

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.

Use "APPLICATION FOR PERMIT" for such proposals.

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil  
Well

☒ Gas  
Well

☐ Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

A #1 1450' FNL & 1530' FEL (Unit G), Section 12, T-29N, R-11W  
#1E 1170' FNL & 1470' FEL (Unit B), Section 12, T-29N, R-11W

5. Lease Designation and Serial No.

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Garrett A #1 & Garrett Fed Com #1E

9. API Well No. A #1 30-045-23113  
& #1E 30-045-24302

10. Field and Pool, or Exploratory Area

A #1 Otero Chacra #1E Basin DK  
& Blanco Mesaverde

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

- ☒ Notice of Intent  
☐ Subsequent Report  
☐ Final Abandonment Notice

- ☐ Abandonment  
☐ Recompletion  
☐ Plugging Back  
☐ Casing Repair  
☐ Altering Casing  
☒ Other

Surface Commingle  
Natural Gas-CDP

- ☐ Change of Plans  
☐ New Construction  
☐ Non-Routine Fracturing  
☐ Water Shut-Off  
☐ Conversion to Injection  
☐ Dispose Water

RCVD NOV6'06

OIL CONS. DIV.

(Note: Report results of multiple completion on Well  
Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

DIST. 3

Dugan Production proposes to convert the existing gas sales meter for the Garrett A No. 1 (Enterprise Field Services Meter No. 90306) to a central delivery gas sales meter for the Garrett A No. 1 (Chacra) and the Garrett Federal Com No. 1E (MV & DK). This will require the surface commingling of natural gas from the Otero Chacra, Blanco Mesaverde and Basin Dakota gas pools. Only natural gas will be commingled. Measurement will be on lease at the Garrett A No. 1 well. Dugan Production operates both wells and the spacing units for both wells encompass federal lease NM-03717-B and a fee lease 50/50 such that the royalty for all pools is identical, 50% federal and 50% Fee. The Garrett Federal Com No. 1E currently has the Blanco Mesaverde and Basin Dakota surface commingled and uses a compressor to produce into the gas sales line. Production currently averages  $\pm 90$  mcf/d (50.4 mcf/d MV & 39.6 mcf/d Dakota). The Garrett A No. 1 well is  $\pm 286'$  to the southwest and currently averages 5.2 mcf/d into a gas sales line averaging  $\pm 170$  psi. The proposed CDP will allow the Garrett A No. 1 well to utilize the compressor currently installed for the Garrett Federal Com No. 1E and hopefully improve production. A copy of Dugan's application to the NMOCD for surface commingling is attached to provide additional information about this proposal.

14. I hereby certify that the foregoing is true and correct

Signed John D. Roe Title Engineering Manager

Date 7/19/2006

(This space for Federal or State office use)

Approved by Dan R. Gibson Title Prod. Acct. Tech.

Date 9-12-06

Conditions of approval, if any:

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
**- Engineering Bureau -**  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]  
 [A] Location - Spacing Unit - Simultaneous Dedication  
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☒ PC ☐ OLS ☐ OLM  
*Identical ownership*

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify \_\_\_\_\_

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners

- [B] ☐ Offset Operators, Leaseholders or Surface Owner

- [C] ☐ Application is One Which Requires Published Legal Notice

- [D] ☒ Notification and/or Concurrent Approval by BLM or SLD  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

- [F] ☐ Waivers are Attached

*Notification sent by sundry copy included as Attachment #2. Return Receipt will be forwarded to NMCD.*

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

John D. Roe  
 Print or Type Name

*John D. Roe*  
 Signature

Engineering Manager  
 Title

07/19/06  
 Date

*johnroe@duganproduction.com*  
 e-mail Address

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.

See below

5. Indicate Type of Lease *FEDERAL &*  
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.  
See Below

7. Lease Name or Unit Agreement Name

Garrett A & Garrett Federal Com

8. Well Number  
1 & 1E

9. OGRID Number  
006515

10. Pool name or Wildcat  
See Below

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

4. Well Location G 1450 North 1530 East  
Unit Letter B : 1170 feet from the North line and 1470 feet from the East line  
Section 12 Township 29N Range 11W NMPM San Juan County

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

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 surface commingle - identical ownership ☒

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.

Dugan Production proposes to convert the existing gas sales meter for the Garrett A No. 1 (Enterprise Field Services Meter No. 90306) to a central delivery gas sales meter for the Garrett A No. 1 & Garrett Federal Com No. 1E wells. This will require surface commingling of natural gas from Otero Chacra, Blanco Mesaverde & Basin Dakota gas pools. Only natural gas will be commingled & measurement will be on lease. Dugan Production operates both wells and all interest ownership is identical.

(i) Well & lease information is as follows:

Well Name	API No.	Lease/CA#	Pool & Pool No. ①	Spacing Unit	Current Production
Garrett A No. 1	30-045	Fee/SRM-1425	Otero Chacra Gas (82329)	160A-NE/4	5.2 mcf/d
Garrett Fed Com No. 1E	24302	Fee/14080017547	Basin Dakota Prorated Gas (71599)	320A-E/2	39.6 mcf/d
Garrett Fed Com No. 1E	24302	Fee/SCR331	Blanco MV Prorated Gas (72319)	320A-E/2	50.4 mcf/d

(ii) Commingled gas volumes (mcf & mmBTU) measured at the CDP sales meter will be allocated to each well using the "subtraction method" described in Section 303B.(3)(a)(iii). The gas sales meter currently installed for the Garrett No. 1E will be converted to an allocation meter maintained by Dugan Prod. & will measure the commingled MV & DK gas stream from the Garrett No. 1E. Production for the Garrett A No. 1 will be computed. All production is anticipated to be less than top allowable. Fuel for lease equipment and CDP compressor will be determined from equipment specifications and included in production determinations.

(iii) Certification of the identical ownership for both wells is Attachment No. 1. The spacing units for both wells include a Fee lease & federal lease NM-03717-B. The 160A NE/4 spacing unit is 80A Fee (W/2NE/4) and 80A federal (E/2NE/4). The 320A E/2 spacing unit is 160A Fee (W/2E/2) & 160A federal (E/2E/2).

(iv) Since 1/2 of the royalty is federal, a copy of this notice is being sent by certified return-receipt to the BLM. Copy of the return receipt will be mailed to the NMOCD upon receiving. A copy of the transmittal sundry to the BLM is Attachment No 2.

Note ①- Downhole Commingling Order DHC-1966 authorized downhole commingling of Blanco Mesaverde & Basin Dakota for Garrett Federal Com No. 1E. Wellbore work to downhole commingle production has not been done, however production streams are commingled at the surface & commingled production is allocated using factors approved for downhole commingling (for gas, 56% to Mesaverde & 44% to Dakota; for oil, 0% to Mesaverde & 100% to Dakota)

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 July 19, 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: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

Conditions of Approval (if any):

## AFFIDAVIT

STATE OF NEW MEXICO     )  
  ) SS.  
COUNTY OF SAN JUAN     )

Attachment No. 1  
NMDC Form C-103 dated 7/17/06  
Application of Dugan Prod.  
Surface commingled Natural Gas  
Dugan's Garrett A No. 1 (Chaco)  
+ Garrett Fed. Com #1E (Muxok)

Skip Fraker, a Land Manager presently employed by Dugan Production Corp. being duly sworn on his oath, states that he is familiar with the following described property, to-wit:

Township 29 North, Range 11 West, NMPM  
Section 12: E/2

E/2E/2	USA NM-03717-B	Federal Lease
W/2E/2	M. B. Garrett	Fee Lease
Garrett A #1	Otero Chacra well	NE/4 160 acres
Garrett Federal Com #1E	Basin Dakota/Blanco Mesaverde well	E/2 320 acres

and that he is also familiar with the aforementioned lands and leases and has knowledge that said lands and leases are owned by Dugan Production Corp. Affiant states that said lands and leases have identical ownership in the drilling proration units for said wells. The ownership in these lands are identical as to owners and percentage of ownership for all working interest, royalty interest and overriding royalty interest owners in the above captioned wells. Affiant further states that no change in ownership has occurred and that Dugan Production Corp. has not sold, leased or otherwise made any commitments to affect a change in ownership of the aforementioned lands.

Further, affiant saith not.

  
Skip Fraker, Registered Landman #62101

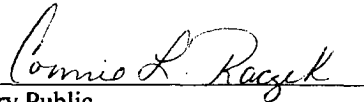
## ACKNOWLEDGEMENT

STATE OF NEW MEXICO     )  
  ) SS.  
COUNTY OF SAN JUAN)

BEFORE ME, the undersigned, a notary public in and for the county and state aforesaid, on this the 19<sup>th</sup> day of July, 2006, personally appeared Skip Fraker, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year first above written.

My commission expires: 3/4/08

  
Notary Public



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Attachment  
No. 2

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

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**SUBMIT IN TRIPLICATE**

1. Type of Well

☐

Oil  
Well

☒

Gas  
Well

☐

Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

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#1E 1170' FNL & 1470' FEL (Unit B), Section 12, T-29N, R-11W

5. Lease Designation and Serial No

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Garrett A #1 & Garrett Fed Com #1E

9. API Well No. A #1 30-045-23113  
& #1E 30-045-24302

10. Field and Pool, or Exploratory Area

A #1 Otero Chacra #1E Basin DK  
& Blanco Mesaverde

11. County or Parish, State

San Juan, NM

**12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION

☒

Notice of Intent

☐

Subsequent Report

☐

Final Abandonment Notice

TYPE OF ACTION

☐

Abandonment

☐

Recompletion

☐

Plugging Back

☐

Casing Repair

☐

Altering Casing

☒

Other

Surface Commingle  
Natural Gas-CDP

☐

Change of Plans

☐

New Construction

☐

Non-Routine Fracturing

☐

Water Shut-Off

☐

Conversion to Injection

☐

Dispose Water

(Note: Report results of multiple completion on Well  
Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

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14. I hereby certify that the foregoing is true and correct

Signed

John D. Roe Title

John D. Roe

Engineering Manager

Date

7/19/2006

(This space for Federal or State office use)

Approved by

Francis R. Gibson Title

Title

Prod Acct Tech Date

Conditions of approval, if any:

APPROVED

9-12-06

SEP 12 2006

My

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instruction on Reverse Side