Submit 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

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

Form C-103
May 27, 2004

WELL API NO.
30-045-31792

5. Indicate Type of Lease – *Federal*
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
Federal Lease No. SF-078110

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.)

7. Lease Name or Unit Agreement Name
Federal I Com

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

8. Well Number
102

2. Name of Operator
Dugan Production Corp.

9. OGRID Number
006515

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

10. Pool name or Wildcat
Basin Fruitland Coal & Harper Hill FR Sand-PC

4. Well Location
Unit Letter A : 270 feet from the North line and 330 feet from the East line
Section 12 Township 29N Range 14W NMPM San Juan County

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)*
5485' GL

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ **Depth to Groundwater** _____ **Distance from nearest fresh water well** _____ **Distance from nearest surface water** _____

Pit Liner Thickness: _____ **mil** **Below-Grade Tank: Volume** _____ **bbls; Construction Material** _____

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

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	P AND A	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPL	☐	CASING/CEMENT JOB	☐		
OTHER: Downhole commingle application	☒			OTHER:	☐		

13. 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.

This well was spudded on 3/16/05 and 5½" casing cemented @ 1315'. We currently plan to complete intervals within the Harper Hill Fruitland Sand-Pictured Cliffs and the Basin Fruitland Coal gas pools. In addition, we plan to fracture stimulate the perforations in both pools simultaneously. It is proposed that both intervals be downhole commingled to clean up stimulation fluids and then produced.

1&2. NMOCD Order R-11363 established the Basin Fruitland Coal (71629) and Harper Hill Fruitland Sand-PC (78160) as pre-approved pools for downhole commingling.

3. Proposed perforated intervals: Basin Fruitland Coal 1053'-65', 1094'-98', 1140'-49', 1154'-59'. Harper Hill Fruitland Sand-PC 812'-42', 932'-38', 1159'-66'.

4. Proposed allocation method: Fixed factors based upon an analysis of production from both pools in a 16 section area adjacent or close to the subject well (Ref. Attachment No. 1). A total of 14 FR Coal wells, 27 PC wells and 6 downhole commingled wells were evaluated.

Proposed Allocation		Fruitland Coal	Fruitland Sand/Pictured Cliffs
Gas	-	53%	47%
Water	-	53%	47%

5. Both pools are anticipated to produce high volumes of water & the proposed downhole commingling is necessary to economically & efficiently produce both zones. The value of production from either pool, will not be reduced, but will be maximized as a result of this downhole commingling.

6. The ownership is not identical for both zones. Dugan Production holds 37.4% of the Fruitland Sand-PC plus 56.1% of the Fruitland Coal working interest. Notice of this application was sent to all interest owners by certified mail, return receipt. Only one concern was raised by Lance Oil & Gas in their letter dated 6/14/05. This concern has been resolved and no objection exists to this downhole commingling application..

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

DHC 1952AZ

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.**

SIGNATURE John D Roe TITLE Engineering Manager DATE August 8, 2005

Type or print name John D. Roe E-mail address: johnroe@duganproduction.com Telephone No. 505-325-1821

For State Use Only

APPROVED BY: _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. ☆ DATE AUG 09 2005

Conditions of Approval (if any):

Attachment No. 1
Offset Well Production
Dugan's Federal I Wells No. 101, Com 102, King Com No. 2 & King Com No. 90
Sections 1, 11 & 12; T-29N; R-14W
San Juan County, New Mexico

Operator ①	Well	Location UL-S-T-R	# Months Produced	10/04 DHC ③ %FC/%PC	Average Production - mcf/mo & (# of mo. If less than 12) ②									
					Fruitland Coal					Fruitland Sand-PC				
					1st 12 months	2nd 12 months	3rd 12 months	4th 12 months	5th 12 months	1st 12 months	2nd 12 months	3rd 12 months	4th 12 months	5th 12 months
LANCE	RPC 18 #3	N-18-29N-13W	27	50/50 ④	1,376	1,588	1477 (3)			1,376	1,588	1477 (3)		
LANCE	Ropco 18 #4	P-18-29N-13W	5		14,023 (5)									
ROC	Fawkes #1	P-18-29N-13W	353							3,247	3,487	4,582	4,123	4,097
DPC	Federal I #100	B-1-29N-14W	41		1,435	1,594	1,744	2,266 (5)						
DPC	Federal I #4/4R	C-1-29N-14W	413							5,129	4,079	4,297	4,365	3,485
DPC	Federal I #6	G-1-29N-14W	76							1,959	2,774	3,007	3,088	3,524
DPC	Federal I #5/5R	J-1-29N-14W	380							3,176	3,200	3,373	2,518	3,082
DPC	Com #2/2R	A-2-29N-14W	44							4,100	3,440	2,455	1,776 (8)	
DPC	Com #4	C-2-29N-14W	61							8,985	4,757	6,564	5,029	3,293
DPC	Com #1	J-2-29N-14W	81		4,388	8,887	6,841	5,401	4,243					
DPC	Com #3	J-2-29N-14W	155							1,046	596	1,017	972	1,092
DPC	Com #91	L-2-29N-14W	56		4,880	3,135	2,136	1,722	1,100 (8)					
LANCE	WF Federal 3 #1	D-3-29N-14W	50							3,356	5,207	4,382	4,629	4,765 (2)
DPC	Federal I #99	H-3-29N-14W	57		6,283	5,501	6,216	4,513	3,461 (9)					
DPC	Federal I #7	J-3-29N-14W	55							8,486	5,033	2,811	2,215	1,902 (6)
LANCE	WF Federal 3 #2	L-3-29N-14W	50		5,341	4,701	4,615	3,668	3,837 (2)					
DPC	Federal I #98	B-10-29N-14W	55		5,226	3,397	2,247	1,669	1,428 (7)					
LANCE	Ropco 10 #1	D-10-29N-14W	24							3,317	2,653			
DPC	Federal I #10	J-10-29N-14W	30							4,971	3,022	1,330 (6)		
LANCE	Ropco 10 #2	K-10-29N-14W	42	50/50 ⑤	1,775	2,064	2,866 (3)			3,574	1,916	2,057	2,489 (6)	
DPC	King Com #90	B-11-29N-14W	55		812	710	413	491	501 (7)					
DPC	Federal I #8	C-11-29N-14W	54							7,973	5,978	4,002	6,236	4,551 (6)
DPC	Federal I #90	E-11-29N-14W	30		2,584	4,374	4,455 (6)							
LANCE	Navajo 13 #1	A-13-29N-14W	24	74/26 ⑥	2,827	2,326 (7)				3,356	2,175			
MSPC	Navajo Tribal H #15	A-13-29N-14W	41							997	1,420	1,349	1,112 (5)	
LANCE	Navajo 13 #2	E-13-29N-14W	24							3,381	4,868			
LANCE	Navajo Tribal H #5	M-13-29N-14W	54	50/50 ⑦	1,929	3,517	2,752	2,850	2,668 (6)	1,929	3,517	2,752	2,850	2,668 (6)
LANCE	Navajo Tribal H #12	E-14-29N-14W	42							1,352	2,345	2,583	1,998 (6)	
LANCE	Navajo 14 #2	H-14-29N-14W	8							5,426 (8)				
LANCE	WF Navajo 14 #1	I-14-29N-14W	36							10,079	8,161	9,919		
LANCE	Benally 14 #3	K-14-29N-14W	27							2,761	4,420	4,688 (3)		
LANCE	WF Federal 34 #3	A-34-30N-14W	56	49/51 ⑧	4,449	2,189	4,048	4,076	4,270 (8)	6,157	7,131	5,611	5,775	4,993 (8)
LANCE	WF Federal 34 #2	N-34-30N-14W	57	49/51 ⑨	5,634	8,266	10,750	5,147	2,086 (9)	666	532	406	1,178	2,171 (9)
LANCE	WF Federal 34 #1	O-34-30N-14W	64							7,416	7,683	6,231	4,737	5,713
DPC	Aztec 35 #3	D-35-30N-14W	90							1,509	1,240	749	498	573
DPC	Jiggs #1	E-35-30N-14W	51							4,127	5,276	3,860	1,686	1,439
DPC	Winifred #2	G-35-30N-14W	126							799	1,044	434	529	862
DPC	Tabor Com #90	H-35-30N-14W	56		3,486	5,315	8,266	4,999	5,776					
DPC	Jiggs #2	I-35-30N-14W	55							4,584	4,793	6,602	4,522	4,146 (7)
LANCE	Aztec #4	N-35-30N-14W	280							2,003	1,517	1,017	1,268	1,126
LANCE	Perf #90	N-35-30N-14W	27		2,825	6,233	6,695 (3)							

Attachment No. 1
Offset Well Production
Dugan's Federal I Wells No. 101, Com 102, King Com No. 2 & King Com No. 90
Sections 1, 11 & 12; T-29N; R-14W
San Juan County, New Mexico

Operator ①	Well	Location UL-S-T-R	# Months Produced	10/04 DHC ③ %FC/%PC	Average Production - mcf/mo & (# of mo. If less than 12) ②									
					Fruitland Coal					Fruitland Sand-PC				
					1st 12 months	2nd 12 months	3rd 12 months	4th 12 months	5th 12 months	1st 12 months	2nd 12 months	3rd 12 months	4th 12 months	5th 12 months
LADD	Aztec 35 #5	O-35-30N-14W	6							200 (6)	---	---	---	---
DPC	Stella Needs a Com #2	D-36-30N-14W	46							1,937	4,865	4,738	5,569 (10)	
DPC	Camp David Com #1	G-36-30N-14W	89		3,913	2,924	4,800	4,420	6,064					
DPC	Camp David Com #1S	I-36-30N-14W	14		5,993	11,941 (2)								
DPC	O'Henry #1	N-36-30N-14W	89		1,009	724	995	1,921	2,262					
DPC	Camp David Com #2	O-36-30N-14W	46							2,259	5,159	4,023	3,111 (10)	
		Total all wells			*80,188*	*79,386*	*71,316*	*43,143*	*37,696*	*121,632*	*113,876*	*96,316*	*72,273*	*53,482*
		# wells			*20*	*19*	*17*	*13*	*12*	*33*	*31*	*28*	*24*	*18*
		Average/well			*4,009*	*4,178*	*4,195*	*3,319*	*3,141*	*3,686*	*3,673*	*3,440*	*3,011*	*2,971*
		% of FC & PC			*52.1*	*53.1*	*54.9*	*52.4*	*51.4*	*47.8*	*46.9*	*45.1*	*47.6*	48.6
		Avg. 1st 5 yrs			**52.9**					**47.1**				
		Total excluding DHC wells			*62,198*	*59,436*	*49,423*	*31,070*	*28,672*	*104,574*	*97,017*	*84,013*	*59,981*	*43,650*
		# wells			*14*	*13*	*12*	*10*	*9*	*27*	*25*	*23*	*20*	*15*
		Average/well			*4,443*	*4,572*	*4,119*	*3,107*	*3,186*	*3,873*	*3,881*	*3,653*	*2,999*	*2,910*
		% of FC & PC			*53.4*	*54.1*	*53.0*	*50.9*	*52.3*	*46.6*	*45.9*	*47.0*	*49.1*	*47.7*
		Avg. 1st 5 yrs			**52.9**					**47.1**				

① - DPC - Dugan Production Corp., LADD - Ladd Petroleum Corp., LANCE - Lance Oil & Gas Co., ROC - Richardson Operating Co.

② - Production data from Dwights/PI and ONGARD thru October, 2004 for ROC & LANCE and thru 2/05 for DPC. All data normalized to 1st month of production. Fruitland Coal production from the Basin Fruitland Coal pool (71629) and Fruitland Sand-PC production from the Harper Hill (78160) and Twin Mounds (86620) Fruitland Sand-Pictured Cliffs pools, plus West Kutz Pictured Cliffs pool (79680).

③ - Downhole commingling factors for October 2004. % of total gas from Fruitland Coal and % of total gas from Fruitland Sand/Pictured Cliffs

④ - RPC 18 Well No. 3 (API No. 30-045-30943) - DHC-894AZ approved 9-10-02 authorizes downhole commingling of Basin Fruitland Coal with West Kutz Pictured Cliffs. Fixed allocation factor of 50/50. Used for production 8/02 thru 10/04.

⑤ - Ropco 10 Well No. 2 (API No. 30-045-30448) - DHC-908AZ approved 9/23/02 authorizes downhole commingling of Basin Fruitland Coal with Harper Hill Fruitland Sand-Pictured Cliffs. Fixed allocation factor of 50/50 used for production 8/02 thru 9/04.

⑥ - Navajo 13 Well No. 1 (API No. 30-045-30652) - DHC-965AZ approved 11/02 authorizes downhole commingling of Basin Fruitland Coal with West Kutz Pictured Cliffs. Fixed allocation factor of 49% Fruitland Coal and 51% Pictured Cliffs proposed and fixed allocation factor of 50/50 used for production 5/03 thru 9/04. On 11/15/04, Richardson Operating proposed new fixed allocation factors of 78.3% Fruitland Coal and 21.7% Pictured Cliffs.

⑦ - Navajo Tribal H No. 5 (API No. 30-045-13101) - Administrative Order DHC-2478 dated 10/12/99 authorized downhole commingling of Basin Fruitland Coal with West Kutz Pictured Cliffs. Allocation factors to be based upon an exponential decline of 18%/year for the PC (PC volume=PC base rate x e^{-Dt}) and by subtraction for the Fruitland Coal. A fixed allocation allocation factor o 50/50 has been used for all production 5/00 thru 10/04.

⑧- WF Federal 34 Well No. 3 (API No. 30-045-29881) - Administrative Order DHC-2699 dated 4/3/00 authorizes the downhole commingling of Basin Fruitland Coal with Harper Hill Fruitland Sand-Pictured Cliffs. Allocation factors to be based upon an exponential decline of 7%/year for the Pictured Cliffs (PC volume=PC base rate x e^{-Dt}) and by subtraction for the Fruitland Coal. Allocation factors for production changes monthly and annual averages are: 2000 = 44.6% Coal & 55.4% PC; 2001 = 26.2% Coal & 73.8% PC; 2002 = 38.1% Coal & 61.9% PC; 2003 = 40.8% Coal & 59.2% PC; 1st 9 months 2004 = 49.0% Coal & 51.0% PC.

⑨ - WF Federal 34 No. 2 (API No. 30-045-29882) - Administrative Order DHC-2608 dated 2/1/00 authorizes the downhole commingling of Basin Fruitland Coal with Harper Hill Fruitland Sand-Pictured Cliffs. Allocation factors to be based upon an exponential decline of 7%/year for the PC (PC volume = PC base rate x e^{-Dt}) and by subtraction for the coal. Allocation factors for production changes monthly and annual averages are: 2000 = 89.4% Coal & 10.6% PC; 2001 = 94.0% Coal & 6.0% PC; 2002 = 96.4% Coal & 3.6% PC; 2003 = 81.4% Coal & 18.6% PC; 2004 = 49.0% Coal & 51.0% PC.