

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

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

**Application Acronyms:**

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

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_

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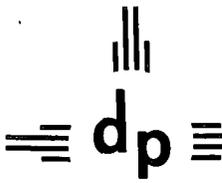
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or  Does Not Apply
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM ~~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,  
*\* - Notice mailed by certified - Return Receipt  
 + copy presented as Attachment #2. Upon receiving Receipts, copies will be forwarded to NMOCB.*
- [F]  Waivers are Attached

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

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

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

John D. Roe Print or Type Name	<u>John D Roe</u> Signature	Engineering Manager Title	8/14/08 Date
		johnroe@duganproduction.com e-mail Address	



# dugan production corp.

August 14, 2008

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

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

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

Dear Mr. Ezeanyim & Mr. Henke,

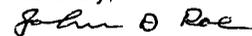
Dugan Production requests your approvals for the off-lease measurement and sale of natural gas produced from the captioned well. The Coaly No. 90 was spudded on 5-19-08 and has been perforated in the Basin Fruitland Coal pool. Upon completing the installation of production facilities, the well will be fracture stimulated and completed for production. To facilitate gas sales, it will be necessary to install approximately 6141' of line (4846' on-lease & 1295' off-lease) to deliver gas produced from the Coaly No. 90 to the nearest point on Enterprise Field Service's line which is in the SENE of adjacent Section 29, T-27N, R-12W. The proposed pipeline is unchanged from the survey initially submitted with the APD and amended 8-29-06. Enterprise Field Services will install and maintain the gas sales meter on their line. Attachment No. 1 presents the proposed gas line and off-lease sales meter location. The location for the sales meter will be on Federal Lease NM-33022 which is also held by Dugan Production.

All other production equipment for the Coaly No. 90 will be located on location at the Coaly No. 90 well site. The gas line will be new 4" polypipe, buried  $\pm 6'$  deep, installed and maintained by Dugan Production Corp. The line will initially be pressure tested and its integrity maintained by subsequent monitoring using Dugan Production's portable gas detection equipment. We anticipate the Coaly No. 90 will produce 100 to 200 mcf/d and do not anticipate any oil or condensate to be produced. All liquid production (approximately 150 bwpd) will be separated and stored on-lease. Water will be transported to an authorized water disposal facility by trucking.

Attachment No. 2 presents a copy of Dugan Production's letter to the overriding royalty interest owners providing them notice of our application for off-lease measurement and sale of gas. All royalty interest is federal and this letter to the BLM also serves as notice to the royalty interest owner. We do not anticipate any objection since there should not be any negative impact to the royalty or overriding royalty interest owners and Dugan Production holds 100% of the working interest. The proposed off-lease measurement is believed to be necessary and is the only economically viable option to connect the Coaly No. 90 for gas sales since a wellhead connection is cost prohibitive considering the 6141' distance to a gas sales line and anticipated production of 100 to 200 mcf/d.

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

Sincerely,

  
John D. Roe  
Engineering Manager

JDR/tmf

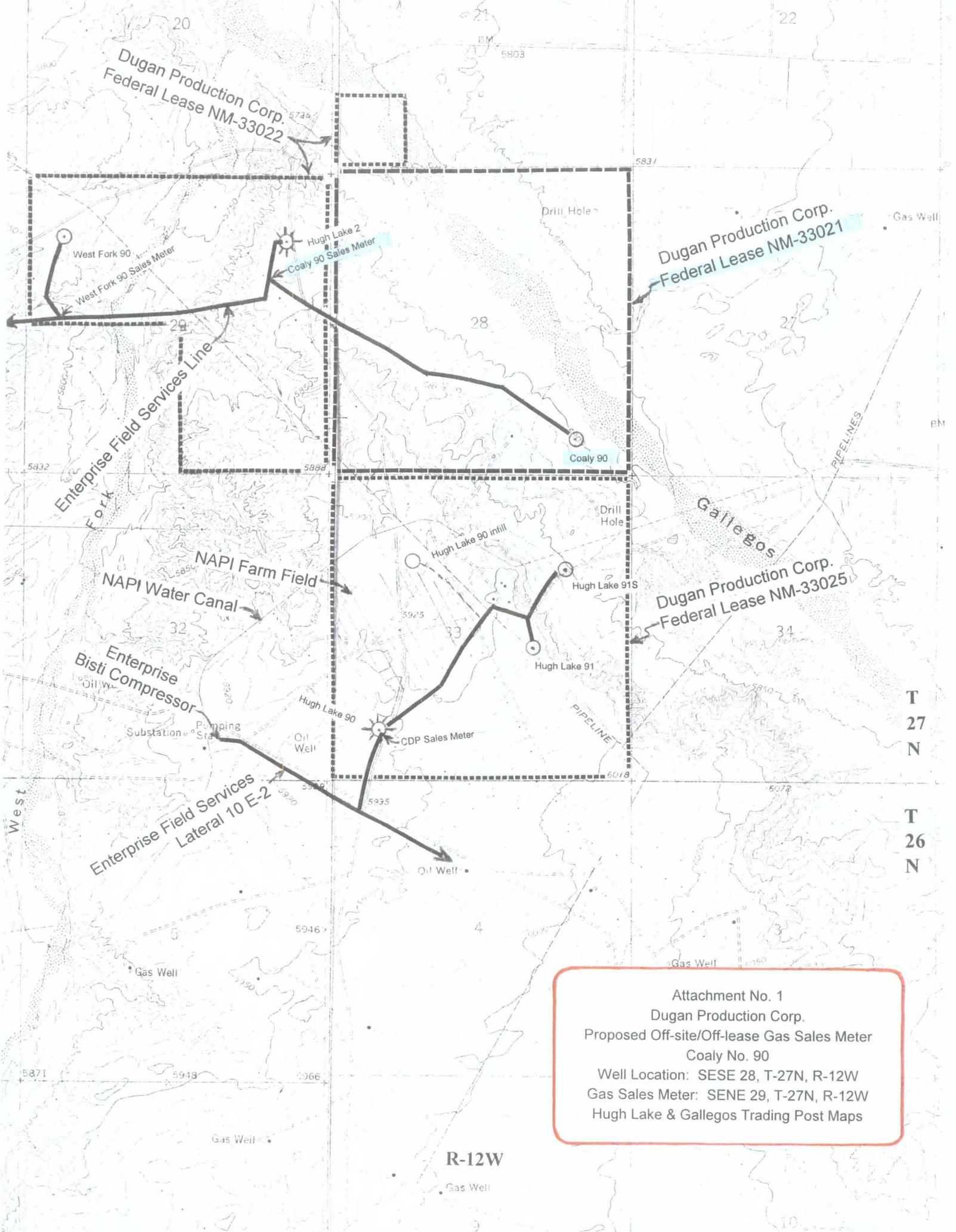
attachments

XC: NMOCD- Aztec

Dugan Production Corp.  
Federal Lease NM-33022

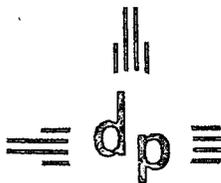
Dugan Production Corp.  
Federal Lease NM-33021

Dugan Production Corp.  
Federal Lease NM-33025



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

R-12W



# dugan production corp.

Attachment  
No. 2



August 14, 2008

MAILED CERTIFIED-RETURN RECEIPT

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

Mission Resources Co.  
1331 Lamar, Suite 1450  
Houston, TX 77010

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

Re: Dugan Production Corp.'s  
Application dated 8/14/08  
Off-lease Gas Measurement & Sale  
Coaly No. 90  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico

Dear Interest Owner,

Our records indicate each of you have an overriding royalty interest ownership in the captioned well and the New Mexico Oil Conservation Division (NMOCD) requires Dugan Production Corp. to provide notice to you of our application to use a gas sales meter for the Coaly No. 90 that is not located upon the subject lease or spacing unit.

The Coaly No. 90 is located in the SESE of Section 28, T-27N, R-12W and the nearest gas sales pipeline is located in the NE/4 of the adjacent Section 29. This will require laying approximately 6141' of line (4846' on lease & 1295' off-lease) to connect the Coaly No. 90 to Enterprise Field Services gathering system. Enterprise will install and maintain the gas sales meter on their line and Dugan Production will install and maintain the 4" gas line delivering natural gas from the Coaly No. 90 to Enterprise's gas sales meter. Dugan Production intends to install a new buried, 4" polypipe and will pressure test the line upon completion to insure line integrity. Upon commencing operation, the line will be periodically surveyed using portable gas detection equipment maintained by Dugan Production Corp. All other production equipment for the Coaly No. 90 will be located at the well. Attachment No. 1 presents the proposed line and off-lease sales meter.

We believe this is the only economically viable option to facilitate gas sales from the Coaly No. 90 since the well is approximately 6141' from the nearest gas sales line and is anticipated to produce between 100 & 200 mcf/d. Dugan Production holds 100% of the working interest and will pay all costs associated with this proposal. There will be no costs to the overriding royalty interest owners and hopefully this will allow all interest owners to begin receiving production revenues from the Coaly No. 90.

Should you have any questions or need additional information, please let me know.

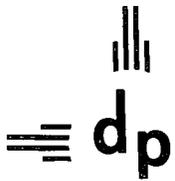
Sincerely,

John D. Roe  
Engineering Manager

JDR/tmf

Attachments





dugan production corp

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2008 AUG 29 PM 12 34



August 27, 2008

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

Re: Application for Off-Lease Gas Measurement & Sale dated 8/14/08  
Dugan Production Corp.'s Coaly No. 90  
Basin Fruitland Coal pool (OCD Pool No. 71629)  
API No. 30-045-33905  
SESE Section 28, T-27N, R-12W  
San Juan County, New Mexico

Dear Mr. Ezeanyim,

Attached for your consideration of the captioned application are copies of the certified mail return receipts for two of the three overriding royalty interest owners. Our notice letter to the third overriding royalty interest owner was returned to us on 8/26/08 with the postal system advising it was "not deliverable as addressed, unable to forward" (see attached copy of returned envelope). Upon receiving the subject "return to sender", we have attempted to contact Mission Resources Co. at mail, phone and fax numbers available in our records and have also attempted to locate current address/phone information using data resources available through the phone and internet. None of our efforts have produced contact with Mission Resources. We will continue to pursue efforts to contact Mission Resources, however at this time we believe we have made a reasonable effort to contact them and we do not anticipate locating Mission Resources in a timely manner.

Should production revenues be ready for distribution prior to locating Mission Resources, we will place revenues attributable to their interest in suspense at Dugan Production Corp. for distribution to them at a later date. Dugan Production holds 100% of the working interest and all royalty interest is federal (lease NM-33021).

Should you have questions or need additional information, please let me know.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager

JDR/tmf

attachments

Coale 90

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
1. Article Addressed to: Energen Resources 605 Richard Arrington Jr. Blvd, North Birmingham, AL 35203	A. Signature <input checked="" type="checkbox"/> <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
	B. Received by (Printed Name) <i>[Signature]</i>	C. Date of Delivery <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" 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) 7005 2570 0001 3772 1443

Coale 90

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
1. Article Addressed to: Four Star Oil + Gas Co. P.O. Box 36366 Houston, TX 77010	A. Signature <input checked="" type="checkbox"/> <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
	B. Received by (Printed Name) <i>[Signature]</i>	C. Date of Delivery <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" 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) 7005 2570 0001 3772 1467

dp dagan production corp.

P. O. BOX 420  
FARMINGTON, NEW MEXICO 87499-0420

7005 2570 0001 3772 1438



U.S. POSTAGE  
1 P. 5528085  
1805 320 AUG 14 2008  
7005 2570 0001 3772 1438

- MOVED, LEFT NO ADDRESS
- ATTEMPTED - NOT KNOWN
- UNCLAIMED  REFUSED
- NO SUCH STREET
- NO SUCH NUMBER
- INSUFFICIENT ADDRESS
- NOT DELIVERABLE AS ADDRESSED UNABLE TO FORWARD



MISSION RESOURCES CO  
1331 LAMAR SUITE 1450  
HOUSTON TX 77010



AA 1001

Handwritten scribble or signature.

