

# dugan production corp.

Com #1 T-2-29N-14W  
Com #3 T-2-29N-14W  
King Com #90 B-11-29N-14W

September 1, 1999

Ms. Lori Wrotenberg, Director  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Mr. Ray Powell, Commissioner  
New Mexico State Land Office  
P O Box 1148  
Santa Fe, NM 87504-1148

Mr. Lee Otteni, FFO Manager  
Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

RECEIVED  
SEP - 2 1999  
OIL CON. DIV.  
DIST. 3

Re: Application for surface commingling of produced gas  
Dugan Production's Com No. 1, Com No 3 & King Com No. 90  
Plus the off-lease measurement and sale of produced gas from the King Com No. 90  
State Leases: LG-3736, NM B-11242-43, NM E-6714-4; Federal Lease: SF 078110;  
Multiple Fee leases  
Basin Fruitland Coal & Harper Hill Fruitland Sand PC Pools  
San Juan County, New Mexico

Dear Ms. Wrotenberg, Mr. Otteni and Mr. Powell,

We are writing to request your approvals for the proposed surface commingling of produced natural gas from the three captioned wells, all three of which are operated by Dugan Production Corp. In addition, we are also requesting your approvals for the off-lease measurement and sale of natural gas from the King Com No. 90. The proposed CDP meter is currently the gas sales meter for the Com No. 1 and is located at the Com No. 1 well.

Dugan Production holds 99.9% to 100% of the working interest and Attachments 1 and 2 present the spacing unit, lease and interest ownership details for all three wells. The proposed surface commingling includes production from two Basin Fruitland Coal wells (the Com No. 1 and King Com No. 90), plus one Harper Hill Fruitland Sand-PC well (the Com No. 3). To date, there has been no liquid hydrocarbon production from any of the three completions to be commingled and none is anticipated. The ownership interest in all three wells is not common, and all interest owners (working, royalty and overriding royalty) will receive a copy of this application by certified mail. Attachments 7, 8 & 9 are copies of letters to the various interest owners.

The Com No. 1 (API #30 045 08722) was initially completed in the Basin Dakota pool on 4-9-61 and after producing 133.9 MMCF of gas, the Dakota completion was abandoned and the well recompleted in the Basin Fruitland Coal on 12-1-90. The spacing unit for the Com No. 1 is the E/2 (316.65A) of Section 2, T-29N, R-14W and Administrative Order NSL-3826 authorizes the non-standard Basin Fruitland Coal well location. The Com No. 1 Fruitland Coal completion was placed on production during 5/98, and upon installing rod pumping equipment and well head compression, the Fruitland Coal averaged 255 MCFD + 90 BWPD during 7/99. Attachment No. 4 includes the production history for the Com No. 1 Fruitland Coal completion which has

produced a total of 68,529 MCF + 32,186 bbl water as of 8-1-99. The gas is delivered into El Paso Field Service's Blanco Plant system which averages 250 to 300 psig and has necessitated the installation of wellhead compression. We currently operate two compressors, a screw compressor which feeds a single stage conventional compressor and provides a wellhead operating pressure of  $\pm 12$  psig. The water production is disposed of in Dugan's Stella Needs a Com No. 1E water disposal well.

The Com No. 3 well (API No. 30-045-23267) was completed in the Harper Hill-Fruitland PC pool 3-14-79 (renamed Harper Hill Fruitland Sand PC Pool 11-1-88) and has produced a total of 77,943 MCF of gas as of 8-1-99. The spacing unit comprises the SE/4 (160A) of Section 2, T-29N, R14W. This well has been shut in since 5/91, being uneconomical to continue to operate the wellhead compressor that was necessary to deliver gas into the pipeline which was averaging 250-425 psi at the time of shut in. As a result of low pipeline deliveries, El Paso removed the metering equipment in 1994. The Com No. 3 currently has a shut in wellhead pressure of  $\pm 250$  psi and is  $\pm 383'$  from the Com No. 1. It is proposed to use the production equipment and compressors currently installed at the Com No. 1 to return the Com No. 3 to production which will require the surface commingling of production and will entail re-routing the Com No. 3 gas sales line to connect to the separator for the Com No. 1 as shown on the proposed facility diagram (Attachment No. 3). Use of the existing Com No. 3 sales line will be discontinued and as previously discussed, El Paso has removed the metering equipment. We are hopeful that at the lower operating pressures made available with the compressors on the Com No. 1, production from the Com No. 3 can be restored. The production history for the Com No. 3 is presented on Attachment No. 4, which shows that the well has never produced very well, averaging 10-15 MCFD at the time it was shut in.

The King Com No. 90 (API No. 30-045-29883) was completed 6-15-99 in the Basin Fruitland Coal pool, with an initial potential of 20 MCFD + 31 BWPD from perforations 958'-1084'. The spacing unit comprises the E/2 (320.13A) of Section 11, T-29N, R-14W. Testing to date is encouraging and is summarized on Attachment No. 4. This is an area that the Fruitland Coal pool is fairly shallow ( $\pm 1000'$ ) and the reservoir pressure fairly low ( $\pm 350$  psi). The coal outcrops and is being strip mined approximately 7-8 miles to the west. To date very little gas has been produced from the Fruitland Coal in this area. Based upon the initial testing, we do anticipate obtaining commercial gas volumes from the King Com No. 90, however to deliver gas into El Paso's system, which currently averages 250-300 psi, wellhead compression and production equipment to separate gas and water will be necessary. We propose to utilize the production equipment and compressors at the Com No. 1 which will require surface commingling and off-lease measurement for the King Com No. 90. This will minimize our expenditures to place this well on production, will allow the existing surplus compressor capacity at the Com No. 1 to be utilized and will eliminate the need to install a compressor at a location that is  $\pm 1/3$  mile from the Mesa Residential Community mobile home park in the northwest part of the city of Farmington.

This proposed conversion of the Com No. 1 gas sales meter to a central delivery gas sales meter for the Com No. 1, Com No. 3 and King Com No. 90 plus the proposed use of the separator and gas compressor currently on the Com No. 1 for all three wells will allow Dugan Production to use existing equipment to return a currently idle and marginally productive well (the Com No. 3) to production and place on production a recently completed well which tested an initial potential of 20 MCFD + 31 BWPD. All production (gas and water) from each well will be surface commingled and separated at the separator located on the Com No. 1. The commingled gas stream will be compressed and delivered into El Paso Field Service's (EPFS) pipeline from the CDP sales meter operated and maintained by EPFS. The water will be stored in a tank on the Com No. 1 location and trucked to Dugan's Stella Needs a Com No. 1 water disposal system (or possibly a commercial facility if needed). Each well will be tested at regular intervals using a portable three phase test unit owned by DPC and the tests used to establish factors for allocating the CDP gas sales and water production. For the first year of operation, we propose testing each well every three months and then at a frequency to be established by production performance. Any

unexplained change in either total gas or water would initiate a re-test of all wells and new allocation factors. After the first 12 months, we plan to test each well annually unless a shorter frequency is indicated by production. Our proposed allocation procedures are presented on Attachment No. 5. Dugan's portable test unit is a trailer mounted three-phase separator capable of measuring oil, water and gas. Gas production is recorded on a conventional flow chart using a Barton Dry Flow Orifice Meter which is calibrated and maintained by DPC. The test unit will be connected to the flow line at each well site, the total production stream separated and individual streams measured, and then all fluids returned to the flowline and transferred to the central battery. We have been using this unit for approximately four years and have found it to produce accurate measurements especially in the lower volume wells such as two of those on our proposed system.

The integrity of our system will be periodically monitored using DPC's gas detector and the entire system will be pressure tested prior to being placed into service.

The gas from each completion is compatible and very similarly in composition. Copies of the current gas analyses for the Com No. 1 (Basin Fruitland Coal) and Com No. 3 (Harper Hill Fruitland Sand-PC) are presented on Attachment No. 6. We do not have an analysis from the King Com No. 90 Basin Fruitland Coal completion, but believe it will be very similar to the Fruitland Coal gas in the Com No. 1. Upon placing this system in operation, we plan to take individual well gas analyses in accordance with the BLM's Onshore Order No. 5 to ensure the accurate allocation of BTU's and revenues from the CDP sales meter.

The installation of this three well gathering system will provide an economic benefit for each of the three wells and their various interest owners. The Com No. 1 interest owners will benefit from increased gas sales since the  $\pm 41$  MCFD currently being used for compressor fuel, and supplied 100% from the production of the Com No. 1, will be allocated between the three wells. If the Com No. 3 and King Com No. 90 produce a combined rate of  $\pm 50$  MCFD, approximately 16% of the lease fuel will be allocated away from the Com No. 1 which will result in increased gas sales of  $\pm 7$  MCFD or  $\pm 200$  MCF/month. At the current gas price of  $\pm \$1.83/\text{MMBTU}$ , this will produce an increased revenue of  $\pm \$385/\text{month}$  or  $\$4,600/\text{year}$  for the interest owners presented on page no. 1 of Attachment No. 2.

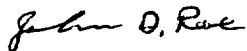
The Com No. 3 interest owners will benefit from a well being idle for the past  $\pm 8$  years being returned to production with very minimal expenditures for equipment. The Com No. 3 currently has no metering equipment and based upon production prior to shutting in, this well did not produce sufficient gas volumes to justify the necessary individual wellhead compressor, however we are hopeful that production from the Com No. 3 will justify the sharing of production and compression equipment. In addition, an idle well will be returned to production and expenditures to formally temporarily abandon and/or plug and abandon this well will not be necessary. If a production rate of 10-15 MCFD is restored, the interest owners of the Com No. 3 (presented on page no. 2 of Attachment No. 2) will realize a revenue of  $\pm \$600-\$900/\text{month}$  which will net  $\pm \$100-\$400/\text{month}$  after operating expenses.

The King Com No. 90, being newly completed has no production equipment for separating gas and water and will need wellhead compression to deliver gas to EPFS. An initial production rate of  $\pm 25-35$  MCFD is anticipated which will produce a revenue of  $\pm \$1,400-\$2,000/\text{month}$  and the anticipated expenditures of  $\pm \$25,000$  for metering and production equipment will not be necessary which will benefit the King Com No. 90 interest owners listed on page no. 3 of Attachment No. 2. In addition, since the King Com No. 90 is located only  $\pm 1/3$  of a mile west of a mobile home park, and considering all of the attention compressor noise is currently receiving, there is an additional benefit of not installing a compressor at the King Com No. 90 well site, but using an existing compressor located  $\pm 1/2$  mile away.

In summary, Dugan Production proposes to install a three well gathering system that will allow a low volume idle well to be returned to production, a low volume recently completed well to be placed on production and will extend the economic life of an existing well. The natural gas will be delivered to El Paso Field Services at their CDP sales meter and will be allocated to each well using allocation factors, determined from periodic individual well tests. We do not anticipate any liquid hydrocarbon production and believe that the operation of this system will provide an economic benefit to all interest owners.

Should you have questions or need additional information, please let me know.

Sincerely,



John D. Roe  
Engineering Manager

JDR/tmf

xc: NMOCD - Aztec  
All interest owners - WI, RI, ORRI

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Attachment  
No. 1  
Pg 1 of 3

|  |                                       |                      |                              |                                    |               |
|--|---------------------------------------|----------------------|------------------------------|------------------------------------|---------------|
| Operator<br>DUGAN PRODUCTION CORP.   |                                       |                      | Lease<br>Com                 |                                    | Well No.<br>1 |
| Unit Letter<br>J   | Section<br>2                          | Township<br>29 North | Range<br>14 West             | County<br>San Juan                 |               |
| Actual Footage Location of Well:<br>1750 feet from the South line and 1820 feet from the East line |                                       |                      |                              |                                    |               |
| Ground level Elev.<br>5516'  | Producing Formation<br>Fruitland Coal |                      | Pool<br>Basin Fruitland Coal | Dedicated Acreage:<br>316.65 Acres |               |

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☒ Yes

☐ No

If answer is "yes" type of consolidation

NSL-3226

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary. C.A. Agrmt #NNM 91272, approved 1/18/94, effective 12/1/90

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

|   |  |  |
|---|--|--|
| <b>RECEIVED</b><br>SEP - 4 1999<br>OIL CON. DIV.<br>DIST. 3 | Lot 2<br>Dugan Prod.<br>38.49 A<br>NM B-11242-43   | Lot 1<br>Dugan Prod.<br>38.16 A<br>LG-3736 |
|   | Dugan Prod.<br>80 A<br>NM E-6714-4                 |  |
|   | Dugan Prod.<br>40 A<br>LG-3736                     | Dugan Prod.<br>80 A<br>1820'               |
|   | Dugan Prod.<br>40 A<br>Fee Lse.<br>(King)<br>1750' | SF-078110                                  |

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Printed Name

Jim L. Jacobs

Position

Vice President

Company

Dugan Production Corp.

Date

3/7/94

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

3-21-61

Signature & Seal of  
Professional Surveyor

Original signed survey  
plat by James P. Leese  
is on file.

Certificate No.

1463

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Attachment  
No. 1  
pg 2 of 3

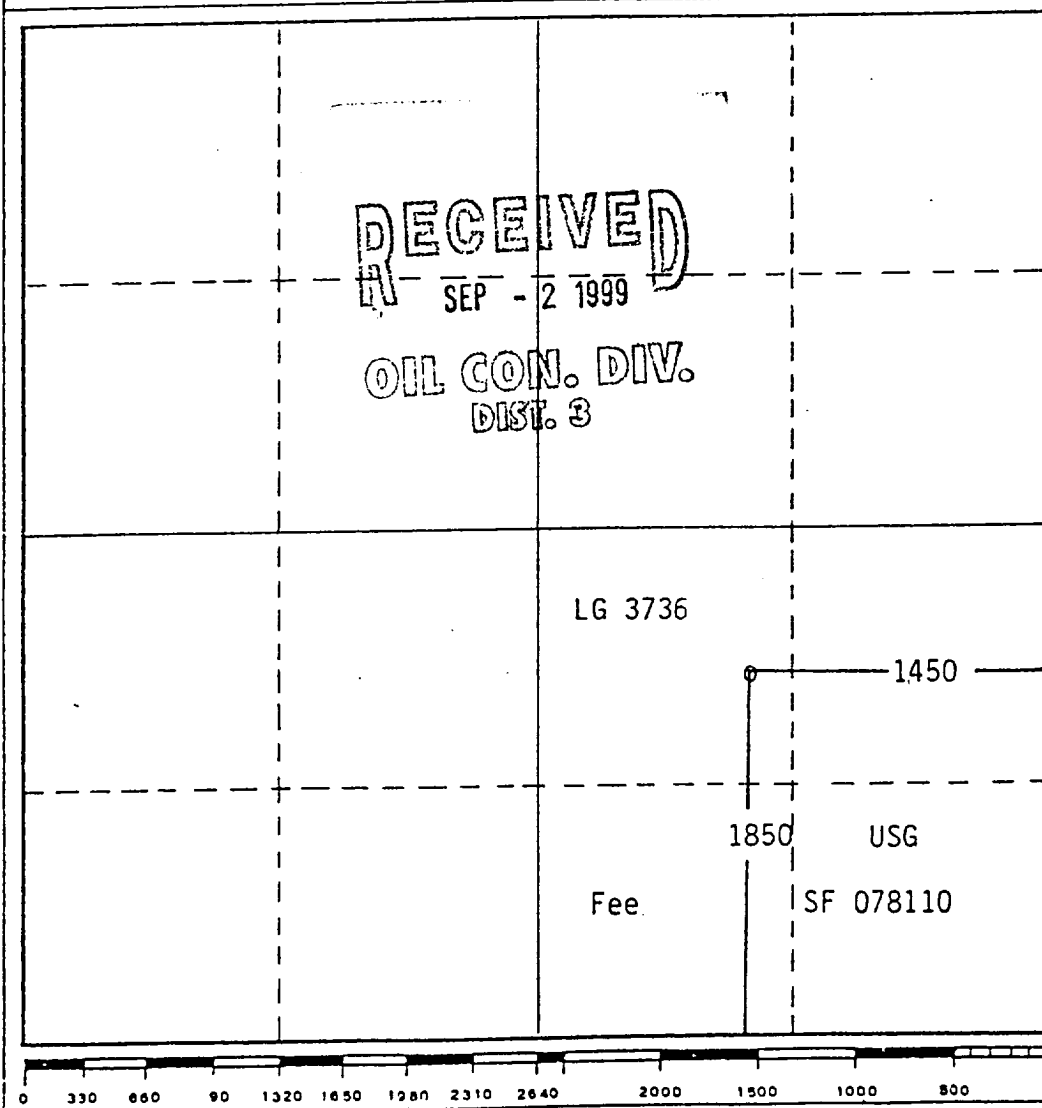
|  |  |                        |                                       |                           |  |                      |
|--|--|------------------------|---------------------------------------|---------------------------|--|----------------------|
| Operator<br><b>Dugan Production Corp.</b>  |  | Lease                  |                                       | Com                       |  | Well No.<br><b>3</b> |
| Unit Letter<br><b>J</b>  | Section<br><b>2</b>                          | Township<br><b>29N</b> | Range<br><b>14W</b>                   | County<br><b>San Juan</b> |  |                      |
| Actual Footage Location of Well:<br><b>1850</b> feet from the <b>South</b> line and <b>1450</b> feet from the <b>East</b> line |  |                        |                                       |                           |  |                      |
| Ground Level Elev.<br><b>5515</b>  | Producing Formation<br><b>Fruitland - PC</b> |                        | Pool<br><b>Harper Hill FR Sand PC</b> |                           | Dedicated Acreage:<br><b>160</b> Acres |                      |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Thomas A. Dugan*

Name  
**Thomas A. Dugan**

Position  
**Petroleum Engineer**

Company  
**Dugan Production Corp.**

Date  
**September 21, 1990**

REGISTERED LAND SURVEYOR  
I hereby certify that the well location on this plat was plotted from field of a Reg. No. 3602 made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.  
E. V. ECHOHAWK  
V. ECHOHAWK

Date Surveyed  
**Nov. 2, 1978**

Registered Professional Engineer and/or Land Surveyor  
*E. V. Echohawk*

Certificate No. **3602**  
**E. V. Echohawk L.S.**

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Attachment  
No. 1  
pg 3 of 3

Form C-102  
Revised February 21, 1994  
Instructions on back  
Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                        |  |   |  |                                     |                      |
|------------------------|--|---|--|-------------------------------------|----------------------|
| 1 APT Number<br>30 045 |  | 2 Pool Code<br>71629                            |  | 3 Pool Name<br>Basin Fruitland Coal |                      |
| 4 Property Code        |  | 5 Property Name<br>King Com                     |  |                                     | 6 Well Number<br>90  |
| 7 OGRID No.<br>006515  |  | 8 Operator Name<br>Dugan Production Corporation |  |                                     | 9 Elevation<br>5478' |

10 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County   |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| B             | 11      | 29N      | 14W   | B       | 1128          | North            | 1511          | East           | San Juan |

11 Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
|               |         |          |       |         |               |                  |               |                |        |

|                              |                    |                       |              |
|------------------------------|--------------------|-----------------------|--------------|
| 12 Dedicated Acres<br>320.13 | 13 Joint or Infill | 14 Consolidation Code | 15 Order No. |
|------------------------------|--------------------|-----------------------|--------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

|        |  |   |
|--------|--|---|
| 16<br> | BLM Brass Cap<br>                                  | 17 OPERATOR CERTIFICATION<br>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief<br><br>Signature: Sherman E. Dugan<br>Printed Name: Vice-President<br>Title: Vice-President<br>Date: 3/19/99  |
|        | Section 11<br>DPC - SF 078110<br>Rebar w/cap #6159 |   |
|        | DPC fee  |   |
|        |  | 18 SURVEYOR CERTIFICATION<br>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.<br><br>March 18, 1999<br>Date of Survey<br>Signature and Seal: |
|        |  | DPC fee<br>Certificate Number 5979  |

ATTACHMENT 2--PAGE 1 OF 3

Dugan Production Corp.  
Com Well No. 1  
Basin Fruitland Coal  
Well Location: NWSE 2, T-29N, R-14W  
Spacing Unit: E/2 Sec.2, T-29N, R-14W  
(316.65A)  
San Juan County, New Mexico

| <u>INTEREST OWNER</u>  | <u>INTEREST%</u>  |                   |
|--|-------------------|-------------------|
|  | <u>Net</u>        | <u>Gross</u>      |
| <u>Royalty</u><br>State of New Mexico<br>State Land Office<br>Attn: Pete Martinez<br>P. O. Box 1148<br>Santa Fe, NM 87504-1148             | 7.762910          | -0-               |
| USA - Bureau of Land Management<br>1235 La Plata Hwy.<br>Farmington, NM 87401  | 3.158070          | -0-               |
| Rilla E. King<br>P. O. Box 186<br>Dolores, CO 81325  | 1.579030          | -0-               |
| <u>Overriding Royalty Interest</u><br>Marcia M. Daniels<br>c/o Clotilda M. Pope<br>5480 Wisconsin Ave., Suite 814<br>Chevy Chase, MD 20015 | 0.030390          | -0-               |
| Louise Adair McDougal Hadley<br>2 Bluff Road<br>Swansboro, NC 28584  | 0.121550          | -0-               |
| Charles Alan McDougal<br>7928 Rooksley Ct<br>Raleigh, NC 27615   | 0.121550          | -0-               |
| Robert Bruce McDougal<br>6608 Penny Lane<br>Bartlesville, OK 74006   | 0.121550          | -0-               |
| Anne S. Henderson<br>2969 Upton St. NW, Apt. 3<br>Washington, DC 20008   | 0.121550          | -0-               |
| Robin Thomas Henderson<br>5028 River Road<br>Bethesda, MD 20016  | 0.030390          | -0-               |
| Russell Stewart Henderson, Jr.<br>5028 River Road<br>Bethesda, MD 20016  | 0.030390          | -0-               |
| Clotilda M. Pope<br>5480 Wisconsin Ave., Suite 814<br>Chevy Chase, MD 20015  | 0.030390          | -0-               |
| Conoco, Inc.<br>10 Conoco Plaza, 10 Desta Drive<br>Midland, TX 79705   | 2.368550          | -0-               |
| <u>Working Interest</u><br>Dugan Production Corp.  | <u>84.523680</u>  | <u>100.000000</u> |
| <b>TOTAL WELL</b>  | <b>100.000000</b> | <b>100.000000</b> |



ATTACHMENT 2--PAGE 2 OF 3

Dugan Production Corp.

Com Well No. 3

Harper Hill Fruitland Sand Pictured Cliffs

Well Location: NWSE 2, T-29N, R-14W

Spacing Unit: SE/4 Sec.2, T-29N, R-14W  
(160.00A)

San Juan County, New Mexico

| <u>INTEREST OWNER</u>  | <u>INTEREST%</u>  |                   |
|--|-------------------|-------------------|
|  | <u>Net</u>        | <u>Gross</u>      |
| <u>Royalty</u><br>State of New Mexico<br>State Land Office<br>Attn: Pete Martinez<br>P. O. Box 1148<br>Santa Fe, NM 87504-1148 | 3.125000          | -0-               |
| USA - Bureau of Land Management<br>1235 La Plata Hwy.<br>Farmington, NM 87401  | 6.25000           | -0-               |
| Rilla E. King<br>P. O. Box 186<br>Dolores, CO 81325  | 3.125000          | -0-               |
| <u>Working Interest</u><br>Dugan Production Corp.  | <u>87.500000</u>  | <u>100.000000</u> |
| <b>TOTAL WELL</b>  | <b>100.000000</b> | <b>100.000000</b> |

ATTACHMENT 2-PAGE 3 OF 3

Dugan Production Corp.  
King Com Well No. 90  
Basin Fruitland Coal  
Well Location: NWNE 11, T-29N, R-14W  
Spacing Unit: E/2 Sec. 11, T-29N, R-14W  
(320.13A)  
San Juan County, New Mexico

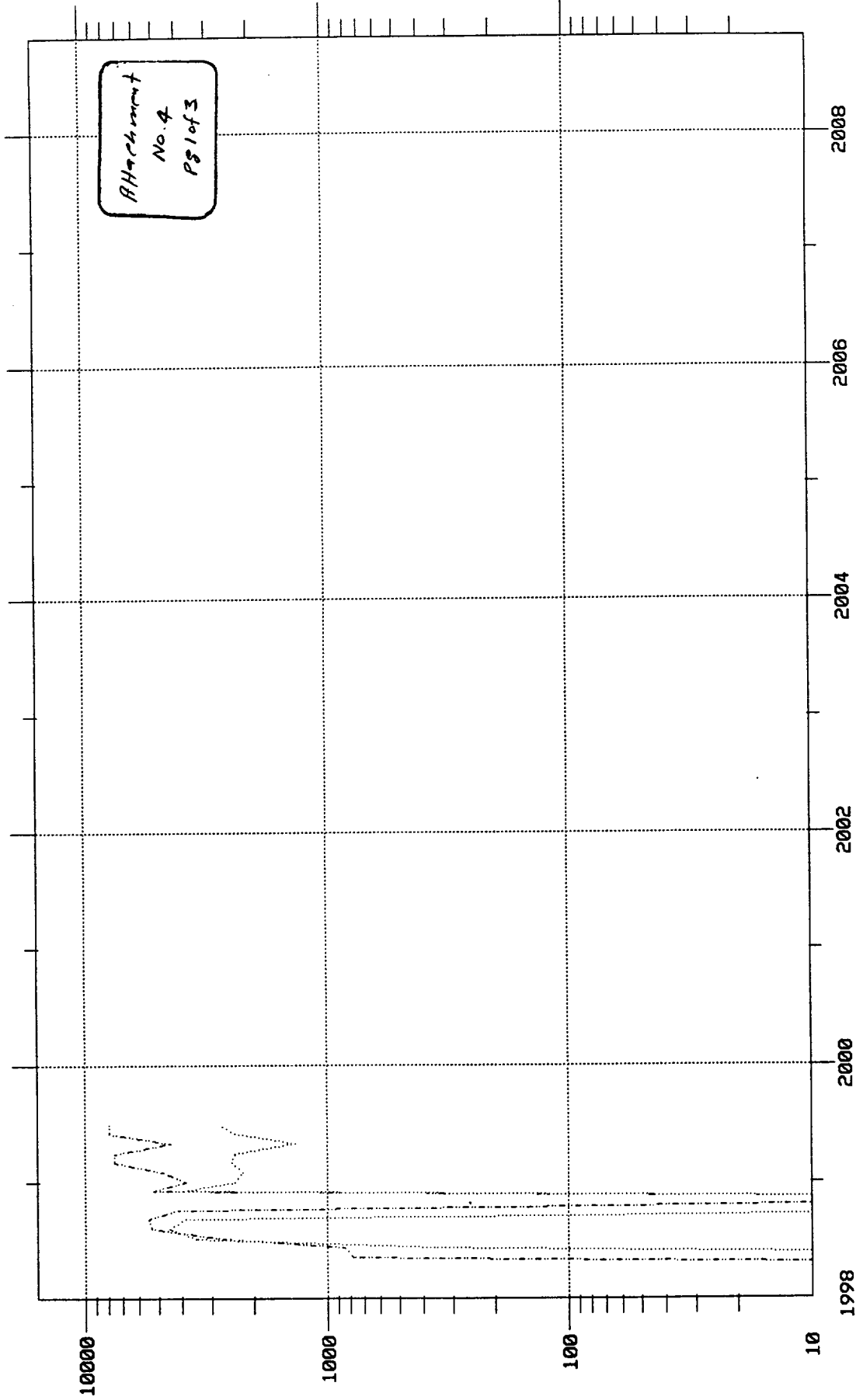
| <u>INTEREST OWNER</u>  | <u>INTEREST %</u> |                   |
|--|-------------------|-------------------|
| <u>Royalty</u>   | <u>Net</u>        | <u>Gross</u>      |
| USA - Bureau of Land Management<br>1235 La Plata Hwy.<br>Farmington, NM 87401  | 7.814403          | -0-               |
| Rilla E. King<br>P. O. Box 186<br>Dolores, CO 81325  | 2.342798          | -0-               |
| Joseph E. & Twila M.<br>Goodding Living Trust<br>c/o Twila M. Goodding, Trustee<br>1009 Crestview Circle<br>Farmington, NM 87401 | 0.780933          | -0-               |
| Betty Jane Akins<br>1309 Dewey Lane<br>Alamogordo, NM 88310  | 0.292850          | -0-               |
| Colleen McSparron<br>810 Stratford<br>Pismo Beach, CA 93449  | 0.292850          | -0-               |
| LaRue Schenck<br>3016 Crestridge<br>Farmington, NM 87401   | 0.292850          | -0-               |
| Geraldine Sterling<br>Box 74<br>Farmington, NM 87499   | 0.292850          | -0-               |
| Robert F. Johnston and Janice A. Johnston<br>605 Parkland Drive<br>Aztec, NM 87410   | 0.014642          | -0-               |
| Larry Dimmick<br>650 W. Main, Ste. C<br>Farmington, NM 87401   | 0.029285          | -0-               |
| Bill Jensen<br>613 Merino Kraal<br>Farmington, NM 87401  | 0.029285          | -0-               |
| Randall E. Presley<br>P. O. Box 2200<br>Bakersfield, CA 92663  | 0.187424          | -0-               |
| Motor Property Partners<br>6515 Tevis Drive<br>Bakersfield, CA 93309   | 0.187424          | -0-               |
| State Highway Department of New Mexico<br>P. O. Box 1149<br>Santa Fe, NM 87504-1149  | 0.052713          | -0-               |
| <u>Working Interest</u>  |                   |                   |
| Lee Atchison<br>P. O. Box 15069<br>Farmington, NM 87499-5069   | 0.117140          | 0.117140          |
| Dugan Production Corp.   | <u>87.272553</u>  | <u>99.882860</u>  |
| <b>TOTAL WELL</b>  | <b>100.000000</b> | <b>100.000000</b> |



Calculated  
 Oil .....  
 Gas .....  
 Water .....

DUGAN PRODUCTION CORP  
 Production Rate vs Time  
 Bbl/Mo or Mcf/Mo vs Months  
 COM No. 1  
 BASIN FRUITLAND COAL

Production  
 Oil .....  
 Gas .....  
 Water .....



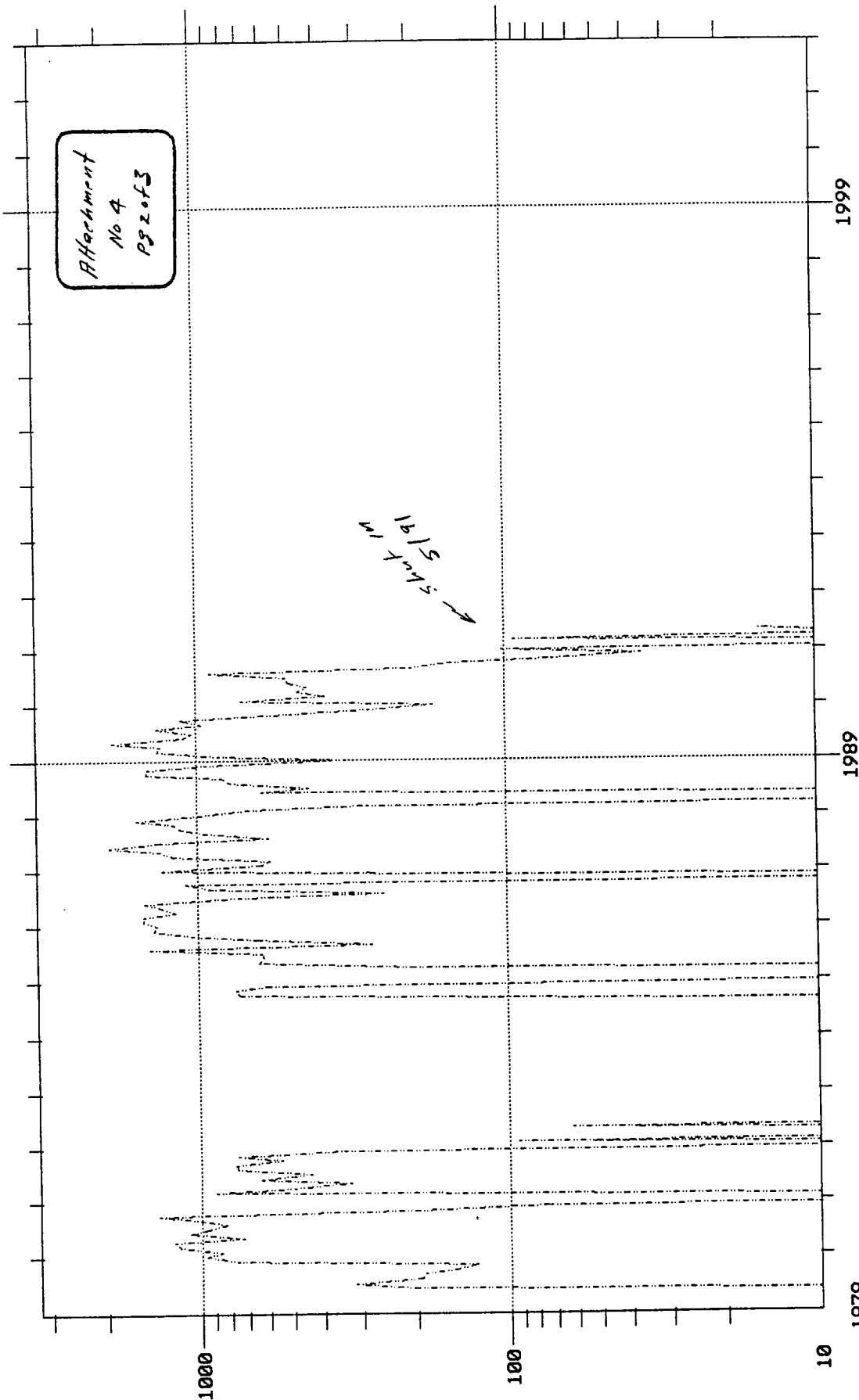
Reported Oil Production = 0 Bbl/s  
 Reported Gas Production = 68529 Mcf  
 Reported Water Production = 32186 Bbl/s

Calculated  
Oil .....  
Gas .....  
Water ----

DUGAN PRODUCTION CORP  
Production Rate vs Time  
Bbl/Mo or Mcf/Mo vs Months  
COM No. 3

HARPER HILL FRUITLAND SAND-PICTURED CLIFFS

Production  
Oil .....  
Gas .....  
Water ----



Reported Oil Production = 0 Bbls  
Reported Gas Production = 77943 Mcf  
Reported Water Production = 0 Bbls

**Attachment No. 4 - Page 3 of 3**  
**King Com No. 90**

**Completion & Test History**

|            |   |
|------------|---|
| 5/24/99    | Perforate Fruitland Coal 958'-964', 997'-1001', 1077'-1084'                   |
| 6/14/99    | Pump into Fruitland Coal perms 958'-1084' w/500 gal. 15% HCL & 900 bbl water. |
| 6/15/99    | Installed 1-1/2" rod pump and commenced testing.                              |
| 7/22/99    | Pump tested 20 MCFD + 31 BWPD. Reported initial potential.                    |
| 7/24-25/99 | Pump tested 15.1 MCFD + 25.9 BWPD.  |
| 7/26-27/99 | Pump tested 15.5 MCFD + 12.7 BWPD.  |
| 8/4-9/99   | Pump tested 16.7 MCFD + 11.9 BWPD.  |
| 8/9/99     | 16.9 MCFD.  |
| 8/10/99    | 23.9 MCFD + 19 BWPD.  |
| 8/11/99    | Shut in. Waiting on pipeline connection.                                      |

Attachment No. 5  
Allocation Procedures  
Dugan Production Corp.'s  
Proposed Surface Commingling & Off-Lease Measurement  
Com No. 1 CDP: J-2-29N-14W  
San Juan County, New Mexico

Base Data:

U=Water volume (BWPD) from Periodic Well Test x days operated during allocation period

V=Water volume (bbl) at Central Battery during allocation period

W=Gas volume (MCFD) from Periodic Well Test x days operated during allocation period

X=Gas volume (MCF) from CDP Sales Meter during allocation period

Y=BTU's from CDP Sales Meter during allocation period

Z=Gas Revenue (\$) from CDP Sales Meter during allocation period

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A+B+C+D+E

A = Allocated Sales Volume, MCF.

= (W/SUM W) x X

B = On lease fuel usage, MCF. Determined from equipment specifications and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by W / Sum W for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by W / Sum W.

2. Allocated Individual Well BTU's = ((W x Individual well BTU) / Sum (W x individual well BTU)) x Y.

Individual well gas heating values to be determined in accordance with BLM's Onshore Order No. 5.

3. Allocated Individual Gas Revenues = (Allocated Individual well BTU's / Sum Allocated individual well BTU's) x Z

4. Individual Well Water Production = Allocated production volume, bbl=(U / Sum U) x V

CO. CD 23' EL PASO NATURAL GAS  
CUSTOMER ACCOUNTING SERVICES DEPARTMENT  
VOLUME CALCULATION DIVISION  
POST OFFICE BOX 1492  
EL PASO, TEXAS 79978

CONTACTS:  
EL PASO FIELD SERVICES  
(713) 757-5953  
EL PASO MAINLINE  
(915) 496-2595

DATE 7/07/99

CHROMATOGRAPHIC GAS ANALYSIS REPORT

Attachment  
No. 6  
Pg 1 of 2

MAILEE  
26730

DUGAN PRODUCTION CORPORATION  
P O BOX 420  
FARMINGTON, NM 87499-0420

METER NUMBER 73044 - COM #1 - Basin Fruitland Cool (J-2-29N-14W)  
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 5/17/99  
SAMPLE DATE 5/14/99  
EFFECTIVE DATE 6/01/99  
EFFECTIVE FOR 6 MONTHS

TYPE CODE 2 - ACTUAL  
H2S GRAINS 0  
LOCATION F - FARM BECK

| COMPONENTS   | NORMALIZED<br>MOL % | GPM         |
|--------------|---------------------|-------------|
| CO2          | .69                 | .000        |
| H2S          | .00                 | .000        |
| N2           | .19                 | .000        |
| METHANE      | 97.32               | .000        |
| ETHANE       | 1.10                | .294        |
| PROPANE      | .37                 | .102        |
| ISO-BUTANE   | .07                 | .023        |
| NORM-BUTANE  | .10                 | .032        |
| ISO-PENTANE  | .04                 | .015        |
| NORM-PENTANE | .03                 | .011        |
| HEXANE PLUS  | <u>.09</u>          | <u>.039</u> |
|              | 100.00              | 0.516       |

SPECIFIC GRAVITY .578  
MIXTURE HEATING VALUE  
(BTU @ 14.73 DRY) 1029  
RATIO OF SPECIFIC HEATS .000  
NO TEST SECURED FOR H2S CONTENT



EL PASO NATURAL GAS COMPANY  
VOLUME ACCOUNTING DEPARTMENT  
MEASUREMENT DIVISION  
POST OFFICE BOX 1492  
EL PASO, TEXAS 79978  
PHONE: (915) 541-5267  
CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 11/13/89

MAILEE  
26730

DUGAN PRODUCTION CORPORATION  
P. O. BOX 208  
FARMINGTON, NEW MEXICO 87401

Attachment  
No. 6  
pg 2 of 2

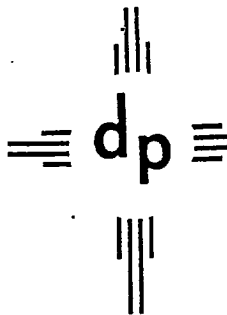
METER NUMBER 90541 - COM 3 - Harper Hill Fruitland Sand - pc (J-2-29N-14W)  
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE 0/00/00  
SAMPLE DATE 10/20/89  
EFFECTIVE DATE 11/01/89  
EFFECTIVE FOR 6 MONTHS

TYPE CODE 2 - ACTUAL  
H2S GRAINS 0  
LOCATION F - FARMINGTON

| COMPONENTS   | NORMALIZED<br>MOL % | GPM         |
|--------------|---------------------|-------------|
| CO2          | .56                 | .000        |
| H2S          | .00                 | .000        |
| N2           | .37                 | .000        |
| METHANE      | 95.82               | .000        |
| ETHANE       | 1.71                | .457        |
| PROPANE      | .78                 | .215        |
| ISO-BUTANE   | .06                 | .020        |
| NORM-BUTANE  | .30                 | .095        |
| ISO-PENTANE  | .08                 | .029        |
| NORM-PENTANE | .06                 | .022        |
| HEXANE PLUS  | <u>.26</u>          | <u>.113</u> |
|              | 100.00              | 0.951       |

SPECIFIC GRAVITY .593  
MIXTURE HEATING VALUE  
(BTU @ 14.73 DRY) 1053  
RATIO OF SPECIFIC HEATS 1.302  
NO TEST SECURED FOR H2S CONTENT



dugan production corp.

Attachment  
No. 7  
Pg 1 of 1

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 1, 1999

Mr. Lee Atchison  
P. O. Box 15069  
Farmington, NM 87499-5069

Re: Application for surface commingling & off-lease measurement of produced gas  
Dugan Production's King Com No. 90  
Basin Fruitland Coal Pool  
Unit B, Section 11, T-29N, R-14W  
San Juan County, New Mexico

Dear Mr. Atchison,

Attached for your review, information and file is a complete copy of the captioned application to surface commingle production from our jointly owned King Com No. 90 with production from the Com No. 1 and Com No. 3 wells also operated by Dugan Production Corp. Our records indicate that you have a 0.11714% working interest in the King Com No. 90.

The proposal will allow Dugan Production to utilize existing production and compression equipment to place the King Com No. 90 into production and will eliminate the expenditures necessary to install individual separation, metering and compression equipment on the King Com No. 90. As a result the completion costs will be reduced and hopefully gas revenues using shared facilities will be increased.

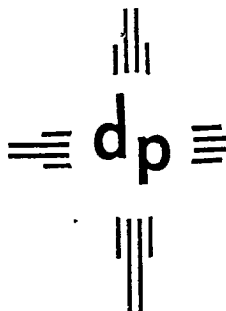
Should you have questions regarding this proposal, please feel free to contact me at the letterhead address or phone. Should you have concerns or objections to our application, you should direct them to the NMOCD Director, Ms. Lori Wrotenbery at 2040 South Pacheco Street, Santa Fe, NM 87505, or call her at (505)827-7132 within 20 days of this letter date. Should you do so, we would appreciate you also letting us know of your concerns or objections.

Sincerely,

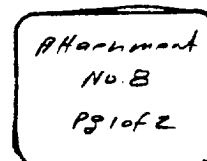
John D. Roe  
Engineering Manager

JDR/tmf

attachment



dugan production corp.



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 1, 1999

To: Royalty Interest Owners (address list attached)  
Dugan Production Corp.'s  
Com No. 1 (J-2-29N-14W)  
Com No. 3 (J-2-29N-14W)  
King Com No. 90 (B-11-29N-14W)  
San Juan County, New Mexico

Gentlemen:

Dugan Production Corp. has filed an application with the New Mexico Oil Conservation Division (NMOCD), the New Mexico State Land Office and the Bureau of Land Management requesting their approvals to surface commingle natural gas produced from the captioned three wells. This will allow us to more efficiently produce all three wells and should increase your royalty revenues.

A complete copy of our application is attached for your information and review. Should you have any questions regarding this proposal please feel free to contact me at the letterhead address or phone. Should you have concerns or objections to our application, you should direct them to the NMOCD Director, Ms. Lori Wrotenbery, at 2040 South Pacheco Street, Santa Fe, NM 87505, or call her at (505) 827-7132, within 20 days of this letter date. Should you do so, we would appreciate you also letting us know of your concerns or objections.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager

JDR/tmf

attachment

**Interest Owner Address List**  
(a = Com No. 1, b = Com No. 3, c = King Com No. 90)

Attachment  
No. B  
Pg 2 of 2

**Royalty Interest Owners**

Betty Jane Akins (c)  
6515 Tevis Drive  
Alamogordo, NM 88310

Larry Dimmick (c)  
650 W. Main, Suite C  
Farmington, NM 87401

Joseph E. & Twila M. Goodding Living Trust (c)  
c/o Twila M. Goodding, Trustee  
1009 Crestview Circle  
Farmington, NM 87401

Bill Jensen (c)  
613 Merino Kraal  
Farmington, NM 87401

Robert F. Johnson & Janice A. Johnston (c)  
605 Parkland Drive  
Aztec, NM 87410

Rilla E. King (a, b, c)  
P. O. Box 186  
Dolores, CO 81325

Colleen McSparron (c)  
810 Stratford  
Pismo Beach, CA 93449

Motor Property Partners (c)  
1309 Dewey Lane  
Bakersfield, CA 93309

Randall E. Presley (c)  
P. O. Box 2200  
Bakersfield, CA 92663

LaRue Schenck (c)  
3016 Crestridge  
Farmington, NM 87401

State Highway Department (c)  
P. O. Box 1149  
Santa Fe, NM 87504-1149

State of New Mexico (a & b)  
State Land Office  
Attn: Pete Martinez  
P. O. Box 1148  
Santa Fe, NM 87504-1148

Geraldine Sterling (c)  
Box 74  
Farmington, NM 87499-0074

USA-Bureau of Land Management (a,b,c)  
1235 La Plata Highway  
Farmington, NM 87401

---

**Overriding Royalty Interest Owners**

Conoco, Inc. (a)  
10 Conoco Plaza, 10 Desta Drive  
Midland, TX 79705

Marcia M. Daniels (a)  
c/o Clotilda M. Pope  
5480 Wisconsin Ave., Suite 814  
Chevy Chase, MD 20015

Louise Adair McDougal Hadley (a)  
2 Bluff Road  
Swansboro, NC 28584

Anne S. Henderson (a)  
2969 Upton St., NW, Apt. 3  
Washington, DC 20008

Robin Thomas Henderson (a)  
5028 River Road  
Bethesda, MD 20016

Russell Stewart Henderson, Jr. (a)  
5028 River Road  
Bethesda, MD 20016

Charles Alan McDougal (a)  
7928 Rooksley Ct.  
Raleigh, NC 27615

Robert Bruce McDougal (a)  
6608 Penny Lane  
Bartlesville, OK 74006

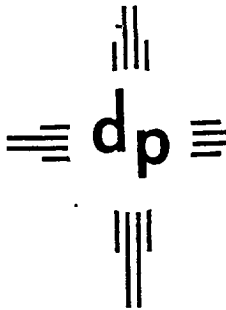
Clotilda M. Pope (a)  
5480 Wisconsin Ave., Suite 814  
Chevy Chase, MD 20015

---

**Working Interest Owners**

Lee Atchison (c)  
P. O. Box 15069  
Farmington, NM 87499-5069

Dugan Production Corp. (a,b,c)  
P. O. Box 420  
Farmington, NM 87499-0420



# dugan production corp.

Attachment  
No. 9  
PS 1 of 2

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 1, 1999

To: Overriding Royalty Interest Owners (address list attached)  
Dugan Production Corp.'s  
Com No. 1 (J-2-29N-14W)  
San Juan County, New Mexico

Gentlemen:

Dugan Production Corp. has filed an application with the New Mexico Oil Conservation Division (NMOCD), the New Mexico State Land Office and the Bureau of Land Management requesting their approvals to surface commingle natural gas produced from the captioned well with the gas from two other wells also operated by Dugan Production. This will allow us to more efficiently produce all three wells and should increase your gas revenues from the Com No. 1.

A complete copy of our application is attached for your information and review. Should you have any questions regarding this proposal please feel free to contact me at the letterhead address or phone. Should you have concerns or objections to our application, you should direct them to the NMOCD Director, Ms. Lori Wrotenbery, at 2040 South Pacheco Street, Santa Fe, NM 87505, or call her at (505) 827-7132, within 20 days of this letter date. Should you do so, we would appreciate you also letting us know of your concerns or objections.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager

JDR/tmf

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*Attachment  
No. 9  
Pg 2 of 2*

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P. O. Box 1148  
Santa Fe, NM 87504-1148

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5480 Wisconsin Ave., Suite 814  
Chevy Chase, MD 20015

---

**Working Interest Owners**

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P. O. Box 15069  
Farmington, NM 87499-5069

Dugan Production Corp. (a,b,c)  
P. O. Box 420  
Farmington, NM 87499-0420