



dugan production corp.

April 29, 2014

Mr. Charlie Perrin
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Dear Mr. Perrin,

This is to inform the NMOCD that we observed wellbore communication in the below mentioned Dugan Production Corp.'s wells after the stimulation operations of offsetting wells. The well details and type of wellbore communication noted are listed in the following table.

| | Well Name | API # | Location | Formation | Type of Communication Noted |
|---|--------------------|-----------------------|-------------|-----------|-----------------------------|
| 1 | M.F. # 1 | 300-45-23415 24636 | L18-24N-09W | Gallup | Nitrogen |
| 2 | September # 15 | 300-45-26518 | A24-24N-10W | Gallup | Nitrogen |
| 3 | April Surprise # 3 | 300-45-25122 | D19-24N-09W | Gallup | Nitrogen |
| 4 | Bitsili # 1 | 300-45-33186 | G19-24N-09W | Gallup | Nitrogen |
| 5 | Merry May # 1 | 300-45-24421 | I24-24N-10W | Gallup | Nitrogen |
| 6 | Pac Ten # 1 | 300-45-25917 | P07-24N-09W | Gallup | Nitrogen |
| 7 | Wac # 1 | 300-45-25918 | D17-24N-09W | Gallup | Nitrogen |

The wellbore communication was noted and confirmed by 04/16/14. In case of any questions or need additional information, please contact Marty Foutz, with Dugan production at 505-326-4548.

Regards,

Marty Foutz

Marty Foutz
Production Analyst

OIL CONS. DIV DIST. 3

APR 30 2014