

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

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

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

WELL API NO.
30-045-05602
5. Indicate Type of Lease *FEDERAL LEASE*
STATE ☐ FEE ☐
6. State Oil & Gas Lease No.
Federal Lease #SF-078431

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other ☐

2. Name of Operator
DUGAN PRODUCTION CORP.

3. Address of Operator
P.O. Box 420 Farmington, NM 87499

4. Well Location
Unit Letter N : 790 feet from the South line and 1966' feet from the West line
Section 35 Township 26N Range 8W NMPM San Juan County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)
7011' GL

7. Lease Name or Unit Agreement Name:

Nickson

8. Well No.
1

9. Pool name or Wildcat
Basin Fruitland Coal &
Ballard Pictured Cliffs

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Downhole Commingle ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

The Pictured Cliffs completion last produced during 1988 & has potential to produce 30 mcf/d (Ref. Attachment No. 1). The Pictured Cliffs was temporarily abandoned and the Fruitland Coal completed 1-29-97. During completion, gas was being produced but at rates too small to measure. Shut in pressure would build up to 92 PSIA and a water rate of 14 BWPD tested. We anticipate initial gas production under continuous operations to be ± 3 mcf/d, with potential to increase as dewatering occurs in the coal.

1&2. NMOCD Order R-11363 established the Basin Fruitland Coal (71629) and Ballard Pictured Cliffs (71439) as preapproved pools for downhole commingling.

3. Perforated intervals: Fruitland Coal 2620'-26', 2649'-51', 2661'-64', 2675'-77', 2715'-16', 2722'-25'. Pictured Cliffs 2734'-38', 2780'-2800'.

4. Allocation method: Fixed factors based upon an production tests (Ref. Attachment No. 2)

Proposed Allocation	Fruitland Coal	Pictured Cliffs
Gas	- 9%	91%
Water	- 80%	20%

5. The value of production from either zone will not be reduced, but will be maximized as a result of this downhole commingling. Production from the Pictured Cliffs completion was marginally economic and is currently shut-in. Production from the Fruitland Coal is not economic on its own and has been shut-in since completion. Commingled downhole, both zones will hopefully produce volumes sufficient to maintain economic operations and thus this downhole commingling will allow the Pictured Cliffs completion to be returned to production and the Fruitland Coal completion to be placed on production.

6. The ownership (working, royalty and overriding) is identical for both zones. Dugan Production holds 99.00% of the working interest and all royalty is Federal.

7. A copy of this sundry is being sent to the Bureau of Land Management.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE John D. Roe TITLE Engineering Manager DATE March 13, 2003

Type or print name John D. Roe Telephone No. (505) 325-1821

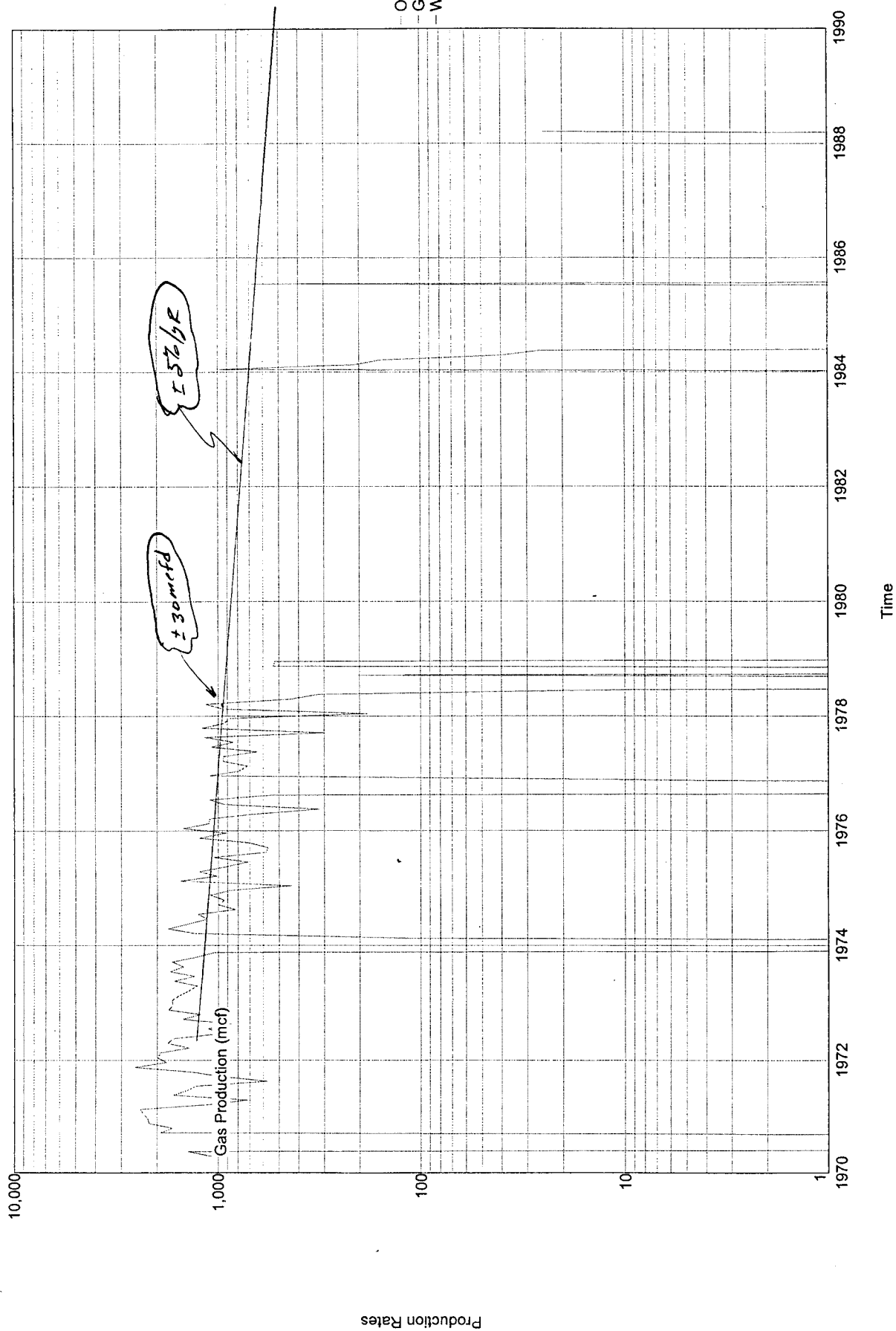
(This space for State use)
APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 23

Conditions of approval, if any:

DATE MAR 17 2003

Lease Name: NICKSON
County, State: SAN JUAN, NM
Operator: DUGAN PRODUCTION CORPORATION
Field: BALLARD
Reservoir: PICTURED CLIFFS
Location: 35 26N 8W SE SW

NICKSON - BALLARD



Attachment No. 2

Ballard Pictured Cliffs Completion

From production graph, (Attachment No. 1) production was declining @ $\pm 5\%$ /year and at the time the well ceased to produce regularly (1978), production was averaging ± 30 mcf/d. Periodic testing between 1978 & 1988 indicated potential existed for ± 30 mcf/d, however the well would not flow continuously. During the Fruitland Coal completion efforts, a casing leak was discovered and repaired. Upon receiving approvals to downhole commingle the Fruitland Coal and Pictured Cliffs the Nickson No. 1 will be acidized prior to returning to production in anticipation of restoring Pictured Cliffs productivity to ± 30 mcf/d.

Basin Fruitland Coal Completion

The Fruitland Coal was completed on 1-29-97 testing a gas and water rate of TSTM and 14 BWPD, respectively. Subsequent resting efforts have indicated pressure will build up to 92 PSIA, gas production is present and water rates of 6 to 10 BWPD are anticipated. It is anticipated that once commingled with the Pictured Cliffs and placed on production, natural gas production will be 1 to 5 mcf/d and will increase as dewatering occurs in the coal. For allocation of production, a gas rate of ± 3 mcf/d is believed to be realistic. It should be noted that all interest in both completions is identical.

<u>Proposed Allocation:</u>	<u>Gas</u>	<u>Water</u>
Basin Fruitland Coal	3 mcf/d (9%)	8 BWPD (80%)
Ballard Pictured Cliffs	30 mcf/d (91%)	2 BWPD (20%)
<u>Total</u>	<u>33 mcf/d</u>	<u>10 BWPD</u>