

DATE IN 7/24/06	SUSPENSE	DAVID CATANACH ENGINEER	LOGGED IN 7/25/06	TYPE CTB	APP NO. PTDSD/2063/955
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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 87506



2006 JUL 24 2 13

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☒ CTB ☐ PLC ☒ PC ☐ OLS ☐ OLM

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

- [D] Other: Specify _____

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

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or S&O
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

- [F] ☐ Waivers are Attached

*Sent by Sundry Notice (See Attachment #2)
 Return Receipt will be forwarded to
 NMOC upon receiving.*

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

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

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

John D. Roe
 Print or Type Name

John D. Roe
 Signature

Engineering Manager
 Title

07/21/06
 Date

johnroe@duganproduction.com
 e-mail Address

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

State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-103
May 27, 2004

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		WELL API NO. See below
2. Name of Operator Dugan Production Corp.		5. Indicate Type of Lease <i>FEDERAL</i> STATE <input type="checkbox"/> FEE <input type="checkbox"/>
3. Address of Operator P. O. Box 420, Farmington, NM 87499-0420		6. State Oil & Gas Lease No. See Below
4. Well Location F 1850 North 1850 West Unit Letter H : 1600 feet from the North line and 790 feet from the East line Section 3 Township 26N Range 13W NMPM San Juan County		7. Lease Name or Unit Agreement Name Kingfish Com
11. Elevation (Show whether DR, RKB, RT, GR, etc.)		8. Well Number 90 & 90S
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>		9. OGRID Number 006515
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____		10. Pool name or Wildcat Basin Fruitland Coal
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____		

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Application to surface commingle – identical ownership ☒

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 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.
- Dugan Production proposes to convert the existing gas sales meter and compressor for the Kingfish Com No. 90 (Enterprise Field Services Meter No. 98208) to a central delivery gas sales meter and compressor for the Kingfish Com No. 90 & No. 90S wells. This will require surface commingling of natural gas from these two wells. The No. 90 was completed in the Basin Fruitland Coal (71629) gas pool on 9-27-00 and the No. 90 is currently being completed in the Basin Fruitland Coal gas pool as an infill to the No. 90. Only natural gas will be commingled & measurement will be on lease at the Kingfish Com No. 90. Dugan Production operates both wells and all interest ownership is identical.
- (i) Well & lease information is as follows:
- | Well Name | API No. | Lease/CA# | Spacing Unit | Current Production |
|----------------------|---------|---------------------|--------------|------------------------|
| Kingfish Com No. 90 | 29832 | NM-37912/NMNM103090 | N/2-319.56A | 95 mcf |
| Kingfish Com No. 90S | 32987 | NM-1336/NMNM103090 | N/2-319.56A | ±200 mcf (anticipated) |
- (ii) Commingled gas volumes (mcf & mmBTU) measured at the CDP sales meter will be allocated to each well using the "subtraction method" described in Section 303B.(3)(a)(iii). An allocation meter will be installed on the No. 90S and will be maintained by Dugan Prod. Production for the Kingfish Com No. 90 will be computed. Fuel for lease equipment and the CDP compressor will be determined from equipment specifications and included in production determinations.
- (iii) Certification of the identical ownership for both wells is Attachment No. 1. The spacing units for both wells is common and includes federal leases NM-37912 plus NM-1336 under CA No. NMNM103090.
- (iv) Since the royalty is federal, a copy of this notice is being sent to the BLM by certified return-receipt. Copy of the return receipt will be mailed to the NMOCD upon receiving. A copy of the sundry to the BLM is Attachment No 2.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE John D. Roe TITLE Engineering Manager DATE July 21, 2006
Type or print name John D. Roe E-mail address: johnroe@duganproduction.com Telephone No. (505)325-1821

For State Use Only

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

AFFIDAVIT

STATE OF NEW MEXICO)
) SS.
COUNTY OF SAN JUAN)

Attachment No. 1
NMCD Form C-103 dated 7/21/06
Application of Dugan Prods
Surface Commingle Ntl. Gas
Dugan's King Fish Com
No. 90 + 905

Skip Fraker, a Land Manager presently employed by Dugan Production Corp. being duly sworn on his oath, states that he is familiar with the following described property, to-wit:

Township 26 North, Range 13 West, NMPM
Section 3: N/2

NW/4	USA NM-1336	Federal Lease
NE/4	USA NM-37912	Federal Lease

King Fish Com #90 & 90S Basin Fruitland Coal Wells N/2 319.56 acres

and that he is also familiar with the aforementioned lands and leases and has knowledge that said lands and leases are operated by Dugan Production Corp. Affiant states that said lands and leases have identical ownership in the drilling proration units for said wells. The ownership in these lands are identical as to owners and percentage of ownership for all working interest, royalty interest and overriding royalty interest owners in the above captioned wells. Affiant further states that no change in ownership has occurred and that Dugan Production Corp. has not sold, leased or otherwise made any commitments to affect a change in ownership of the aforementioned lands.

Further, affiant saith not.



Skip Fraker, Registered Landman #62101

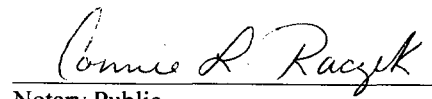
ACKNOWLEDGEMENT

STATE OF NEW MEXICO)
) SS.
COUNTY OF SAN JUAN)

BEFORE ME, the undersigned, a notary public in and for the county and state aforesaid, on this the 20th day of July, 2006, personally appeared Skip Fraker, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year first above written.

My commission expires: 3/4/08


Notary Public



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 2

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

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil
Well

☒ Gas
Well

☐ Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

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

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

No. 90
1600' FNL & 790' FEL (SE/4 NE/4)
Unit H, Sec. 3, T26N, R13W, NMPM

No. 90S
1850' FNL & 1850' FWL (SE/4 NW/4)
Unit F, Section 3, T26N, R13W, NMPM

5. Lease Designation and Serial No.

NM 37912 & NM-1336

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

NMNM103090

8. Well Name and No.

Kingfish Com #90 & #90S

9. API Well No.

30-045-29832 & 30-045-32987

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

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

TYPE OF SUBMISSION

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

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

Surface Commingle
Natural gas & CDP Sales

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

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

Dugan Production proposes to convert the existing gas sales meter and compressor for the Kingfish Com No. 90 (Enterprise Field Services Meter No. 98208) to a central delivery gas sales meter and compressor for the Kingfish Com No. 90 & 90S wells. This will require the surface commingling of natural gas from these two wells. The No. 90 well was completed in the Basin Fruitland Coal (71629) gas pool on 9-27-00 and the No. 90S is currently being completed in the Basin Fruitland Coal gas pool as an infill to the No. 90. Only natural gas will be commingled. Measurement will be on lease at the Kingfish Com No. 90. Dugan Production operates both wells and the N/2 spacing unit for both wells is common and includes federal leases NM-37912 plus NM-1336 under CA No. NMNM103090. Production currently averages ± 95 mcf/d from the No. 90 and approximately 200 mcf/d is anticipated from the No. 90S. The proposed CDP will allow the Kingfish Com No. 90S to utilize the compressor currently installed for the Kingfish Com No. 90. A copy of Dugan's application to the NMOCD for surface commingling is attached to provide additional information about this proposal.

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

Signed John D. Roe Title Engineering Manager Date 7/21/2006
John D. Roe

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any: