

Submit 5 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
March 4, 2004

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

WELL API NO. 30-045-33504
5. Indicate Type of Lease - <i>FEDERAL</i> STATE ☐ FEE ☐
6. State Oil & Gas Lease No. Federal Lease NM-113433
7. Lease Name or Unit Agreement Name Cute Patutie
8. Well Number
9. OGRID Number 006515
10. Pool name or Wildcat Basin FR Coal & Harper Hill FR Sand PC

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 87499-0420 (505)325-1821

4. Well Location
Unit Letter A : 950 feet from the North line and 1100 feet from the East line
Section 9 Township 30N Range 14W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5608' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
Pit Location: UL Sect Twp Rng Pit type Depth to Groundwater Distance from nearest fresh water well
Distance from nearest surface water Below-grade Tank Location UL Sect Twp Rng :
feet from the line and feet from the line

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

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK ☐	REMEDIAL WORK ☐
TEMPORARILY ABANDON ☐	ALTERING CASING ☐
PULL OR ALTER CASING ☐	COMMENCE DRILLING OPNS. ☐
MULTIPLE COMPLETION ☐	PLUG AND ABANDONMENT ☐
OTHER: <u>Downhole commingling</u> ☒	CASING TEST AND CEMENT JOB ☐
	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 3-7-06 and 5-1/2" casing cemented at 1370'. The Basin Fruitland Coal was perforated 1020'-26' & 1160'-73'. The Harper Hill Fruitland Sand-PC was perforated 1038'-42'; 1125'-31' & 1175'-80'. Both intervals will be fracture stimulated. 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. Perforated intervals: Basin Fruitland Coal 1020'-26' & 1160'-73'. Harper Hill Fruitland Sand-PC 1038'-42'; 1125'-31' & 1175'-80'.
4. Proposed allocation method: Fixed factors based upon an analysis of production from both pools in a 9 section area adjacent or close to the subject well (Ref. Attachment No. 1). A total of 24 FR Coal wells, 10 PC wells (4 of which are downhole commingled), were evaluated.
Proposed Allocation

	Fruitland Coal	Fruitland Sand/Pictured Cliffs
Gas	- 49%	51%
Water	- 50%	50%

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 (working, royalty and overriding) is identical for both zones. Dugan Production holds 50% of the working interest and all royalty is Federal (Lease No. NM-113433). Merrion Oil & Gas holds 50% WI and will receive a copy of this application.
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. 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 April 12, 2006
Type or print name John D. Roe Email address: johnroe@duganproduction.com Telephone No. 505-325-1821
(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. IV DATE APR 14 2006
Conditions of approval, if any: DHC 2215 AZ

Attachment No. 1
Offset Well Production
Dugan's Cutie Patutie Wells Nos. 90 & 90S
Section 9; T-30N; R-14W
San Juan County, New Mexico

Operator ①	Well	Location UL-S-T-R	# Months Produced	12/05 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
DPC	Big Field Com #93	N-3-30N-14W	6		8,235(6)									
DPC	Atlantis Com #4S	O-3-30N-14W	6		2,326(6)									
DPC	Atlantis #4	B-3-30N-14W	12		327									
DPC	Nice Com #92	N-4-30N-14W	9		676(9)									
DPC	Nice Com #91	O-4-30N-14W	8		2,152(8)									
DPC	High Dollar Com #90	N-8-30N-14W	35		966	1,821	1,377(11)							
DPC	Pole's Paradise #91	P-8-30N-14W	20		312	1,305(8)								
DPC	Pole's Paradise #90S	E-9-30N-14W	8		2,663(8)									
DPC	Pole's Paradise #90	M-9-30N-14W	20		855	1,372								
DPC	Big Field #91Y	K-10-30N-14W	36		4,555	3,275	918							
DPC	Big Field #90	A-10-30N-14W	35		2,445	1,331	727(11)							
DPC	Big Field #91S	E-10-30N-14W	8		3,961(8)									
DPC	Big Field #5	I-10-30N-14W	62		3,477	6,068	6,124	12,041	8080*					
DPC	Big Field #7	M-10-30N-14W	16		1,968	6,190(4)								
DPC	Mr. Nona 15 #1	E-15-30N-14W	2/45	-④	295(2)					4,849	7,611	4,843	2,166(9)	
DPC	Big Field #92	K-15-30N-14W	13		1,670	3,151(1)								
DPC	Big Field #92S	O-15-30N-14W	13		167	226(1)								
LOC	Ms. Nona #2	A-15-30N-14W	61/77	49.0/51.0 ⑤	2,995	5,886	4,004	4,687	1,579	2,931	3,252	1,389	1,146	3885*
DPC	Big Field #8	M-15-30N-14W	9							1,077(9)				
DPC	Big Field #6	I-15-30N-14W	37							6,836	11,999	3,053	3,084(1)	
LOC	WF State 16-2	B-16-30N-14W	68/15		1,816	2,911	3,345	4,750	3052*	55	16(3)			
LOC	WF State 16-1	M-16-30N-14W	74/74	49.0/51.0 ⑤	1,034	2,717	2,701	2,936	2974*	333	401	375	888	2,222*
LOC	WF State 16-3	O-16-30N-14W	67							2,251	4,144	4,470	4,894	2,407*
LOC	WF State 16-4	C-16-30N-14W	43							467	485	2,447	9707(7)	
DPC	Turks Toast #91	G-17-30N-14W	35		947	2,176	2,231(11)							
DPC	Turks Toast #90	K-17-30N-14W	35		149	260	332(11)							
DPC	Turks Toast #90S	E-17-30N-14W	30/30	49.0/51.0 ⑤	878	1,058	823(6)			763	1,101	857(6)		
DPC	Turks Toast #91S	J-17-30N-14W	30/30	49.0/51.0 ⑤	1,699	2,397	1,392(6)			1,496	2,398	1,454(6)		
Total all wells					46,568	42,054	23,974	24,134	14,785	21,058	31,407	18,868	21,888	8,514
# wells					24	16	11	4	4	10	9	8	6	3
Average/well					1,940	2,628	2,179	6,034	3,696	2,106	3,490	2,359	3,648	2,838
% of FC & PC					47.9	43.0	48.0	62.3	56.6	52.1	57.0	52.0	37.7	43.3
Avg. 1st 5 yrs					51.6					48.4				
Total excluding DHC wells					39,962	30,086	15,054	16,791	11,132	15,535	24,255	14,813	19,854	2,407
# wells					20	12	7	2	2	6	5	4	4	1
Average/well					1,998	2,507	2,151	8,396	5,566	2,589	4,851	3,703	4,964	2,407
% of FC & PC					43.6	34.1	36.7	62.8	69.8	56.4	65.9	63.3	37.2	30.2
Avg. 1st 5 yrs					49.4					50.6				

Notes:

- ① - DPC = Dugan Production Corp., LOC = Lance Oil & Gas Co.
- ② - Production data from Dwigths/PI and ONGARD thru December 2005. 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 Fruitland Sand-Pictured Cliffs gas pool (78160).
 - * - production data exists beyond 5 years, however only the 1st 5 years is presented.
- ③ - Downhole commingling factors for December 2005. % of commingled gas from Fruitland Coal and % of commingled gas from Fruitland Sand/Pictured Cliffs.
- ④ - Mr. Nona 15 No. 1 (API No. 30-045-30318) was not downhole commingled as of 12/05. Production 12/01 thru 10/05 was from the Harper Hill Fruitland Sand-Pictured Cliffs pool and production during 11 & 12/05 was from the Basin Fruitland Coal pool. In a sundry dated 10/07/05, the operator presents intentions to downhole commingle production from the Basin Fruitland Coal and Harper Hill Fruitland Sand-Pictured Cliffs pools.
- ⑤ - Ms. Nona No. 2 (API No. 30-045-22764) - Administrative Order DHC-2367 issued 7/1/99 authorized downhole commingling of production from Basin Fruitland Coal and Harper Hill Fruitland Sand-Pictured Cliffs gas pools. Allocation of commingled production to be based upon computing Harper Hill pool production using an exponential decline of 7% and the formula $\text{base rate} \times e^{-Dt}$ and then subtracting from the total to get Fruitland Coal production. This formula appears to have been used thru 7/03 and beginning with 8/03, fixed factors of 49.0% Fruitland Coal and 51.0% Fruitland Sand-Pictured Cliffs have been used.
- ⑥ - WF State 16 No. 1 (API No. 30-045-29750) - Administrative Order DHC-2433 issued approximately August 1999 authorized downhole commingling of production from Basin Fruitland Coal and Harper Hill Fruitland Sand-Pictured Cliffs gas pools. Allocation of commingled production to be based upon computing Harper Hill pool production using an exponential decline of 7% and the formula $\text{base rate} \times e^{-Dt}$ and then subtracting from the total to get Fruitland Coal production. This formula appears to have been used thru 7/03 and beginning with 8/03, fixed factors of 49.0% Fruitland Coal and 51.0% Fruitland Sand-Pictured Cliffs have been used.
- ⑦ - Turks Toast No. 90S (API No. 30-045-30771) - Administrative Order DHC-1115AZ issued 2/19/03 authorized downhole commingling of production from Basin Fruitland Coal and Harper Hill Fruitland Sand-Pictured Cliffs gas pools. Allocation of commingled production to be based upon fixed factors of 55% Fruitland Coal and 45% Fruitland Sand-Pictured Cliffs for the 1st year and amended to 49% Fruitland Coal and 51% Fruitland Sand-Pictured Cliffs as of 4/1/04.
- ⑧ - Turks Toast No. 91S (API No. 30-045-30737) - Administrative Order DHC-1114AZ issued 2/19/03 authorized downhole commingling of production from Basin Fruitland Coal and Harper Hill Fruitland Sand-Pictured Cliffs gas pools. Allocation of commingled production to be based upon fixed factors of 55% Fruitland Coal and 45% Fruitland Sand-Pictured Cliffs for the 1st year and amended to 49% Fruitland Coal and 51% Fruitland Sand-Pictured Cliffs as of 4/1/04.