

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 - 22-A

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

[D] Other: Specify Move Administrative order OLM-22 from Dugan Production's Coaly #90 to Coaly #3 - well bores are 50' apart, are on same lease, ownership is the same + prod. interval is the same.

[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, Certified-Return Receipt Notice letter is Attached - Return Receipts to be submitted upon receiving.

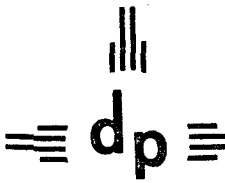
[F] ☐ Waivers are Attached

[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 John D. Roe Engineering Manager 1-20-2011
Print or Type Name Signature Title Date
johnroe@duganproduction.com
e-mail Address



dugan production corp.

MAILED CERTIFIED-RETURN RECEIPT



January 20, 2011

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

Petrohawk Properties, LP
P.O. Box 4346
Houston, TX 77210-4346

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

Re: Dugan Production Corp.'s
Off-lease Gas Measurement & Sales
Coaly No. 90 & Coaly No. 3
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information and review is a copy of our letter dated 1-17-11 requesting that the New Mexico Oil Conservation Division (NMOCD) and Bureau of Land Management (BLM) transfer their existing approvals for the off-lease measurement and sale of gas from Dugan Production's Coaly No. 90 to Dugan Production's Coaly No. 3. The Coaly No. 3 was recently drilled to develop a Farmington Sand that had been encountered during the drilling of the Coaly No. 90. However upon drilling the Coaly No. 3 at a location 50' west of the Coaly No. 90 we did not encounter the Farmington Sand and subsequently completed the Coaly No. 3 in the Basin Fruitland Coal which required us to abandon the Basin Fruitland Coal Completion in the Coaly No. 90 prior to recompleting the Coaly No. 90 in the Farmington Sand.

You are receiving this information because the NMOCD requires that all interest owners receive notice and if there are comments or objection, they must be made within 20 days from the date of this letter. Dugan Production holds 100% of the working interest and as an overriding royalty interest owner, there are no costs to you. Your interest in the Coaly No. 3 is the same as in the Coaly No. 90. Hopefully, all interest owners will benefit from production that is developed by recompleting the Coaly No. 90 from the Basin Fruitland Coal to the Farmington Sand. Production revenues from the Basin Fruitland Coal completion in the Coaly No. 3 should be similar to the Basin Fruitland Coal completion in the Coaly No. 90.

Should you have any questions or need additional information, please let me know. Should you have an objection to our application, please let me know or you can contact the NMOCD directly by calling Mr. Terry Warnell in the Engineering Bureau @ 505-476-3466 and I would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

Attachments

DUGAN PRODUCTION CORP.
Coaly No. 90 & Coaly No. 3
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Basin Fruitland Coal - 320A E/2 Spacing unit
Undesignated Farmington Sand - 160A SE/4 Spacing unit

	<u>Working Interest - %</u>	<u>Net Interest - %</u>
<u>Working Interest Owners</u>	100.00	80.000000
Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420		
<u>Royalty Interest Owners</u>		
USA - Bureau of Land Management 1235 LaPlata Hwy, Suite A Farmington, NM 87401 Federal Lease NM-33021	0	12.500000
<u>Overriding Royalty Interest Owners</u>		
Energen Resources 605 Richard Arrington, Jr. Blvd. North Birmingham, AL 35203	0	3.750000
Four Star Oil & Gas Co. P. O. Box 36366 Houston, TX 77010	0	1.250250
Petrohawk Properties, LP P. O. Box 4346 Houston, TX 77210-4346	0	2.499750
TOTAL	<u>100.00</u>	<u>100.00</u>



dugan production corp.

January 17, 2011

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

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

Re: Off-Lease Gas Measurement & Sale
Dugan Production Corp.'s Coaly No. 90 & Coaly No. 3
Basin Fruitland Coal pool (OCD Pool No. 71629)
API No. 30-045-33905 & 30-045-35012
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Mr. Ezeanyim & Mr. Evans,


We are writing to request that the Off-Lease Gas Measurement & Sale currently approved for Dugan Production's Coaly No. 90 (NMOCD Administrative order OLM-22) be transferred to Dugan Production's Coaly No. 3. Both wells are located on Federal Lease NM-33021 and are only 50' apart. Attachment No. 1 presents a map showing both wells along with the gas line and off-lease sales meter location which is Enterprise Field Service's meter No. 88741. The Coaly No. 90 was completed 12/03/2008 in the Basin Fruitland Coal with an E/2 spacing unit (see Attachment No. 2) and as of 11/01/2011, has produced a total of 5,902 mcf plus 20,890 bbl water from the Basin Fruitland Coal. At a twin location 50' to the west of the Coaly No. 90, (Coaly No 90 location is 660' FSL & 1000' FEL, Coaly No. 3 location is 660' FSL & 1050' FEL of section 28, T-27N, R-12W), Dugan Production spudded the Coaly No. 3 on 9/15/2010 with plans to complete a wildcat Farmington Sand which had been encountered while drilling the Coaly No. 90. Upon reaching TD in the Coaly No. 3, we had not encounter the Farmington Sand and modified our plans to move the Basin Fruitland Coal completion from the Coaly No. 90 to the Coaly No. 3 and recomple the Coaly No. 90 in the Farmington Sand after abandoning the Fruitland Coal completion. Attachment No. 3 presents the plan change in the Coaly No. 3 and attachment No. 4 presents the plan change in the Coaly No. 90.

The Fruitland Coal completion in the Coaly No. 90 was averaging 21 mcf plus 56 bwpd and was abandoned on 10/28/2010 and the Farmington Sand (724'-750') is currently being evaluated for completion. The Coaly No. 3 was completed on 12/20/2010 in the Basin Fruitland Coal with the E/2 spacing unit which was previously established for the Coaly No. 90 (see attachment No. 5).

It is Dugan production's proposal to produce the Basin Fruitland Coal in our Coaly No. 3 using the off-lease sales meter previously approved for our Coaly No. 90. Upon completing the Farmington Sand in the Coaly No. 90, we anticipate oil production with very little gas. Should there be sufficient gas volumes, we will submit an application to surface commingle the gas from both wells and convert the current Enterprise gas sales meter to a central delivery sales meter.

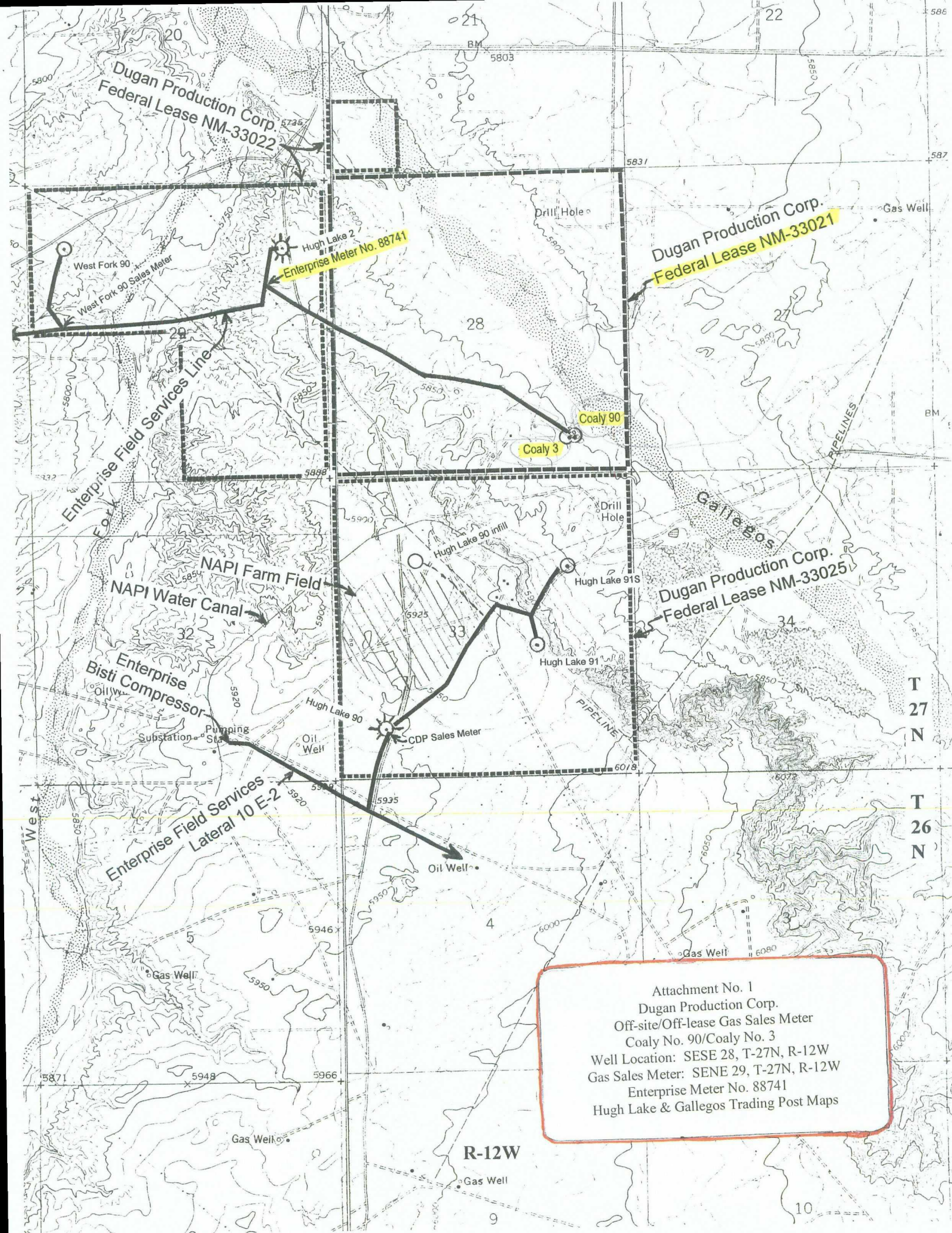
There is only one Federal Lease (NM-33021) for both spacing units. Dugan Production holds 100% of the working interest and all interest in the Farmington Sand and Fruitland Coal is the same. A copy of this letter is being sent to the interest owners.

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

Sincerely,

John D. Roe
Engineering Manager

attachments

XC: NMOCD - Aztec



District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30045-33905		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 34492	*Property Name COALY		*Well Number 90
*OGRIID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5795'

¹⁰ Surface Location

UL or lot no P	Section 28	Township 27N	Range 12W	Lot Idn	Feet from the	North/South line SOUTH	Feet from the	East/West line EAST	County SAN JUAN
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320.0 Acres - (E/2)					¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	5280.00'	5280.00'	28	5280.00'	5280.00'	DUGAN NM-33021	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief <i>Kurt Fagrelis</i> Signature Kurt Fagrelis Printed Name Geology Title July 3, 2006 Date

LAT: 36.54076 "N
LONG: 108.11139 "W
DATUM: NAD1983

660'
1000'

Attachment
No. 2

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 3

FORM APPROVED
Budget Bureau No. 1004-G135
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)

660' FSL & 1050' FEL

Sec. 28, T27N, R12W NMPM

5. Lease Designation and Serial No.
NMNM33021

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Coaly #3

9. API Well No.
30-045-35012

10. Field and Pool, or Exploratory Area
Farmington Sand

11. County or Parish, State
San Juan

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 Complete Fruitland Coal
and not Farmington Ss
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(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.)

Plan to perforate Fruitland Coal from 964 - 968, 992 - 996 and 1147 - 1162.

Will then swab test to evaluate for frac. The new C-102 "Well Location and

Acreage Dedication Plat" for the Fruitland Coal completion is attached.

RCVD OCT 28 '10
OIL CONS. DIV.
DIST. 3

Complete TA work on Coaly #3 before beginning this work &

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

Signed

Kurt Fegelin

Title

Geology

Date

10-25-2010

(This space for Federal or State office use)

Approved by

Petr. Eng.

Title

Petr. Eng.

Date

10/27/10

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

NMOCN

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No 4

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)

660' FSL & 1000' FEL

Sec. 28, T27N, R12W NMPM

5. Lease Designation and Serial No.
NMNM33021

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Coaly #90

9. API Well No.

30-045-33905

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan

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 Temp Abandon Fruitland Coal & Test Farmington SS
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(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.)

Plan to set CIBP at 900-feet to temporarily abandon the Fruitland Coal; then perforate lower Farmington Sandstone at 724 - 731 and 746 - 750. Will then swab test to evaluate for frac. A new C-102 for the Farmington SS completion is attached.

RCVD OCT 28 '10
MIL CONS. DIV.

Must Comply with NMOC D Rules
19.15.25.12, 19.15.25.13 and
19.15.25.14

DIST. 3

Complete TA on this well before Perting #3

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

Signed

Kurt Fitzgerald

Title

Geology

Date

10-25-2010

(This space for Federal or State office use)

Approved by

J. M. Buch

Title

Petr. Eng.

Date

10/27/10

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

NMOC D

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

*API Number 30-045-35012		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL	
*Property Code 2	*Property Name COALY			*Well Number 3
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION			*Elevation 5797'

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	28	27N	12W		660	SOUTH	1050	EAST	SAN JUAN

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320.0 Acres - E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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16

5280.00'

5280.00'

5280.00'

5280.00'

28

DUGAN NM-33021

LAT: 36.54076°N
LONG: 108.11155°W
DATUM: NAD1983

1050'

660'

5280.00'

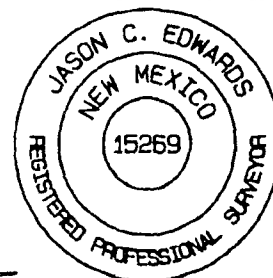
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral interest or interest in the land, or a pooling agreement or a compulsory pooling order heretofore entered by the division.

Kurt Fagrelis 10-27-2010
Signature Date
Kurt Fagrelis
Printed Name

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief

Survey Date: SEPTEMBER 11, 2008

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

Attachment
No. 5



dugan production corp.

RECEIVED OGD

2011 JAN 19 P 1:22



January 17, 2011

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

Mr. Dave Evans
Bureau of Land Management – FFO
1235 La Plata Highway
Farmington, NM 87401

Re: Off-Lease Gas Measurement & Sale
Dugan Production Corp.'s Coaly No. 90 & Coaly No. 3
Basin Fruitland Coal pool (OCD Pool No. 71629)
API No. 30-045-33905 & 30-045-35012
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Mr. Ezeanyim & Mr. Evans,

We are writing to request that the Off-Lease Gas Measurement & Sale currently approved for Dugan Production's Coaly No. 90 (NMOCD Administrative order OLM-22) be transferred to Dugan Production's Coaly No. 3. Both wells are located on Federal Lease NM-33021 and are only 50' apart. Attachment No. 1 presents a map showing both wells along with the gas line and off-lease sales meter location which is Enterprise Field Service's meter No. 88741. The Coaly No. 90 was completed 12/03/2008 in the Basin Fruitland Coal with an E/2 spacing unit (see Attachment No. 2) and as of 11/01/2011, has produced a total of 5,902 mcf plus 20,890 bbl water from the Basin Fruitland Coal. At a twin location 50' to the west of the Coaly No. 90, (Coaly No 90 location is 660' FSL & 1000' FEL, Coaly No. 3 location is 660' FSL & 1050' FEL of section 28, T-27N, R-12W), Dugan Production spudded the Coal No. 3 on 9/15/2010 with plans to complete a wildcat Farmington Sand which had been encountered while drilling the Coal No. 90. Upon reaching TD in the Coaly No. 3, we had not encounter the Farmington Sand and modified our plans to move the Basin Fruitland Coal completion from the Coal No. 90 to the Coaly No. 3 and recomplete the Coaly No. 90 in the Farmington Sand after abandoning the Fruitland Coal completion. Attachment No. 3 presents the plan change in the Coaly No. 3 and attachment No. 4 presents the plan change in the Coaly No. 90.

The Fruitland Coal completion in the Coaly No. 90 was averaging 21 mcf/d plus 56 bwpd and was abandoned on 10/28/2010 and the Farmington Sand (724'-750') is currently being evaluated for completion. The Coaly No. 3 was completed on 12/20/2010 in the Basin Fruitland Coal with the E/2 spacing unit which was previously established for the Coaly No. 90 (see attachment No. 5).

It is Dugan production's proposal to produce the Basin Fruitland Coal in our Coaly No. 3 using the off-lease sales meter previously approved for our Coaly No. 90. Upon completing the Farmington Sand in the Coaly No. 90, we anticipate oil production with very little gas. Should there be sufficient gas volumes, we will submit an application to surface commingle the gas from both wells and convert the current Enterprise gas sales meter to a central delivery sales meter.

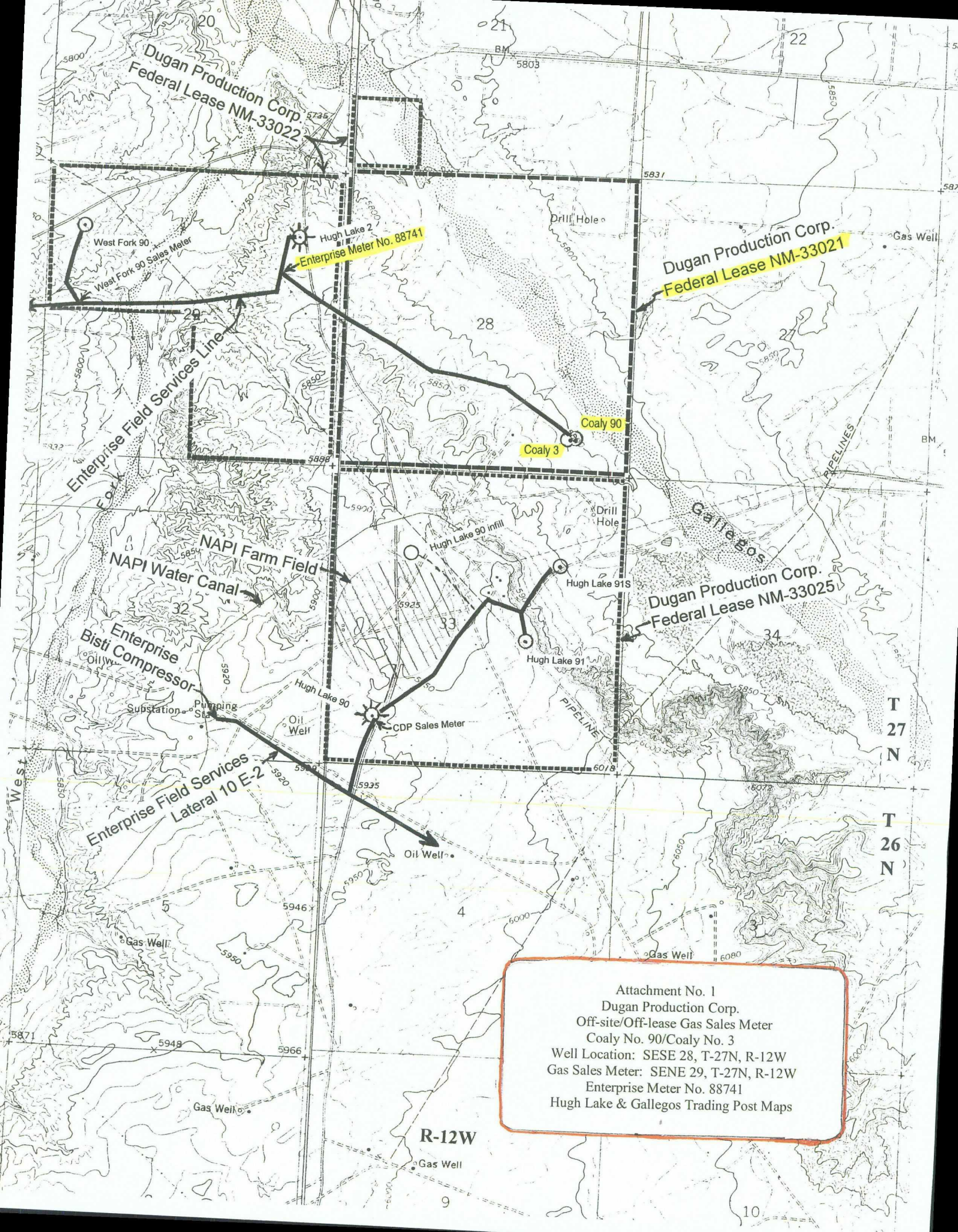
There is only one Federal Lease (NM-33021) for both spacing units. Dugan Production holds 100% of the working interest and all interest in the Farmington Sand and Fruitland Coal is the same. A copy of this letter is being sent to the interest owners.

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

Sincerely,
John D. Roe
John D. Roe
Engineering Manager

attachments

XC: NMOCD - Aztec



Attachment No. 1
Dugan Production Corp.
Off-site/Off-lease Gas Sales Meter
Coaly No. 90/Coaly No. 3
Well Location: SESE 28, T-27N, R-12W
Gas Sales Meter: SENE 29, T-27N, R-12W
Enterprise Meter No. 88741
Hugh Lake & Gallegos Trading Post Maps

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30045-33905		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 34492	*Property Name COALY		*Well Number 90
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5795'


¹⁰ Surface Location

UL or lot no P	Section 28	Township 27N	Range 12W	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 1000	East/West line EAST	County SAN JUAN
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320.0 Acres - (E/2)					¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	5280.00'		DUGAN NM-33021		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief <i>Kurt Fagrelis</i> Signature Kurt Fagrelis Printed Name Geology Title July 3, 2006 Date		
	5280.00'		28		¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief Date of Survey: APRIL 24, 2006 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269		
5280.00'		5280.00'		LAT: 36.54076°N LONG: 108.11139°W DATUM: NAD1983 1000' 660'			

Attachment
No. 2

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 3

FORM APPROVED
Budget Bureau No. 1004-G135
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)

660' FSL & 1050' FEL

Sec. 28, T27N, R12W NMPM

5. Lease Designation and Serial No.
NMNM33021

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Coaly #3

9. API Well No.

30-045-35012

10. Field and Pool, or Exploratory Area

Farmington Sand

11. County or Parish, State

San Juan

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 ☐ Change of Plans
☐ Recompletion ☐ New Construction
☐ Plugging Back ☐ Non-Routine Fracturing
☐ Casing Repair ☐ Water Shut-Off
☐ Altering Casing ☐ Conversion to Injection
☒ Other Complete Fruitland Coal and not Farmington Ss ☐ Dispose Water

(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.)

Plan to perforate Fruitland Coal from 964 - 968, 992 - 996 and 1147 - 1162.

Will then swab test to evaluate for frac. The new C-102 "Well Location and

Acreage Dedication Plat" for the Fruitland Coal completion is attached.

RCVD OCT 28 '10

OIL CONS. DIV.

DIST. 3

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

Signed

Kurt Fegrelin

Title

Geology

Date

10-25-2010

(This space for Federal or State office use)

Approved by

[Signature]

Title

Pete. Eng.

Date

10/27/10

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

NMOCN

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No 4

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)

660' FSL & 1000' FEL

Sec. 28, T27N, R12W NMPM

5. Lease Designation and Serial No.

NMNM33021

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Coaly #90

9. API Well No.

30-045-33905

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan

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 Temp Abandon Fruitland Coal & Test Farmington SS
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(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.)

Plan to set CIBP at 900-feet to temporarily abandon the Fruitland Coal; then perforate lower Farmington Sandstone at 724 - 731 and 746 - 750. Will then swab test to evaluate for frac. A new C-102 for the Farmington SS completion is attached.

RCVD OCT 28 '10
JIL CONS. DIV.

Must Comply with NMOCD Rules
19.15.25.12, 19.15.25.13 and
19.15.25.14

DIST. 3

Complete TA on this well before Peritting #3

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

Signed

Kurt Fegredo

Title

Geology

Date

10-25-2010

(This space for Federal or State office use)

Approved by

Jim Buche

Title

Petr. Eng.

Date

10/27/10

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

NMOCD

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

State of New Mexico
Energy, Minerals & Natural Resources Department

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

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-35012		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name COALY		*Well Number 3
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5797'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	28	27N	12W		660	SOUTH	1050	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

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

¹² Dedicated Acres 320.0 Acres - E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 5280.00' 5280.00' 5280.00' 5280.00' 28 660' 1050' LAT: 36.54076°N LONG: 108.11156°W DATUM: NAD1983	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kurt Fagrelus</i> 10-27-2010 Signature Date <i>Kurt Fagrelus</i> Printed Name</p> <p>¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Survey Date: SEPTEMBER 11, 2008 Signature and Seal of Professional Surveyor <i>JASON C. EDWARDS</i> Certificate Number 15269</p>
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Attachment
No. 5

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

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 - 22-A**[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery**☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR**[D] Other: Specify** *Move Administrative order OLM-22 from Dugan**Production's Coaly #90 to Coaly #3 - Well bores are 50'***[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply** *apart, are on same lease, ownership is the same + Prod. Interval is the same.***[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 SXO**
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, *Certified-Return Receipt Notice letter is Attached - Return Receipts to be submitted upon receiving.*****[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

John D. Roe

Engineering Manager

1-20-2011

Print or Type Name

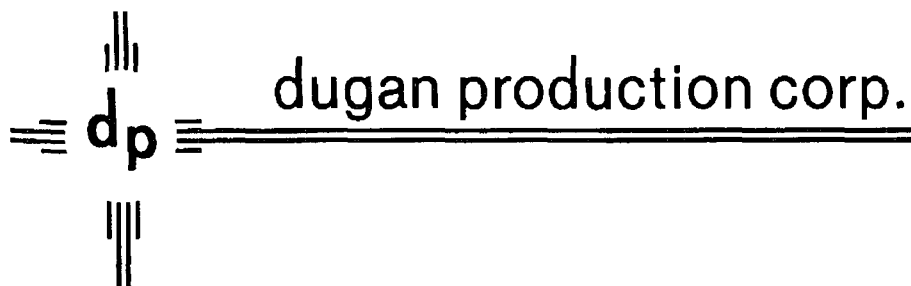
Signature

Title

Date

johnroe@duganproduction.com

e-mail Address



January 20, 2011

Mr. Terry Warnell
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Fax number – 505-476-3462

Re: Dugan Production's Letter of 1/17/11
Off-Lease Gas Measurement and Sale
Coaly Well No. 90 & Well No. 3

Dear Mr. Warnell,

Attached for your use in considering the subject letter, is an Administrative Application Checklist. As I mentioned on the phone, I was hoping that this could be a simple matter since the Coaly No. 3 well is only 50' to the west of our Coaly No. 90 and considering that both wells are on the same lease, the spacing unit consists of only one lease, the ownership (WI, RI & ORRI) is exactly the same in both wells and the Basin Fruitland Coal producing interval in the Coaly No. 90 has been replaced by a correlative interval in the Coaly No. 3.

To expedite things, I'm faxing this to you, but well also mail the original.

Please let me know if you have questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads 'John D. Roe'.

John D. Roe
Engineering Manager



dugan production corp.

MAILED CERTIFIED-RETURN RECEIPT

January 20, 2011

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

Petrohawk Properties, LP
P.O. Box 4346
Houston, TX 77210-4346

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

Re: Dugan Production Corp.'s
Off-lease Gas Measurement & Sales
Coaly No. 90 & Coaly No. 3
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Dear Interest Owner,

Attached for your information and review is a copy of our letter dated 1-17-11 requesting that the New Mexico Oil Conservation Division (NMOCD) and Bureau of Land Management (BLM) transfer their existing approvals for the off-lease measurement and sale of gas from Dugan Production's Coaly No. 90 to Dugan Production's Coaly No. 3. The Coaly No. 3 was recently drilled to develop a Farmington Sand that had been encountered during the drilling of the Coaly No. 90. However upon drilling the Coaly No. 3 at a location 50' west of the Coaly No. 90 we did not encounter the Farmington Sand and subsequently completed the Coaly No. 3 in the Basin Fruitland Coal which required us to abandon the Basin Fruitland Coal Completion in the Coaly No. 90 prior to recompleting the Coaly No. 90 in the Farmington Sand.

You are receiving this information because the NMOCD requires that all interest owners receive notice and if there are comments or objection, they must be made within 20 days from the date of this letter. Dugan Production holds 100% of the working interest and as an overriding royalty interest owner, there are no costs to you. Your interest in the Coaly No. 3 is the same as in the Coaly No. 90. Hopefully, all interest owners will benefit from production that is developed by recompleting the Coaly No. 90 from the Basin Fruitland Coal to the Farmington Sand. Production revenues from the Basin Fruitland Coal completion in the Coaly No. 3 should be similar to the Basin Fruitland Coal completion in the Coaly No. 90.

Should you have any questions or need additional information, please let me know. Should you have an objection to our application, please let me know or you can contact the NMOCD directly by calling Mr. Terry Warnell in the Engineering Bureau @ 505-476-3466 and I would appreciate receiving a copy of your objection.

Sincerely,

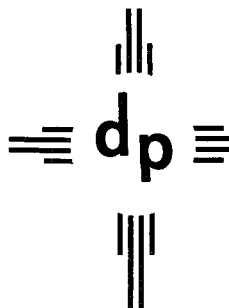
John D. Roe
Engineering Manager

Attachments

DUGAN PRODUCTION CORP.
Coaly No. 90 & Coaly No. 3
SESE Section 28, T-27N, R-12W
San Juan County, New Mexico

Basin Fruitland Coal - 320A E/2 Spacing unit
Undesignated Farmington Sand - 160A SE/4 Spacing unit

	<u>Working Interest - %</u>	<u>Net Interest - %</u>
<u>Working Interest Owners</u>	100.00	80.000000
Dugan Production Corp.		
P. O. Box 420		
Farmington, NM 87499-0420		
<u>Royalty Interest Owners</u>		
USA - Bureau of Land Management	0	12.500000
1235 LaPlata Hwy, Suite A		
Farmington, NM 87401		
Federal Lease NM-33021		
<u>Overriding Royalty Interest Owners</u>		
Energen Resources	0	3.750000
605 Richard Arrington, Jr. Blvd. North		
Birmingham, AL 35203		
Four Star Oil & Gas Co.	0	1.250250
P. O. Box 36366		
Houston, TX 77010		
Petrohawk Properties, LP	0	2.499750
P. O. Box 4346		
Houston, TX 77210-4346		
TOTAL	<u>100.00</u>	<u>100.00</u>



dugan production corp.

RECEIVED-OCD

2011 JAN 21 P 12:38

January 20, 2011

Mr. Terry Warnell
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Fax number – 505-476-3462

Re: Dugan Production's Letter of 1/17/11
Off-Lease Gas Measurement and Sale
Coaly Well No. 90 & Well No. 3

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John D. Roe

John D. Roe
Engineering Manager