

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.***SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other: COAL BED METHANE		5. Lease Serial No. NMSF081231B
2. Name of Operator DUGAN PRODUCTION CORPORATION Contact: JOHN D ROE Email: johnroe@duganproduction.com		6. If Indian, Allottee or Tribe Name
3a. Address FARMINGTON, NM 87499	3b. Phone No. (include area code) Ph: 505-325-1821	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 24 T30N R14W SESW 1140FSL 1980FWL		8. Well Name and No. PAN AMERICAN FEDERAL 3
		9. API Well No. 30-045-33697-00-C1
		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL HARPER HILL FRUITLAND SAND PC
		11. County or Parish, and State SAN JUAN COUNTY, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

The Pan American Federal well No. 3 was completed 8/04/2006 downhole commingled in the Basin Fruitland Coal and Harper Hill Fruitland Sand-PC gas pools. By New Mexico Oil Conservation Division (NMOCD) form C-104 dated 8/29/2006, this well was reported to be connected to Dugan Production's Pinon Mesa Gathering System, which is not correct and by amended NMOCD form C-104 dated 11/22/2006, the gathering system was corrected to be Dugan Production's Tabor Gathering System (TGS). Production was first delivered into the TGS on 11/07/2006 and as of 11/01/2010 a total of 170,078 mcf gas plus 87,146 bbl water have been produced. Production currently averages 137 mcf/d plus 51 bwpd and is allocated to the Basin Fruitland Coal and Harper Hill Fruitland Sand-PC pools using fixed factors: gas=57%/43% and water=50%/50%, respectively. The Pan American Federal well No. 3 is equipped with a conventional orifice dry flow meter and a 31 day chart recorder. All gas production into the TGS has been accounted for using allocation procedures approved for the TGS. Water production is transported by pipeline in the TGS for subsurface

RCVD JAN 14 '11

OIL CONS. DIV.

DIST. 3

14. I hereby certify that the foregoing is true and correct.	
Electronic Submission #99798 verified by the BLM Well Information System For DUGAN PRODUCTION CORPORATION, sent to the Farmington Committed to AFMSS for processing by JIM LOVATO on 01/10/2011 (11JXL0109SE)	
Name (Printed/Typed) JOHN D ROE	Title ENGINEERING MANAGER
Signature (Electronic Submission)	Date 12/29/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By ACCEPTED	JIM LOVATO Title PETROLEUM ENGINEER	Date 01/10/2011
	Office Farmington	

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

NMOCD

Additional data for EC transaction #99798 that would not fit on the form

32. Additional remarks, continued

disposal at Dugan Production's Sponge Bob No. 1 water disposal well. The Pan American Federal well No. 3 is not currently approved for the TGS, however an application for surface commingling and off-lease measurement is being prepared to add this well to the TGS.