

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

Form C-103
May 27, 2004

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

WELL API NO. 30-045-33186
5. Indicate Type of Lease <i>Navajo Allotted</i> STATE ☐ FEE ☐
6. State Oil & Gas Lease No. Navajo Allotted NO-G-0103-1462
7. Lease Name or Unit Agreement Name Bitsili
8. Well Number 1
9. OGRID Number 006515
10. Pool name or Wildcat Bisti Lower Gallup/Basin Dakota

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG 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 87499-0420

4. Well Location

Unit Letter G : 1470 feet from the North line and 1780 feet from the West line
Section 19 Township 24N Range 9W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6882' 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:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Application to downhole commingling ☒

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 12-09-05 and 4-1/2" casing cemented at 6490' on 12/23/05. The Dakota has been perforated in 3 intervals 6270' to 6354' and is currently being evaluated. It is planned to also perforate the Gallup at selected intervals 4820 to 5450'. Both formations will be separately fracture stimulated and the intervals downhole commingled to recover stimulation fluids and produce.

1&2. NMOCC Order R-11363 established the Basin Dakota gas pool (71599) and the Bisti Lower-Gallup oil pool (5890) as pools pre-approved for downhole commingling.

3. Proposed perfs: Bisti Lower-Gallup ± 4820'-5450'. Basin Dakota ± 6270'-6354'

4. Allocation method: Fixed factors based upon an analysis of production from all wells in both pools within Section 19 plus the 8 adjacent sections (Ref. Attachment No. 1)

	Bisti Lower-Gallup	Basin Dakota
Oil	- 90%	10%
Gas	- 27%	73%
Water	- 50%	50%

5. Production from both pools is anticipated to be marginally economic and the proposed downhole commingling is necessary to economically produce both pools. The value of production from either pool, will not be reduced, but will be maximized as a result of this downhole commingling.

6. The royalty & overriding royalty ownership in both pools is not identical. Dugan Production holds 100% of the working interest in both pools. All interest owners, including the BLM will be provided a complete copy of this application by certified mail (return-receipt). Proof of notice will be provided to the NMOCD along with any interest owner response.

DHC 2 117 AZ

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 January 23, 2006

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

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 43 DATE JAN 24 2006

Conditions of Approval (if any):

Attachment No. 1
Well Production - Dugan's Bitsili #1
Section 19, T-24N, R-9W
(& 8 adjacent sections)
San Juan County, New Mexico

OPER. ①	Well	Location UL-S-T-R	DHC Factors ③		Cumulative production to 9-1-05 ②							
			Oil %GA/%DK	Gas %GA/%DK	Gallup				Dakota			
					oil mmbbl	gas mmcf	current status	production bopd/mcfd	oil mmbbl	gas mmcf	current status	production bc/d/mcfd
DPC	Ivy League #1	A-17-24N-9W	---	---	25.1	100.9	active	3.1/13.6	---	---	---	---
BMG	Schwerdtfeger #1	G-17-24N-9W	---	---	14.5	65.2	PA 2/7/69	---	---	---	---	---
SEC	Whitley #1	C-17-24N-9W	---	---	51.2	144.0	PA 5/2/78	---	---	---	---	---
DPC	Wac #1	D-17-24N-9W	---	---	10.6	69.9	active	1.1/12.9	0.2	1.5	PA 4/3/85	---
ERC	F-18-24-9 #2	C-18-24N-9W	---	---	29.5	60.0	active	1.8/9.8	---	---	---	---
DPC	MF #1	K-18-24N-9W	---	---	16.7	53.1	active	1.8/9.5	0.6	60.2	PA 8/2/85	---
DPC	April Surprise #4	L-19-24N-9W	85/15	15/85	10.8	8.0	active-DHC	1.1/1.3	1.9	44.1	active-DHC	0.2/7.3
DPC	April Surprise #3	D-19-24N-9W	---	---	12.1	62.8	active	1.2/8.5	---	---	---	---
DPC	Harvey #2	F-20-24N-9W	100/0	75/25	9.3	42.5	active-DHC	1.4/8.9	0.7	127.4	active-DHC	0/3.0
DPC	July Jubilee #2	D-29-24N-9W	---	---	14.1	68.2	active	1.1/5.1	---	---	---	---
DPC	July Jubilee #3	L-29-24N-9W	---	---	22.8	68.9	active	0/1.7	---	---	---	---
DPC	April Surprise #2	L-30-24N-9W	---	---	7.7	42.6	active	1.1/4.6	1.6	289.4	PA 5/9/96	---
DPC	July Jubilee #1	G-30-24N-9W	90/10	10/90	75.8	33.2	active-DHC	6.7/1.9	12.8	174.1	active-DHC	0.7/16.7
DPC	April Surprise #8	P-30-24N-9W	---	---	13.6	46.7	active	2.7/9.8	---	---	---	---
SOC	East Bisti Unit #119	A-13-24N-10W	---	---	60.3	91.9	PA 9/3/71	---	---	---	---	---
ERC	F-13-24-10 #1	B-13-24N-10W	---	---	41.8	60.8	active	4.3/8.4	---	---	---	---
DPC	MF #2	P-13-24N-10W	---	---	---	---	---	---	2.3	519.3	active	0/2.7
DPC	September #15	A-24-24N-10W	98/2	34/66	6.8	17.0	active-DHC	1.6/5.5	1.8	359.9	active-DHC	0.1/10.8
DPC	Merry May #1	I-24-24N-10W	85/15	15/85	18.9	72.7	active	0.9/8.8	1.3	59.6	PA 9/3/86	---
DPC	June Joy #2	B-25-24N-10W	80/20	80/20	5.8	33.9	active	0.2/5.2	3.6	7.6	PA 5/2/86	---
Total all wells					447.4	1142.3	---	30.1/115.5	26.8	1643.1	---	1.0/40.5
# wells					19	19	---	---	10	10	---	---
Average/well - all wells					23.6	60.1	---	1.9/7.2	2.7	164.3	---	0.2/8.1
Avg/well - excluding high & low					21.5	58.2	---	---	1.7	140.3	---	---
% of liquid & gas for combined GA/DK					89.7	26.8	---	---	10.3	73.2	---	---

① - DPC - Dugan Production Corp., BMG - Benson-Mortin-Greer Drilling Corp.; ERC - Energen Resources Corp.; SEC - Supron Energy Corp.; SOC - Skelly Oil Co.
 ② - Production data is from Dwigths/HIS Energy Data. Most wells were completed in the early 1980's and have produced for over 20 years. Since all wells currently exhibit fairly low rates of production, cumulative production will not significantly increase with continued production and can be used to approximate ultimate recoveries from each well. Of the 19 Gallup completions, 3 have been plugged and 16 are active (4 of which are downhole commingled) and produce a total of 30.1 bopd + 115.5 mcfd (per well average = 1.9 bopd + 7.2 mcfd). Of the 10 Dakota completions, 5 have been plugged and 5 are active (4 of which are downhole commingled) and produce a total of 1.0 bbl condensate/day plus 40.5 mcfd (per well average = 0.2 bc/d + 8.1 mcfd).
 ③ - Authorized downhole commingling factors. % gas or oil to Gallup and % gas or condensate to Dakota.
 Downhole commingling orders: April Surprise No. 4 (R-7210), Harvey No. 2 (DHC-1366), July Jubilee No. 1 (R-6826), June Joy No. 2 (R-6396), Merry May No. 1 (R-6571), September No. 15 (DHC-1535).