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:

	[DHC-Dowr [PC-Po	ndard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] hole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] ol Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] ified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]
[1]	TYPE OF AP [A]	PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD
	Check [B]	One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB X PLC PC OLS X OLM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR
	[D]	Other: Specify
[2]	NOTIFICATI [A]	ON REQUIRED TO: - Check Those Which Apply, or Does Not Apply 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]	X For all of the above, Proof of Notification or Publication is Attached. and/or, *- Copies of Infors Providing Public indication
	[F]	Waivers are Attached #7(BLMYSEW), # 8(For EL) + #9(OREF) (UPINS of the Confidence of the Control
21	SUDMIT ACC	VIDATE AND COMPLETE INFORMATION DECLIBED TO PROCESS THE TYPE (14-4)

[3] LETE INFORMATION REQUIRED MII ACCUKATE AND OF APPLICATION INDICATED ABOVE.

CERTIFICATION: I hereby certify that the information submitted with this application for administrative [4] 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.

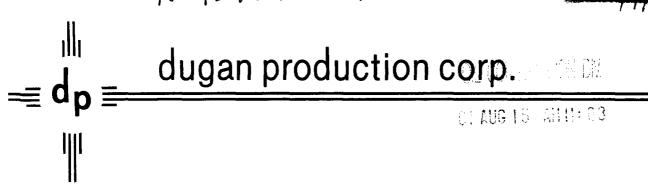
Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

John D. Roe	John D. Rac	Engineering Mana	ager <u>8/27/01</u>
Print or Type Name	Signature	Title	Date

dugan@cptnet.com e-mail Address

l Fin

122754795 AMEND MLC-113



August 14, 2001

Ms. Lori Wrotenbery New Mexico Oil Conservation Division 1220 South St. Francis Drive Santa Fe, NM 87505 Mr. Ray Powell, Commissioner New Mexico State Land Office PO Box 1148 Santa Fe, NM 87504-1148

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

Re: Add 9 wells to Dugan's Tabor Gathering System (Com 1E CDP) Plus Surface Commingling, off-lease measurement and Sale of Natural Gas San Juan County, New Mexico

Dear Ms. Wrotenbery, Mr. Henke and Commissioner Powell,

We are writing to request your respective approvals to add nine wells (six recently drilled, one to be drilled plus two that are currently connected directly to El Paso's pipeline) to Dugan Production's Tabor Gathering System which delivers gas to El Paso Field Services at the Com 1E CDP sales meter. This will require the surface commingling of natural gas, plus the off lease measurement and sale of natural gas produced from each of the nine wells. Any condensate or oil produced from these wells will be separated, stored and sold at the individual well sites and will not be included in the Tabor Gathering System. Dugan Production Corp. is the operator of all wells.

The Com No. 1E CDP (El Paso Field Service's Meter No. 90887 located in Unit A, Section 2, T-29N, R-14W, at the Com No. 1E well site) was initially placed into service as a central delivery sales meter during 9/96 and has been expanded two times. There currently are seven wells approved for the CDP. The last extension was approved by the Bureau of Land Management (BLM) on 7/5/00, the New Mexico State Land Office (NMSLO) on 7/7/00 and the New Mexico Oil Conservation Division (NMOCD) on 7/24/00 with NMOCD Administrative Commingling Order PLC-173.

Detailed well and lease information for each of the nine wells to be added to the Tabor Gathering System (plus each of the seven wells currently on the system) is presented on Attachment No. 2. The spacing units for the nine wells to be added includes acreage from four state leases (B-11242, B-11571, E-6714 & LG-3736), five federal leases (NM-4465, NM-23072, NM-28761, NM-33050 & NM-0206994) plus several fee leases.

Attachment No. 1 was reproduced from portions of the Youngs Lake and Kirtland USGS Quadrangle Topography maps and presents Dugan Production's Tabor Gathering System along with the wells connected to the system and Dugan's leases. The nine wells to be added are highlighted in blue. Also presented on Attachment No. 1 is Dugan Production's King and Federal I Gathering Systems which are separate from the Tabor Gathering System and are presented on Attachment No. 1 for informational purposes only since the three systems are in close proximity to one another, and all three systems send produced water to Dugan's Stella Needs A Com No. 1 and 1E SWD wells located in Units K and D, respectively, of Section 36, T-30N, R-14W.

Attachment No. 3 presents the C-102's for the wells to be added, along with the dedicated spacing units and associated leases. The ownership for each of the nine wells is presented in Attachment No.4. Page No. 1 of Attachment No. 4 presents a summary for all wells and pages two through ten present the specific ownership data for each well.

The nine wells to be added to the Tabor Gathering System are completed in pools that currently are producing into the gathering system and we do not anticipate any problems with compatibility. Of the nine wells, three are completed and one is proposed to be completed in the Basin Fruitland Coal pool, four are completed in the Harper Hill Fruitland Sand-Pictured Cliffs pool and two are completed in the Basin Dakota pool. Since six of the completions are fairly new and one is yet to be drilled, we do not have well established production information, however we do anticipate that each of the Harper Hill Fruitland Sand -Pictured Cliffs and Basin Fruitland Coal wells will produce similarly to the existing wells, i.e. 150 to 200 mcfd plus 100 to 150 BWPD. Production from the two Basin Dakota wells is well established and is presented in Attachment No. 6. The Horace Smith 1R and Jacobs 2 have been connected to El Paso's pipeline since completion and both are currently producing at fairly marginal rates. The pressure in El Paso's pipeline averages ± 250 psi and at times approaches 400 psi. Both wells have produced for 20+ years and we believe would benefit from the reduced gathering system pressure that exists in our Tabor Gathering System. We have installed a central compressor at the CDP which maintains a gathering system pressure of ±35-50 psi. The Tabor Gathering System has been extended to include other wells and is within 200'-250' of these two wells. Adding these two wells to the Tabor Gathering System will be fairly simple and will enable both wells to continue producing which may not be possible on El Paso's system since wellhead compression is not considered to be economically viable on either well. Both wells produce small amounts of liquid (condensate and water) and it is becoming increasingly difficult to keep the wells producing at the pipeline pressures that exist in El Paso's system.

We are proposing to operate these new wells the same as the seven other wells currently approved for the system, i.e. produce natural gas from each well up the casing-tubing annulus and after metering the gas at the individual well site using a conventional meter run and Barton dry flow meter, transport the gas to the central battery where it will be collected and using a central compressor, compressed for delivery to the Com 1E CDP sales meter. The CDP sales meter is on El Paso Field Service's system and is maintained by El Paso.

The water from each well, plus any natural gas that is associated with the water production, will be produced up the tubing (likely with rod pump artificial lift equipment) and will be transported to the central battery in a separate line. At the central battery, the produced water streams will be commingled and any associated natural gas will be separated. The water will be transferred to water storage tanks at the central battery and then transferred to Dugan Production's Stella Needs a Com water disposal system using a water injection pump also located at the central battery. The natural gas separated from the water at the central battery will be metered using a conventional gas meter run equipped with a Barton dry flow meter, and after metering, the gas will be delivered to the central compressor for compression and sale. This meter will be of similar design to the gas metering equipment located at each well. The gas recovered from the central battery water separator will be allocated to the individual wells contributing production to the separator based upon volumes of water each well produced. To date very little gas has been recovered from the produced water. The proposed allocation procedures for water and gas are presented on Attachment No. 5 which is unchanged from the procedure previously approved for the Com 1E CDP. The water production rates will be periodically tested at each well using Dugan's portable, 3 phase test unit. The test frequency will be based upon need as determined by volumes at the central battery; i.e. any changes of significance in the total volume will indicate the need for retesting each well.

We are sending copies of this application to all working and royalty interest owners in the nine wells to be added and Attachment No. 7 & 8 presents copies of the transmittal letters. All overriding royalty interest owners are also being notified of our application and Attachment No. 9 is a copy of our letter to them. All interest owner notice was sent by certified return-receipt mail and upon receiving the return receipts we will provide copies to the NMOCD as evidence of interest owner notice.

In summary, we are proposing to add nine wells to Dugan's Tabor Gathering System and Com No. 1E CDP sales meter. This will allow these wells to share the Tabor Gathering System central compressor and will allow produced water from these wells to be transported for disposal by pipeline rather than truck. By adding these nine wells to the Tabor Gathering System, it will eliminate the need to install wellhead compressors at each well which may not be economically feasible for some wells. This should reduce the volumes of gas needed for compressor fuel (with a corresponding increase in gas volumes available for sale) and will reduce compressor noise, exhaust emissions and truck traffic. These nine wells will be operated using the procedures already approved for the seven existing wells and should not affect performance of the existing wells. Since all gas volumes, BTU's and revenues will be allocated from the CDP to the individual wells using allocation factors determined from gas volumes recorded by allocation meters at each well and BTU's determined for each well, the commingling of gases should not reduce the value of any one well stream.

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

Sincerely,

John D. Roe

John D. Roe Engineering Manager

cc: royalty & working interest owners NMOCD - Aztec

										╞			Dates for SC, OLM & S	, OLM & S	2
	API No.	Well Location	Well Location	ation			Completion	Cur	Current Prod. 1	t. 1	Spacing	B	BLM	NMSLO	NMOCD
Well Name	30-045-	30-045- UL-Sec-Twn-Rng	Lease No.	Lse.Type	CA Number	Pool	Date	MCFD	MCFD BC/D BWPD	DdW	Unit	Application A	Approval	Approval	Approval
WELLS PREVIDUSLY APPROVED FOR SYSTEM	FOR SYS	EM													
Com No. 1E	23940	A-2-29N-14W	LG-3736	State	14080017765	Basin Dakota	12/8/79	73	0.06	0.3	E2-316.65A	7/12/1996	7/30/1996	7/17/1996	8/19/1996
Com No. 2 (Note 4)	23199	A-2-29N-14W	LG-3736	State	State C.A.	Harper Hill FrSd/PC	10/21/78	7	0	0.1	NE-156.65A	7/12/1996	7/30/1996	7/17/1996	8/19/1996
Com No. 4	29986	C-2-29N-14W	B-11242	State	NMNM103068	Harper Hill FrSd/PC	12/7/99	140	0	60 1	NW-157.95A	3/29/2000	7/5/2000	4/27/2000	5/25/2000
Federal I No.99	29989	H-3-29N-14W	SF-078110	Federal	A/A	Basin Fruitland Coal	12/9/99	273	0	55	E2-318.45A	3/29/2000	7/5/2000	4/27/2000	5/25/2000
Jiggs No. 1	30183	E-35-30N-14W	NM-0206995	Federal	N/A	Harper Hill FrSd/PC	11/17/00	187	0	72	NW-160A	6/30/2000	7/5/2000	7/7/2000	7/24/2000
Jiggs No. 2	30177	I-35-30N-14W	NM-0206995	Federal	N/A	Harper Hill FrSd/PC	7/25/00	202	0	62	SE-172.49A	6/30/2000	7/5/2000	7/1/2000	7/24/2000
Tabor Com No. 90	29994	H-35-30N-14W	NM-33051	Federal	NMNM102982	Basin Fruitland Coal	12/6/99	195	0	114	E2-332.49A	3/29/2000	7/5/2000	4/27/2000	5/25/2000
WELLS TO BE ADDED TO SYSTEM															
Beyond Petroleum Com No. 90	Note 3	L-26-30N-14W	NM-33052	Federal	Pending	Basin Fruitland Coal	Location	200	0	150	W/2-320A	8/14/2001 pending		pending	pending
Com No. 2R (Note 4)	30576	B-2-29N-14W	B-11242	State	State C.A.	Harper Hill FrSd/PC	5/15/2001	250	0	120 N	NE/4-156.65A	8/14/2001 pending	ending	pending	pending
Horace Smith No. 1R (Note 5)	24346	I-26-30N-14W	NM-0206994	Federal	SCR248	Basin Dakota	1/18/1981	125	۰	-	S/2-320A	8/14/2001 pending		pending	pending
Jacobs No. 2 (Note 6)	23942	G-26-30N-14W	NM-33050	Federat	N/A	Basin Dakota	1/7/1979	45	0.5	0.5	N/2-320A	8/14/2001 pending		pending	pending
Jacobs No. 3 (Note 7)	30590	C-26-30N-14W	NM-33050	Federal	A/N	Harper Hill FrSd/PC	6/5/2001	150	0	100	NW/4-160A	8/14/2001 pending	ending	pending	pending
Jacobs Com No. 90 (Note 7 & 8)	30588	G-26-30N-14W	NM-33050	Federat	Pending	Basin Fruittand Coal	6/5/2001	200	0	150	320A NSPU	8/14/2001 pending		pending	pending
Mayre No. 4R (Note 7)	30591	0-27-30N-14W	NM-4465	Federal	N/A	Harper Hill FrSd/PC	6/5/2001	150	0	100	SE/4-160A	8/14/2001 pending		pending	pending
Stella Needs a Com No. 2 (Note 7)	30574	D-36-30N-14W	B-11571	State	State C.A.	Harper Hill FrSd/PC	4/11/2001	150	0	100	NW/4-160A	8/14/2001 pending	ending	pending	pending
Winifred Com No. 90 (Note 7 & 8)	30577	O-26-30N-14W	FEE	FEE	Pending	Basin Fruittand Coat	5/15/2001	200	0	150 3	320.36A NSPU	8/14/2001 pending		pending	pending
Notes: N/A = Not Needed				i								1			

1) For wells previously approved, average production presents data for May, 2001. For wells to be added, production rates are anticipated/estimated.

2) Application for surface commingling, off-lease measurement and sale of natural gas. Applications are subject to approvals by the Bureau of Land Management (BLM), New Mexico State Land Office (NMSLO). and the New Mexico Oil Conservation Division (NMOCD). NMOCD's most recent order = Administrative Commingling Ander R.C.-173,

An Application for Permit to Drill (APD) was submitted on 8/1/01. API number is pending. A gas rate of ±200 mcrd is anticipated. ନ

The Com No. 2R was drilled to replace the Com No. 2 which is currently approved for operation on the Tabor Gas Gathering System. Production from the Com No. 2 averages ±7 mcfd and was shut in 7/14/01 with deliveries to the Tabor Gathering System being suspended during testing of the Corn No. 2R. NMOCD rules will not allow the Corn No. 2 & 2R to produce simultaneously. It is our desire to have both wells approved for operation on the Tabor Gathering System, however until special pool rules are established that will allow both wells to simultaneously produce, we plan to leave the No. 2 shut in. Rod pump artificial lift equipment was installed in the Com No. 2R on 6/6/01 and the well has been tested at ±250 mcfd plus approximately 120 BWPD. Ŧ

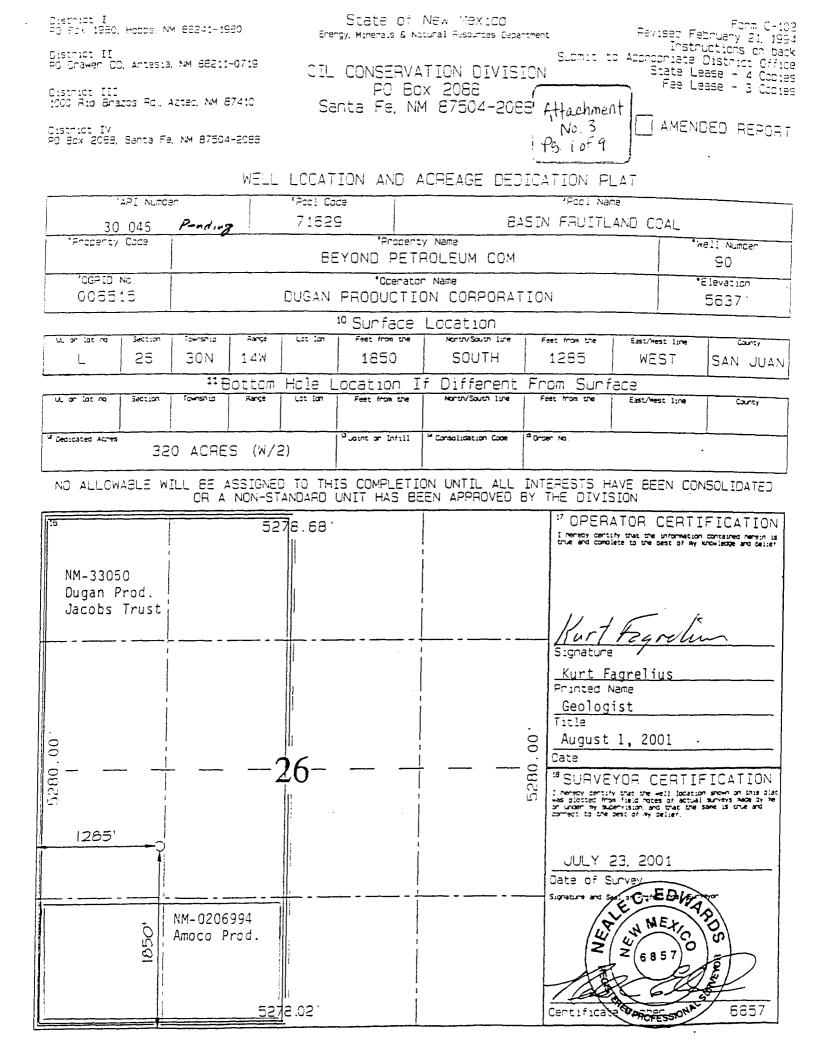
250 psi and at times approaches 400 psi. Dugan's Tabor Gathering System has been extended to within ±200° of the Horace Smith No. 1R. The Tabor Gathering System is currently being operated at 35 to 50 Dugan's Horace Smith No. 1R has delivered gas directly to EI Paso (Meter No. 93693) since completion and averages ±30 mcfd (see Attachment No. 6). Ei Paso's pipeline pressure has been averaging psi and moving the Horace Smith No.1R from El Paso's system to Dugan's Tabor Gathering System will provide a lower and more stable operating pressure. This will eliminate the need to install wellhead compression at the Horace Smith No. 1R. Production is anticipated to average 125-150 mcfd. ଜ

difficutt to keep producing (see Attachment No. 6). El Paso's pipeline pressure has been averaging 250 psi and at times approaches 400 psi. Dugan's Tabor Gathering system has been extended to within 250' Dugan's Jacobs No. 2 has delivered gas directly to El Paso (Meter No. 93-227) since completion and averages ±5 mcfd plus a small amount of condensate and water which makes the well 6

of the Jacobs No. 2 and is currently being operated at 35 to 50 psi. Moving the Jacobs No. 2 from El Paso's system to the Tabor Gathering System will provide a lower and more stable operating pressure and will eliminate the need to install wellhead compression. A rate of to 40 to 50 mcfd is anticipated.

Rod pump artificial lift equipment has been installed and a rate of 150 mcfd to 200 mcfd plus 100 to 150 BWPD is anticipated. 6

NMOCD Order R-11461 established ±320A non-standard spacing units for the Jacobs Com No. 90 (NE/4 Section 25), and the Winifred Com No. 90 (SE/4 Section 25) and



DISTRICT : PO Box 1980. :	Hobbs, NM	88241-1980	ē	lnergy. Min	State of erals & Nat	Ne tural	w Mexico Resources Depart	ment	Rev	nsed F	Form C-102 ebuary 21, 1994
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NET MEXICO OIL CONSERVATION COMMISSION Attachment No. 3 WELL CATION AND ACREAGE DEDICATION AT Pg 3 of 9

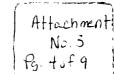
API NO.

Form C-102 Supersodes C-124 Effective 1-1-64

30-045-2	4346	All distances n	nust be from the	outer boundaries	of the Section.	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	
()batatot			Lease		<u> </u>		Well No.
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NEW MEXICO OIL CONSERVATION COMMISSION WELL LOCATION AND ACREAGE DEDICATION PLAT

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Form C-102 Supersedes C-128 i.

API NO.	WELL LUCA	TION AND ACREAGE D	DEDICATION PLAT	Pg. tof 9 Effective 1-1-65
30-045-23	All distance:	s must be from the outer bound		
Cperator Dugan Pr	roduction Corp.	Lease	acobs	Well No. 2
Unit Letter Sect: G	26 Township 26 30 Nor	th 14 West	t ^{County} San Juan	
Actual Footage Location of 1800 feet	from the North	line and 1800	feet from the East	line
Ground Level Elev. 5620 '	Producing Formation Dakota	Pool Basin		Dedicated Acreage: 320 Acres
1. Outline the acr	eage dedicated to the su	bject well by colored po	encil or hachure marks o	
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If answer is "n this form if nece		act descriptions which h	ave actually been conso	lidated. (Use reverse side of
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, ,	Dugan Puod. Nm-33050		d.	J. plugan
	⊦ _ ⊢ _			Thomas A. Dugan
`		1800	11 1	Petroleum Engineer
				Dugan Production Corp.
			11 i -	10-23 - 79
			shown notes o under n is true	by certify that the well location on this plat was plotted from field of actual surveys made by me or ny supervision, and that the same and correct to the best of my dge and belief.
 		1 1 1	Registere	10-19-79 d Professional Engineer M: Surveyor
		I		miss A. hlugan
EI DE 080 GEE	20 1650 1980 2310 264C	2000 1500 1000	Soc o Ti	• No. 2373 nomas A. Dugan

DISTRICT I P.O. Box 1980. H	obbs, N.M.	88241-198	0	E				W Mexico Resources Depar	rtment		Rev	used Fe	Form C-102 ebuary 21, 1994
DISTRICT II P.O. Drawer DD,	Artesia, N.N	1. 88211-0	719					·			to App	Instri ropriat	uctions on back e District Office ease - 4 Copies
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DISTRICT IV PO Box 2088, Sa	nta Fe, NM	87504-20		ELL I		·		7504-2088 CREAGE DE		S. S of 9] AME	NDED REPORT
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L	<u> </u>	···-·	11	Bott	om Hole	Locatio	on I	f Different F	rom	Surface	•		
UL or lot no.	Section	Townshi	p R	ange	Lot Idn	Feet from	the	North/South line	e Fee	t from the	East/We:	st line	County
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										Certificate N	umber A	I.M. PL	S #5979

DISTRICT I P.O. Box 1980, Hobbs, N.M. 88241-1980 DISTRICT II	State of New Energy, Minerals & Natural H	Resources Department	Form C-10 Revised Febuary 21, 199 Instructions on bac bmit to Appropriate District Offic
P O. Drawer DD, Artesia, N.M. 88211-0719 DISTRICT III 1000 Rio Brazos Rd, Aztec, N.M. 87410 DISTRICT IV PO Box 2088, Santa Fe, NM 87504-2088	OIL CONSERVATIO P.O. Box 2 Santa Fe, NM 8	2088	
WE	ELL LOCATION AND AC	REAGE DEDICATION	I PLAT
¹ API Number	² Pool Code	³ Pool	l Name
30 045 30588	71629 *Property 1		itland Coal *Well Number
'Property Code	JACOBS		90
⁷ OGRID No.	*Operator M		"Elevation
006515	DUGAN PRODUCTION	CORPORATION	5630
	¹⁰ Surface		
	Range Lot Idn Feet from the	North/South line Feet from	, sound,
	14W 1440	NORTH 1675	
and the second	¹ Bottom Hole Location If Range Lot Idn Feet from the	Different From Surfa	
OR A NON Dugan Pro Jim Jacol NM-33050 1675' N=36'47'17 W=10876'3 SECTION 26	bs NM-0206994 Dugan Prod. NM-28761	17 1 hereby of true and Signature Kurt Printed <u>Geol</u> Title Marc	OPERATOR CERTIFICATION certify that the information contained herein is complete to the best of my knowledge and belief

DISTRICÍ I P.O. Box 1980, H	obbs, N.M. S	88241-1980	5			New Mexico		ment	Rev	nsed F	Form C-1 ebuary 21, 19
DISTRICT (I P O Drawer DD.)	Artesia, N.M	. 88211-0719	9		,			Submi	t to App S	ropriat Itate La	uctions on ba e District Offi ease - 4 Cop ease - 3 Cop
DISTRICT III 1000 Rio Brazos DISTRICT IV	Rd. Aztec.	NM 87410			P 0.	ATION DIVIS Box 2088 NM 87504-208		Attachmer No. 3 Pa. 759			NDED REPOR
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DISTRICT III 1000 Rio Brazos DISTRICT IV PO Box 2088, Sa				S	P.O. Box anta Fe, NM		Attachmen No. 3 Pg. 8079	nt j	Fee L	ase - 3 Copie
1 AP	I Number			² Pool Code			Pool Nar			
30 04		574		78160		Harper Hill	<u>Fruitland</u>	Sand		
'Property (Code				°Property STELLA NEEDS					fell Number 2
OCRID N	Q.		····.		*Operator					2 'Elevation
00651	15			DUGAN		CORPORATION				5547
UL or lot no.	Section	Township	Range	Lot Idn	¹⁰ Surface Feet from the	Location North/South line	Feet from the	East/We	st line	County
D	36	30N	14W		1300	NORTH	990	WE.		County SAN JUAN
·	L		1	om Hole		f Different Fro	·		<u> </u>	
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/We:	st line	County
990 990 Dugan Prod E-6714		<u>N=36:46'27</u> ₩=10875'58 Dugan F B-11571	<u>80°</u> 3.17* Prod.			EEN APPROVE	17 O 1 hereby certi irue and comp Signature Kurt F Printed Nar Geolog Title Februa Date 18 SUR 1 hereby certify was plotted from or unser my st correct to the b	PERATO fy that the m plete to the agreli ist ry 23, RVEYOR , that the work m field note: est of my be	US 2001 CERT ell location s of actual nd that the eitef.	RTIFICATION contained herein is knowledge and betief
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	AFI Num			CATIO		ACR	EAGE DED	IC	ATION PI			
	•			71629	~	•	Bàc	in	Fruitlan			•
⁴ Property				1029	* Pre	iperty		<u>, 11</u>	riuluain		T	• Well Number
			WINIFR	ED COM							<u> </u>	90
OCRID	• • • •		D 11 0 1 1 1		•	crutor l TLOV	Name					* Elevation
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A TTACHMENT NO. 4 - PAGE 1 OF 10 Interest Ownership Summery Wells to be added to Dugan Production Corp.'s Tabor Gas Gathering System

Dugan Production Corp. 5 (abor uas daurening systems	· Summer	1.24 0111													and the second se			
	Beyond Petri	Beyond Petroleum Com No. 90 Com No. 2R	Com No. 2R	+	Honace Smith No. 1R		Jacobs No. 2	<u> </u>	Jacobs No. 3	5	Jacobs Com No. 90		Mayre No. 4R		Stella Needs	s a Com No. 2	Stella Needs a Com No. 2 Winifred Com No. 90	6. 90
	(details on Pg. No. 2)	g. No. 2)	(detaits on Pg	. No. 3) (6	(detaits on Pg. No. 3) (details on Pg. No. 4)		(details on Pg. No. 5)		(details on Pg. No. 6)		(details on Pg. No. 7)		(details on Pg. No. 8)	No. 8)	(details on Pg. No. 9)	g. No. 9)	(details on Pg. No. 10)	No. 10)
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Dugan Production Corp.	65.EJ	56.109	100.00	888.67	96.875	79.766	87.50	75.063	75.000	64.125	87.500	73.937	100.000	81.500	100.000	70.000	100.000	80.758
Jim & Mary Lou Jacobs	9:38	8.016			3.125	2.734	12.500	10.937	25.000	21.375	12.500	10.688						
ВР	25.00	20.625			_													
Rovetty interest																		
USA - Federal		12.500				9.375		12.500		12.500		12.500		12.500				9.379
State of New Mexico				12.500												12.500		
Fee - Muench						1.563												1.561
Fee-Hardin																		1.561
Cremiting Royally Internsi																		
Number of Owners		2		10		4	_	1		-		2		4		*		4
Total ORRI		2.750		7.612		6.562		1.500		2.000		2.875	_	6.000		17.500		6.741
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ATTACHMENT 4-PAGE 2 OF 10 Dugan Production Corp. Beyond Petroleum Com No. 90 Basin Fruitland Coal Well Location: NWSW 26, T-30N, R-14W Spacing Unit: W/2 (320.0A) San Juan County, New Mexico

.

INTEREST OWNER	INTER	REST%
	Gross	Net
Working Interest Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	65.625000	56.109375
Jim L. & Mary Lou Jacobs Living Trust U/T/A dated 11/6/97 3505 Crescent Avenue Farmington, NM 87401	9.375000	8.015625
BP Attn: Joint Interest Manager 200 Energy Court Farmington, NM 87401	25.000000	20.625000
<u>Royalty</u> USA - Bureau of Land Management 1235 La Plata Hwy. Farmington, NM 87401	-0-	12.500000
Overriding Royalty Interest F. H. & Louise Carpenter P. O. Box 608 Sourlake, TX 77659-0608	-0-	1.250000
Forest & Winifred Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 87144-9213	-0-	1.500000
TOTAL WELL	100.000000	100.000000

ATTACHMENT 4-PAGE 3 OF 10 Dugan Production Corp. Com No. 2R Harper Hill Fruitland Sand Pictured Cliffs Pool Well Location: NWNE 2, T-29N, R-14W Spacing Unit: NE/4 (156.65A) San Juan County, New Mexico

INTEREST OWNER	INTER	EST%
	Gross	Net
Working Interest	100 00000	70.007010
Dugan Production Corp. P. O. Box 420	100.000000	79.887810
Farmington, NM 87499-0420		
Royalty		
State of New Mexico State Land Office	-0-	12.500000
Attn: Pete Martinez		
P. O. Box 1148		
Santa Fe, NM 87504-1148		
Overriding Royalty Interest Conoco, Inc.	-0-	6.383660
Attn: San Juan Asset Unit Manager	-0-	0.989000
P. O. Box 2197		
Houston, TX 77252-2197		
Marsha Henderson Daniels	-0-	0.030715
2905 N. Montana Ave. #30216	-0-	0.030715
Helena, MT 59601		
Marsha M. Daniels	-0-	0.061430
c/o Clotilda M. Pope 5028 River Road		
Bethesda, MD 20816		
,		
Louise Adair McDougal Hadley	-0-	0.245703
236 Bluff Road		
Cedar Point, NC 28584		
Anne S. Henderson	-0-	0.245700
7611 Maple Ave., Apt. #811		
Silver Spring, MD 20912		
Robert T. Henderson	-0-	0.030715
5028 River Road	-0-	0.050715
Bethesda, MD 20816		
Robin Thomas Henderson 5028 River Road	-0-	0.061430
Bethesda, MD 20816		
200000,002 20000		
Charles Alan McDougal	-0-	0.245703
7928 Rooksley Court		
Raleigh, NC 27615		
Robert Bruce McDougal	-0-	0.245704
6608 Penny Lane		
Bartlesville, OK 74006		
Clotilda M. Pope	-0-	0.061430
5028 River Road	-v-	0.001700
Bethesda, MD 20816		
TOTAL WELL	100.000000	100.000000

ATTACHMENT 4-PAGE 4 OF 10 Dugan Production Corp. Horace Smith No. 1R Basin Dakota Gas Pool Well Location: NESE 26-T-30N, R-14W Spacing Unit: S/2 320.0A San Juan County, New Mexico

INTEREST OWNER	INTE	REST%
<u>Working Interest</u> Dugan Production Corp.	<u>Gross</u> 96.875000	<u>Net</u> 79.765630
P. O. Box 420 Farmington, NM 87499-0420		
Jim L & Mary Lou Jacobs Living Trust U/T/A 11/6/97 3505 Crescent Avenue Farmington, NM 87401	3.125000	2.734370
<u>Royalty</u> USA-Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	9.375000
Joseph O. & Cicily M. Muench Family Trust of 10/12/84 P. O. Box 779 Placitas, NM 87043	-0-	1.562500
Overriding Royalty Interest BP Attn: Joint Interest Manager 200 Energy Court Farmington, NM 87401	-0-	1.875000
F. H. & Louise G. Carpenter P. O. Box 608 Sourlake, TX 77659-0608	-0-	2.500000
Patricia Harbin c/o Marilyn Adragna 6401 Glendora Drive, NE Albuquerque, NM 87109-3620	-0-	1.562500
Winifred & Forrest Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 67144-9213	-0-	0.625000
TOTAL WELL	100.000000	100.000000

ATTACHMENT 4-PAGE 5 OF 10 Dugan Production Corp. Jacobs No. 2 Basin Dakota Gas Pool Well Location: SWNE 26, T-30N, R-14W Spacing Unit: N/2 (320A) San Juan County, New Mexico

INTEREST OWNER	INTER	REST %
	Gross	Net
Working Interest		
Dugan Production Corp.	87.500000	75.062500
P. O. Box 420		
Farmington, NM 87499-0420		
Jim & Mary Lou Jacobs	12.500000	10.937500
Living Trust U/T/A 11/6/97	12.500000	10.937500
3505 Crescent Avenue		
Farmington, NM 87401		
· ····································		
Royalty		
USA - Bureau of Land Management	-0-	12.500000
1235 La Plata Hwy.		
Farmington, NM 87401		
Overriding Royalty Interest		
Winifred & Forrest Jacobs	-0-	1.500000
1000 SW Santa Fe Lake Road		
Towanda, KS 67144-9213		

TOTAL WELL

100.000000 100.000000

ATTACHMENT NO. 4 - PAGE 6 OF 10 Dugan Production Corp. Jacobs No. 3 Harper Hill Fruitland Sand Pictured Cliffs Pool Well Location: NENW 26, T-30N, R-14W Spacing Unit: NW/4 (160A)

INTEREST OWNER	INTER	<u>EST%</u>
	<u>Gross</u>	Net
Working Interest Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	75.000000	64.125000
Jim L. & Mary Lou Jacobs Living Trust U/T/A dated 11/6/97 3505 Crescent Avenue Farmington, NM 87401	25.000000	21.375000
Royalty Interest USA - Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.500000
Overriding Royalty Interest Winifred & Forrest Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 67144-9213	-0-	2.000000
TOTAL WELL	100.000000	100.000000

ATTACHMENT 4-PAGE 7 OF 10 Dugan Production Corp. Jacobs Com No. 90 **Basin Fruitland Coal Pool** Well Location: SWNE 26, T-30N, R-14W Spacing Unit: 320A NSPU comprising NE/4 Sec. 26, plus NW/4 Sec. 25 (NMOCD Order R-11461) San Juan County, New Mexico

INTEREST OWNER	INTER	EST%
	Gross	Net
Working Interest		
Dugan Production Corp.	87.500000	73.937500
P. O. Box 420		
Farmington, NM 87499-0420		
Jim L. & Mary Lou Jacobs Living Trust U/T/A dated 11/6/97 3505 Crescent Avenue Farmington, NM 87401	12.500000	10.687500
<u>Royalty</u> USA - Bureau of Land Management 1235 La Plata Hwy. Farmington, NM 87401	-0-	12.500000
<u>Overriding Royalty Interest</u> Winifred & Forrest Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 87144-9213	-0-	1.000000
F. H. & Louise Carpenter P. O. Box 608 Sourlake, TX 77659-0608	-0-	1.875000
TOTAL WELL	100.000000	100.000000

ATTACHMENT 4 PAGE 8 OF 10 Dugan Production Corp. Mayre No. 4R Harper Hill Fruitland Sand Pictured Cliffs Pool Well Location: SWSE 27, T-30N, R-14W Spacing Unit: SE/4 (160A) San Juan County, New Mexico

INTEREST OWNER	INTER	<u>EST %</u>
	Gross	Net
Working Interest Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	100.000000	81.500000
<u>Royalty Interest</u> USA - Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	12.500000
Overriding Interest Jim & Mary Lou Jacobs Living Trust 3505 Crescent Ave. Farmington, NM 87401	-0-	2.000000
Dorothy Ann Kenny 2518 Wembley Drive St. Louis, MO 63125-3617	-0-	1.000000
Virginia Gass 805 St. Edith Lane Florissant, MO 63031	-0-	1.000000
F. L. Crane 5203 Largo Farmington, NM 87401	-0-	2.000000
TOTAL WELL	100.000000	100.000000

ATTACHMENT 4 - PAGE 9 OF 10 Dugan Production Corp. Stella Needs a Com No. 2 Harper Hill Fruitland Sand Pictured Cliffs Pool Well Location: NWNW 36, T-30N, R-14W Spacing Unit: NW/4 (160A) San Juan County, New Mexico

INTEREST OWNER	INTER	EST
	Gross	Net
Working Interest Dugan Production Corp. P. O. Box 420 Farmington, NM 87499-0420	100.000000	70.000000
Royalty Interest State of New Mexico State Land Office Attn: Pete Martinez P. O. Box 1148 Santa Fe, NM 87504-1148	-0-	12.500000
Overriding Royalty Conoco, Inc. Attn: San Juan Asset Unit Manager P. O. Box 2197 Houston, TX 77252-2197	-0-	16.375000
Harper L. & Nellie A. Proctor 402 Masonic Temple Building Jacksonville, FL 32206	-0-	0.375000
Martin A. Moe, Jr. 660 Palm Blvd. Weston, FL 33326	-0-	0.375000
Edward A. Lopez & Juanita Lopez 782 North Broad Street San Luis Obispo, CA 93401	-0-	0.375000

TOTAL

100.000000 100.000000

ATTACHMENT 4 - PAGE 10 OF 10 Dugan Production Corp. Winifred Com No. 90 **Basin Fruitland Coal Pool** Well Location: SWSE 26, T-30N, R-14W Spacing Unit: Basin Dakota = 370.36A NSPU comprising SE/4 Sec. 26 plus SW/4 Sec. 25 (NMOCD Order R-11461)

San Juan County, New Mexico

INTEREST OWNER	INTER	EST%
Working Interest	Gross	Net
Dugan Production Corp. P. O. Box 420	100.000000	80.757700
Farmington, NM 87499-0420		
<u>Royalty Interest</u> USA-Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	-0-	9.378600
Patricia Harbin 6401 Glendora, NE Albuqueque, NM 87109	-0-	1.560700
Joseph O. & Cicily M. Muench Family Trust P. O. Box 779 Placitas, NM 87043-0779	-0-	1.560700
Overriding Royalty Interest Jim L. & Mary Lou Jacobs Living Trust U/T/A 11/6/97 3505 Crescent Avenue Farmington, NM 87401	-0-	0.249710
Winifred & Forrest Jacobs 1000 SW Santa Fe Lake Road Towanda, KS 87144-9213	-0-	0.249710
F. H. & Louise Carpenter P. O. Box 608 Sourlake, TX 77659-0608	-0-	2.497100
BP Attn: Joint Interest Manager 200 Energy Court Farmington, NM 87401	-0-	3.745780
TOTAL WELL	100.000000	100.000000

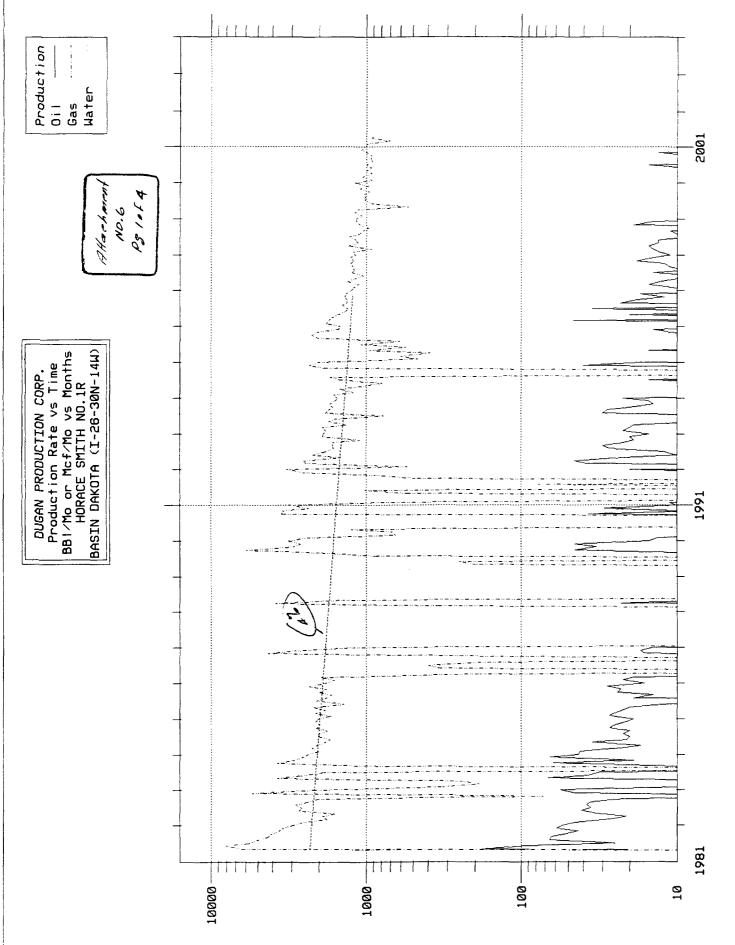
ATTACHMENT No. 5 Allocation Procedures Dugan Production Corp.'s Tabor Gathering System CDP : NENE-2-29N-14W San Juan County, New Mexico

Base Data:

- U = Water Volume (BWPD) from Periodic Well Test x days operated during allocation period.
- V = Water Volume (bbl) at Central Battery during allocation period.
- W = Gas Volume (MCF) from allocation meters at individual wells and central battery separator 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.

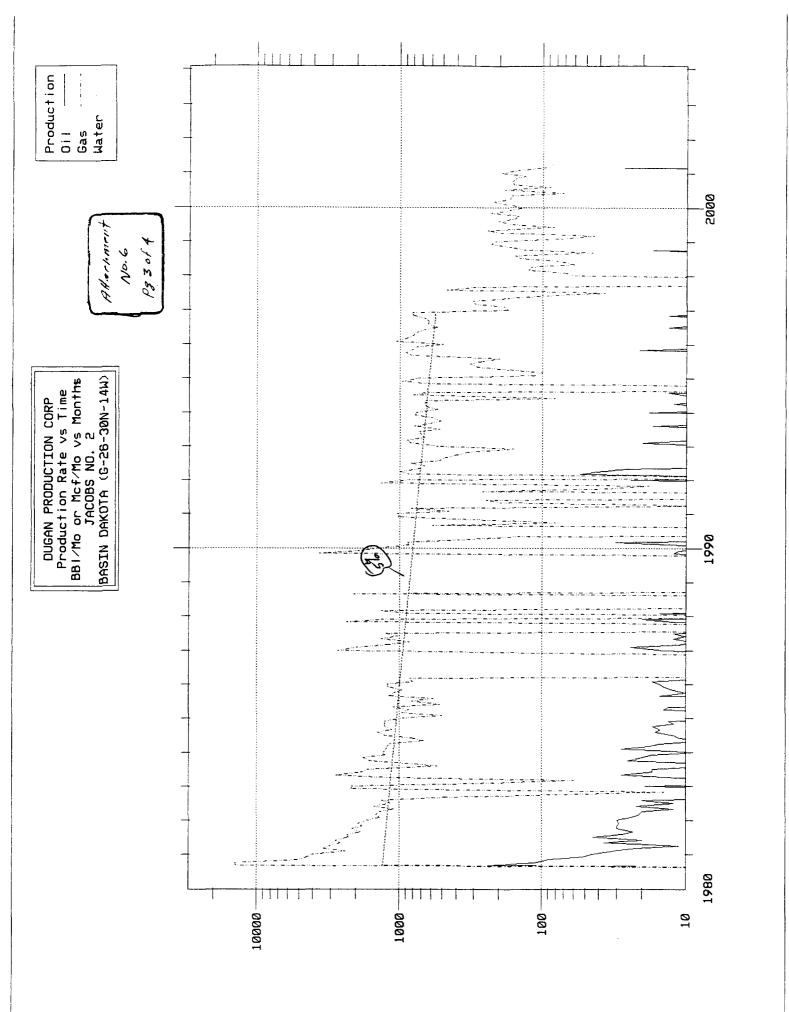
- 1. <u>Individual Well Gas Production</u> = A + B + C + D + E + F
 - A = Allocated Sales Volume, MCF. = $(W/SUM W) \times X$
 - B = Allocated gas sales volume (MCF) associated with water production
 = (A) in mcf for the central battery separator multiplied by a factor of (U/SUM U) for wells delivering gas and water to the central battery separator.
 - C = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.
 - D = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.
 - E = 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/SUM W for the wells involved.
 - F = 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. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by W/SUM W.
- <u>Allocated Individual Well BTU's</u>=((W x Individual well BTU)/Sum (W x individual well BTU)) x Y. Individual well gas heating values to be determined in accordance with BLM regulations (currently On shore Order No. 5).
- 3. Individual Well Water Production = Allocated production volume, bbl=(U/Sum U) x V.



PRODUCTION DATA REPORT Reported Monthly Production Totals HORACE SMITH

AHachman No.6 Pgzof4

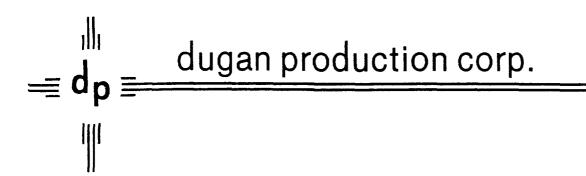
Year: 1	999 Cumulative	Liquid: 33	35 G	as: 317001	Water:	2401	
Month	Liquid (Bbls)	Gas (Mcf)	Water (Bbls)	Primary Allowable	Num. Wells	Days On	Loss Factor
Jan Feb Mar Apr May Jun	5 0 0 0 0 0	1165 1065 1184 1125 537 908	10 10 10 10 5 10		1 1 1 1 1 1 1	31 28 31 30 17 30	
Jul Aug Sep Oct Nov Dec TOTAL	0 0 0 0 0	1019 1014 1028 949 1103 / 966 / #	10 5 5 5 5 5 5 5 5	0 0 0 0 0 0 0 0 0 0	1 1 1 1 1 1	30 31 30 31 30 31 30 31 35	
Year: 2 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec TOTAL	000 Cumulative 0 0 3 5 9 15 3 2 7 13 7	Liquid: 339 1186 923 1058 926 1002 931 994 916 929 923 923 991 /2 1072	5 5 20 20 5 5 5 5 5 5 5 5 4	as: 329064 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Water: 1 1 1 1 1 1 1 1 1 1	2491 31 29 31 30 31 26 31 31 30 31 30 31 30 31	
Year: 2 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec TOTAL	001 Cumulative 10 5 0 1 2 0 0 0 0 0 0 0 0 0 0 0 0 0	Liquid: 345 996 999 707 913 898 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	$5 \\ 10 \\ 3 \\ 3 \\ 0 \\ 0 \\ 0 \\ 0 \\ 0 \\ 0 \\ 0 \\ $	as: 340915 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Water: 1 1 1 1 0 0 0 0 0 0 0 0 0 0 0 0 0	2580 31 28 24 30 31 0 0 0 0 0 0 0 0	
			<u> </u>				



PRODUCTION DATA REPORT Reported Monthly Production Totals JACOBS

AHerament Na 6 PS 4 of 4

Year:	1999	Cumulative	Liquid:	2170	C	Gas: 198914	Water:	4332	
Month		Liquid (Bbls)	Gas (Mcf)		ter ls)	Primary Allowable	Num. Wells	Days On	Loss Factor
Jan		0	217		 5	0		31	
		0	75		5		1		
Feb					5	0	1	22	
Mar		0	44		5	0	1	10	
Apr		0	195		5	0	1	30	
Мау		0	245		5	0	1	17	
Jun		0	84		5	0	1	30	
Jul		0	160		5	0	1	31	
Aug		0	204		5	0	1	31	
Sep		0	157		5	0	1	30	
Oct		0	149		5	0	1	31	
Nov		0	233	TIZ MO	5	0	1	30	
Dec		0	171	Aurese	5	0	1	31	
TOTAI	J	0- NO COND.	1934-	6.0 metd	60 - 6	o.ZBWPP		324	
Year:	2000	Cumulative		2170		Gas: 200848	Water:		
Jan		0	135		5	0	1	31	
Feb		0	187		0	0	1	29	
Mar		0	220		0	0	1	31	
Apr		0	169		1	0	1	30	
May		0	165		1	0	1	31	
Jun		0	72		0	0	1	15	
Jul		1	184		0	0	1	31	
Aug		0	88		0	0	1	31	
Sep		0	160		0	0	1	30	
Oct		0	163		0	0	1	31	
Nov		0	156 '	51200	0	0	1	30	
Dec		0	133 /	Averoge) 0	0	1	31	
TOTAI	J	1-0.6 B/m.		5.2 mefd	7 -	0.02 BWPD		350	
Year:	2001	Cumulative	Liquid:	2171	G	as: 202680	Water:	4399	
Jan		0	⁻ 195		2	0	1	31	
Feb		0	149		2	0	1	28	
Mar		27	98		60	0	1	7	
Apr		0	86		3 -	0	1	25	
May		0	0		3	0	1	31	
Jun		0	0		0	0	0	0	
Jul		0	0 0		Ō	0	0	Ō	
Aug		Õ	Õ		õ	Õ	Õ	Õ	
Sep		õ	õ		õ	0	õ	Õ	
Oct		Ő	õ		õ	Ő	õ	õ	
Nov		0	ŏ «	5 mo.	Ö	0	õ	Ö	
Dec		0	o Z	Average)	õ	0	Ő	Õ	
TOTAI	ച	27- 51.1 B/m	e (4.3 mefd)		0.57 BWPD	Ŭ	122	
a V +111	-							/	
			BASIN	N DAKOTA	- JAC	<u>COBS 2 *</u>			



AHachment NO. 7 P**g la**fj

August 14, 2001

BP Attn: Joint Interest Manager 200 Energy Court Farmington, NM 87401 Jim & Mary Lou Jacobs Living Trust U/T/A dated 11/6/97 3505 Crescent Avenue Farmington, NM 87401

Re: Working Interest Owner Notice Application to add wells to Dugan's Tabor Gas Gathering System CDP meter - NENE Section 2, T-29N, R-14W San Juan County, New Mexico

Dear Working Interest Owner,

Attached for your information and file is a copy of our application to the NMOCD, BLM and State Land Office to add eight recently drilled wells plus 1 proposed well to Dugan's Tabor Gas Gathering System. BP's only interest in the application is in the joint interest well Beyond Petroleum Com No. 90 which has not been drilled but will be drilled in the near future plus an overriding royalty interest in two wells, Dugan's Horace Smith No. 1R and Winifred Com No. 90. Jim and Mary Lou Jacobs have working interest in five wells (Beyond Petroleum Com No. 90, Horace Smith No. 1R, Jacobs No. 2, Jacobs No. 3 and Jacobs Com No. 90) plus an overriding royalty interest in two wells (Mayre No. 4R and Winifred Com No. 90). The individual interest ownership is presented on Attachment No. 3 to the application.

The operation of this gathering system is the best option available to produce these wells and your interests should not be harmed as a result of including these additional wells on the Tabor Gas Gathering System operated by Dugan Production Corp.

Should you have questions, concerns or need additional information please let me know. Should you have an objection to our application, you should contact the New Mexico Oil Conservation Division by mail at 1220 South St. Francis Drive, Santa Fe, NM 87505, or by phone at 505-476-3440 within 20 days from the date of this letter. We would appreciate receiving a copy of any objection filed.

Sincerely,

John D Rec.

John D. Roe Engineering Manager

JDR/tmf

attachments

A Popy of the Application is not part of this Atlant, Although a complete lopy was mailed to Addressees

dugan production corp.

August 14, 2001

Patricia Harbin 6501 Glendora NE Albuquerque, NM 87109

Re: Royalty Interest Owner Notice Application to add wells Dugan Production Corp.'s Tabor Gas Gathering System San Juan County, New Mexico Joseph O. & Cicily M. Muench Family Trust P. O. Box 779 Placitas, NM 87043-0779

No. 8

Dear Royalty Interest Owner,

Attached for your information and file is a copy of Dugan Production's application to add 9 wells (8 recently drilled and 1 to be drilled) to our Tabor Gas Gathering System. Our application requests approval from the Bureau of Land Management (BLM), New Mexico Oil Conservation Division (NMOCD) and the New Mexico State Land Office (NMSLO) to surface commingle gas produced from each well and to deliver the gas in Dugan's Tabor Gas Gathering System to a central delivery sales meter (CDP) located on El Paso's pipeline in the NENE of Section 2, T-29N, R-14W of San Juan County. Each well will be equipped with a standard, continuous recording gas meter which will be used to allocate gas sales volumes, BTU's and revenues from the CDP sales meter to each individual well.

Attachment No. 2 to the application presents basic well and lease information for each of the 9 wells to be added along with the 7 wells currently authorized for the system. The individual wells and your interest in each is presented on Attachment No. 3.

All wells to be added to the gathering system either do not qualify for a well head gas sales pipeline connection or would benefit from wellhead compression but are marginally economic and will not individually support a wellhead compressor installation. A benefit to the operation of a gas gathering system is that a central compressor can be used for all wells which will eliminate the need for compressors at each well. The operation of a central compressor, as opposed to individual well head compressors, will be more efficient, will use less compressor fuel (which will increase the volumes available for sale), and will result in reduced exhaust and noise emissions which is especially important considering the proximity of these wells to the town of Kirtland. The wells currently connected to the gathering system should not be affected by the addition of these wells.

Should you have any questions or desire to receive a copy of our application, please let me know. Should you have an objection to our application, you should contact the New Mexico Oil Conservation Division by mail at 1220 South St. Francis Drive, Santa Fe, NM 87505, or by phone at (505)476-3440 within 20 days from the date of this letter. We would appreciate receiving a copy of any objection filed.

Sincerely,

John & Re

John D. Roe Engineering Manager

JDR/tmf

attachments

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A lopy of the Application is not a port of this Alterhoment Although A complete logy was sent to Addressees.

dugan production corp.

August 10, 2001

Pa lof 3

To: Overriding Royalty Interest Owners (Attachment No. 1) Application to add wells Dugan Production Corp.'s Tabor Gas Gathering System San Juan County, New Mexico

Dear Overriding Royalty Interest Owner,

Dugan Production Corp. has submitted an application to add 9 wells (8 recently drilled and 1 to be drilled) to our Tabor Gas Gathering System. Our application requests approvals from the Bureau of Land Management (BLM), New Mexico Oil Conservation Division (NMOCD) and the New Mexico State Land Office (NMSLO) to surface commingle gas produced from each well and to deliver the gas in Dugan's Tabor Gas Gathering System to a central delivery sales meter (CDP) located on El Paso's pipeline in the NENE of Section 2, T-29N, R-14W of San Juan County. Each well will be equipped with a standard, continuous recording gas meter which will be used to allocate gas sales volumes, BTU's and revenues from the CDP sales meter to each individual well.

As an interest owner in one or more of these wells, you are entitled to receive notice of our application and should you desire to review the application, we will be happy to provide you with a copy.

Attachment No. 2 presents basic well and lease information for each of the 9 wells to be added along with the 7 wells currently authorized for the system. The wells in which you have an interest are presented on Attachment No. 1.

All wells to be added to the gathering system either do not qualify for a well head gas sales pipeline connection or would benefit from wellhead compression but are marginally economic and will not individually support a wellhead compressor installation. A benefit to the operation of a gas gathering system is that a central compressor can be used for all wells which will eliminate the need for compressors at each well. The operation of a central compressor, as opposed to individual well head compressors, will be more efficient, will use less compressor fuel (which will increase the volumes available for sale), and will result in reduced exhaust and noise emissions which is especially important considering the proximity of these wells to the town of Kirtland. The wells currently connected to the gathering system should not be affected by the addition of these wells.

Should you have any questions or desire to receive a copy of our application, please let me know. Should you have an objection to our application, you should contact the New Mexico Oil Conservation Division by mail at 1220 South St. Francis Drive, Santa Fe, NM 87505, or by phone at (505)476-3440 within 20 days from the date of this letter. We would appreciate receiving a copy of any objection filed.

Sincerely,

John D. Rec

John D. Roe Engineering Manager

JDR/tmf

attachments

C:\TF\Johnroe\taborggs\ltrorriroyown.wpd

Interest Owners Address List

(a = Beyond Petroleum Com No. 90; b = Com No. 2R; c = Horace Smith No. 1R; d = Jacobs No. 2; e = Jacobs No. 3; f = Jacobs Com No. 90; g = Mayre No. 4R; h = Stella Needs a Com No. 2; i = Winifred Com #90)

Working Interest Owners

BP (a) Attn: Joint Interest Manager 200 Energy Court Farmington, NM 87401

Jim & Mary Lou Jacobs (a,c,d,e,f) Living Trust U/T/A dated 11/6/97 3505 Crescent Avenue Farmington, NM 87401

Royalty Interest Owners

Patricia Harbin (i) 6401 Glendora NE Albuquerque, NM 87109

Joseph O. & Cicily M. Muench Family Trust (c,i) P. O. Box 779 Placitas, NM 87043-0779

Overriding Royalty Interest Owners BP (c, i) Attn: Joint Interest Manager 200 Energy Court

F. H. & Louise Carpenter (a,c,f,i) P. O. Box 608 Sourlake, TX 77659-0608

Farmington, NM 87401

Conoco, Inc. (b,h) Attn: San Juan Asset Unit Manager P. O. Box 2197 Houston, TX 77252-2197

F. L. Crane (g) 5203 Largo Farmington, NM 87401

Marsha Henderson Daniels (b) 2905 N. Montana Ave. #30216 Helena, MT 59601

Marsha M. Daniels (b) c/o Clotilda M. Pope 5028 River Road Bethesda, MD 20816

Virginia Gass (g) 805 St. Edith Lane Florissant, MO 63031

Louise Adair McDougal Hadley (b) 236 Bluff Road Cedar Point, NC 28584

Patricia Harbin (c) c/o Marilyn Adragna 6401 Glendora Drive, NE Albuquerque, NM 87109-3620

Anne S. Henderson (b) 7611 Maple Ave., Apt. #811 Silver Spring, MD 20912

Robert T. Henderson (b) 5028 River Road Bethesda, MD 20816 Dugan Production Corp. (a,b,c,d,e,f,g,h,i) P. O. Box 420 Farmington, NM 87499-0420

Attarkment No.9 Pszots

State of New Mexico (b,h) State Land Office Attn: Pete Martinez P.O. Box 1148 Santa Fe, NM 87504-1148

USA - Bureau of Land Management (a,c,d,e,f,g,i) 1235 LaPlata Hwy Farmington, NM 87401

Robin Thomas Henderson (b) 5028 River Road Bethesda, MD 20816

Jim L. & Mary Lou Jacobs (g,i) Living Trust U/T/A dated 11/6/97 3505 Crescent Avenue Farmington, NM 87401

Forest & Winifred Jacobs (a,c,d,e,f,i) 1000 SW Santa Fe Lake Road Towanda, KS 87144-9213

Dorothy Ann Kenny (g) 2518 Wembley Drive St. Louis, MO 63125-3617

Edward A. & Juanita Lopez (h) 782 North Broad Street San Luis Obispo, CA 93401

Charles Alan McDougal (b) 7928 Rooksley Court Raleigh, NC 27615

Robert Bruce McDougal (b) 6608 Penny Lane Bartlesville, OK 74006

Martin A. Moe, Jr. (h) 660 Palm Blvd. Weston, FL 33326

Clotilda M. Pope (b) 5028 River Road Bethesda, MD 20816

Harper L. & Nellie A. Proctor (h) 402 Masonic Temple Building Jacksonville, FL 32206

	NEW MEXICO
	UAN COUNTY,
	D CDP, SAN J
ENT NO. 2	3 SYSTEM AN
ATTACHMENT NO. 2	OF GATHERING
	I CORP. TABC
	DUGAN PRODUCTION CORP. TABOK GATHERING SYSTEM AND CDP, SAN JUAN COUNTY, NEW MEXICO
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												Da	Dates for SC / DLM &	SEMIC	5
	API No.	Well Location	Weil Location	ition			Completion	Cur	Current Prod. 1	1 1	Spacing	Ĩ	BLM I	NMSLC 1	NMOCD
Well Name	30-045-	30-045- UL-Sec-Twn-Rng	Lease No	Lse.Type	CA Number	Pool	Date	MCFD BC/D BWPD	BC/D	3WPD	Unit	Application Ap	Approval A	Approval	Approval
WELLS PREVICUSLY APPROVED FOR SYSTEM	FOR SYSTI	EM						는 가까운 것이		n share	it in number of the	a da anta anta anta anta anta anta anta			
iCom No. 1E	23940	A-2-29N-14W	LG-3736	State	14080017765	Basın Dakota	12/8/79	73	0 06	03	E2-316 65A	7/12/1996	7/30/1996	7/17/1996	8/19/1996
Com No 2 (Note 4)	23199	A-2-29N-14W	LG-3736	State	State C.A.	Harper Hill FrSd/PC	10/21/78	7	0	01	NE-156.65A	7/12/1996	7/30/1996	7/17/1996	8/19/1996
, Com No. 4	29986	C-2-29N-14W	B-11242	State	NMNM103068	Harper Hill FrSd/PC	12/7/99	140	0	60	NW-157,95A	3/29/2000	7/5/2000	4/27/2000	5/25/2000
Federal I No 99	29989	H-3-29N-14W	SF-078110	Federai	NIA	Basin Fruitland Coal	12/9/99	273	0	55	E2-318 45A	3/29/2000	7/5/2000	4/27/2000	5/25/2000
Jiggs No 1	30183	E-35-30N-14W	NM-0206995	Federal	NIA	Harper Hill FrSd/PC	11/17/00	187	0	72	NW-160A	6/30/2000	7/5/2000	7/7/2000	7/24/20001
Jiggs No. 2	30177	I-35-30N-14W	NM-0206995	Federal	N/A	Harper Hill FrSd/PC	7/25/00	202	0	62	SE-172.49A	6/30/2000	7/5/2000	7/7/2000	7/24/2000
Tabor Com No. 90	29994	H-35-30N-14W	NM-33051	Federal	NMNM102982	Basin Fruitland Coal	12/6/99	195	0	114	E2-332,49A	3/29/2000	7/5/2000	4/27/2000	5/25/2000
WELLS TO BE ADDED TO SYSTEM	References and														
Beyond Petrofeum Com No 90	Note 3	L-26-30N-14W	NM-33052	Federal	Pending	Basin Fruitland Coal	Location	200	0	150	W/2-320A	8/10/2001 pending		pending	pending
Corn No. 2R (Note 4)	30576	B-2-29N-14W	B-11242	State	State C.A	Harper Hill FrSd/PC	5/15/2001	250	0	120 1	NE/4-156.65A	8/10/2001 pending		pending	pending
Horace Smith No 1R (Note 5)	24346	I-26-30N-14W	NM-0206994	Federal	SCR248	Basın Dakota	1/18/1981	125	-	1	S/2-320A	8/10/2001 pending		pending	pending
Jacobs No. 2 (Note 6)	23942	G-26-30N-14W	NM-33050	Federal	N/A	Basin Dakota	1 <i>П</i> /1979	45	05	0.5	N/2-320A	8/10/2001 pending		pending	pending
Jacobs No. 3 (Note 7)	30590	C-26-30N-14W	NM-33050	Federal	N/A	Harper Hill FrSd/PC	6/5/2001	150	0	100	NW/4-160A	8/10/2001 pending		pending I	pending
Jacobs Com No 90 (Note 7 & 8)	30588	G-26-30N-14W	NM-33050	Federal	Pending	Basin Fruitland Coal	6/5/2001	200	0	150	320A NSPU	8/10/2001 pending		pending	pending
Mayre No 4R (Note 7)	30591	0-27-30N-14W	NM-4465	Federal	N/A	Harper Hill FrSd/PC	6/5/2001	150	0	100	SE/4-160A	8/10/2001 pending		pending	pending
Stella Needs a Com No. 2 (Note 7)	30574	D-36-30N-14W	B-11571	State	State C.A.	Harper Hill FrSd/PC	4/11/2001	150	0	100	NW/4-160A	8/10/2001 pending		pending p	pending
Winifred Com No. 90 (Note 7 & B)	30577	0-26-30N-14W	FEE	FEE	Pending	Basin Fruitland Coal	5/15/2001	200	0	150 3	320.36A NSPU	8/10/2001 pending		pending	pending
Notes: N/A = Not Needed															

For wells previously approved, average production presents data for May, 2001. For wells to be added, production rates are anticipated/estimated. F

Application for surface commingling, off-lease measurement and sale of natural gas. Applications are subject to approvals by the Bureau of Land Management (BLM), New Mexico State Land Office (NMSLO), and the New Mexico Oil Conservation Division (NMOCD). NMOCD's most recent order = Administrative Commingling Order PLC-173. 5

An Application for Permit to Drill (APD) was submitted on 8/1/01. AP1 number is pending. A gas rate of ±200 mcfd is anticipated. ?

The Com No. 2R was drilled to replace the Com No. 2 which is currently approved for operation on the Tabor Gas Gathering System. Production from the Com No. 2 averages ±7 mcfd and was shut in 7/14/01 with deliveries to the Tabor Gathering System being suspended during testing of the Com No. 2R. NMOCD rules will not allow the Com No. 2 & 2R to produce simultaneously. It is our desire to have both wells approved for operation on the Tabor Gathering System, however until special pool rules are established that will allow both wells to simultaneously produce, we plan to leave the No. 2 shurt in. Rod pump artificial lift equipment was installed in the Com No. 2R on 6/6/01 and the well has been tested at ±250 mcfd plus approximately 120 BWPD. 4

250 psi and at times approaches 400 psi. Dugan's Tabor Gathering System has been extended to within ±200' of the Horace Smith No. 1R. The Tabor Gathering System is currently being operated at 35 to 50 Dugan's Horace Smith No. 1R has delivered gas directly to El Paso (Meter No. 93693) since completion and averages ±30 mcfd (see Attachment No. 6). El Paso's pipeline pressure has been averaging psi and moving the Horace Smith No.1R from Et Paso's system to Dugan's Tabor Gathering System will provide a lower and more stable operating pressure. This will eliminate the need to install wellhead compression at the Horace Smith No. 1R. Production is anticipated to average 125-150 mcfd. ۍ

difficut to keep producing (see Attachment No. 6). El Paso's pipeline pressure has been averaging 250 psi and at times approaches 400 psi. Dugan's Tabor Gathering system has been extended to within 250' of the Jacobs No. 2 and is currently being operated at 35 to 50 psi. Moving the Jacobs No. 2 from El Paso's system to the Tabor Gathering System will provide a lower and more stable operating pressure and Dugan's Jacobs No. 2 has delivered gas directly to Ef Paso (Meter No. 93-227) since completion and averages ±5 mcfd plus a small amount of condensate and water which makes the well 6

Rod pump artificial lift equipment has been installed and a rate of 150 mcfd to 200 mcfd plus 100 to 150 BWPD is anticipated. will eliminate the need to install wellhead compression. A rate of to 40 to 50 mcfd is anticipated.

NMOCD Order R-11461 established ±320A non-standard spacing units for the Jacobs Com No. 90 (NE/4 Section 25), and the Winifred Com No. 90 (SE/4 Section 26 plus SVV/4 Section 25). 6

Alterhoment No. 9 Pgsof3

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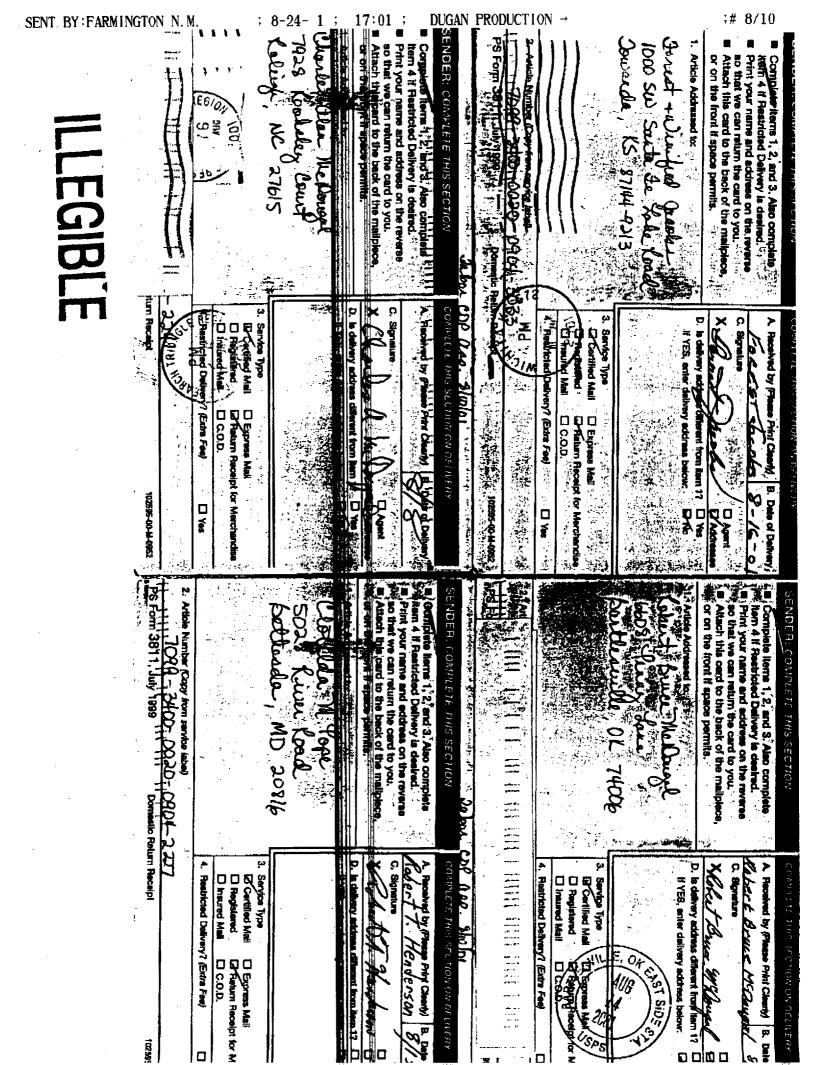
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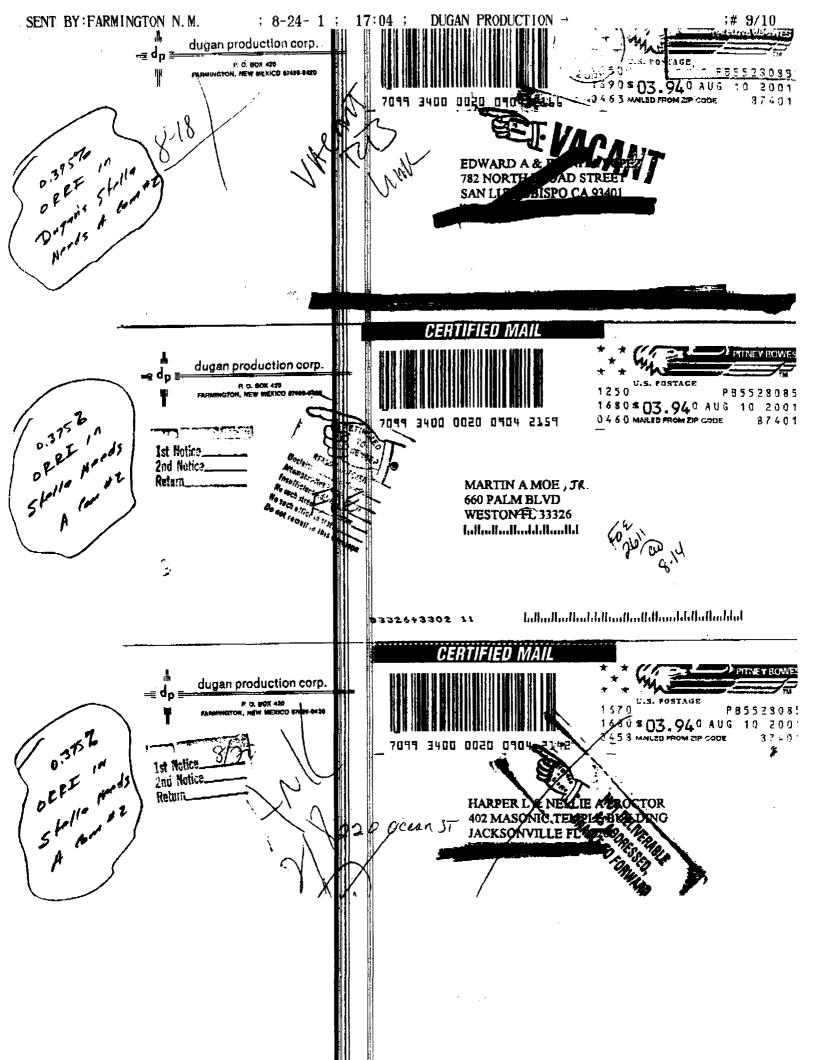
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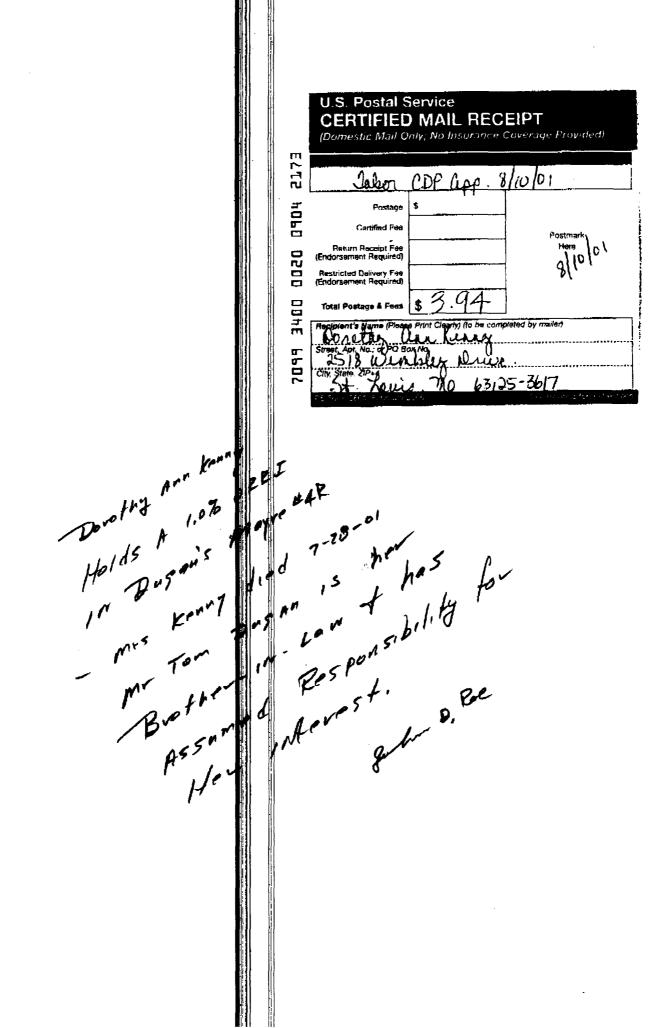
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United States Department of the Interior

BUREAU OF LAND MANAGEMENT Farmington Field Office

1235 La Plata Highway, Suite A Farmington, New Mexico 87401

IN REPLY REFER TO: 3162.7-3 Tabor & King Gas Gathering System

DEC 1 3 2001

PLC-173

Dugan Production Corporation Attn.: John Roe P.O. Box 420 Farmington, New Mexico 87499

Dear Mr. Roe:

Reference is made to your application dated August 14, 2001, to add nine wells to your Tabor Gas Gathering System (TGGS) Central Delivery Point (CDP). The TGGS delivers gas to El Paso Field Service Meter No. 90887, located in the NENE section 2, T.29N., R. 14W., at the Com 1E well site. The TGGS was approved for off-lease measurement and saies on July 30, 1996, and currently includes 7 wells. In addition to this application, we received your application dated October 31, 2001, requesting consolidation of the TGGS with the King Gas Gathering System (KGGS). The KGGS was originally approved for off-lease sales and measurement on October 1, 1999 and currently includes 7 wells. The KGGS delivers gas to El Paso Field Services Meter No. 98081, located in the NWSW Section 2, T. 29N., R. 14W., at the Com 91 well site. You propose to combine the TGGS and KGGS at a common measurement and compression facility at the following location:

Com 1E well site located in the NENE section 2, T. 29N., R. 14W., (El Paso Field Services Meter No. 90887).

Your proposal indicates that consolidation would eliminate the current off-lease sales and measurement provision for the KGGS which currently allows measurement at the Com 91 CDP (El Paso meter 98081); this meter will be removed from service.

Your applications indicate that measurement at a common facility is necessary to economically operate these wells and reduce overall operating costs. In addition, measurement at a common facility would eliminate the need for individual wellhead compression thereby reducing fuel use while increasing the gas available for sale. We have reviewed these applications and concur with your findings. As such, you are hereby authorized to measure gas at the Com 1E well site referenced above. In addition, your are also authorized to add the nine wells referenced in your application. The original terms and conditions for off-lease measurement and sales are still in full force and effect. In addition to these requirements, a mechanical integrity test of the system will be required. File the results of this test within 30 days of this approval. The attached list of wells are wells authorized for surface commingling and off-lease measurement at the Com 1E well site CDP (El Paso Field Services Meter No. 90887).

If you have any questions regarding the above please contact me at your convenience.

Sincerely,

Senior Technical Advisor, Petroleum Management Team

cc: NMOCD (Aztec & Santa Fe)

Tabor/King Gas Gathering System Well List

Well Name and No.	API No.	Lease #	<u>CA #</u>	Formation	Location
B.Petr. Com No. 90 Com No. 1E Com No. 2 Com No. 2R Com No. 2R Com No. 4 Federal I No.99 Horace Smith No. 1R Jacobs No. 2 Jacobs No. 2 Jacobs No. 3 Jacobs Com No. 90 Jiggs No. 1 Jiggs No. 2 Mayre No. 4R S. Needs a Com No. 2 Tabor Com No. 90 Winifred Com No. 90 Com No. 1 Com No. 3	3004530769 3004523940 3004523199 3004529986 3004529986 3004529989 3004524346 3004523942 3004530590 3004530590 3004530183 3004530177 3004530591 3004530574 3004529994 3004529994	NM-33050 State State State SF-078110 NM-0206994 NM-33050 NM-33050 NM-33050 NM-0206995 NM-0206995 NM-0206995 NM-4465 State NM-33051 Fee State State	Pending 14080017765 State CA State CA NMNM103068 NA SCR 248 NA NA Pending NA NA NA State CA NMNM102982 Pending NMNM91272 SMR1419	Basin FC Dakota Ft. sd/PC Ft. sd/PC Basin FC Dakota Dakota Ft. Sd/PC Basin FC Ft. Sd/PC Ft. Sd/PC Ft. Sd/PC Basin FC Basin FC Basin FC Basin FC Ft sd/PC	NWSW 26-30N-14W NENE 2-29N-14W NENE 2-29N-14W NWNE 2-29N-14W NENW 2-29N-14W SENE 3-29N-14W SENE 3-29N-14W SWNE 26-30N-14W SWNE 26-30N-14W SWNW 35-30N-14W SWNW 35-30N-14W SWSE 27-30N-14W SWSE 27-30N-14W SWSE 26-30N-14W SWSE 26-30N-14W SWSE 26-30N-14W
Com No. 91	3004529935	State	NMNM103067	Basin FC	NWSW 2-29N-14W
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Jiggs No. 2	3004530177	NM-0206995	NA	Ft. Sd/PC	NESE 35-30N-14W
Mayre No. 4R	3004530591	NM-4465	NA	Ft. Sd/PC	SWSE 27-30N-14W
S. Needs a Com No. 2	3004530574	State	State CA	Ft. Sd/PC	NWNW 36-30N-14W
Com No. 1	3004508722	State	NMNM91272	Basin FC	NWSE 2-29N-14W
Com No. 3	3004523267	State	SMR1419	Ft sd/PC	NWSE 2-29N-14W
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King Com No. 90	3004529883	Fee	NMNM102968	Basin FC	NWNE 11-29N-14W