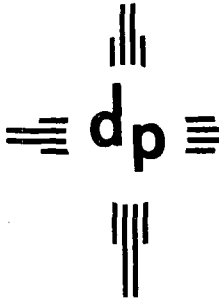
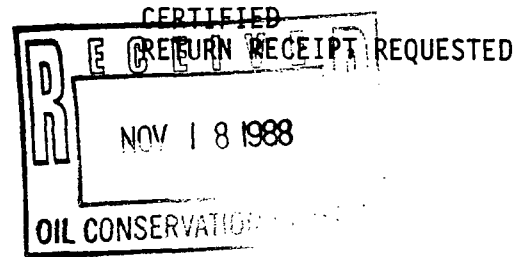


Sent copy to Carmie Rued 11/30/88



dugan production corp.



November 16, 1988

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

RE: Administrative Approval (9)
160 Acre Spacing Unit
Petroleum Inc. Wells
T28N, R15W
San Juan County, NM

Gentlemen:

Dugan Production Corp., hereby requests administrative approval for a 160 acre non-standard spacing unit as set out on the attached schedule, under the rules of Order No. R-8768 establishing the Basin-Fruitland Coal Gas Pool. Said Order was made effective November 1, 1988 and provides for 320 acres spacing for wells producing from the Fruitland Coal Seams.

By certified mail, return receipt requested, we have provided all operators or owners offsetting the subject non-standard spacing unit with a copy of this letter application. A copy of the offset operator or owner notice along with a list of names and addresses of all operators notified is attached for your information. Upon receiving the "return receipts", we will provide you with a copy for your records.

Should you have questions regarding our application, please feel free to contact me at the letterhead address.

Respectfully,

Richard Corcoran
Landman

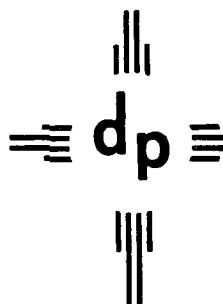
RC/dh

Enc.

TOWNSHIP 28 NORTH, RANGE 15 WEST
SAN JUAN COUNTY, NM

<u>WELL NAME</u>	<u>DESCRIPTION</u>	<u>REQUESTED 160 ACRE SPACING UNIT</u>	<u>COMPLETION DATE</u>
OK — Pet Inc. #5	Section 35: SW4 NE4	NE/4	10/11/72
<i>Neighb on NSL Rule 8</i> — Pet Inc. #6	Section 36: NE4 NW4	NW/4	10/14/72
<i>Neighb on NSL Rule 8</i> — Pet Inc. #9	Section 25: N2SW4 SE4SW4	SW/4 *	4/23/75
<i>Neighb on NSL Rule 8</i> — Pet Inc. #10	Section 26: NE4 NW4	NW/4	6/11/77
<i>Neighb on NSL Rule 8</i> — Pet Inc. #13	Section 35: NE4 SE4	SE/4	7/23/77
OK — Pet Inc. #14	Section 36: NE4 SW4	SW/4	8/15/77
<i>Neighb on NSL Rule 8</i> — Pet Inc. #15	Section 36: NE4 SE4	SE/4	7/18/77
OK — Pet Inc. #16	Section 35: NE4 SW4	SW/4	6/22/82
<i>Neighb on NSL Rule 8</i> — Pet Inc. #17	Section 26: SE4 NW4	NW/4	6/14/77

* 120 acre spacing unit



dugan production corp.

CERTIFIED
RETURN RECEIPT REQUESTED

November 16, 1988

Navajo Tribal Council
P.O. Box 2010
Window Rock, Arizona 86515

Attn: Akhtar Azaman, Director
Navajo Tribal Minerals Dept.

RE: Non-Standard Spacing Units
Petroleum Inc. Wells
T28N, R15W
San Juan County, NM

Gentlemen:

Dugan Production Corp., (Dugan) is making application to the New Mexico Oil Conservation Division (NMOCD), for administrative approval of non-standard spacing units for the attached schedule of wells, to comply with the rules of Order No. R-8768.

The NMOCD under case No. 9420, Order No. R-8768, established the Basin-Fruitland Coal Gas Pool providing for 320 acre spacing for wells producing from Fruitland Coal seams, effective November 1, 1988.

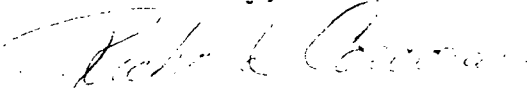
As provided for in the rules of the above mentioned Order, we are giving notice to you as the owner (or Trustee) of the offsetting acreage, of our application.

We are enclosing a copy of our letter of application and location plat for your reference. As owner of the surrounding acreage, if you wish to object to the administrative granting of the subject non-standard spacing units, you should provide notice to the NMOCD within 20 days of our making application. We would also appreciate your notifying Dugan if you do object.

Navajo Tribal Council
November 16, 1988
Page 2 of 2

Should you need additional information regarding our application, please
feel free to contact me.

Sincerely,



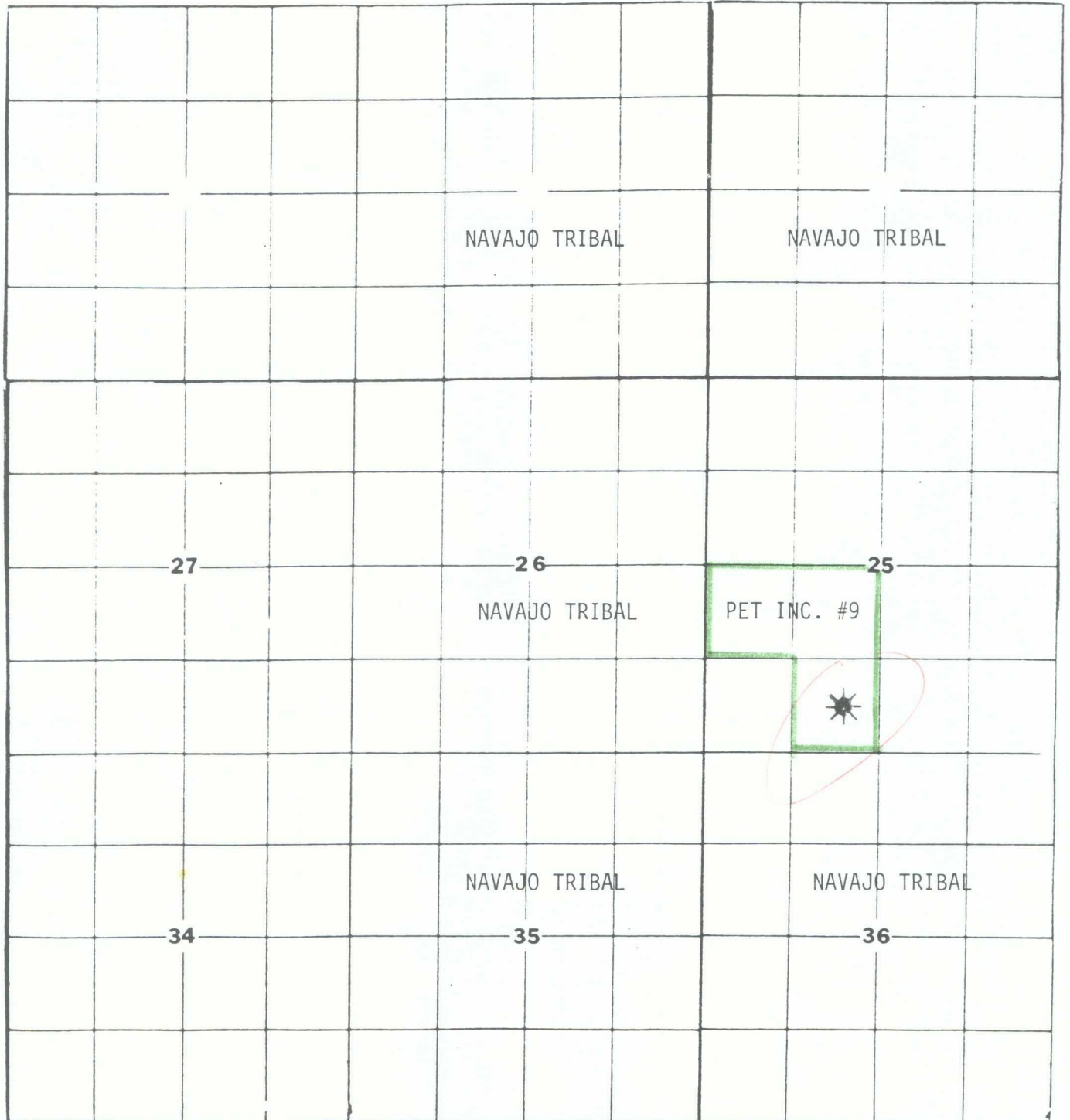
Richard Corcoran
Landman

RC/dh

Enc.

xc: Bureau of Land Management
Farmington Resources and Tribal Leases
1235 La Plata Highway
Farmington, NM 87401

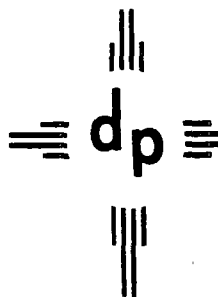
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dugan production corp.

December 1, 1988

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

RE: Application of Dugan Production Corp. for
Administrative Approval of Non-Standard Spacing Unit
dated November 16, 1988
Basin Fruitland Coal Gas Pool
San Juan County, NM

Gentlemen:

Attached for your file is a copy of the U.S. Postal return receipts that were attached to our November 16, 1988 notice to all operators/owners offsetting the location proposed for the following wells in San Juan County, New Mexico:

Knauff #1 Well	T28N, R10W, Section 31: NW/4
Western Federal #7	T26N, R11W, Section 7: SW/4
Petroleum Inc. Wells	T28N, R15W, Sections 25, 26, 35, 36
Hana #1 Well	T29N, R11W, Section 18: NE/4
Western Federal #9	T26N, R11W, Section 7: NW/4

Having received a receipt for each operator noticed, it is our belief that we have met the notice requirements of the special pool rules for the Basin Fruitland Coal Gas Pool.

Should you need additional information or have questions, please feel free to contact the undersigned.

Sincerely,

Richard Corcoran
Landman

RC/dh

Attach.

Petroleum Inc. Wells
T28N, R15W
Sections 25, 26, 35, 36
San Juan County, NM

Offset Operators/Owners:

Navajo Tribal Minerals Dept.

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Mr. William J. LeMay, Director NM Oil Conservation Division P.O. Box 2088 Santa Fe, NM 87504-2088 ✓	4. Article Number P 916 474 620 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee X <i>William J. LeMay</i>	6. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 11-18-88	

PS Form 3811, Mar. 1985 • U.S.G.P.O. 1985-212-865 DH DOMESTIC RETURN RECEIPT

P 916 474 620
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
See Reverse

Sent to Mr. William J. LeMay, Dir NM Oil Conservation Division	
Street and No. P.O. Box 2088	
P.O. State and ZIP Code Santa Fe, NM 87504-2088	
Postage	.65
Certified Fee	.85
Special Delivery Fee	✓
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	.40
TOTAL Postage and Fees	2.40
Postmark or Date 11/16/88	

PS Form 3800, June 1985

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Navajo Tribal Council P.O. Box 2010 Window Rock, AZ 86515 ✓ Attn: Akhtar Azaman, Director Navajo Tribal Minerals Dept.	4. Article Number P 916 474 621 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee X <i>Akhtar Azaman</i>	6. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery NOV 11 1988	

PS Form 3811, Mar. 1985 • U.S.G.P.O. 1985-212-865 DH DOMESTIC RETURN RECEIPT

P 916 474 621
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
See Reverse

Sent to Akhtar Azaman, Director Navajo Tribal Minerals Dept. Navajo Tribal Council P.O. Box 2010 Window Rock, AZ 86515	
P.O. State and ZIP Code Window Rock, AZ 86515	
Postage	.65
Certified Fee	.85
Special Delivery Fee	✓
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	2.40
Postmark or Date 11/16/88	

PS Form 3800, June 1985



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

December 7, 1988

Dugan Production Corp.
P.O. Box 5820
Farmington, NM 87499-5820

Attention: Richard Corcoran,
Landman

RE: Administrative approval for a
120-acre non-standard gas
spacing and proration unit
comprising the N/2 SW/4 and
the SE/4 SW/4 of Section 25,
Township 28 North, Range 15
West, NMPM, Basin Fruitland
Coal Gas Pool, San Juan
County, New Mexico, to be
dedicated to your Pet. Inc.
Well No. 9 located in Unit N.

Dear Mr. Corcoran:

Pursuant to the second provision in RULE 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768, this well is considered to be at an unorthodox coal gas well location. Since this well is presently completed in the Pictured Cliffs formation as a gas well, it falls within the provisions of RULE 8 of said Order No. R-8768.

Therefore, to complete all of the administrative requirements for this well, please submit a proper filing for this well's location pursuant to said RULE 8.

If you should have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner
Administrative Application Reviewer

MES/ag

cc: Oil Conservation Division - Aztec

CASE NO. 9420
Order No. R-8768
Page -10-

(d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties were notified by registered or certified mail of his intent to form such non-standard unit. The Division Director may approve the application if no such party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application.

RULE 7. The first well drilled or recompleted on every standard or non-standard unit in the Basin-Fruitland Coal Gas Pool shall be located in the NE/4 or SW/4 of a single governmental section and shall be located no closer than 750 feet to any outer boundary of the production unit nor closer than 130 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

[REDACTED]
[REDACTED]
[REDACTED] topographical conditions, [REDACTED] provided, said well was drilled at an orthodox or approved unorthodox location for such original horizon, or the drilling of an intentionally deviated horizontal wellbore. All operators or owners of undrilled tracts offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all parties described above or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 9(A). The Division Director shall have the authority to administratively approve an intentionally deviated well in the Basin-Fruitland Coal Gas Pool for the purpose of penetrating the coalbed seams by means of a wellbore drilled horizontally, provided the following conditions are complied with: