

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on re-
verse side)

Form approved
Budget Bureau No. 1004-0135
Expires August 31, 1985

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—" for such proposals.)

1. ☐ OIL WELL ☒ GAS WELL ☐ OTHER

2. NAME OF OPERATOR
DUGAN PRODUCTION CORP.

3. ADDRESS OF OPERATOR
P O Box 208, Farmington, NM 87499

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.
See also space 17 below.)
At surface
2130' FSL & 360' FWL

14. PERMIT NO.

15. ELEVATIONS (Show whether **FARMINGTON RESOURCE AREA**)
5522' GL

5. LEASE DESIGNATION AND SERIAL NO.
14-20-603-586

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
Navajo

7. UNDER AGREEMENT NAME

8. FARM OR LEASE NAME
Hogan

9. WELL NO.
1

10. FIELD AND POOL, OR WILDCAT
Mesa

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 30, T32N, R17W, NMPM

12. COUNTY OR PARISH
San Juan

13. STATE
NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	Status Report <input checked="" type="checkbox"/>

(Other) ☐

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

17. 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.)

As requested 2-13-87 by BLM representative, Mr. Steve Mason, this sundry is to report progress to date on the subject well. Subsequent to our sundry dated 4-3-86, Sun's farmout to Woosley Oil Co. expired 10-1-86 resolving one of the many uncertainties that had existed with respect to future operations on this property. In a letter dated 7-3-86, we advised the Albuquerque Office of the BLM that Dugan Production had plans to resume operations & complete the Hogan No. 1, plus drill an additional well on this lease upon resolving the many uncertainties that existed on this lease. Our plan of operations was accepted by the BLM in their letter dated 7-18-86 (copies of both letters are attached). Dugan Production is currently negotiating with NTUA for the sale of gas from the lease which we view as being of paramount importance prior to commencing any new well work in view of the BLM's 11-23-82 refusal to allow venting of gas on Dugan Production's Horseshoe No. 1 well, which is also on the lease. NTUA has indicated they will purchase the gas and is currently preparing a gas contract. We have been advised by NTUA that we should have their contract in mid-February 1987. We are also working on the necessary arrangements of either laying approximately 17,200' of line and/or negotiating a transportation agreement for an existing line near our lease to deliver gas to NTUA. As can be imagined, either option will require a fairly substantial investment and effort. It is our hope that we will be far enough along so that we can resume operations during the summer months, if at all possible. Of course, any operations necessitating an expenditure of any significance will require the approval of our joint interest owner.

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

SIGNED Jim L. Jacobs
(This space for Federal or State office use)

TITLE Geologist

APPROVED BY _____
CONDITIONS OF APPROVAL, IF ANY:

TITLE _____

RECEIVED
FEB 26 1987
OIL CON. DIV.
DIST. 3

ACCEPTED FOR RECORD
DATE 2-19-87

FEB 24 1987

FARMINGTON RESOURCE AREA

RV

*See Instructions on Reverse Side



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ALBUQUERQUE DISTRICT OFFICE

505 Marquette, N.W.

P.O. Box 6770

Albuquerque, New Mexico 87197-6770

14-20-603-586
3160 (015) (DL)

COPIY

JUL 1 8 1986



Dugan Production Corporation
ATTN: Mr. John D. Roe
P.O. Box 208
Farmington, NM 87499-0208

Gentlemen:

We have reviewed your plan of development for Navajo Tribal lease No. 14-20-603-586 and have found it to be acceptable. We will be reviewing this lease from time to time to determine if it is being diligently developed. We consider lease No. 14-20-603-586 to be diligently developed at this time.

If you have any questions, please contact James E. Straka at the above address or telephone (505) 766-2841.

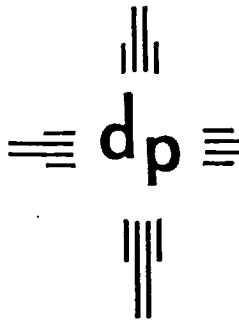
Sincerely,

Sid Vogelzohl

For District Manager

Horseshoe & HOGAN LEASES.

Sections 29-32, T-32N, R-17W



dugan production corp.

COPY

July 3, 1986

Bureau of Land Management -
Attn: District Manager
P.O. Box 6770
Albuquerque, NM 87197-6770

Re: BLM Letters Dated February 12, 1986 and May 19, 1986
Dugan Production Corp's Horseshoe & Hogan Leases
Indian Oil & Gas Lease No. 14-20-603-586
Sections 29 - 32, T32N, R17W, NMPM
San Juan County, NM

Gentlemen:

We are writing with regards to the captioned lease and letters (#14-20-603-586, 3100 (015) (DL)), wherein the existence of undeveloped spacing units in the Gallup formation was questioned. Your initial letter specified a May 5, 1986 response date regarding our plans for future development on the subject lease. This date was extended to July 5, 1986 at our request in your letter dated May 19, 1986.

Based upon our evaluation of remaining development potential on the subject lease, Dugan Production agrees that further development is possibly warranted. As you may be aware, we have had several locations approved for drilling on the subject lease, and had actually begun a development drilling program with the spudding of our Hogan No. 1 (located 2130' FSL & 360' FWL of Section 30, T32N, R17W) on October 27, 1978. After reaching a depth of 940' (within 100' of our planned total depth), we were required to suspend operations as demanded by the local Indian grazing permittees. Negotiations to resolve the interruption created by the grazing rights holders on October 30, 1978 has required a great deal of time and effort, and has absolutely prohibited any further drilling activities on the lease.

The APDs for nine additional wells approved for drilling (four during March, 1975 and five during October, 1978) were rescinded by the BLM during July, 1983 due to the impass between the grazing permittees and Dugan Production. Following a substantial amount of negotiations, a meeting was held on September 17, 1985 in the Shiprock Agency Headquarters of the Bureau of Indian Affairs (BIA), under the direction of the superintendent, Mr. Donald Dodge. At this meeting, Dugan Production made a cash payment to each of eight Navajo grazing permittees in order to settle the dispute and allow for continued activity on the lease. A copy of the BIA letter dated September 9, 1985 scheduling this meeting is attached for reference (Attachment No. 1).

Letter to BLM
July 3, 1986
Page 2

Since resolving the dispute with the grazing permittees in September, 1985, the prices for oil and gas have declined substantially, causing the economic attractiveness of drilling (on the subject lease or any other lease) to deteriorate, and the uncertainty of future oil and gas prices has caused most operators to be reluctant to do any unnecessary drilling.

In addition to the economic uncertainty, there is an uncertainty as to current working interest ownership of portions of this lease which is owned jointly by Dugan Production Corp. (50%) and Sun Exploration & Production Co. (50%). At the time we began the drilling of our Hogan No. 1, Dugan Production had obtained a farmout from Sun on their 50%. Upon suspending drilling operations in October, 1978, Dugan Production entered into an agreement with Sun to extend the farmout until the problems with the grazing permittees were resolved. Some time during the seven years (\pm) that passed while we were working to resolve the dispute with the grazing permittees, Sun, unknown to Dugan Production, cancelled their farmout to Dugan and apparently entered into a farmout agreement with Woosley Oil Co. Woosley Oil Co. has filed for bankruptcy protection under Chapter 11. We are now working with Sun to resolve how their 50% ownership will be treated with respect to further development.

The subject lease is not off-set by existing production such that potential drainage is of any concern. There are three wells adjacent to the subject lease at the southeastern end, which are all either idle or have been converted to water injection wells. Thus, there is no urgency to develop the subject lease, to meet offset production.

In view of the depressed economic environment, we propose to commence a limited development program on the subject lease upon receiving the necessary approvals from the BLM, BIA and the State, plus resolving the uncertainties as to lease hold ownership resulting from Woosley Oil Company having filed for bankruptcy protection. It is our proposal to first re-enter and finish drilling the Hogan No. 1, located 2130' FSL & 360' FWL of Section 30, T32N, R17W (refer to Attachment No. 2 for details of drilling activity to date on this well). Upon completion of this well, we propose the drilling of a well in the SE/4 SW/4 of Section 30, T32N, R17W, at or near the location previously approved for drilling as the Horseshoe No. 7. Pending results of these two wells, we then would submit drilling plans at additional locations throughout the lease. In view of the marginal economics anticipated as a result of the currently depressed oil and gas prices, we propose that our drilling program be structured based upon completion results of each well, and market conditions (i.e. oil and gas prices).

Letter to BLM
July 2, 1986
Page 3

Our proposed drilling program as identified above currently involves the completion of two wells with subsequent wells being dependent upon results and market conditions of these two wells. As mentioned above, Dugan Production does desire to do additional development on this lease, however, due to the many uncertainties in market conditions, financial instability of Woosley Oil Company, and continued cooperation with the local Navajo grazing permittees, we request that the BLM approve our initial two well drilling program with subsequent wells to follow at a reasonable time interval, dictated by the many uncertainties that exist on this lease.

Should you have questions regarding this matter or need additional information, please feel free to contact me.

Sincerely,

John D. Roe

John D. Roe
Petroleum Engineer

JDR/cg

attachs.



IN REPLY REFER TO:
Real Property
Management

Attachment No. 1
To Dugan Letter of 7-3-86.

United States Department of the Interior

BUREAU OF INDIAN AFFAIRS

Shiprock Agency
P.O. Box 966
Shiprock, New Mexico 87420

SEP 6 1986

Thomas Dugan
Dugan Production
P.O. Box 208
Farmington, New Mexico 87499

RE: Hogan Well #1

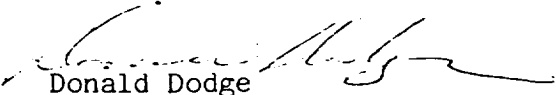
Dear Mr. Dugan:

A meeting has been schedule for September 17, at 10:00 a.m., in the Shiprock Agency Headquarters lower conference room. All parties involved, grazing permittees, Dugan Oil & Gas, Bureau of Land Management have been requested to attend this meeting.

Your presence is requested/required to settle the dispute to continue with full development or to plug and abandon the well.

Please bring all pertinent information regarding Hogan Well #one. Thank you for your cooperation.

Sincerely,


Donald Dodge
Superintendent

6 BLM, Fmn 1 Navajo Nation

1 File

Form Approved.
Budget Bureau No. 42-R1424UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Attachment No. 2
To Dugan Prod. Lett
of 7-5-84.

5. LEASE	14-20-603-586
6. IF INDIAN, ALLOTTEE OR TRIBE NAME	Navajo
7. UNIT AGREEMENT NAME	
8. FARM OR LEASE NAME	Hogan
9. WELL NO.	1
10. FIELD OR WILDCAT NAME	Mesa
11. SEC., T., R., M. OR BLK. AND SURVEY OR AREA	Sec. 30 T32N R17W
12. COUNTY OR PARISH	San Juan
13. STATE	NM
14. API NO.	
15. ELEVATIONS (SHOW DF, KDB AND WD)	5522' GL

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 Form 9-331-C for such proposals.)

1. oil well ☒ gas well ☐ other ☐

2. NAME OF OPERATOR
Dugan Production Corp.

3. ADDRESS OF OPERATOR
P O Box 208, Farmington, NM 87499

4. LOCATION OF WELL (REPORT LOCATION CLEARLY. See space 17 below.)
AT SURFACE: 2130/5 + 360/W
AT TOP PROD. INTERVAL:
AT TOTAL DEPTH:

16. CHECK APPROPRIATE BOX TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

REQUEST FOR APPROVAL TO:

- TEST WATER SHUT-OFF ☐
FRACTURE TREAT ☐
SHOOT OR ACIDIZE ☐
REPAIR WELL ☐
PULL OR ALTER CASING ☐
MULTIPLE COMPLETE ☐
CHANGE ZONES ☐
ABANDON* ☐
(other) ☐

SUBSEQUENT REPORT OF:

RECEIVED

JUL 27 1983

U.S. GEOLOGICAL SURVEY
FARMINGTON, N. M.

(NOTE: Report results of multiple completion or zone change on Form 9-330.)

XX Commencement of Drilling operations.

17. 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.)*

10-28-78 Moved in Morrow Drilling Co. rig. Spudded 8-3/4" hole at 1:00 p.m. 10-27-78. Drilled to 70'. Ran two jts 7" O.D., 23#, 8R, LT&C casing. T.E. 68.36' set at 70' GL. Cemented with 10 sx class B neat (12 cf slurry). Job complete at 4:00 p.m. 10-27-78.

10-29-78 Nippled up BOP. Started drilling 6-1/8" hole at 11:30 a.m. 10-28-78. Drilled with air to 660'.

10-30-78 Drilled 6-1/8" hole with air to 940'. Shut down by Indian grazing rights holder. Will wait to get things straightened out.

Subsurface Safety Valve: Manu. and Type _____

Set @ _____ Ft.

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

SIGNED Jim L. Jacobs TITLE Geologist DATE 7-25-83

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

ACCEPTED FOR RECORD

SEP 25 1985

OPERATOR

FARMINGTON RESOURCE AREA

BY smm