	2000 FW	NM33040	Federal		WAW FR Sand PC	10/29/1982	41,938	52,398	4.9	50.8	NW/4 184.00	1,16,17	
Faith #4      Note ④	25587	K-18-27N-13W	1850 FS	1850 FW	NM33040	Federal		WAW FR SAND PC	3/5/1985	4,345	136	0.4	0.02	SW/4 183.44	1,16,18	
							NMNM85741	BASIN FR COAL	3/5/1985	775	54	0.1	0	W/2 - 366.40	1,16,18	
TOTAL											2,604,184	80,942	82.8	51.15		



**ATTACHMENT NO. 2**  
**DUGAN PRODUCTION CORP.**  
**WAW GATHERING SYSTEM (05-01-11)**  
**CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W**  
**SAN JUAN COUNTY, NEW MEXICO**

Notes:

- ① Daily average production during 2010.
- ② WAW Fruitland Sand Pictured Cliffs gas pool (OCD Pool No. 87190) and Basin Fruitland Coal gas pool (OCD Pool No. 71629); WAW and BFC, respectively
- ③ KR well No. 2 was completed 3/16/76 in the WAW Pictured Cliffs gas pool with perforations in the Fruitland and Pictured Cliffs. NMOCD order R-5359 (effective 1/25/77) authorized downhole commingling of production from Fruitland and Pictured Cliffs. Upon establishing the Basin Fruitland Coal gas pool (NMOCD order R-8768) effective 11/1/88, the completed intervals were redesignated WAW Fruitland Sand - Pictured Cliffs and Basin Fruitland Coal gas pools. Of the 37,445 mcf total gas production, 37,265 mcf occurred prior to April 1985 and as such 100% was reported to be from the WAW Fruitland - Pictured Cliffs. The well was P&A 7/28/94.
- ④ Well downhole commingled

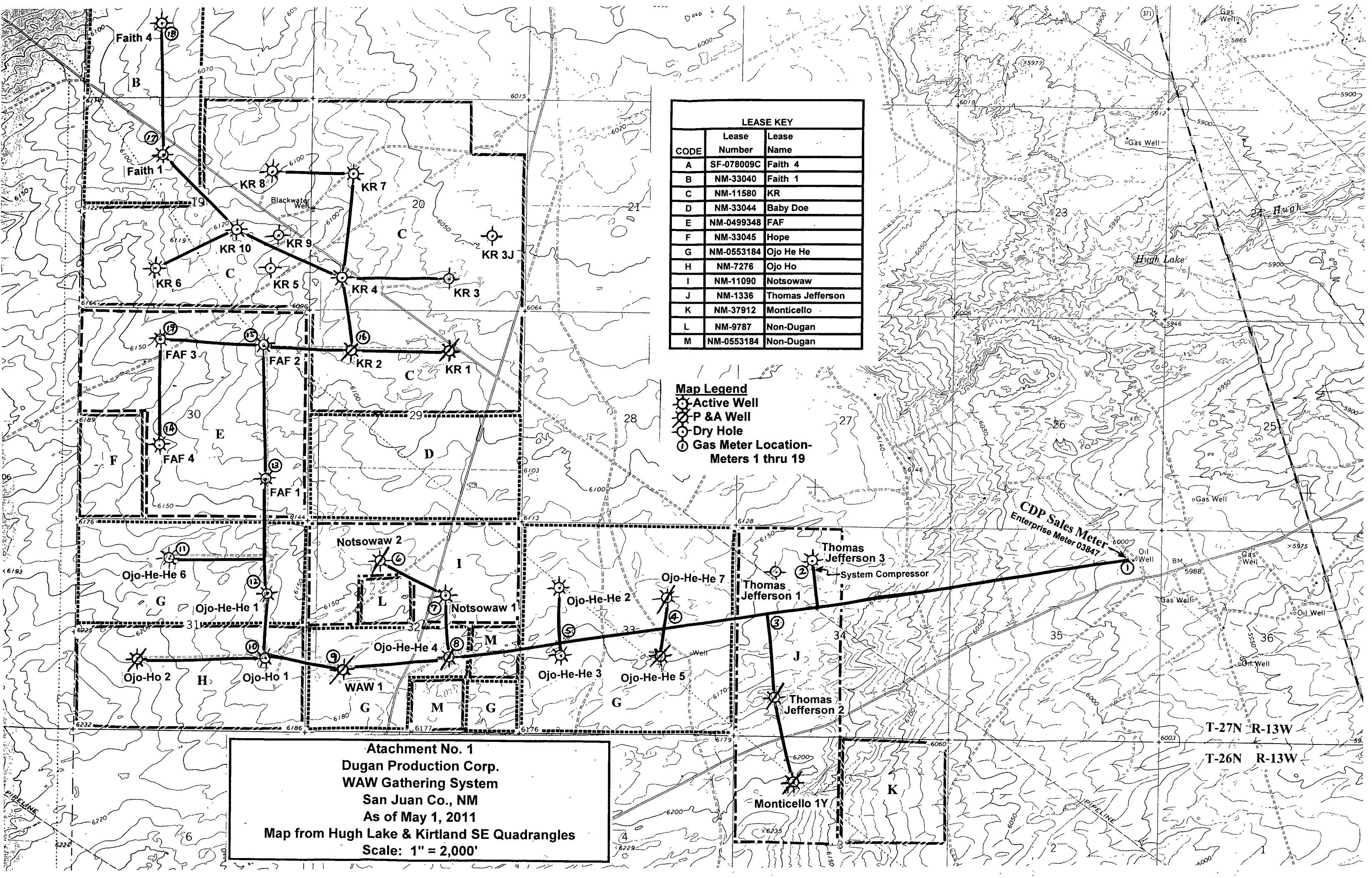
Well No.	NMOCD DHC Order	BLM Approved	Allocation Factors			
			Gas-%		Water-%	
			WAW	BFC	WAW	BFC
KR 4	R-5359	11/16/99	70	30	50	50
KR 6	DHC-1402	12/02/96	75	25	50	50
Faith 4	DHC-893AZ	08/30/02	85	15	65	35

⑤ WAW Gathering System (WGS) - Gas Measurement Locations 5/01/2011Active MetersLocationWells Metered

- 1 - CDP Sales Meter No. 03847 operated & maintained by Enterprise Field Services - all wells measured
- 2 - Thomas Jefferson 3 - @ wellhead
- 5 - Ojo He He 2 & 3 - @ tie into WGS \*
- 7 - Notsowaw 1 - @ wellhead
- 10 - Ojo Ho 1 - @ wellhead - #2 P&A
- 11 - Ojo He He 6 - @ wellhead
- 12 - Ojo He He 1 - @ wellhead
- 13 - FAF 1 - @ wellhead
- 14 - FAF 4 - @ wellhead
- 16 - KR 4,6,7,8,10 plus Faith 1 & 4 - @ tie into WGS. \*
- KR 1, 2, 3 & 3J all P&A
- 17 - Faith 1 - @ wellhead
- 18 - Faith 4 - @ wellhead
- 19 - FAF 3 - @ wellhead
- \* - For allocation to wells, wells are tested annually using portable tester

Discontinued MetersLocationWells Metered

- 3 - Thomas Jefferson 2 & Monticello 1Y - both wells P&A
- 4 - Ojo He He 5 & 7 - both wells P&A
- 6 - Notsowaw 2 - well P&A
- 8 - Ojo He He 4 - well P&A
- 9 - WAW 1 - well P&A
- 15 - FAF 2, 3 & 4 - #2 to be P&A, meters installed @ 3 & 4

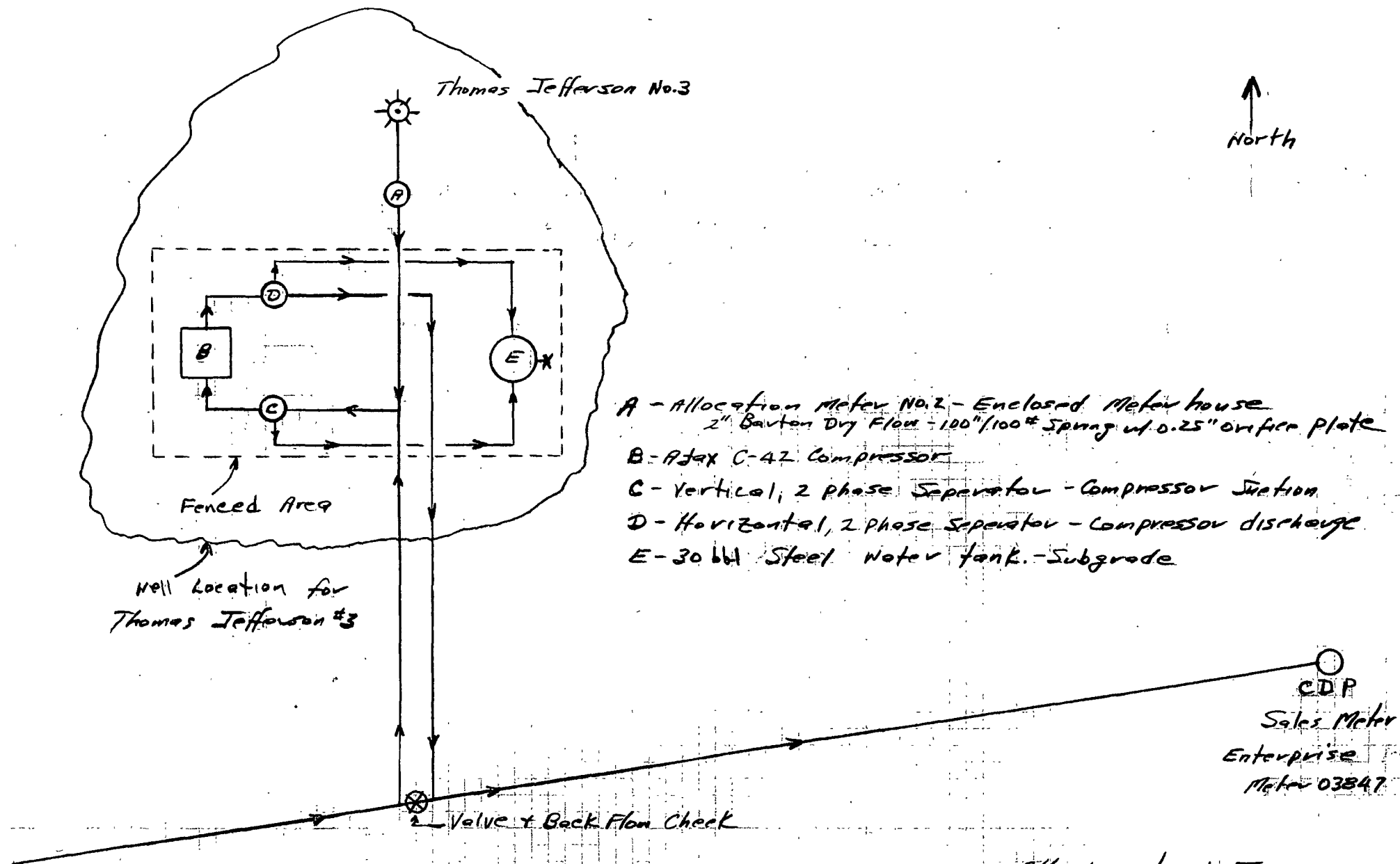


LEASE KEY		
CODE	Lease Number	Lease Name
A	SF-078009C	Faith 4
B	NM-33040	Faith 1
C	NM-11580	KR
D	NM-33044	Baby Doe
E	NM-0499348	FAF
F	NM-33045	Hope
G	NM-0553184	Ojo He He
H	NM-7276	Ojo Ho
I	NM-11090	Notsowaw
J	NM-1336	Thomas Jefferson
K	NM-37912	Monticello
L	NM-9787	Non-Dugan
M	NM-0553184	Non-Dugan

**Map Legend**

- Active Well
- P & A Well
- Dry Hole
- Gas Meter Location- Meters 1 thru 19

Attachment No. 1  
Dugan Production Corp.  
WAW Gathering System  
San Juan Co., NM  
As of May 1, 2011  
Map from Hugh Lake & Kirtland SE Quadrangles  
Scale: 1" = 2,000'



Attachment NO. 5  
Gathering System Compressor  
WAW Gathering System  
Dugan Production Corp.

## **ATTACHMENT NO. 6**

### **Allocation Procedures Dugan Production Corp.'s WAW Gathering System**

**CDP Gas Sales Meter: Enterprise Field Services Meter #03847 @ NENE 35, T-27N, R-13W.  
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 =  $(W / \text{SUM } W) \times X$

B = On lease fuel usage, MCF. Determined from equipment specifications, operating conditions and days operated.

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  $(W / \text{SUM } W)$  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. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by  $(W / \text{SUM } W)$ .

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 Onshore Order No. 5).

**Attachment No. 7**  
**Interest Ownership Notification**  
**Dugan Production Corp.'s Application dated 6/24/11**  
**Application to Surface Commingle and for the Off-lease Measurement and Sale of Produced Natural Gas**  
**Dugan Productions WAW Gathering System**

Presenting evidence that all interest ownership in the WAW Gathering System (WAWGS) and the 30 wells connected to the WAWGS have been given notice of the subject application, attached is:

1. A copy of Dugan's transmittal letter dated 6/24/11 used to send a copy of the subject application to the working interest owners in the 30 wells connected to Dugan Production's WAWGS. In addition, this letter was used to send notice of the subject application to the 19 overriding royalty interest owners in the 30 wells/connected to Dugan's WAWGS. Each overriding royalty interest owner was offered a copy of our application should they desire to receive one. Dugan Production is the operator of all wells and holds 100% of the working interest in 28 of the wells plus 85.96% of the working interest in 2 wells. All letters were sent by certified mail with a return receipt requested. Upon receiving the receipts, copies will be sent to the NMOCD.
2. The royalty interest for all 30 wells connected to the WAWGS is federal. There is no fee, indian or state royalties. Since the subject application is addressed to the Farmington Field Office of the Bureau of Land Management a separate notice to the royalty interest owners was not needed. The applications were sent by certified mail with a return receipt requested and upon receiving the receipt, copies will be sent to the NMOCD.
3. Copy of the "Affidavit of Publication" for our advertisement published in the Legal Notice section of the Sunday, May 15<sup>th</sup>, 2011 issue of the Farmington Daily Times regarding the subject application. This publication was made in anticipation that of the notice mailed to 23 interest owners, there will be at least one either returned for some reason or the return receipt will be lost in the mail. An original "Affidavit of Publication" is included in the Attachment No. 7 submitted to the Santa Fe office of the NMOCD.



# dugan production corp.

Attachment No. 7  
Pg 2 of 4

June 24, 2011

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Interest Owners (Address list attached)

Re: Application to surface commingle and for the off-lease  
measurement and sales of produced natural gas  
Dugan Production Corp.'s  
WAW Gathering System  
San Juan County, New Mexico

Dear Interest Owner,

Dugan Production is submitting an application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM), requesting their approvals for the surface commingling plus off-lease measurement and sale of natural gas produced from 30 wells (34 completions) connected to Dugan Production's WAW Gathering System. Dugan Production has installed and does operate and maintain the gathering system and will pay all costs associated with this proposal. According to our records, you have an interest in one or more of the wells that is included in our application. The wells in which you have an interest are listed on the attached address list. This proposal should allow for optimum operations on all wells. All wells will benefit from central compression which should keep wellhead operating pressures as low as possible. This method of operation will help to keep our operating expenses as low as possible, which will allow all interest owners to recover more of the gas reserves from each well.

As a working interest owner, we are providing a complete copy of our application for your information and review. Your only costs associated with the gathering system will be a monthly fee per mcf produced charged for gas gathering and compression. You will not be billed for any costs associated with installing the gathering system (including the allocation meters). Dugan Production's current company-wide gathering system fee is \$0.27/MMBTU and our compression fee is \$0.09/MMBTU. These fees will be used until operating economics indicate the need for revisions.

As an overriding royalty interest owner, there will not be any costs chargeable to you and this notice is primarily for your information. Should you desire to have a copy of our application, please let me know.

Since all royalty interest is federal, and the application is addressed to the BLM, this notice letter is not being separately mailed to the royalty interest owner, but it is included in Attachment No. 7 to the application.

This matter does not require any action on your part. NMOCD regulations require that all interest owners receive notice of our application. Should you have an objection to our application, please let me know and you should contact the New Mexico Oil Conservation Division within 20 days from the date the NMOCD receives our application which will be approximately 6/27/11. The mailing address for the NMOCD is 1220 South St. Francis Drive in Santa Fe, New Mexico 87505. We would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe  
Engineering Manager

Attachments

xc: New Mexico Oil Conservation Division and the Bureau of Land Management

**WAW Gathering System**  
**Interest Owners Address List**  
**Well Connected to Dugan's WAW Gathering System**  
(Wells with ownership interest in parentheses)

a=FAF #1,2,3,4; b=Faith #1&#4; c=KR #1,2,3,3J,4,6,7,8,10; d=Monticello #1Y; e=Notsoyaw #1; f=Notsoyaw #2;  
g=Ojo-He-He #1,2,3,5,6,7; h=Ojo-He-He #4; i=Ojo-Ho #1 &#2; j=Thomas Jefferson #2 & #3; k=WAW #1

**Working Interest**

Dugan Production Corp. (all)

Apache Corporation (f)  
Western Region  
2000 Post Oak Blvd STE 1000  
Houston, TX 77056-4400

Harper Oil Company (h)  
Dome Tower, Suite 1200  
1625 Broadway  
Denver, CO 80217

Pitco Production Company (f,h)  
PO Box 4190  
Scottsdale, AZ 85261

**Royalty**

USA - c/o Bureau of Land Management (all)  
1235 La Plata Highway  
Farmington, NM 87401

**Overriding Royalty Interest**

Bertrand O. & Peggy E. Baetz (a)  
633 Alta Avenue  
San Antonio, TX 78209

Hunt Oil (d, j)  
Fountain Place  
1445 Ross at Field  
Dallas, TX 75202-2785

James David & Lorena Jean Short  
Living Trust (e,f)  
1591 Crestnut Ct.  
West Palm Harbor, FL 34683

Belco Development c/o EOG Resources (a)  
PO Box 4362  
Dallas, TX 77210-4362

Paul R. Kaufman (c)  
PO Box 307  
Glorieta, NM 87535

Wm. H. III & Patricia D. Short  
Living Trust (e,f)  
3767 Prairie Dunes Drive  
Sarasota, FL 34238

Burlington Resources (g,k)  
5051 Westheimer  
Houston, TX 77056-5384

McBride Oil & Gas (l)  
PO Box 1515  
Roswell, NM 88202-1515

Southland Royalty Company (h)  
PO Box 840656  
Dallas, TX 75284-0656

Gates Properties (a)  
PO Box 81119  
Midland, TX 79708-1119

James M. Richardson (c)  
c/o Stevan Schoen, Esq.  
2 Hillside Drive  
Placitas, NM 87043-9156

J. Sandra Stanton Trust (e,f)  
1544 Ocean Avenue  
Mantoloking, NJ 08738

Irene R. Fellis (f,h)  
PO Box 10541  
Albuquerque, NM 87184-0541

Gene Grubitz III Trust (f,h)  
PO Box 1245  
Salem, VA 24153-1245

Westway Petro (a)  
4514 Cole Avenue Suite 1005 LB15  
Dallas, TX 75205

Geraldine S. Gray (e)  
57 Nautilus Drive  
Leonardo, NJ 07737

Harry F. Schram (i)  
PO Box 171233  
San Antonio, TX 78217-1233

XTO (d, j)  
810 Houston Street  
Ft. Worth, TX 76102

Lee Gray (e,f)  
85 Avenue De La Mer Apt. 806  
Palm Coast, FL 32137

**AFFIDAVIT OF PUBLICATION**

**COPY OF PUBLICATION**

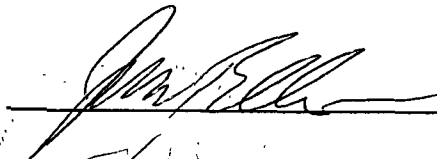
**Ad No. 66164**

**STATE OF NEW MEXICO  
County of San Juan:**

JOHN ELCHERT, being duly sworn says:  
That HE is the PUBLISHER of THE DAILY  
TIMES, a daily newspaper of general  
circulation published in English at Farmington,  
said county and state, and that the hereto  
attached Legal Notice was published in a  
regular and entire issue of the said DAILY  
TIMES, a daily newspaper duly qualified for  
the purpose within the meaning of Chapter  
167 of the 1937 Session Laws of the State of  
New Mexico for publication and appeared in  
the Internet at The Daily Times web site on  
the following day(s):

Sunday, May 15, 2011

And the cost of the publication is \$115.16



ON 5/19/11 JOHN ELCHERT  
appeared before me, whom I know personally  
to be the person who signed the above  
document.

  
My Commission Expires - 11/05/11

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM) for regulatory approvals to add two well and operate Dugan Production's WAW Gathering System (WGS). This will require the surface commingling of produced natural gas and water plus the off-lease measurement and sale of natural gas. There will not be any commingling of oil or condensate. The wells to be added and the existing gathering system are located within Section 3 of Township 26N, Range 13W plus Sections 18, 19, 20, 29, 30, 31, 32, 33, 34, & 35 of Township 27N, Range 13W all located in San Juan County, New Mexico. The current central delivery gas sales meter (CDP) is located in the NENE of Section 35, T-27N, R-13W with natural gas delivered to Enterprise Field Services. The gathering system has a total of 28 wells and 32 completions, 28 of which are in the WAW Fruitland Sand-Pictured Cliffs and 4 completions in the Basin Fruitland Coal gas pools. All wells are operated by Dugan Production Corp. and are located upon, or the spacing units include the following Federal leases held by Dugan Production: NM-1336, NM-7276, NM-11090, NM-11580, NM-33040, NM-33044, NM-33045, NM-37912, NM-37913,

NM-499348, NM-0553184 and SF-078009C. The wells to be added are Dugan Production's Faith No.1 and Faith No. 4. The 28 wells currently connected to the WGS average 4 mcf/d per well with the maximum rate of all wells being 24 mcf/d. This is a marginal area of production for the Fruitland Sand, Fruitland Coal and Pictured Cliffs. Any person holding an interest in any of these leases or wells may contact Dugan Production for additional information. Inquires should be directed to John Roe at 505-325-1821 or by mail at PO Box 420, Farmington, NM 87499. Any objection or request for a formal hearing should be filed in writing with the NMOCD's Santa Fe office within 20 days from the date of this publication. In the absence of objection, Dugan Production is requesting that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.

Legal No. 66164 Published in the Daily Times on May 15, 2011





**ATTACHMENT NO. 4 - PAGE 2 OF 6**  
**Dugan Production Corp.**

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
FAF No. 1	WAW Fruitland Sand-Pictured Cliffs	P-30-27N-13W	SE/4 - 180.00
FAF No. 2	WAW Fruitland Sand-Pictured Cliffs	A-30-27N-13W	NE/4 - 180.00
FAF No. 3	WAW Fruitland Sand-Pictured Cliffs	C-30-27N-13W	NW/4 - 185.12
FAF No. 4	WAW Fruitland Sand-Pictured Cliffs	K-30-27N-13W	SW/4 - 185.44

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.00	82.5000
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
Bertrand O & Peggy E. Baetz 633 Alta Ave San Antonio, TX 78209	-0-	1 0000
Belco Development c/o EOG Resources PO Box 4362 Dallas, TX 77210-4362	-0-	0.8750
Gates Properties PO Box 81119 Midland, TX 79708-1119	-0-	3 0000
Westway Petro 4514 Cole Ave Suite 1005 LB15 Dallas, TX 75205	-0-	0.1250
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Faith No. 1	WAW Fruitland Sand-Pictured Cliffs	F-19-27N-13W	NW/4 - 184.00
Faith No. 4	WAW Fruitland Sand-Pictured Cliffs	K-19-27N-13W	SW/4 - 183.44
Faith No. 4	Basin Fruitland Coal	K-19-27N-13W	W/2 - 366.40

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.00	87 5000
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
	-0-	-0-
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

ATTACHMENT NO. 4 - PAGE 3 OF 6  
Dugan Production Corp.

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
KR No. 1	WAW Fruitland Sand-Pictured Cliffs	B-29-27N-13W	NE/4 - 160.00
KR No. 2	WAW Fruitland Sand-Pictured Cliffs	D-29-27N-13W	NW/4 - 160.00
KR No. 2	Basin Fruitland Coal	D-29-27N-13W	N/2 - 320.00
KR No. 3	WAW Fruitland Sand-Pictured Cliffs	O-20-27N-13W	SE/4 - 160.00
KR No. 3J	WAW Fruitland Sand-Pictured Cliffs	I-20-27N-13W	SE/4 - 160.00
KR No. 4	WAW Fruitland Sand-Pictured Cliffs	M-20-27N-13W	SW/4 - 160.00
KR No. 4	Basin Fruitland Coal	M-20-27N-13W	S/2 - 320.00
KR No. 6	WAW Fruitland Sand-Pictured Cliffs	N-19-27N-13W	SW/4 - 184.64
KR No. 6	Basin Fruitland Coal	N-19-27N-13W	S/2 - 344.64
KR No. 7	WAW Fruitland Sand-Pictured Cliffs	E-20-27N-13W	NW/4 - 160.00
KR No. 8	WAW Fruitland Sand-Pictured Cliffs	H-19-27N-13W	NE/4 - 160.00
KR No. 10	WAW Fruitland Sand-Pictured Cliffs	J-19-27N-13W	SE/4 - 160.00

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u> Dugan Production Corp.	100.00	84.5000
<u>Royalty</u> USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u> Paul R. Kaufman PO Box 307 Glorieta, NM 87535	-0-	1.5000
James M. Richardson c/o Stevan Schoen, Esq. 2 Hillside Drive Placitas, NM 87043-9156	-0-	1.5000
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Monticello No. 1Y	WAW Fruitland Sand-Pictured Cliffs	C-03-26N-13W	NW/4 - 159.75
<u>INTEREST OWNER</u>	<u>INTEREST %</u>		
	<u>Gross</u>	<u>Net</u>	
<u>Working Interest</u>			
Dugan Production Corp.	100.00	75.0000	
<u>Royalty</u>			
USA - c/o Bureau of Land Management	-0-	12.5000	
1235 La Plata Highway			
Farmington, NM 87401			
<u>Overriding Royalty Interest</u>			
Hunt Oil	-0-	8.7500	
Fountain Place			
1445 Ross at Field			
Dallas, TX 75202-2785			
XTO	-0-	3.7500	
810 Houston St.			
Ft Worth, TX 76102			
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>	

ATTACHMENT NO. 4 - PAGE 4 OF 8  
Dugan Production Corp.

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Notsowaw 1	WAW Fruitland Sand-Pictured Cliffs	G-32-27N-13W	NE/4 - 160.00
Notsowaw 2	WAW Fruitland Sand-Pictured Cliffs	C-32-27N-13W	NW/4 - 160.00

<u>INTEREST OWNER</u>	<u>Notsowaw #1 INTEREST %</u>		<u>Notsowaw #2 INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>				
Dugan Production Corp.	100.00	84.5000	85.95983	72.41688
Apache Corporation Western Region 2000 Post Oak Blvd STE 1000 Houston, TX 77056-4400	-0-	-0-	6.60714	5.45089
Pitco Production Company PO Box 4190 Scottsdale, AZ 85261	-0-	-0-	7.43303	6.13225
<u>Royalty</u>				
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000	-0-	12.50000
<u>Overriding Royalty Interest</u>				
Geraldine S. Gray 57 Nautilus Dr Leonardo, NJ 07737	-0-	0.3750	-0-	-0-
Lee Gray 85 Avenue De La Mer Apt. 806 Palm Coast, FL 32137	-0-	1.5000	-0-	1.12500
James David & Loma Jean Short Living Trust 1591 Crestnut Ct. West Palm Harbor, FL 34683	-0-	0.3750	-0-	0.3750
Wm H. III & Patricia D. Short Living Trust 3767 Prarie Dunes Dr. Sarasota, FL 34238	-0-	0.3750	-0-	0.3750
J. Sandra Stanton Trust 1544 Ocean Ave. Mantoloking, NJ 08738	-0-	0.3750	-0-	0.3750
Irene R. Fellis PO Box 10541 Albuquerque, NM 87184-0541	-0-	-0-	-0-	0.62500
Gene Grubitz III Trust PO Box 1245 Salem, VA 24153-1245	-0-	-0-	-0-	0.62500
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>	<b>100.00</b>	<b>100.0000</b>

ATTACHMENT NO. 4 - PAGE 5 OF 8  
Dugan Production Corp.

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Ojo-He-He- #4	WAW Fruitland Sand-Pictured Cliffs	J-32-27N13W	SE/4 - 160.00

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	85.95983	65.29188
Harper Oil Company Dome Tower, Suite 1200 1625 Broadway Denver, CO 80217	6.60714	5.45089
Pitco Production Company PO Box 4190 Scottsdale, AZ 85281	7.43303	6.13225
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
Irene R. Fellis PO Box 10541 Albuquerque, NM 87184-0541	-0-	0.62500
Gene Grubitz III Trust PO Box 1245 Salem, VA 24153-1245	-0-	0.62500
Southland Royalty Company PO Box 840656 Dallas, TX 75284-0656	-0-	9.37500
<b>TOTAL WELL</b>	<b>100.00000</b>	<b>100.00000</b>

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Ojo-He-He No. 1	WAW Fruitland Sand-Pictured Cliffs	H-31-27N-13W	NE/4 - 160.00
Ojo-He-He No. 2	WAW Fruitland Sand-Pictured Cliffs	E-33-27N-13W	NW/4 - 160.00
Ojo-He-He No. 3	WAW Fruitland Sand-Pictured Cliffs	L-33-27N-13W	SW/4 - 160.00
Ojo-He-He No. 5	WAW Fruitland Sand-Pictured Cliffs	J-33-27N-13W	SE/4 - 160.00
Ojo-He-He No. 6	WAW Fruitland Sand-Pictured Cliffs	C-31-27N-13W	NW/4 - 166.07
Ojo-He-He No. 7	WAW Fruitland Sand-Pictured Cliffs	G-33-27N-13W	NE/4 - 160.00

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.00	75.0000
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
Burlington Resources 5051 Westheimer Houston, TX 77056-5384	-0-	12.5000
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

ATTACHMENT NO. 4 - PAGE 6 OF 6  
Dugan Production Corp.

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Ojo-Ho 1	WAW Fruitland Sand-Pictured Cliffs	I-31-27N-13W	SE/4 - 160.00
Ojo-Ho 2	WAW Fruitland Sand-Pictured Cliffs	L-31-27N-13W	SW/4 - 187.01

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.00	82.5000
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
McBride Oil & Gas PO Box 1515 Roswell, NM 88202-1515	-0-	4.5000
Harry F. Schram PO Box 171233 San Antonio, TX 78217-1233	-0-	0.5000
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
Thomas Jefferson 2	WAW Fruitland Sand-Pictured Cliffs	M-34-27N-13W	SW/4 - 160.00
Thomas Jefferson 3	WAW Fruitland Sand-Pictured Cliffs	C-34-27N-13W	NW/4 - 160.00

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.00	75.0000
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
Hunt Oil Fountain Place 1445 Ross at Field Dallas, TX 75202-2785	-0-	8.7500
XTO 810 Houston St. Ft Worth, TX 76102	-0-	3.7500
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

<u>Well Name</u>	<u>Pool</u>	<u>Location</u>	<u>Spacing Unit</u>
WAW No. 1	WAW Fruitland Sand-Pictured Cliffs	L-32-27N-13W	SW/4 - 160.00

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Gross</u>	<u>Net</u>
<u>Working Interest</u>		
Dugan Production Corp.	100.00	75.0000
<u>Royalty</u>		
USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.5000
<u>Overriding Royalty Interest</u>		
Burlington Resources 5051 Westheimer Houston, TX 77056-5384	-0-	12.5000
<b>TOTAL WELL</b>	<b>100.00</b>	<b>100.0000</b>

# dugan production corp.

Attachment  
No. 3  
Pg 1 of 6

January 25, 1984

RECEIVED

JAN 26 1984

BUREAU OF LAND MANAGEMENT  
FARMINGTON RESOURCE AREA

Mat Millenbach  
Bureau of Land Management  
Caller Service 4104  
Farmington, NM 87499

RE: Request for Surface Commingling and Off-lease Measurement  
of Gas Well Gas  
Federal Lease Numbers NM-1336, NM-7276, NM-11090, NM-11580, NM-37912,  
NM-499348, NM-0553184  
Located in Sections 19, 20, 29, 30, 31, 32, 33 & 34 of T-27N, R-13W,  
NMPM, and Section 3 of T-26N, R-13W, NMPM  
San Juan County, NM

Dear Mr. Millenbach:

On January 20, 1984, we received an inquiry from your office (Bill Blackard) regarding the operations of Dugan Production's WAW Pipeline, wherein we gather gas produced from 32 wells (21 of which are active) owned and operated by Dugan Production on several federal leases located in San Juan County. The wells and leases in question are detailed on Figure No. 1 and Table No. 1.

With reference to Figure No. 1, which is a reproduction of a topographic quadrangle map, I have sketched the location of the WAW gathering system and have also indicated the boundary of the subject leases. With reference to Table No. 1, it can be seen that this is an area of generally marginal production from wells completed in the Pictured Cliffs and Fruitland formations. During a 3 month period from October thru December, 1983, 21 active wells averaged a total production of 8432 MCF per month (at 15.025 psia), which is a per well average of 13 MCFD. It should be noted that the 3 month period presented on Table No. 1 represents a peak demand period by the pipeline company and that production during the summer months generally is less than the rates presented. This system operates at a fairly low pressure, averaging 40 psia.

Dugan Production Corp. has under lease a substantial amount of acreage in this area, and following extensive negotiations with pipeline companies, was not able to obtain well head connections for our wells in this general area due to the low productivity of the individual wells. In order to have a market for our produced gas, Dugan Production Corp. installed the WAW gathering system, which included the installation of approximately 13.3 miles of line, in order to deliver gas to El Paso Natural Gas Co. at their

*Open to ✓*

January 25, 1984

Attachment  
No. 3  
Pg 2 of 6

meter located in the NENE of Section 35, T-27N, R-13W. With reference to Figure No. 1, the locations of 15 metering sites are indicated. Each meter is operated continuously and maintained by Dugan Production Corp. and consists of a conventional 4" meter run which includes a Barton dry flow meter. Each meter run also has a drip; however, the only liquid produced is a minor amount of water which is separated in the drips prior to metering. The 15 individual metering sites indicated on Figure No. 1 are utilized on a monthly basis to allocate the metered volume at El Paso's master meter to the individual leases. In all cases gas is metered prior to leaving the lease and in many cases individual wells on the lease are metered. The metering points serving each well are also indicated on Table No. 1.

The commingling of production (on the surface) from each lease is only by virtue of the fact that a common system is utilized to transport the produced gas to the master meter of the pipeline company and it should be stressed that gas volumes are continuously measured on each lease prior to placing the produced gas into the WAW gathering system. Production is allocated back to individual wells of the lease based upon either a factor determined from the annual deliverability test or volumes actually metered from individual wells on the lease.

With this letter we request approval for the operation of our WAW Pipeline gathering system as described above, which includes off lease measurement by EPNG for produced gas, along with surface commingling of produced gas from the existing wells summarized on Table No. 1. ~~In~~ addition, we request approval to produce any future wells located on these 7 leases in a similar manner. It should be remembered that Dugan Production Corp. has incurred a substantial investment in installing this pipeline gathering system, which, had we not done so, none of the wells on any of these leases would be producing as none of the wells have sufficient productivity to entice a pipeline company to collect this gas and, thus, there would be no royalties generated as a result of this production. Also, reference is made to a May 19, 1976, letter from the USGS (copy attached) wherein it is indicated that the system of allocating gas volumes measured at EPNG's master meter back to individual wells and leases, as described, was acceptable to the USGS.

Should you have any questions regarding this or need additional information, please feel free to contact me.

Sincerely,

*John D. Roe*

John D. Roe  
Petroleum Engineer

fp

Attachments

*\* Any future wells will require an application  
& approval prior to production*

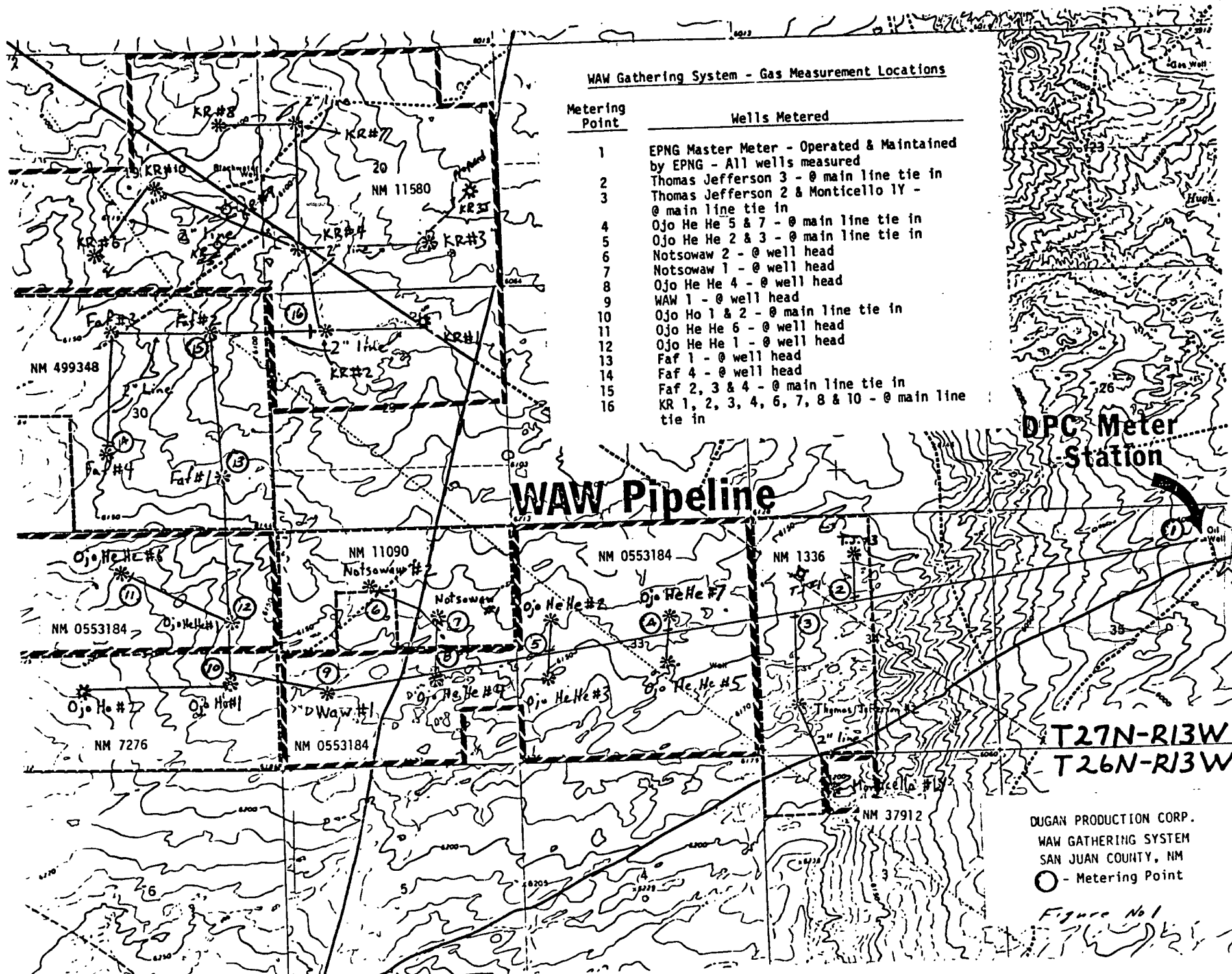
APPROVED

*as amended*

JAN 26 1984

M. MILLENBACH  
AREA MANAGER





**WAW Gathering System - Gas Measurement Locations**

Metering Point	Wells Metered
1	EPNG Master Meter - Operated & Maintained by EPNG - All wells measured
2	Thomas Jefferson 3 - @ main line tie in
3	Thomas Jefferson 2 & Monticello 1Y - @ main line tie in
4	Ojo He He 5 & 7 - @ main line tie in
5	Ojo He He 2 & 3 - @ main line tie in
6	Notsowaw 2 - @ well head
7	Notsowaw 1 - @ well head
8	Ojo He He 4 - @ well head
9	WAW 1 - @ well head
10	Ojo He He 1 & 2 - @ main line tie in
11	Ojo He He 6 - @ well head
12	Ojo He He 1 - @ well head
13	Faf 1 - @ well head
14	Faf 4 - @ well head
15	Faf 2, 3 & 4 - @ main line tie in
16	KR 1, 2, 3, 4, 6, 7, 8 & 10 - @ main line tie in

**DPC Meter Station**

**WAW Pipeline**

**T27N-R13W  
T26N-R13W**

DUGAN PRODUCTION CORP.  
WAW GATHERING SYSTEM  
SAN JUAN COUNTY, NM  
○ - Metering Point

Figure No 1

21 mtr  
3.847

Attachment  
No. 3  
Pg 5 of 6

TABLE NO. 1  
Well Data  
Various Federal Leases  
Townships 26 & 27 North & Range 13 West, San Juan County, New Mexico

Well	Well Location $\frac{1}{4}$ $\frac{1}{4}$ Sec-Twp-Rge		Avg. Prod. 10 thru 12/83 MCF/mo.*	Metering Point Number	Remarks
Federal Lease No. NM 1336					
Thomas Jefferson #1	NW NW	34-27N-13W	--	--	P & A as dry hole in Pictured Cliffs
Thomas Jefferson #2	SW SW	34-27N-13W	0	3	
Thomas Jefferson #3	NE NW	34-27N-13W	217	2	
TOTAL LEASE			217		
Federal Lease No. NM 7276					
Ojo-Ho #1	NE SE	31-27N-13W	206	10	
Ojo-Ho #2	NW SW	31-27N-13W	69	10	
TOTAL LEASE			275		
Federal Lease No. NM 11090					
Notsowaw #1	SW NE	32-27N-13W	664	7	
Notsowaw #2	NE NW	32-27N-13W	0	6	
TOTAL LEASE			664		
Federal Lease No. NM 11580					
KR #1	NW NE	29-27N-13W	282	16	Completed 6/79 with AOF of 18 MCFD. Will not produce against pipeline pressure.
KR #2	NW NW	29-27N-13W	167	16	
KR #3	SW SE	20-27N-13W	0	16	
KR #3J	NE SE	20-27N-13W	--	16	Completed in FR & PC 12-22-83 with I.P. of 88 MCFGPD @ 9p FTP.
KR #4	SW SW	20-27N-13W	76	16	
KR #5	SE SE	19-27N-13W	--	--	P & A as dry hole in Pictured Cliffs
KR #6	SE SW	19-27N-13W	16	16	
KR #7	SW NW	20-27N-13W	487	16	Poorest well average - $\frac{1}{2}$ MCFD
KR #8	SE NE	19-27N-13W	607	16	
KR #9	NE SE	19-27N-13W	--	--	
KR #10	NW SE	19-27N-13W	447	16	
TOTAL LEASE			2082		P & A as dry hole in Pictured Cliffs
Federal Lease No. NM 37912					
Monticello #1	NE NW	3-26N-13W	--	--	Lost prior to production
Monticello #1Y	NE NW	3-26N-13W	261	3	
TOTAL LEASE			261		

Attachment  
No. 3  
Pg. 4 of 6

\*Gas at 15.025 psia

Flamingo  
No. 3  
Pg. 4 of 6

TABLE NO. 1  
Well Data  
Various Federal Leases  
Townships 26 & 27 North & Range 13 West, San Juan County, New Mexico

Well	Well Location $\frac{1}{4}$ $\frac{1}{4}$ Sec-Twp-Rge	Avg. Prod. 10 thru 12/83 MCF/mo.*	Metering Point Number	Remarks
<u>Federal Lease No. NM 499348</u>				
FAF #1	SE SE 30-27N-13W	182	13	
FAF #2	NE NE 30-27N-13W	197	15	
FAF #3	NE NW 30-27N-13W	1284	15	
FAF #4	NE SW 30-27N-13W	1292	14 & 15	
TOTAL LEASE		2955		<u>Best well average - 42 MCFD</u>
<u>Federal Lease No. NM 0553184</u>				
WAW #1	NW SW 32-27N-13W	376	9	
Ojo-He-He #1	SE NE 31-27N-13W	234	12	
Ojo-He-He #2	SW NW 33-27N-13W	508	5	
Ojo-He-He #3	NW SW 33-27N-13W	620	5	
Ojo-He-He #4	NW SE 32-27N-13W	0	8	
Ojo-He-He #5	NW SE 33-27N-13W	0	4	
Ojo-He-He #6	NE NW 31-27N-13W	240	11	
Ojo-He-He #7	SW NE 33-27N-13W	0	4	
TOTAL LEASE		1978		
TOTAL WAW GATHERING SYSTEM		8432		
DAILY AVERAGE WAW GATHERING SYSTEM		275 MCFD		
21 ACTIVE WELLS		13 MCFD/well		

\*Gas at 15.025 psia

Photocopy  
No. 5  
Pg. 5 of 6



# United States Department of the Interior

## GEOLOGICAL SURVEY

Drawer 1857  
Roswell, New Mexico 88201

May 19, 1976

Attachment  
No. 3  
Pg. 6 of 6

Dugan Production Corporation  
P. O. Box 234  
Farmington, New Mexico 87401

Re: WAW Gathering System

Gentlemen:

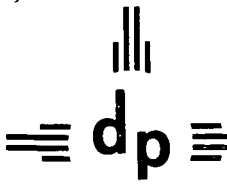
Your letter of April 15, 1976, requests approval to meter certain wells together as outlined on WAW gathering system map, namely a single meter for Ojo He He Nos. 2 and 3 and a single meter for Ojo He He Nos. 5 and 7 together, all four wells being on lease NM 0553184; single meter for Ojo Ho No. 1 and No. 2, both on lease NM 7276; single meter for both KR #1 and KR #2 wells both on lease NM 11580. This would not alter the previously approved plan to balance out volumes calculated from the wellhead meter with the El Paso sales meter. This modification is satisfactory to this office.

Form 9-361, Lessee's Monthly Report of Sales and Royalties, must show all computations used in the calculations of gas volume for each lease. Also, El Paso's Accounting Section must be advised of the allocations to each lease. Any further modification must receive prior approval from this office.

You are requested to notify our Farmington District office when installation is complete.

Sincerely yours,

CARL C. TRAYWICK  
Acting Area Oil and Gas Supervisor



# dugan production corp.

RECEIVED OGD

2011 AUG -3 A 11:50

August 2, 2011

Richard Ezeanyim, Engineering Bureau Chief  
NM Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Re: Notice Receipts  
Dugan's Application dated 6/24/11  
WAW Gathering System  
San Juan County, New Mexico

Dear Richard,

For your consideration in the captioned application, attached are copies of the receipts for the notices mailed to the interest owners. The subject application presents a total of 30 wells and 34 completions (4 wells are dual completions and downhole commingled). Of the 30 wells and 34 completions, 18 wells (21 completions) are currently active and 12 wells (13 completions) have been plugged and abandoned. Dugan Production holds 100% of the working interest in all currently active wells (18 wells and 21 completions) and all royalty interest (active and P&A wells) is federal. **There are no fee, Indian or state royalty interests.** Only two wells had working interest owners in addition to Dugan Production (the Notsowaw #2 and Ojo He He #4), however both wells are plugged and abandoned, the Notsowaw #2 on 8/6/86 and the Ojo He He #4 on 9/27/88.

Presented are receipts for two of the three working interest owners, the exception being Harper Oil who's only interest was in the Ojo He He #4 which was plugged and abandoned 9/27/88. The subject application was addressed to the Bureau of Land Management for the federal royalty interest ownership and was hand delivered by the undersigned on 6/27/11. Of the 19 overriding royalty interest owners (ORRI), copies of the receipts for 13 are presented. We did not receive a receipt or returned mailing for one of the ORRI owners (Harry F. Schram), however the postal tracking system does show the mailing notice was delivered.

In addition, our notice to five of the ORRI owners (Belco Development, Burlington Resources, Irene Fellis, Lee Gray and Southland Royalty) was returned as having an address that could not be delivered to. Four of these ORRI owners are in wells that have been plugged and abandoned; the Notsowaw #2 (P&A 8/6/86), Ojo He He #4 (P&A 9/27/88) and Waw #1 (P&A 6/25/02). Please note, in anticipating that we would have problems corresponding with interest owners in wells that had been plugged for several years, we did place a legal ad in the Farmington Daily Times on 5/15/11 and a copy of this ad was presented in Attachment No. 7 to our application and is also attached to this letter for your reference. It is our belief that the interest owners in the currently active wells have had notice of our application and to date we have not received any objection. The majority of our notice failure is in the wells that have been plugged.

Should you have any questions, please let me know.

Sincerely,

John DeRoe  
Engineering Manager

JDR/tmf

enclosures

## 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.

## 1. Article Addressed to:

Apache Corporation  
Western Region  
2000 Post Oak Blvd STE 1000  
Houston, TX 77056-4400

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

x Sharon Van

- ☐ Agent  
☒ Addressee

## B. Received by (Printed Name)

Sharon Van

## C. Date of Delivery

6/30/11

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

## 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

(Transfer from service label)

7007 3020 0000 2102 4693

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

## 1. Article Addressed to:

Pitco Production Company  
PO Box 4190  
Scottsdale, AZ 85261

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

x E. Clee

- ☐ Agent  
☒ Addressee

## B. Received by (Printed Name)

Tim Clee

## C. Date of Delivery

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

## 3. Service Type

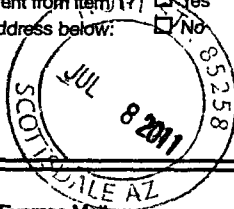
- ☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

## 2. Article Number

(Transfer from service label)

7007 3020 0000 2102 4686



## 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.

Article Addressed to:

Gates Properties  
PO Box 81119  
Midland, TX 79708-1119

## COMPLETE THIS SECTION ON DELIVERY

A. Signature X <i>Karen Gates</i>		<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
B. Received by (Printed Name) <i>Karen Gates</i>	C. Date of Delivery <i>7-1-11</i>	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No.		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		

Article Number  
(Transfer from service label) 7007 3020 0000 2102 4914

Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

1. Article Addressed to:

Betrand O. & Peggy E. Baetz  
633 Alta Avenue  
San Antonio, TX 78209

## COMPLETE THIS SECTION ON DELIVERY

A. Signature X <i>Randy Baetz</i>		<input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee
B. Received by (Printed Name) <i>RANDY BAETZ</i>	C. Date of Delivery <i>6-30-11</i>	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		

2. Article Number  
(Transfer from service label) 7007 3020 0000 2102 4839

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

Article Addressed to:

Gene Grubitz III Trust  
PO Box 1245  
Salem, VA 24153-1245

## COMPLETE THIS SECTION ON DELIVERY

A. Signature X <i>Gene Grubitz III</i>		<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
B. Received by (Printed Name) <i>Gene Grubitz III</i>	C. Date of Delivery <i>7-1-11</i>	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		

Article Number  
(Transfer from service label) 7007 3020 0000 2102 4969

Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

1. Article Addressed to:

Geraldine S. Gray  
57 Nautilus Drive  
Leonardo, NJ 07737

## COMPLETE THIS SECTION ON DELIVERY

A. Signature X <i>Gully Gray</i>		<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
B. Received by (Printed Name) <i>Geraldine S Gray</i>	C. Date of Delivery <i>7-1-11</i>	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		

2. Article Number  
(Transfer from service label) 7007 3020 0000 2102 4983

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

Article Addressed to:

Paul R. Kaufman  
PO Box 307  
Glorieta, NM 87535

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

W Phillips

☐ Agent☐ Addressee

B. Received by (Printed Name)

W. PHILLIPS

C. Date of Delivery

7/08/11

D. Is delivery address different from item 1? ☒ YesIf YES, enter delivery address below: ☐ No

10. BOX 309  
Glorieta, NM 87535

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Article Number

(Transfer from service label)

7007 3020 0000 2102 4877

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

1. Article Addressed to:

Hunt Oil Company  
Fountain Place  
1445 Ross at Field  
Dallas, TX 75202-2785

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

D. F. KUNZ

☐ Agent☒ Addressee

B. Received by (Printed Name)

D. F. KUNZ

C. Date of Delivery

6/30/11

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

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

(Transfer from service label)

7007 3020 0000 2102 4846

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

## 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.

Article Addressed to:

James M. Richardson  
c/o Stevan Schoen, Esq.  
2 Hillside Drive  
Placitas, NM 87043-9156

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Mary Summers

☐ Agent☐ Addressee

B. Received by (Printed Name)

Mary Summers

C. Date of Delivery

6-28

D. Is delivery address different from item 1? ☒ YesIf YES, enter delivery address below: ☐ No

1 Ridge Rd.

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Article Number

(Transfer from service label)

7007 3020 0000 2102 4938

Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## 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.

1. Article Addressed to:

McBride Oil & Gas  
PO Box 1515  
Roswell, NM 88202-1515

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

J. Starnes

☒ Agent☐ Addressee

B. Received by (Printed Name)

J. Starnes

C. Date of Delivery

6/29/2011

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

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

(Transfer from service label)

7007 3020 0000 2102 4907

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-15



# UNDER: 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.

Article Addressed to:

WM. H. Ull & Patricia D. Short  
Living Trust

OK 1444  
ands, NC 28741

HIGHLANDS

Article Number  
(Transfer from service label) 7007 3020 0000 2102 4884

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

# COMPLETE THIS SECTION ON DELIVERY

A. Signature *Patricia Short* ☐ Agent ☐ Addressee  
B. Received by (Printed Name) *PATRICIA SHORT* C. Date of Delivery

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

JUL 11 2011

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

# 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.

1. Article Addressed to:

James David & Lorena Jean Short  
Living Trust  
1591 Crestnut Ct.  
West Palm Harbor, FL 34683

2. Article Number  
(Transfer from service label) 7007 3020 0000 2102 4853

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

# COMPLETE THIS SECTION ON DELIVERY

A. Signature *James David Short* ☐ Agent ☐ Addressee  
B. Received by (Printed Name) C. Date of Delivery *7-11-11*

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

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

# UNDER: 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.

Article Addressed to:

Westway Petro  
4514 Cole Avenue,  
Suite 1005 LB15  
Dallas, TX 75205

Article Number  
(Transfer from service label) 7007 3020 0000 2102 4976

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

# COMPLETE THIS SECTION ON DELIVERY

A. Signature *Westway Petro* ☐ Agent ☐ Addressee  
B. Received by (Printed Name) C. Date of Delivery

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

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

# 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.

1. Article Addressed to:

J. Sandra Stanton Trust  
1540 Ocean Avenue  
Manaloking, NJ 08738

2. PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

# COMPLETE THIS SECTION ON DELIVERY

A. Signature *J. Sandra Stanton* ☐ Agent ☐ Addressee  
B. Received by (Printed Name) C. Date of Delivery

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

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

## 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.

## 1. Article Addressed to:

XTO  
810 Houston Street  
Ft. Worth, TX 76102

## 2. Article Number

(Transfer from service label)

7007 3020 0000 2102 4662

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

X

☐ Agent☐ AddresseeReceived by Kenia Lacy Brown JUN 29 2011D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

## 3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

## 4. Restricted Delivery? (Extra Fee)

☐ Yes

# AFFIDAVIT OF PUBLICATION

# COPY OF PUBLICATION

Ad No. 66164

## STATE OF NEW MEXICO County of San Juan:

JOHN ELCHERT, being duly sworn says:  
That HE is the PUBLISHER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Sunday, May 15, 2011

And the cost of the publication is \$115.16

  
\_\_\_\_\_

ON 5/19/11 JOHN ELCHERT  
appeared before me, whom I know personally  
to be the person who signed the above  
document.

  
\_\_\_\_\_  
My Commission Expires - 11/05/11

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM) for regulatory approvals to add two well and operate Dugan Production's WAW Gathering System (WGS). This will require the surface commingling of produced natural gas and water plus the off-lease measurement and sale of natural gas. There will not be any commingling of oil or condensate. The wells to be added and the existing gathering system are located within Section 3 of Township 26N, Range 13W, plus Sections 18, 19, 20, 29, 30, 31, 32, 33, 34, & 35 of Township 27N, Range 13W all located in San Juan County, New Mexico. The current central delivery gas sales meter (CDP) is located in the NENE of Section 35, T-27N, R-13W with natural gas delivered to Enterprise Field Services. The gathering system has a total of 28 wells and 32 completions; 28 of which are in the WAW Fruitland Sand-Pictured Cliffs and 4 completions in the Basin Fruitland Coal gas pools. All wells are operated by Dugan Production Corp. and are located upon, or the spacing units include the following Federal leases held by Dugan Production: NM-1336, NM-7276, NM-11090, NM-11580, NM-33040, NM-33044, NM-33045, NM-37912, NM-37913,

NM-499348, NM-0553184 and SF-078009C. The wells to be added are Dugan Production's Faith No. 1 and Faith No. 4. The 28 wells currently connected to the WGS average 4 mcf/d per well with the maximum rate of all wells being 24 mcf/d. This is a marginal area of production for the Fruitland Sand, Fruitland Coal and Pictured Cliffs. Any person holding an interest in any of these leases or wells may contact Dugan Production for additional information. Inquires should be directed to John Roe at 505-325-1821 or by mail at PO Box 420, Farmington, NM 87499. Any objection or request for a formal hearing should be filed in writing with the NMOCD's Santa Fe office within 20 days from the date of this publication. In the absence of objection, Dugan Production is requesting that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.

Legal No. 66164 Published in the Daily Times on May 15, 2011.