

| | | | | | |
|------------------------|----------|--------------------|--------------------------|-----------------|--------------------------|
| DATE IN <u>6.27.11</u> | SUSPENSE | ENGINEER <u>RE</u> | LOGGED IN <u>6.27.11</u> | TYPE <u>PLC</u> | APP NO <u>1117853810</u> |
|------------------------|----------|--------------------|--------------------------|-----------------|--------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

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



30 wells

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]

San Juan

- [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
- [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 SLO~~
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

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[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.

| | | | |
|--|--|--|---------------------------|
| <u>John D. Roe</u> Print or Type Name | <u><i>John D. Roe</i></u> Signature | <u>Engineering Manager</u> Title | <u>06/24/2011</u> Date |
| | | <u>johnroe@duganproduction.com</u> e-mail Address | |

ATTACHMENT NO. 2
 DUGAN PRODUCTION CORP.
 WAW GATHERING SYSTEM (05-01-11)
 CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W
 SAN JUAN COUNTY, NEW MEXICO

PLC-343 (8/12/11)

| Well Name | API No 30-045- | Well Location | | | Well Location | | CA Number (if established) | Pool Ø | Completion Date | Cumulative Prod 01/01/2011 | | Current Prod ① | | Spacing Unit | Gas ② Measurement Locations |
|---|-------------------|----------------|--------------|---------|---------------|----------|-------------------------------|----------------|--------------------|-------------------------------|---------------|----------------|--------------|-----------------|-----------------------------------|
| | | UL-Sec-Twn-Rng | N/S | E/W | Lease No | Lse Type | | | | MCF | BW | MCFD | BWPD | | |
| WELLS PREVIOUSLY APPROVED FOR WAW GATHERING SYSTEM (28 Wells = 31 Completions) | | | | | | | | | | | | | | | |
| FAF #1 | 21773 | P-30-27N-13W | 1000 FS | 990 FE | NM499348 | Federal | | WAW FR SAND PC | 5/4/1975 | 54,833 | 7,482 | 13 | 0 02 | SE/4 160 | 1,13 |
| FAF #2 | 21907 | A-30-27N-13W | 920 FN | 1107 FE | NM499348 | Federal | | WAW FR SAND PC | 3/8/1976 | 118,872 | 14,237 | 09 | 0 | NE/4 160 | 1,15 |
| FAF #3 | 22968 | C-30-27N-13W | 790 FN | 2000 FW | NM499348 | Federal | | WAW FR SAND PC | 6/1/1978 | 180,343 | 194 | 2 6 | 0 02 | NW/4 185.12 | 1,15,19 |
| FAF #4 | 22969 | K-30-27N-13W | 1850 FS | 2000 FW | NM499348 | Federal | | WAW FR SAND PC | 5/8/1978 | 336,192 | 480 | 23 5 | 0 05 | SW/4 185 44 | 1,15,14 |
| KR #1 | 21838 | B-29-27N-13W | 1000 FN | 1800 FE | NM11580 | Federal | | WAW FR SAND PC | 8/12/1975 | 85,302 | 751 | P&A 7/28/94 | | NE/4 160 | 1,16 |
| KR #2 | Note ① | 21897 | D-29-27N-13W | 973 FN | 1000 FW | NM11580 | Federal | WAW FR SAND PC | 3/16/1976 | 37,445 | 405 | P&A 7/28/94 | | NW/4 160 | 1,16 |
| | | | | | | | | BASIN FR COAL | 3/16/1976 | 0 | 0 | P&A 7/28/94 | | N/2 320 | 1,16 |
| KR #3 | 22695 | O-20-27N-13W | 790 FS | 1850 FE | NM11580 | Federal | | WAW FR SAND PC | 6/14/1979 | 0 | 0 | P&A 3/20/96 | | SE/4 160 | 1,16 |
| KR #3J | 25535 | I-20-27N-13W | 1850 FS | 790 FE | NM11580 | Federal | | WAW FR SAND PC | 12/22/1983 | 0 | 0 | P&A 2/2/96 | | SE/4 160 | 1,16 |
| KR #4 | Note ① | 22694 | M-20-27N-13W | 790 FS | 790 FW | NM11580 | Federal | WAW FR SAND PC | 4/13/1979 | 20,797 | 13 | 0 4 | 0 | SW/4 160 | 1,16 |
| | | | | | | | | BASIN FR COAL | 4/13/1979 | 1,582 | 11 | 0 2 | 0 | S/2 320 | 1,16 |
| KR #6 | Note ① | 22691 | N-19-27N-13W | 990 FS | 1850 FW | NM11580 | Federal | WAW FR SAND PC | 1/11/1978 | 22,199 | 10 | 2 3 | 0 | SW/4 184 64 | 1,16 |
| | | | | | | | | BASIN FR COAL | 2/16/1999 | 2,444 | 8 | 0 8 | 0 | S/2 344 64 | 1,16 |
| KR #7 | 22693 | E-20-27N-13W | 1850 FN | 990 FW | NM11580 | Federal | | WAW FR SAND PC | 11/12/1977 | 172,558 | 269 | 10 6 | 0 05 | NW/4 160 | 1,16 |
| KR #8 | 22690 | H-19-27N-13W | 1850 FN | 990 FE | NM11580 | Federal | | WAW FR SAND PC | 3/24/1978 | 129,752 | 267 | 3 7 | 0 04 | NE/4 160 | 1,16 |
| KR #10 | 23509 | J-19-27N-13W | 2000 FS | 1850 FE | NM11580 | Federal | | WAW FR SAND PC | 9/7/1979 | 94,115 | 243 | 3 7 | 0 03 | SE/4 160 | 1,16 |
| Monticello #1Y | 22758 | C-3-26N-13W | 1170 FN | 1450 FW | NM1336 | Federal | | WAW FR SAND PC | 9/29/1977 | 62,647 | 106 | P&A 10/25/95 | | NW/4 159 75 | 1,3 |
| Notsowaw #1 | 21698 | G-32-27N-13W | 1850 FN | 1850 FE | NM11090 | Federal | | WAW FR SAND PC | 4/12/1975 | 288,596 | 185 | 1 2 | 0 02 | NE/4 160 | 1,7 |
| Notsowaw #2 | 22413 | C-32-27N-13W | 1000 FN | 1800 FW | NM11090 | Federal | SRM 1304 | WAW FR SAND PC | 7/12/1977 | 11,747 | 183 | P&A 8/6/86 | | NW/4 160 | 1,6 |
| Ojo-He-He #1 | 21833 | H-31-27N-13W | 1850 FN | 1000 FE | NM0553184 | Federal | | WAW FR SAND PC | 8/12/1975 | 63,816 | 134 | 3 2 | 0 01 | NE/4 160 | 1,12 |
| Ojo-He-He #2 | 21857 | E-33-27N-13W | 1615 FN | 920 FW | NM0553184 | Federal | | WAW FR SAND PC | 10/12/1975 | 163,638 | 206 | 5 9 | 0 02 | NW/4 160 | 1,5 |
| Ojo-He-He #3 | 21856 | L-33-27N-13W | 1960 FS | 990 FW | NM0553184 | Federal | | WAW FR SAND PC | 10/12/1975 | 289,564 | 142 | 7 2 | 0 02 | SW/4 160 | 1,5 |
| Ojo-He-He #4 | 22414 | J-32-27N-13W | 1848 FS | 1770 FE | NM0553184 | Federal | SRM 1301 | WAW FR SAND PC | 12/29/1977 | 17,784 | 454 | P&A 9/27/88 | | SE/4 160 | 1,8 |
| Ojo-He-He #5 | 21855 | J-33-27N-13W | 1905 FS | 1853 FE | NM0553184 | Federal | | WAW FR SAND PC | 7/21/1976 | 26,788 | 33 | P&A 8/23/95 | | SE/4 160 | 1,4 |
| Ojo-He-He #6 | 21858 | C-31-27N-13W | 1000 FN | 2276 FW | NM0553184 | Federal | | WAW FR SAND PC | 4/20/1976 | 87,184 | 192 | 7 0 | 0 02 | NW/4 186 07 | 1,11 |
| Ojo-He-He #7 | 21854 | G-33-27N-13W | 1850 FN | 1650 FE | NM0553184 | Federal | | WAW FR SAND PC | 3/16/1976 | 52,100 | 34 | P&A 9/03/97 | | NE/4 160 | 1,4 |
| Ojo-Ho #1 | 21874 | I-31-27N-13W | 1850 FS | 1000 FE | NM7276 | Federal | | WAW FR SAND PC | 6/4/1976 | 69,555 | 2,080 | 2 6 | 0 | SE/4 160 | 1,10 |
| Ojo-Ho #2 | 21875 | L-31-27N-13W | 1750 FS | 1546 FW | NM7276 | Federal | | WAW FR SAND PC | 7/22/1976 | 10,401 | 11 | P&A 4/18/95 | | SW/4 187 01 | 1,10 |
| Thomas Jefferson #2 | 22037 | M-34-27N-13W | 1000 FS | 1000 FW | NM1336 | Federal | | WAW FR SAND PC | 7/11/1976 | 21,807 | 42 | P&A 3/30/90 | | SW/4 160 | 1,3 |
| Thomas Jefferson #3 | 23510 | C-34-27N-13W | 850 FN | 1850 FW | NM1336 | Federal | | WAW FR SAND PC | 9/7/1979 | 45,579 | 150 | 0 3 | 0 03 | NW/4 160 | 1,2 |
| WAW #1 | 20652 | L-32-27N-13W | 1500 FS | 950 FW | NM0553184 | Federal | | WAW FR SAND PC | 6/20/1970 | 89,486 | 32 | P&A 6/25/02 | | SW/4 160 | 1,9 |
| WELLS TO BE ADDED TO SYSTEM (2 Wells = 3 Completions) | | | | | | | | | | | | | | | |
| Faith #1 | 23107 | F-19-27N-13W | 1450 FN | 2000 FW | NM33040 | Federal | | WAW FR Sand PC | 10/29/1982 | 41,938 | 52,398 | 4 9 | 50 8 | NW/4 184 00 | 1,16,17 |
| Faith #4 | Note ① | 25587 | K-18-27N-13W | 1850 FS | 1850 FW | NM33040 | Federal | WAW FR SAND PC | 3/5/1985 | 4,345 | 136 | 0 4 | 0 02 | SW/4 183 44 | 1,16,18 |
| | | | | | | | NMNM85741 | BASIN FR COAL | 3/5/1985 | 775 | 54 | 0 1 | 0 | W/2 - 366 40 | 1,16,18 |
| TOTAL | | | | | | | | | | 2,604,184 | 80,942 | 82,8 | 51 15 | | |

ATTACHMENT NO. 2
 DUGAN PRODUCTION CORP.
 WAW GATHERING SYSTEM (05-01-11)
 CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W
 SAN JUAN COUNTY, NEW MEXICO

Notes

- ① Daily average production during 2010
- ② WAW Fruitland Sand Pictured Cliffs gas pool (OCD Pool No 87190) and Basin Fruitland Coal gas pool (OCD Pool No 71629), WAW and BFC, respectively
- ③ KR well No 2 was completed 3/16/76 in the WAW Pictured Cliffs gas pool with perforations in the Fruitland and Pictured Cliffs. NMOCD order R-5359 (effective 1/25/77) authorized downhole commingling of production from Fruitland and Pictured Cliffs. Upon establishing the Basin Fruitland Coal gas pool (NMOCD order R-8768) effective 11/1/88, the completed intervals were redesignated WAW Fruitland Sand - Pictured Cliffs and Basin Fruitland Coal gas pools. Of the 37,445 mcf total gas production, 37,265 mcf occurred prior to April 1985 and as such 100% was reported to be from the WAW Fruitland - Pictured Cliffs. The well was P&A 7/28/94
- ④ Well downhole commingled

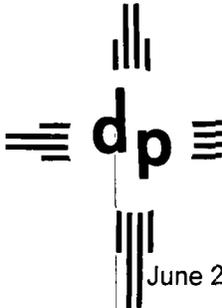
| Well No | NMOCD DHC Order | BLM Approved | Allocation Factors | | Water-% | |
|---------|--------------------|-----------------|--------------------|-----|---------|-----|
| | | | Gas-% | | WAW | BFC |
| | | | WAW | BFC | | |
| KR 4 | R-5359 | 11/16/99 | 70 | 30 | 50 | 50 |
| KR 6 | DHC-1402 | 12/02/96 | 75 | 25 | 50 | 50 |
| Faith 4 | DHC-893AZ | 08/30/02 | 85 | 15 | 65 | 35 |

④ WAW Gathering System (WGS) - Gas Measurement Locations 5/01/2011Active MetersLocationWells Metered

- 1 - CDP Sales Meter No. 03847 operated & maintained by Enterprise Field Services - all wells measured
- 2 - Thomas Jefferson 3 - @ wellhead
- 5 - Ojo He He 2 & 3 - @ tie into WGS *
- 7 - Notsowaw 1 - @ wellhead
- 10 - Ojo Ho 1 - @ wellhead - #2 P&A
- 11 - Ojo He He 6 - @ wellhead
- 12 - Ojo He He 1 - @ wellhead
- 13 - FAF 1 - @ wellhead
- 14 - FAF 4 - @ wellhead
- 16 - KR 4,6,7,8,10 plus Faith 1 & 4 - @ tie into WGS. *
- KR 1, 2, 3 & 3J all P&A
- 17 - Faith 1 - @ wellhead
- 18 - Faith 4 - @ wellhead
- 19 - FAF 3 - @ wellhead
- * - For allocation to wells, wells are tested annually using portable tester

Discontinued MetersLocationWells Metered

- 3 - Thomas Jefferson 2 & Monticello 1Y - both wells P&A
- 4 - Ojo He He 5 & 7 - both wells P&A
- 6 - Notsowaw 2 - well P&A
- 8 - Ojo He He 4 - well P&A
- 9 - WAW 1 - well P&A
- 15 - FAF 2, 3 & 4 - #2 to be P&A, meters installed @ 3 & 4



dugan production corp.

June 24, 2011

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Dave Evans, Manager
Bureau of Land Management
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, NM 87401

RE: Application to surface commingle and for the off-lease measurement and sale of produced natural gas
Dugan Production's WAW Gathering System
San Juan County, New Mexico

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2011 JUN 27 P 3:15

Dear Ms. Bailey & Mr. Evans,

We are writing to request your administrative approvals for the surface commingling plus off-lease measurement and sale of natural gas produced from 30 wells (34 completions) presented on Attachment No. 2 and connected to Dugan Production's WAW Gathering System (WAWGS). Dugan Production Corp. is the operator of all wells and did install and does operate the WAWGS. There are a total of 137 federal leases comprising the spacing units for all 30 wells. There are no Fee, Indian or State leases.

Our application to the Bureau of Land Management (BLM) is to add 2 wells (3 completions); Dugan's Faith No. 1 and Faith No. 4 to the WAWGS and to provide updated gathering system information. **Attachment No. 3** is a copy of Dugan Production's initial application to the BLM dated 01/25/1984 for operation of the WAWGS which included 32 wells, 21 of which were active at the time of application. The BLM approved Dugan's application on 01/26/1984.

Our application to the New Mexico Oil Conservation Division (NMOCD) is to request NMOCD approval for operation of the WAW Gathering System which initially had 32 wells and currently has 18 wells (21 completions) active. We inadvertently did not include the NMOCD in our initial application, presumably since only federal leases were involved. We do understand that NMOCD approval for surface commingling and off-lease measurement is required and we now solicit NMOCD approval. We request that the NMOCD consider that the BLM did approve our operation of the WAWGS in 1984 and that all gas has been measured using conventional dry flow, continuous recording chart allocation meters prior to leaving each lease and that all leasehold interest is federal. There are no fee, indian or state leases. Dugan Production has our own gas measurement department and strives to maintain all allocation meters and their calibrations. **Attachment No. 2** presents individual well and lease information for each of the 30 wells and 34 completions that have delivered gas into the WAWGS. Of the 18 wells (21 completions) currently active, the largest well (our KR #4) averaged 23.5 mcf during 2010. The combined daily average production from all 18 wells during 2010 was 82.8 mcf and the average per well production for all 18 wells was 4.6 mcf. Although this is an area that is fairly marginal for production, as of 01/01/2011, a total of 2.6 billion cf of gas have been produced from the 30 wells connected to the WAWGS and 8 of the wells have produced more than 100 mmcf, one of which has produced 336 mmcf.

Attachment No. 1 presents a map of the WAWGS which was produced from the Hugh Lake and Kirtland SE Quadrangles. Included on Attachment No. 1 are the wells and leases connected to the WAWGS along with the location of the CDP gas sales meter (Enterprise Field Services Meter 03847) plus the 18 individual well/lease allocation meters, 6 of which are currently removed from service as the wells they served have been plugged. A description of each allocation meter along with the wells metered by each is presented in Note No. 5 for Attachment No. 2. The WAWGS includes approximately 14.2 miles of

pipeline all located within Sections 18 thru 20, and 29 thru 35 in T-27N, R-13W plus Section 3 of T-26N, R-13W. The central delivery gas sales meter (CDP) is on Enterprise Field Service's (EFS) System (EFS Meter No. 03847) and is located in the NENE Section 35, T-27N, R-13W. EFS operates and maintains the sales meter. All allocation meters are operated and maintained by Dugan Production and the continuous recording charts are integrated monthly by a commercial integration service, currently R&L Chart Services in Bloomfield, NM. Volumes recorded by the allocation meters are used for allocating the CDP gas sales volumes and revenues to the individual wells and leases. The allocation procedures are presented on **Attachment No. 6**.

Since all 30 wells connected to the WAWGS produce from the WAW Fruitland Sand-Pictured Cliffs Gas Pool plus 4 wells are also completed in the Basin Fruitland Coal Gas Pool at depths of approximately 1300' to 1400', we attempt to operate the WAWGS at fairly low surface pressures (currently 10 to 15 psig). This is achieved by using a system compressor located at the Thomas Jefferson No. 3 well site. **Attachment No. 5** presents a "site facility diagram" for the WAWGS compressor and associated facilities. Since the WAWGS is located in an area currently being farmed by Navajo Agricultural Products Industry (NAPI) both for security purposes and to minimize surface utility, we have placed the CDP compressor upon our Thomas Jefferson No. 3 well location, which is approximately 1.7 miles to the southwest of our CDP sales meter.

Attachment No. 4 presents a summary of the interest owners in the wells connected to the WAWGS. Dugan Production is the operator of all wells and has 100% working interest in 28 of the 30 wells. For 2 of the wells, we have a WI of 85.96% and there are 3 other WI owners. It should be noted, that these 2 wells, our Notsowaw No. 2 and Ojo-He-He No. 4 are both currently plugged and are included in this application since they have delivered gas into the WAWGS, but are currently not connected following their abandonments in 1986 and 1988 respectively. All royalty interest is federal and there are 19 overriding royalty interest owners. As required, all interest owners in these wells are receiving notice of our application. **Attachment No. 7** presents copies of our notice efforts regarding this application. Also included in Attachment No. 7 is a copy of the "Affidavit of Publication" for the advertisement which was published in the Farmington Daily Times on May 15, 2011 to further provide notice to all interest owners, anticipating that out of the 23 notices mailed by certified mail, there will invariably be some receipts not returned. All notice letters have been sent by certified, return receipt mail and upon receiving the receipts, copies will be forwarded to the NMOCD.

In summary, Dugan Production is requesting BLM approval to add 2 wells to our WAW Gathering System which was approved by the BLM in 1984. In addition, we are requesting administrative approval from the NMOCD for operation of our WAW Gathering System. We did not solicit NMOCD approval in 1984 at the time of applying to the BLM and are sincerely sorry for this over-site. We can only offer that all gas has been measured using allocation meters prior to leaving the lease and all royalty interest is federal. In addition, all 30 wells are marginal producers and currently 12 have been plugged and abandoned. We currently have 18 active wells (21 completions) and during 2010, production averaged 4.6 mcf/d per well.

Should you need additional information or have questions regarding any of this information, please feel free to contact me at the letterhead address.

Sincerely,



John D. Roe
Engineering Manager

JDR/jdc

attachments

xc: NMOCD – Aztec
All working & royalty interest owners

District I
1625 N French Drive, Hobbs, NM 88240
District II
1301 W Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Dugan Production Corp.
OPERATOR ADDRESS: PO Box 420, Farmington, NM 87499-0420
APPLICATION TYPE:

- Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

| (1) Pool Names and Codes | Gravities / BTU of Non-Commingled Production | Calculated Gravities / BTU of Commingled Production | Calculated Value of Commingled Production | Volumes |
|------------------------------|--|---|---|----------|
| WAW Fruitland Sand | 1120 | 1,119 | | 81.7 mcf |
| Pictured Cliffs (87190) | | | | |
| Basin Fruitland Coal (71629) | 1020 | | | 1.1 mcf |
| | | | | |

- (2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
(4) Measurement type: Metering Other (Specify)
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

- (1) Pool Name and Code. Attachment No 2
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
(4) Measurement type: Metering Other (Specify) Each lease will be equipped with an allocation meter or an approved method of alternative measurement

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attach sheets with the following information

- (1) Is all production from same source of supply? Yes No See Attachment No. 2
(2) Include proof of notice to all interest owners. See Attachment No. 7

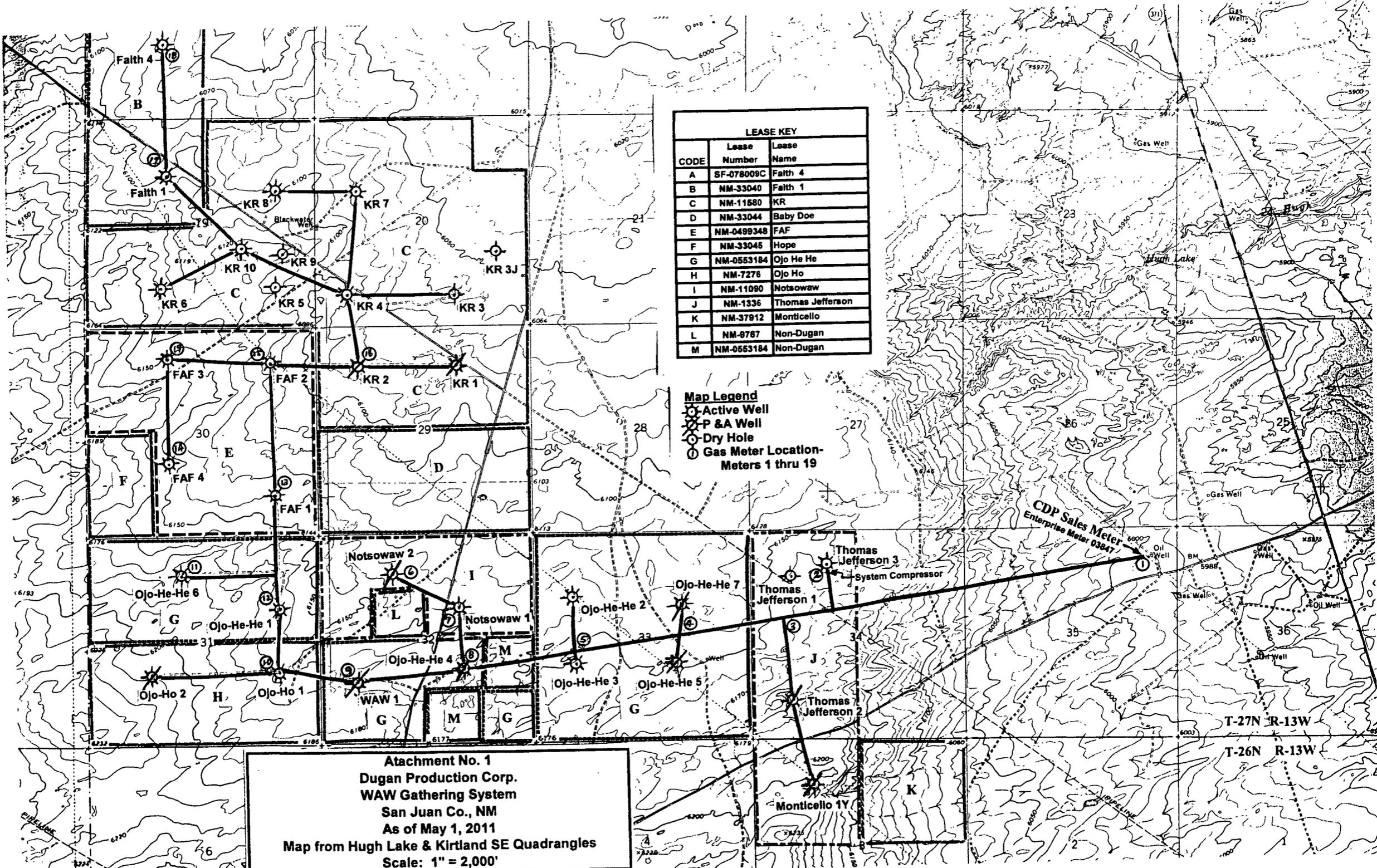
(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location. See Attachment No. 1
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. Attachment No 1
(3) Lease Names, Lease and Well Numbers, and API Numbers See Attachment No. 2

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

SIGNATURE: John D. Roe TITLE: Engineering Manager DATE: 06/24/2011

TYPE OR PRINT NAME John D. Roe TELEPHONE NO.: 505-325-1821 E-MAIL ADDRESS. johnroe@duganproduction.com



| LEASE KEY | | |
|-----------|--------------|------------------|
| CODE | Lease Number | Lease Name |
| A | SF-078009C | Falth 4 |
| B | NM-33040 | Falth 1 |
| C | NM-11680 | KR |
| D | NM-33044 | Baby Doe |
| E | NM-0499348 | FAF |
| F | NM-33045 | Hope |
| G | NM-0553184 | Ojo He He |
| H | NM-7276 | Ojo Ho |
| I | NM-11080 | Notsowaw |
| J | NM-1336 | Thomas Jefferson |
| K | NM-37812 | Monticello |
| L | NM-8787 | Non-Dugan |
| M | NM-0553184 | Non-Dugan |

Map Legend
 ☉ Active Well
 ☉ P & A Well
 ○ Dry Hole
 Ⓛ Gas Meter Location-
 Meters 1 thru 19

Attachment No. 1
Dugan Production Corp.
WAW Gathering System
San Juan Co., NM
As of May 1, 2011
Map from Hugh Lake & Kirtland SE Quadrangles
Scale: 1" = 2,000'

T-27N R-13W
 T-26N R-13W

ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
WAW GATHERING SYSTEM (05-01-11)
CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W
SAN JUAN COUNTY, NEW MEXICO

PLC-343 (8/12/11)

| Well Name | API No. 30-045- | Well Location | | Well Location | | CA Number (If established) | Pool @ | Completion Date | Cumulative Prod. 01/01/2011 | | Current Prod. @ | | Spacing Unit | Gas @ Measurement Locations | |
|---|--------------------|----------------|--------------|---------------|-----------|-------------------------------|-----------|--------------------|--------------------------------|------------------|-----------------|--------------|-----------------|-----------------------------------|---------|
| | | UL-Sec-Twn-Rng | ft N/S | ft E/W | Lease No. | | | | Lse.Type | MCF | BW | MCFD | | | BWPD |
| WELLS PREVIOUSLY APPROVED FOR WAW GATHERING SYSTEM (28 Wells - 31 Completions) | | | | | | | | | | | | | | | |
| FAF #1 | 21773 | P-30-27N-13W | 1000 FS | 990 FE | NM499348 | Federal | | WAW FR SAND PC | 5/4/1975 | 54,833 | 7,482 | 1.3 | 0.02 | SE/4 160 | 1,13 |
| FAF #2 | 21907 | A-30-27N-13W | 920 FN | 1107 FE | NM499348 | Federal | | WAW FR SAND PC | 3/8/1976 | 118,872 | 14,237 | 0.9 | 0 | NE/4 160 | 1,15 |
| FAF #3 | 22968 | C-30-27N-13W | 790 FN | 2000 FW | NM499348 | Federal | | WAW FR SAND PC | 6/1/1978 | 180,343 | 194 | 2.6 | 0.02 | NW/4 185.12 | 1,15,19 |
| FAF #4 | 22969 | K-30-27N-13W | 1850 FS | 2000 FW | NM499348 | Federal | | WAW FR SAND PC | 5/8/1978 | 336,192 | 480 | 23.5 | 0.05 | SW/4 185.44 | 1,15,14 |
| KR #1 | 21838 | B-29-27N-13W | 1000 FN | 1800 FE | NM11580 | Federal | | WAW FR SAND PC | 8/12/1975 | 85,302 | 751 | P&A 7/28/94 | | NE/4 160 | 1,16 |
| KR #2 | Note @ | 21897 | D-29-27N-13W | 973 FN | 1000 FW | NM11580 | Federal | WAW FR SAND PC | 3/16/1976 | 37,445 | 405 | P&A 7/28/94 | | NW/4 160 | 1,16 |
| | | | | | | | | BASIN FR COAL | 3/16/1976 | 0 | 0 | P&A 7/28/94 | | N/2 320 | 1,16 |
| KR #3 | 22695 | O-20-27N-13W | 790 FS | 1850 FE | NM11580 | Federal | | WAW FR SAND PC | 6/14/1979 | 0 | 0 | P&A 3/20/96 | | SE/4 160 | 1,16 |
| KR #3J | 25535 | I-20-27N-13W | 1850 FS | 790 FE | NM11580 | Federal | | WAW FR SAND PC | 12/22/1983 | 0 | 0 | P&A 2/2/96 | | SE/4 160 | 1,16 |
| KR #4 | Note @ | 22694 | M-20-27N-13W | 790 FS | 790 FW | NM11580 | Federal | WAW FR SAND PC | 4/13/1979 | 20,797 | 13 | 0.4 | 0 | SW/4 160 | 1,16 |
| | | | | | | | | BASIN FR COAL | 4/13/1979 | 1,582 | 11 | 0.2 | 0 | S/2 320 | 1,16 |
| KR #6 | Note @ | 22691 | N-19-27N-13W | 990 FS | 1850 FW | NM11580 | Federal | WAW FR SAND PC | 1/11/1978 | 22,199 | 10 | 2.3 | 0 | SW/4 184.64 | 1,16 |
| | | | | | | | | BASIN FR COAL | 2/16/1999 | 2,444 | 8 | 0.8 | 0 | S/2 344.64 | 1,16 |
| KR #7 | 22693 | E-20-27N-13W | 1850 FN | 990 FW | NM11580 | Federal | | WAW FR SAND PC | 11/12/1977 | 172,558 | 269 | 10.6 | 0.05 | NW/4 160 | 1,16 |
| KR #8 | 22690 | H-19-27N-13W | 1850 FN | 990 FE | NM11580 | Federal | | WAW FR SAND PC | 3/24/1978 | 129,752 | 267 | 3.7 | 0.04 | NE/4 160 | 1,16 |
| KR #10 | 23509 | J-19-27N-13W | 2000 FS | 1850 FE | NM11580 | Federal | | WAW FR SAND PC | 9/7/1979 | 94,115 | 243 | 3.7 | 0.03 | SE/4 160 | 1,16 |
| Monticello #1Y | 22758 | C-3-26N-13W | 1170 FN | 1450 FW | NM1336 | Federal | | WAW FR SAND PC | 9/29/1977 | 62,647 | 106 | P&A 10/25/95 | | NW/4 159.75 | 1,3 |
| Notsowaw #1 | 21698 | G-32-27N-13W | 1850 FN | 1850 FE | NM11090 | Federal | | WAW FR SAND PC | 4/12/1975 | 288,596 | 185 | 1.2 | 0.02 | NE/4 160 | 1,7 |
| Notsowaw #2 | 22413 | C-32-27N-13W | 1000 FN | 1800 FW | NM11090 | Federal | SRM 1304 | WAW FR SAND PC | 7/12/1977 | 11,747 | 183 | P&A 8/6/86 | | NW/4 160 | 1,6 |
| Ojo-He-He #1 | 21833 | H-31-27N-13W | 1850 FN | 1000 FE | NM0553184 | Federal | | WAW FR SAND PC | 8/12/1975 | 63,816 | 134 | 3.2 | 0.01 | NE/4 160 | 1,12 |
| Ojo-He-He #2 | 21857 | E-33-27N-13W | 1615 FN | 920 FW | NM0553184 | Federal | | WAW FR SAND PC | 10/12/1975 | 163,638 | 206 | 5.9 | 0.02 | NW/4 160 | 1,5 |
| Ojo-He-He #3 | 21856 | L-33-27N-13W | 1960 FS | 990 FW | NM0553184 | Federal | | WAW FR SAND PC | 10/12/1975 | 289,564 | 142 | 7.2 | 0.02 | SW/4 160 | 1,5 |
| Ojo-He-He #4 | 22414 | J-32-27N-13W | 1848 FS | 1770 FE | NM0553184 | Federal | SRM 1301 | WAW FR SAND PC | 12/29/1977 | 17,784 | 454 | P&A 9/27/88 | | SE/4 160 | 1,8 |
| Ojo-He-He #5 | 21855 | J-33-27N-13W | 1905 FS | 1853 FE | NM0553184 | Federal | | WAW FR SAND PC | 7/21/1976 | 26,788 | 33 | P&A 8/23/95 | | SE/4 160 | 1,4 |
| Ojo-He-He #6 | 21858 | C-31-27N-13W | 1000 FN | 2276 FW | NM0553184 | Federal | | WAW FR SAND PC | 4/20/1976 | 87,184 | 192 | 7.0 | 0.02 | NW/4 186.07 | 1,11 |
| Ojo-He-He #7 | 21854 | G-33-27N-13W | 1850 FN | 1650 FE | NM0553184 | Federal | | WAW FR SAND PC | 3/16/1976 | 52,100 | 34 | P&A 9/03/97 | | NE/4 160 | 1,4 |
| Ojo-Ho #1 | 21874 | I-31-27N-13W | 1850 FS | 1000 FE | NM7276 | Federal | | WAW FR SAND PC | 6/4/1976 | 69,555 | 2,080 | 2.6 | 0 | SE/4 160 | 1,10 |
| Ojo-Ho #2 | 21875 | L-31-27N-13W | 1750 FS | 1546 FW | NM7276 | Federal | | WAW FR SAND PC | 7/22/1976 | 10,401 | 11 | P&A 4/18/95 | | SW/4 187.01 | 1,10 |
| Thomas Jefferson #2 | 22037 | M-34-27N-13W | 1000 FS | 1000 FW | NM1336 | Federal | | WAW FR SAND PC | 7/1/1976 | 21,807 | 42 | P&A 3/30/90 | | SW/4 160 | 1,3 |
| Thomas Jefferson #3 | 23510 | C-34-27N-13W | 850 FN | 1850 FW | NM1336 | Federal | | WAW FR SAND PC | 9/7/1979 | 45,579 | 150 | 0.3 | 0.03 | NW/4 160 | 1,2 |
| WAW #1 | 20652 | L-32-27N-13W | 1500 FS | 950 FW | NM0553184 | Federal | | WAW FR SAND PC | 6/20/1970 | 89,486 | 32 | P&A 6/25/02 | | SW/4 160 | 1,9 |
| WELLS TO BE ADDED TO SYSTEM (2 Wells - 3 Completions) | | | | | | | | | | | | | | | |
| Faith #1 | 23107 | F-19-27N-13W | 1450 FN | 2000 FW | NM33040 | Federal | | WAW FR Sand PC | 10/29/1982 | 41,938 | 52,398 | 4.9 | 50.8 | NW/4 184.00 | 1,16,17 |
| Faith #4 | Note @ | 25587 | K-18-27N-13W | 1850 FS | 1850 FW | NM33040 | Federal | WAW FR SAND PC | 3/5/1985 | 4,345 | 136 | 0.4 | 0.02 | SW/4 183.44 | 1,16,18 |
| | | | | | | | | | | | | | | | |
| | | | | | | | NMNM85741 | BASIN FR COAL | 3/5/1985 | 775 | 54 | 0.1 | 0 | W/2 - 366.40 | 1,16,18 |
| TOTAL | | | | | | | | | | 2,604,184 | 80,942 | 82.8 | 51.15 | | |

ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
WAW GATHERING SYSTEM (05-01-11)
CENTRAL DELIVERY GAS SALES METER (ENTERPRISE FIELD SERVICES METER #03847) A-35-27N-13W
SAN JUAN COUNTY, NEW MEXICO

Notes:

- ① Daily average production during 2010.
- ② WAW Fruitland Sand Pictured Cliffs gas pool (OCD Pool No. 87190) and Basin Fruitland Coal gas pool (OCD Pool No. 71629); WAW and BFC, respectively
- ③ KR well No. 2 was completed 3/16/76 in the WAW Pictured Cliffs gas pool with perforations in the Fruitland and Pictured Cliffs. NMOCD order R-5359 (effective 1/25/77) authorized downhole commingling of production from Fruitland and Pictured Cliffs. Upon establishing the Basin Fruitland Coal gas pool (NMOCD order R-8768) effective 11/1/88, the completed intervals were redesignated WAW Fruitland Sand - Pictured Cliffs and Basin Fruitland Coal gas pools. Of the 37,445 mcf total gas production, 37,265 mcf occurred prior to April 1985 and as such 100% was reported to be from the WAW Fruitland - Pictured Cliffs. The well was P&A 7/28/94.
- ④ Well downhole commingled

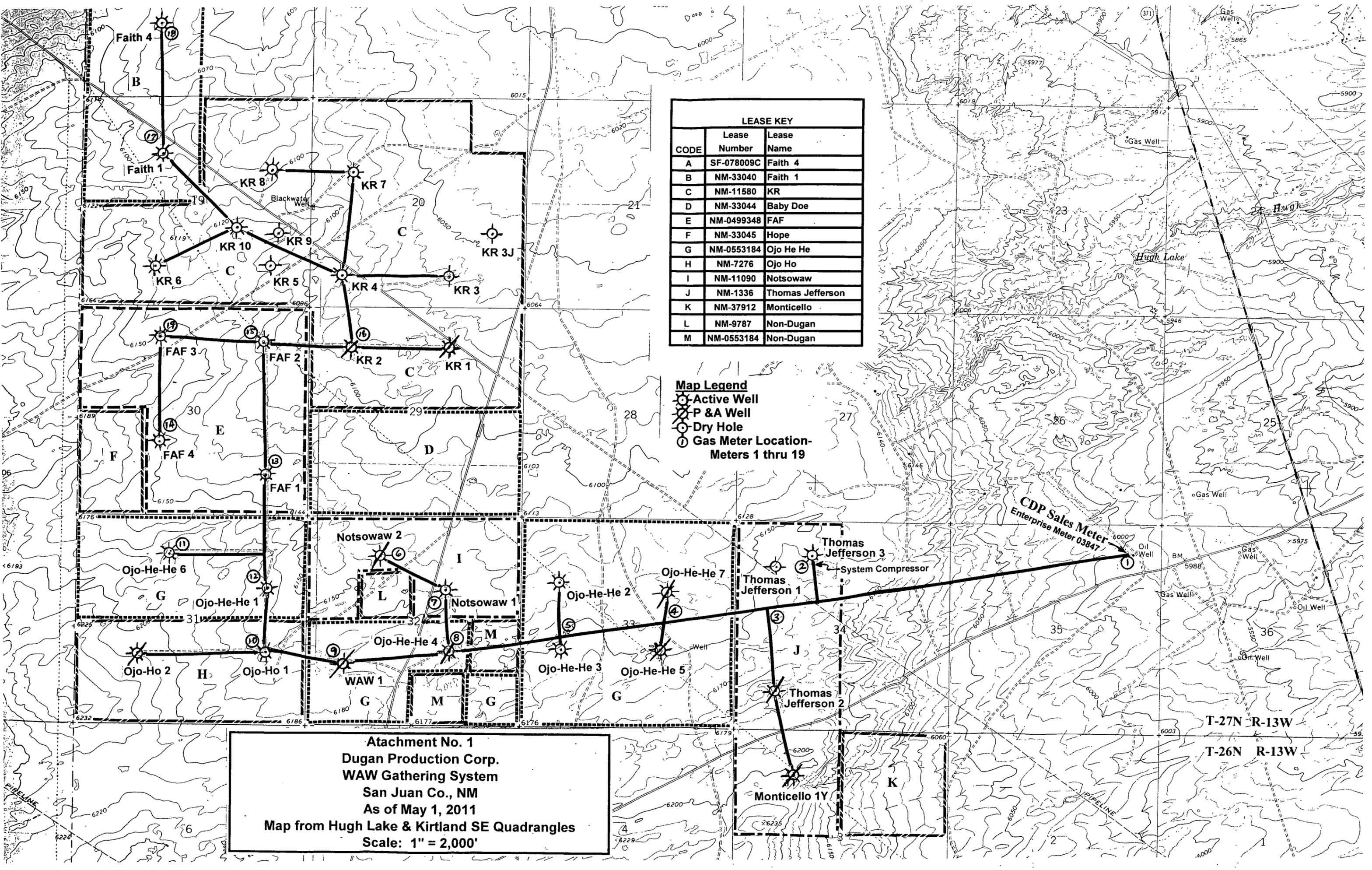
| Well No. | NMOCD DHC Order | BLM Approved | Allocation Factors | | | |
|----------|--------------------|-----------------|--------------------|-----|---------|-----|
| | | | Gas-% | | Water-% | |
| | | | WAW | BFC | WAW | BFC |
| KR 4 | R-5359 | 11/16/99 | 70 | 30 | 50 | 50 |
| KR 6 | DHC-1402 | 12/02/96 | 75 | 25 | 50 | 50 |
| Faith 4 | DHC-893AZ | 08/30/02 | 85 | 15 | 65 | 35 |

⑤ WAW Gathering System (WGS) - Gas Measurement Locations 5/01/2011Active MetersLocationWells Metered

- 1 - CDP Sales Meter No. 03847 operated & maintained by Enterprise Field Services - all wells measured
- 2 - Thomas Jefferson 3 - @ wellhead
- 5 - Ojo He He 2 & 3 - @ tie into WGS *
- 7 - Notsowaw 1 - @ wellhead
- 10 - Ojo Ho 1 - @ wellhead - #2 P&A
- 11 - Ojo He He 6 - @ wellhead
- 12 - Ojo He He 1 - @ wellhead
- 13 - FAF 1 - @ wellhead
- 14 - FAF 4 - @ wellhead
- 16 - KR 4,6,7,8,10 plus Faith 1 & 4 - @ tie into WGS. *
KR 1, 2, 3 & 3J all P&A
- 17 - Faith 1 - @ wellhead
- 18 - Faith 4 - @ wellhead
- 19 - FAF 3 - @ wellhead
- * - For allocation to wells, wells are tested annually using portable tester

Discontinued MetersLocationWells Metered

- 3 - Thomas Jefferson 2 & Monticello 1Y - both wells P&A
- 4 - Ojo He He 5 & 7 - both wells P&A
- 6 - Notsowaw 2 - well P&A
- 8 - Ojo He He 4 - well P&A
- 9 - WAW 1 - well P&A
- 15 - FAF 2, 3 & 4 - #2 to be P&A, meters installed @ 3 & 4

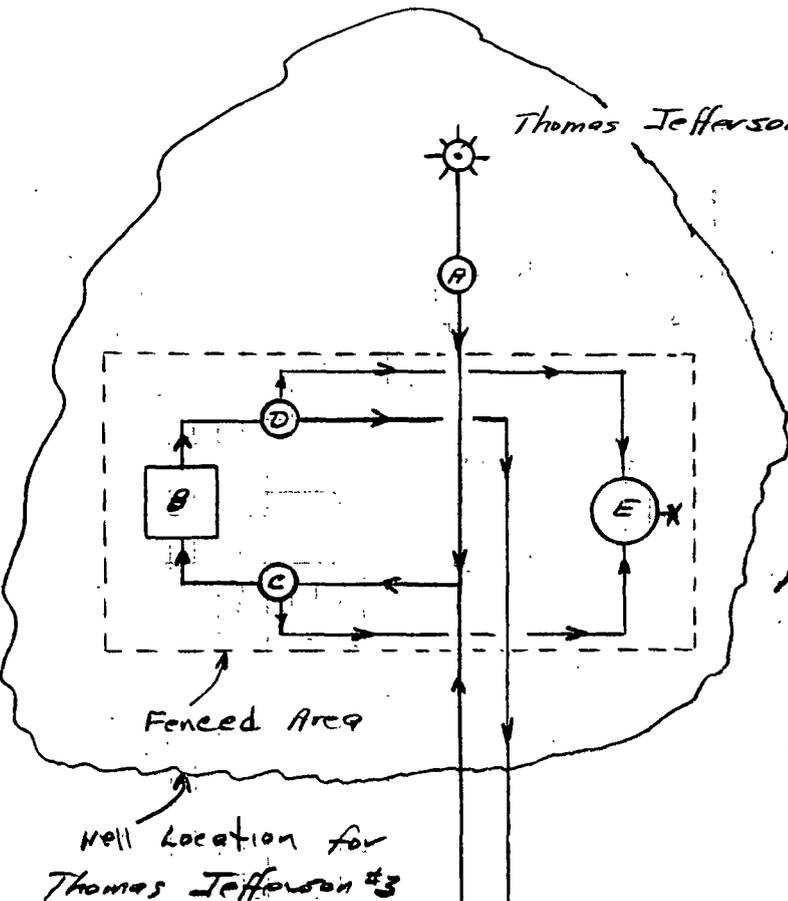


| LEASE KEY | | |
|-----------|--------------|------------------|
| CODE | Lease Number | Lease Name |
| A | SF-078009C | Faith 4 |
| B | NM-33040 | Faith 1 |
| C | NM-11580 | KR |
| D | NM-33044 | Baby Doe |
| E | NM-0499348 | FAF |
| F | NM-33045 | Hope |
| G | NM-0553184 | Ojo He He |
| H | NM-7276 | Ojo Ho |
| I | NM-11090 | Notsowaw |
| J | NM-1336 | Thomas Jefferson |
| K | NM-37912 | Monticello |
| L | NM-9787 | Non-Dugan |
| M | NM-0553184 | Non-Dugan |

Map Legend
 ☀ Active Well
 ⓧ P & A Well
 ○ Dry Hole
 ⓪ Gas Meter Location-
 Meters 1 thru 19

Attachment No. 1
Dugan Production Corp.
WAW Gathering System
San Juan Co., NM
As of May 1, 2011
Map from Hugh Lake & Kirtland SE Quadrangles
Scale: 1" = 2,000'

T-27N R-13W
 T-26N R-13W



Thomas Jefferson No. 3



- A - Allocation Meter No. 2 - Enclosed Meter house
2" Barton Dry Flow - 100"/100# Spring w/ 0.25" orifice plate
- B - Ajax C-42 Compressor
- C - Vertical, 2 phase Separator - Compressor Suction
- D - Horizontal, 2 phase Separator - Compressor discharge
- E - 30 bbl Steel Water Tank - Subgrade

Fenced Area

Well Location for Thomas Jefferson #3

Valve & Back Flow Check

CDP
Sales Meter
Enterprise
Meter 03847

Attachment NO. 5
Gathering System Compressor
WAW Gathering System
Dugan Production Co. P.

ATTACHMENT NO. 6

Allocation Procedures Dugan Production Corp.'s WAW Gathering System

CDP Gas Sales Meter: Enterprise Field Services Meter #03847 @ NENE 35, T-27N, R-13W.
San Juan County, New Mexico

Base Data:

W = Gas Volume (MCF) from allocation meters at individual wells during allocation period.

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

Y = BTU's 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 = $(W/\text{SUM } W) \times X$

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

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 $(W/\text{SUM } W)$ 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. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by $(W/\text{SUM } W)$.

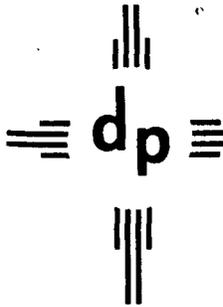
2. Allocated Individual Well BTU's = $((W \times \text{Individual well BTU})/\text{Sum } (W \times \text{individual well BTU})) \times Y$.

Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).

Attachment No. 7
Interest Ownership Notification
Dugan Production Corp.'s Application dated 6/24/11
Application to Surface Commingle and for the Off-lease Measurement and Sale of Produced Natural Gas
Dugan Productions WAW Gathering System

Presenting evidence that all interest ownership in the WAW Gathering System (WAWGS) and the 30 wells connected to the WAWGS have been given notice of the subject application, attached is:

1. A copy of Dugan's transmittal letter dated 6/24/11 used to send a copy of the subject application to the working interest owners in the 30 wells connected to Dugan Production's WAWGS. In addition, this letter was used to send notice of the subject application to the 19 overriding royalty interest owners in the 30 wells/connected to Dugan's WAWGS. Each overriding royalty interest owner was offered a copy of our application should they desire to receive one. Dugan Production is the operator of all wells and holds 100% of the working interest in 28 of the wells plus 85.96% of the working interest in 2 wells. All letters were sent by certified mail with a return receipt requested. Upon receiving the receipts, copies will be sent to the NMOCD.
2. The royalty interest for all 30 wells connected to the WAWGS is federal. There is no fee, indian or state royalties. Since the subject application is addressed to the Farmington Field Office of the Bureau of Land Management a separate notice to the royalty interest owners was not needed. The applications were sent by certified mail with a return receipt requested and upon receiving the receipt, copies will be sent to the NMOCD.
3. Copy of the "Affidavit of Publication" for our advertisement published in the Legal Notice section of the Sunday, May 15th, 2011 issue of the Farmington Daily Times regarding the subject application. This publication was made in anticipation that of the notice mailed to 23 interest owners, there will be at least one either returned for some reason or the return receipt well be lost in the mail. An original "Affidavit of Publication" is included in the Attachment No. 7 submitted to the Santa Fe office of the NMOCD.



dugan production corp.

Attachment No. 7
Pg 2 of 4

June 24, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Interest Owners (Address list attached)

Re: Application to surface commingle and for the off-lease
measurement and sales of produced natural gas
Dugan Production Corp.'s
WAW Gathering System
San Juan County, New Mexico

Dear Interest Owner,

Dugan Production is submitting an application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM), requesting their approvals for the surface commingling plus off-lease measurement and sale of natural gas produced from 30 wells (34 completions) connected to Dugan Production's WAW Gathering System. Dugan Production has installed and does operate and maintain the gathering system and will pay all costs associated with this proposal. According to our records, you have an interest in one or more of the wells that is included in our application. The wells in which you have an interest are listed on the attached address list. This proposal should allow for optimum operations on all wells. All wells will benefit from central compression which should keep wellhead operating pressures as low as possible. This method of operation will help to keep our operating expenses as low as possible, which will allow all interest owners to recover more of the gas reserves from each well.

As a working interest owner, we are providing a complete copy of our application for your information and review. Your only costs associated with the gathering system will be a monthly fee per mcf produced charged for gas gathering and compression. You will not be billed for any costs associated with installing the gathering system (including the allocation meters). Dugan Production's current company-wide gathering system fee is \$0.27/MMBTU and our compression fee is \$0.09/MMBTU. These fees will be used until operating economics indicate the need for revisions.

As an overriding royalty interest owner, there will not be any costs chargeable to you and this notice is primarily for your information. Should you desire to have a copy of our application, please let me know.

Since all royalty interest is federal, and the application is addressed to the BLM, this notice letter is not being separately mailed to the royalty interest owner, but it is included in Attachment No. 7 to the application.

This matter does not require any action on your part. NMOCD regulations require that all interest owners receive notice of our application. Should you have an objection to our application, please let me know and you should contact the New Mexico Oil Conservation Division within 20 days from the date the NMOCD receives our application which will be approximately 6/27/11. The mailing address for the NMOCD is 1220 South St. Francis Drive in Santa Fe, New Mexico 87505. We would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe
Engineering Manager

Attachments

xc: New Mexico Oil Conservation Division and the Bureau of Land Management

WAW Gathering System
Interest Owners Address List
Well Connected to Dugan's WAW Gathering System
(Wells with ownership interest in parentheses)

a=FAF #1,2,3,4; b=Faith #1 c=KR #1,2,3,3J,4,6,7,8,10; d=Monticello #1Y; e=Notsowaw #1; f=Notsowaw #2;
g=Ojo-He-He #1,2,3,5,6,7; h=Ojo-He-He #4; i=Ojo-Ho #1 j=Thomas Jefferson #2 & #3; k=WAW #1

Working Interest

Dugan Production Corp. (all)

Apache Corporation (f)
Western Region
2000 Post Oak Blvd STE 1000
Houston, TX 77056-4400

Harper Oil Company (h)
Dome Tower, Suite 1200
1625 Broadway
Denver, CO 80217

Pitco Production Company (f,h)
PO Box 4190
Scottsdale, AZ 85261

Royalty

USA - c/o Bureau of Land Management (all)
1235 La Plata Highway
Farmington, NM 87401

Overriding Royalty Interest

Bertrand O. & Peggy E. Baetz (a)
633 Alta Avenue
San Antonio, TX 78209

Hunt Oil (d, j)
Fountain Place
1445 Ross at Field
Dallas, TX 75202-2785

James David & Lorena Jean Short
Living Trust (e,f)
1591 Crestnut Ct.
West Palm Harbor, FL 34683

Belco Development c/o EOG Resources (a)
PO Box 4362
Dallas, TX 77210-4362

Paul R. Kaufman (c)
PO Box 307
Glorieta, NM 87535

Wm. H. III & Patricia D. Short
Living Trust (e,f)
3767 Prarie Dunes Drive
Sarasota, FL 34238

Burlington Resources (g,k)
5051 Westheimer
Houston, TX 77056-5384

McBride Oil & Gas (l)
PO Box 1515
Roswell, NM 88202-1515

Southland Royalty Company (h)
PO Box 840656
Dallas, TX 75284-0656

Gates Properties (a)
PO Box 81119
Midland, TX 79708-1119

James M. Richardson (c)
c/o Stevan Schoen, Esq.
2 Hillside Drive
Placitas, NM 87043-9156

J. Sandra Stanton Trust (e,f)
1544 Ocean Avenue
Mantoloking, NJ 08738

Irene R. Fellis (f,h)
PO Box 10541
Albuquerque, NM 87184-0541

Gene Grubitz III Trust (f,h)
PO Box 1245
Salem, VA 24153-1245

Westway Petro (a)
4514 Cole Avenue Suite 1005 LB15
Dallas, Tx 75205

Geraldine S. Gray (e)
57 Nautilus Drive
Leonardo, NJ 07737

Harry F. Schram (l)
PO Box 171233
San Antonio, TX 78217-1233

XTO (d, j)
810 Houston Street
Ft. Worth, TX 76102

Lee Gray (e,f)
85 Avenue De La Mer Apt. 806
Palm Coast, FL 32137

Attachment
NO. 7
pg 4 of 4

AFFIDAVIT OF PUBLICATION

COPY OF PUBLICATION

Ad No. 66164

**STATE OF NEW MEXICO
County of San Juan:**

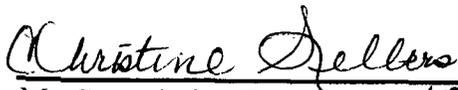
JOHN ELCHERT, being duly sworn says:
That HE is the PUBLISHER of THE DAILY
TIMES, a daily newspaper of general
circulation published in English at Farmington,
said county and state, and that the hereto
attached Legal Notice was published in a
regular and entire issue of the said DAILY
TIMES, a daily newspaper duly qualified for
the purpose within the meaning of Chapter
167 of the 1937 Session Laws of the State of
New Mexico for publication and appeared in
the Internet at The Daily Times web site on
the following day(s):

Sunday, May 15, 2011

And the cost of the publication is \$115.16



ON 5/19/11 JOHN ELCHERT
appeared before me, whom I know personally
to be the person who signed the above
document.



My Commission Expires - 11/05/11

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM) for regulatory approvals to add two well and operate Dugan Production's WAW Gathering System (WGS). This will require the surface commingling of produced natural gas and water plus the off-lease measurement and sale of natural gas. There will not be any commingling of oil or condensate. The wells to be added and the existing gathering system are located within Section 3 of Township 26N, Range 13W plus Sections 18, 19, 20, 29, 30, 31, 32, 33, 34, & 35 of Township 27N, Range 13W all located in San Juan County, New Mexico. The current central delivery gas sales meter (CDP) is located in the NENE of Section 35, T-27N, R-13W with natural gas delivered to Enterprise Field Services. The gathering system has a total of 28 wells and 32 completions, 28 of which are in the WAW Fruitland Sand-Pictured Cliffs and 4 completions in the Basin Fruitland Coal gas pools. All wells are operated by Dugan Production Corp. and are located upon, or the spacing units include the following Federal leases held by Dugan Production; NM-1336, NM-7276, NM-11090, NM-11580, NM-33040, NM-33044, NM-33045, NM-37912, NM-37913,

NM-499348, NM-0553184 and SF-078009C. The wells to be added are Dugan Production's Faith No.1 and Faith No. 4. The 28 wells currently connected to the WGS average 4 mcf/d per well with the maximum rate of all wells being 24 mcf/d. This is a marginal area of production for the Fruitland Sand, Fruitland Coal and Pictured Cliffs. Any person holding an interest in any of these leases or wells may contact Dugan Production for additional information. Inquires should be directed to John Roe at 505-325-1821 or by mail at PO Box 420, Farmington, NM 87499. Any objection or request for a formal hearing should be filed in writing with the NMOCD's Santa Fe office within 20 days from the date of this publication. In the absence of objection, Dugan Production is requesting that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.

Legal No. 66164 Published in the Daily Times on May 15, 2011

ATTACHMENT NO. 4 - PAGE 2 OF 8
Dugan Production Corp.

| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
|------------------|------------------------------------|-----------------|---------------------|
| FAF No. 1 | WAW Fruitland Sand-Pictured Cliffs | P-30-27N-13W | SE/4 - 180.00 |
| FAF No. 2 | WAW Fruitland Sand-Pictured Cliffs | A-30-27N-13W | NE/4 - 160.00 |
| FAF No. 3 | WAW Fruitland Sand-Pictured Cliffs | C-30-27N-13W | NW/4 - 185.12 |
| FAF No. 4 | WAW Fruitland Sand-Pictured Cliffs | K-30-27N-13W | SW/4 - 185.44 |

| <u>INTEREST OWNER</u> | <u>INTEREST %</u> | |
|--|-------------------|-----------------|
| | <u>Gross</u> | <u>Net</u> |
| <u>Working Interest</u> Dugan Production Corp. | 100.00 | 82.5000 |
| <u>Royalty</u> USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> Bertrand O & Peggy E. Baetz 633 Alta Ave San Antonio, TX 78209 | -0- | 1 0000 |
| Belco Development c/o EOG Resources PO Box 4362 Dallas, TX 77210-4362 | -0- | 0.8750 |
| Gates Properties PO Box 81119 Midland, TX 79708-1119 | -0- | 3 0000 |
| Westway Petro 4514 Cole Ave Suite 1005 LB15 Dallas, TX 75205 | -0- | 0.1250 |
| TOTAL WELL | 100.00 | 100.0000 |

| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
|------------------|------------------------------------|-----------------|---------------------|
| Faith No. 1 | WAW Fruitland Sand-Pictured Cliffs | F-19-27N-13W | NW/4 - 184.00 |
| Faith No. 4 | WAW Fruitland Sand-Pictured Cliffs | K-19-27N-13W | SW/4 - 183.44 |
| Faith No. 4 | Basin Fruitland Coal | K-19-27N-13W | W/2 - 366.40 |

| <u>INTEREST OWNER</u> | <u>INTEREST %</u> | |
|--|-------------------|-----------------|
| | <u>Gross</u> | <u>Net</u> |
| <u>Working Interest</u> Dugan Production Corp. | 100.00 | 87.5000 |
| <u>Royalty</u> USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> | -0- | -0- |
| TOTAL WELL | 100.00 | 100.0000 |

ATTACHMENT NO. 4 - PAGE 3 OF 8
Dugan Production Corp.

| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
|------------------|------------------------------------|-----------------|---------------------|
| KR No. 1 | WAW Fruitland Sand-Pictured Cliffs | B-29-27N-13W | NE/4 - 160.00 |
| KR No. 2 | WAW Fruitland Sand-Pictured Cliffs | D-29-27N-13W | NW/4 - 160.00 |
| KR No. 2 | Basin Fruitland Coal | D-29-27N-13W | N/2 - 320.00 |
| KR No. 3 | WAW Fruitland Sand-Pictured Cliffs | O-20-27N-13W | SE/4 - 160.00 |
| KR No. 3J | WAW Fruitland Sand-Pictured Cliffs | I-20-27N-13W | SE/4 - 160.00 |
| KR No. 4 | WAW Fruitland Sand-Pictured Cliffs | M-20-27N-13W | SW/4 - 160.00 |
| KR No. 4 | Basin Fruitland Coal | M-20-27N-13W | S/2 - 320.00 |
| KR No. 6 | WAW Fruitland Sand-Pictured Cliffs | N-19-27N-13W | SW/4 - 184.64 |
| KR No. 6 | Basin Fruitland Coal | N-19-27N-13W | S/2 - 344.64 |
| KR No. 7 | WAW Fruitland Sand-Pictured Cliffs | E-20-27N-13W | NW/4 - 160.00 |
| KR No. 8 | WAW Fruitland Sand-Pictured Cliffs | H-19-27N-13W | NE/4 - 160.00 |
| KR No. 10 | WAW Fruitland Sand-Pictured Cliffs | J-19-27N-13W | SE/4 - 160.00 |

| <u>INTEREST OWNER</u> | <u>INTEREST %</u> | |
|--|-------------------|-----------------|
| | <u>Gross</u> | <u>Net</u> |
| <u>Working Interest</u> Dugan Production Corp. | 100.00 | 84.5000 |
| <u>Royalty</u> USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> Paul R. Kaufman PO Box 307 Glorieta, NM 87535 | -0- | 1.5000 |
| James M. Richardson c/o Stevan Schoen, Esq. 2 Hillside Drive Placitas, NM 87043-9156 | -0- | 1.5000 |
| TOTAL WELL | 100.00 | 100.0000 |

| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
|-------------------|------------------------------------|-----------------|---------------------|
| Monticello No. 1Y | WAW Fruitland Sand-Pictured Cliffs | C-03-26N-13W | NW/4 - 159.75 |

| <u>INTEREST OWNER</u> | <u>INTEREST %</u> | |
|---|-------------------|-----------------|
| | <u>Gross</u> | <u>Net</u> |
| <u>Working Interest</u> Dugan Production Corp. | 100.00 | 75.0000 |
| <u>Royalty</u> USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> Hunt Oil Fountain Place 1445 Ross at Field Dallas, TX 75202-2785 | -0- | 8.7500 |
| XTO 810 Houston St. Ft Worth, TX 76102 | -0- | 3.7500 |
| TOTAL WELL | 100.00 | 100.0000 |

ATTACHMENT NO. 4 - PAGE 4 OF 8
Dugan Production Corp.

| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
|--|------------------------------------|-----------------|-------------------------------|
| Notsowaw 1 | WAW Fruitland Sand-Pictured Cliffs | G-32-27N-13W | NE/4 - 160.00 |
| Notsowaw 2 | WAW Fruitland Sand-Pictured Cliffs | C-32-27N-13W | NW/4 - 160.00 |
| <u>INTEREST OWNER</u> | <u>Notsowaw #1 INTEREST %</u> | | <u>Notsowaw #2 INTEREST %</u> |
| | <u>Gross</u> | <u>Net</u> | <u>Gross</u> <u>Net</u> |
| <u>Working Interest</u> | | | |
| Dugan Production Corp. | 100.00 | 84.5000 | 85.95983 72.41688 |
| Apache Corporation Western Region 2000 Post Oak Blvd STE 1000 Houston, TX 77056-4400 | -0- | -0- | 6.60714 5.45089 |
| Pitco Production Company PO Box 4190 Scottsdale, AZ 85261 | -0- | -0- | 7.43303 6.13225 |
| <u>Royalty</u> | | | |
| USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 | -0- 12.50000 |
| <u>Overriding Royalty Interest</u> | | | |
| Geraldine S. Gray 57 Nautilus Dr Leonardo, NJ 07737 | -0- | 0.3750 | -0- -0- |
| Lee Gray 85 Avenue De La Mer Apt. 806 Palm Coast, FL 32137 | -0- | 1.5000 | -0- 1.12500 |
| James David & Lorna Jean Short Living Trust 1591 Crestnut Ct. West Palm Harbor, FL 34683 | -0- | 0.3750 | -0- 0.3750 |
| Wm H. III & Patricia D. Short Living Trust 3767 Prarie Dunes Dr. Sarasota, FL 34238 | -0- | 0.3750 | -0- 0.3750 |
| J. Sandra Stanton Trust 1544 Ocean Ave. Mantoloking, NJ 08738 | -0- | 0.3750 | -0- 0.3750 |
| Irene R. Fellis PO Box 10541 Albuquerque, NM 87184-0541 | -0- | -0- | -0- 0.62500 |
| Gene Grubitz III Trust PO Box 1245 Salem, VA 24153-1245 | -0- | -0- | -0- 0.62500 |
| TOTAL WELL | <u>100.00</u> | <u>100.0000</u> | <u>100.00</u> <u>100.0000</u> |

ATTACHMENT NO. 4 - PAGE 5 OF 8
Dugan Production Corp.

| | | | |
|------------------|------------------------------------|-----------------|---------------------|
| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
| Ojo-He-He- #4 | WAW Fruitland Sand-Pictured Cliffs | J-32-27N13W | SE/4 - 160.00 |

| | INTEREST % | |
|--|------------------|------------------|
| | <u>Gross</u> | <u>Net</u> |
| <u>Working Interest</u> | | |
| Dugan Production Corp. | 85.95983 | 65.29186 |
| Harper Oil Company Dome Tower, Suite 1200 1625 Broadway Denver, CO 80217 | 6.60714 | 5.45089 |
| Pitco Production Company PO Box 4190 Scottsdale, AZ 85281 | 7.43303 | 6.13225 |
| <u>Royalty</u> | | |
| USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> | | |
| Irene R. Follis PO Box 10541 Albuquerque, NM 87184-0541 | -0- | 0.62500 |
| Gene Grublitz III Trust PO Box 1245 Salem, VA 24153-1245 | -0- | 0.62500 |
| Southland Royalty Company PO Box 840656 Dallas, TX 75284-0656 | -0- | 9.37500 |
| TOTAL WELL | 100.00000 | 100.00000 |

| | | | |
|------------------|------------------------------------|-----------------|---------------------|
| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
| Ojo-He-He No. 1 | WAW Fruitland Sand-Pictured Cliffs | H-31-27N-13W | NE/4 - 160.00 |
| Ojo-He-He No. 2 | WAW Fruitland Sand-Pictured Cliffs | E-33-27N-13W | NW/4 - 160.00 |
| Ojo-He-He No. 3 | WAW Fruitland Sand-Pictured Cliffs | L-33-27N-13W | SW/4 - 160.00 |
| Ojo-He-He No. 5 | WAW Fruitland Sand-Pictured Cliffs | J-33-27N-13W | SE/4 - 160.00 |
| Ojo-He-He No. 6 | WAW Fruitland Sand-Pictured Cliffs | C-31-27N-13W | NW/4 - 166.00 |
| Ojo-He-He No. 7 | WAW Fruitland Sand-Pictured Cliffs | G-33-27N-13W | NE/4 - 160.00 |

| | INTEREST % | |
|--|---------------|-----------------|
| | <u>Gross</u> | <u>Net</u> |
| <u>Working Interest</u> | | |
| Dugan Production Corp. | 100.00 | 75.0000 |
| <u>Royalty</u> | | |
| USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> | | |
| Burlington Resources 5051 Westheimer Houston, TX 77056-5384 | -0- | 12.5000 |
| TOTAL WELL | 100.00 | 100.0000 |

ATTACHMENT NO. 4 - PAGE 6 OF 6
Dugan Production Corp.

| | | | |
|------------------|------------------------------------|-----------------|---------------------|
| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
| Ojo-Ho 1 | WAW Fruitland Sand-Pictured Cliffs | I-31-27N-13W | SE/4 - 160.00 |
| Ojo-Ho 2 | WAW Fruitland Sand-Pictured Cliffs | L-31-27N-13W | SW/4 - 187.01 |

| | INTEREST % | |
|--|---------------|-----------------|
| | Gross | Net |
| <u>Working Interest</u> | | |
| Dugan Production Corp. | 100.00 | 82.5000 |
| <u>Royalty</u> | | |
| USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> | | |
| McBride Oil & Gas PO Box 1515 Roswell, NM 88202-1515 | -0- | 4.5000 |
| Harry F. Schram PO Box 171233 San Antonio, TX 78217-1233 | -0- | 0.5000 |
| TOTAL WELL | 100.00 | 100.0000 |

| | | | |
|--------------------|------------------------------------|-----------------|---------------------|
| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
| Thomas Jefferson 2 | WAW Fruitland Sand-Pictured Cliffs | M-34-27N-13W | SW/4 - 160.00 |
| Thomas Jefferson 3 | WAW Fruitland Sand-Pictured Cliffs | C-34-27N-13W | NW/4 - 160.00 |

| | INTEREST % | |
|--|---------------|-----------------|
| | Gross | Net |
| <u>Working Interest</u> | | |
| Dugan Production Corp. | 100.00 | 75.0000 |
| <u>Royalty</u> | | |
| USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> | | |
| Hunt Oil Fountain Place 1445 Ross at Field Dallas, TX 75202-2785 | -0- | 8.7500 |
| XTO 810 Houston St. Ft Worth, TX 76102 | -0- | 3.7500 |
| TOTAL WELL | 100.00 | 100.0000 |

| | | | |
|------------------|------------------------------------|-----------------|---------------------|
| <u>Well Name</u> | <u>Pool</u> | <u>Location</u> | <u>Spacing Unit</u> |
| WAW No. 1 | WAW Fruitland Sand-Pictured Cliffs | L-32-27N-13W | SW/4 - 160.00 |

| | INTEREST % | |
|--|---------------|-----------------|
| | Gross | Net |
| <u>Working Interest</u> | | |
| Dugan Production Corp. | 100.00 | 75.0000 |
| <u>Royalty</u> | | |
| USA - c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401 | -0- | 12.5000 |
| <u>Overriding Royalty Interest</u> | | |
| Burlington Resources 5051 Westheimer Houston, TX 77056-5384 | -0- | 12.5000 |
| TOTAL WELL | 100.00 | 100.0000 |

dugan production corp.

Attachment
No. 3
Pg 1 of 6

January 25, 1984

RECEIVED

JAN 26 1984

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

Mat Millenbach
Bureau of Land Management
Caller Service 4104
Farmington, NM 87499

RE: Request for Surface Commingling and Off-lease Measurement
of Gas Well Gas
Federal Lease Numbers NM-1336, NM-7276, NM-11090, NM-11580, NM-37912,
NM-499348, NM-0553184
Located in Sections 19, 20, 29, 30, 31, 32, 33 & 34 of T-27N, R-13W,
NMPM, and Section 3 of T-26N, R-13W, NMPM
San Juan County, NM

Dear Mr. Millenbach:

On January 20, 1984, we received an inquiry from your office (Bill Blackard) regarding the operations of Dugan Production's WAW Pipeline, wherein we gather gas produced from 32 wells (21 of which are active) owned and operated by Dugan Production on several federal leases located in San Juan County. The wells and leases in question are detailed on Figure No. 1 and Table No. 1.

With reference to Figure No. 1, which is a reproduction of a topographic quadrangle map, I have sketched the location of the WAW gathering system and have also indicated the boundary of the subject leases. With reference to Table No. 1, it can be seen that this is an area of generally marginal production from wells completed in the Pictured Cliffs and Fruitland formations. During a 3 month period from October thru December, 1983, 21 active wells averaged a total production of 8432 MCF per month (at 15.025 psia), which is a per well average of 13 MCFD. It should be noted that the 3 month period presented on Table No. 1 represents a peak demand period by the pipeline company and that production during the summer months generally is less than the rates presented. This system operates at a fairly low pressure, averaging 40 psia.

Dugan Production Corp. has under lease a substantial amount of acreage in this area, and following extensive negotiations with pipeline companies, was not able to obtain well head connections for our wells in this general area due to the low productivity of the individual wells. In order to have a market for our produced gas, Dugan Production Corp. installed the WAW gathering system, which included the installation of approximately 13.3 miles of line, in order to deliver gas to El Paso Natural Gas Co. at their

Operato

January 25, 1984

Attachment
No. 3
Pg 2 of 6

meter located in the NENE of Section 35, T-27N, R-13W. With reference to Figure No. 1, the locations of 15 metering sites are indicated. Each meter is operated continuously and maintained by Dugan Production Corp. and consists of a conventional 4" meter run which includes a Barton dry flow meter. Each meter run also has a drip; however, the only liquid produced is a minor amount of water which is separated in the drips prior to metering. The 15 individual metering sites indicated on Figure No. 1 are utilized on a monthly basis to allocate the metered volume at El Paso's master meter to the individual leases. In all cases gas is metered prior to leaving the lease and in many cases individual wells on the lease are metered. The metering points serving each well are also indicated on Table No. 1.

The commingling of production (on the surface) from each lease is only by virtue of the fact that a common system is utilized to transport the produced gas to the master meter of the pipeline company and it should be stressed that gas volumes are continuously measured on each lease prior to placing the produced gas into the WAW gathering system. Production is allocated back to individual wells of the lease based upon either a factor determined from the annual deliverability test or volumes actually metered from individual wells on the lease.

With this letter we request approval for the operation of our WAW Pipeline gathering system as described above, which includes off lease measurement by EPNG for produced gas, along with surface commingling of produced gas from the existing wells summarized on Table No. 1. ~~In~~ addition, we request approval to produce any future wells located on these 7 leases in a similar manner. It should be remembered that Dugan Production Corp. has incurred a substantial investment in installing this pipeline gathering system, which, had we not done so, none of the wells on any of these leases would be producing as none of the wells have sufficient productivity to entice a pipeline company to collect this gas and, thus, there would be no royalties generated as a result of this production. Also, reference is made to a May 19, 1976, letter from the USGS (copy attached) wherein it is indicated that the system of allocating gas volumes measured at EPNG's master meter back to individual wells and leases, as described, was acceptable to the USGS.

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

Sincerely,

John D. Roe

John D. Roe
Petroleum Engineer

fp

Attachments

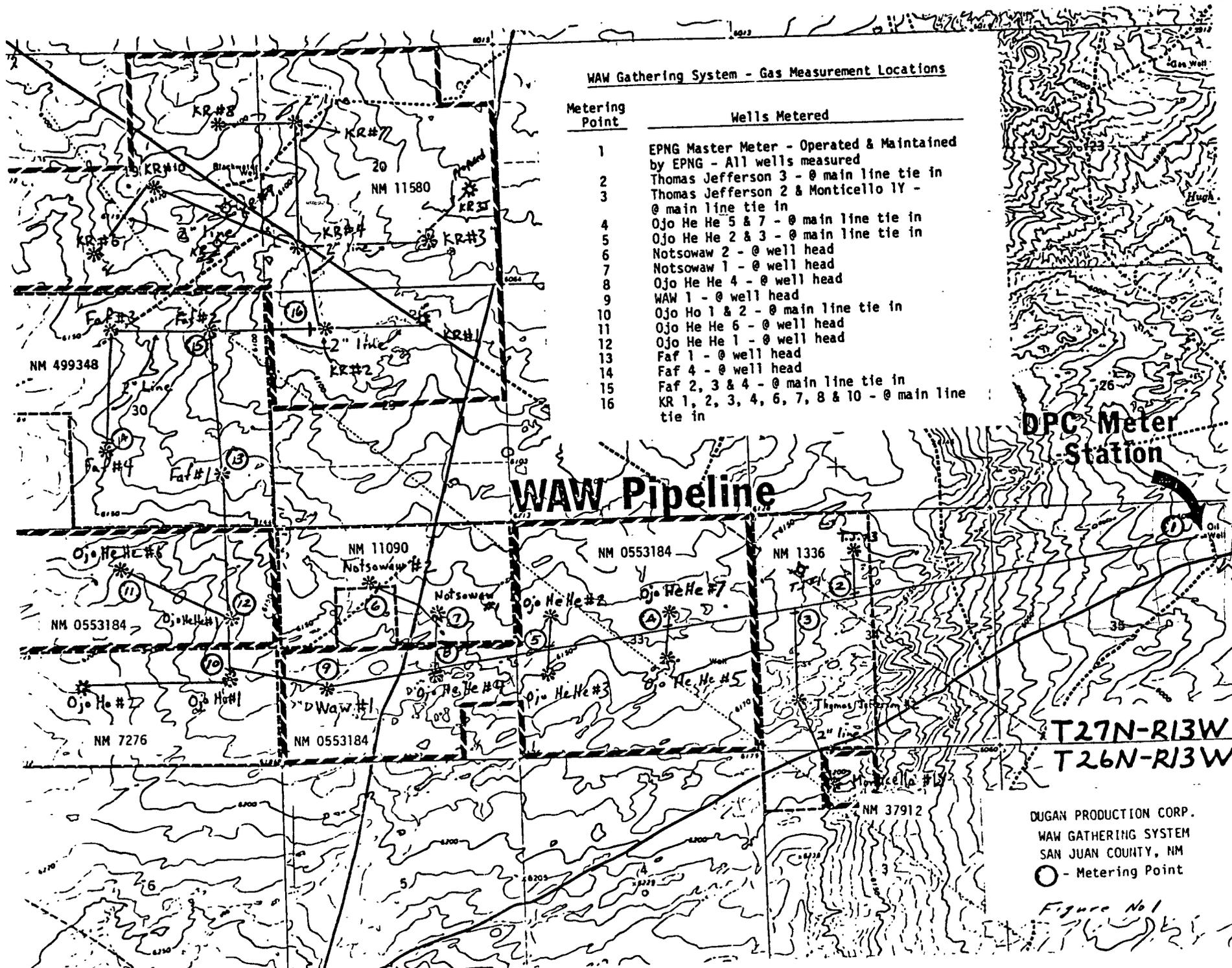
** Any future wells will require an application & approval prior to production*

APPROVED

as amended

JAN 26 1984

M. MILLENBACH
AREA MANAGER



WAW Gathering System - Gas Measurement Locations

| Metering Point | Wells Metered |
|----------------|--|
| 1 | EPNG Master Meter - Operated & Maintained by EPNG - All wells measured |
| 2 | Thomas Jefferson 3 - @ main line tie in |
| 3 | Thomas Jefferson 2 & Monticello 1Y - @ main line tie in |
| 4 | Ojo He He 5 & 7 - @ main line tie in |
| 5 | Ojo He He 2 & 3 - @ main line tie in |
| 6 | Notsowaw 2 - @ well head |
| 7 | Notsowaw 1 - @ well head |
| 8 | Ojo He He 4 - @ well head |
| 9 | WAW 1 - @ well head |
| 10 | Ojo He He 1 & 2 - @ main line tie in |
| 11 | Ojo He He 6 - @ well head |
| 12 | Ojo He He 1 - @ well head |
| 13 | Faf 1 - @ well head |
| 14 | Faf 4 - @ well head |
| 15 | Faf 2, 3 & 4 - @ main line tie in |
| 16 | KR 1, 2, 3, 4, 6, 7, 8 & 10 - @ main line tie in |

DUGAN PRODUCTION CORP.
 WAW GATHERING SYSTEM
 SAN JUAN COUNTY, NM
 ○ - Metering Point

Figure No 1

21 mtr
 3.847

Attachment
 No. 3
 P. 5 of 6

TABLE NO. 1
Well Data
Various Federal Leases
Townships 26 & 27 North & Range 13 West, San Juan County, New Mexico

| Well | Well Location $\frac{1}{4}$ $\frac{1}{4}$ Sec-Twp-Rge | Avg. Prod. 10 thru 12/83 MCF/mo.* | Metering Point Number | Remarks |
|-----------------------------------|--|---|-----------------------------|--|
| <u>Federal Lease No. NM 1336</u> | | | | |
| Thomas Jefferson #1 | NW NW 34-27N-13W | -- | -- | P & A as dry hole in Pictured Cliffs |
| Thomas Jefferson #2 | SW SW 34-27N-13W | 0 | 3 | |
| Thomas Jefferson #3 | NE NW 34-27N-13W | 217 | 2 | |
| TOTAL LEASE | | 217 | | |
| <u>Federal Lease No. NM 7276</u> | | | | |
| Ojo-Ho #1 | NE SE 31-27N-13W | 206 | 10 | |
| Ojo-Ho #2 | NW SW 31-27N-13W | 69 | 10 | |
| TOTAL LEASE | | 275 | | |
| <u>Federal Lease No. NM 11090</u> | | | | |
| Notsowaw #1 | SW NE 32-27N-13W | 664 | 7 | |
| Notsowaw #2 | NE NW 32-27N-13W | 0 | 6 | |
| TOTAL LEASE | | 664 | | |
| <u>Federal Lease No. NM 11580</u> | | | | |
| KR #1 | NW NE 29-27N-13W | 282 | 16 | Completed 6/79 with AOF of 18 MCFD. Will not produce against pipeline pressure. Completed in FR & PC <u>12-22-83</u> with I.P. of 88 MCFGPD @ 9p FTP. |
| KR #2 | NW NW 29-27N-13W | 167 | 16 | |
| KR #3 | SW SE 20-27N-13W | 0 | 16 | |
| KR #3J | NE SE 20-27N-13W | -- | 16 | P & A as dry hole in Pictured Cliffs <u>Poorest well average - $\frac{1}{2}$ MCFD</u> |
| KR #4 | SW SW 20-27N-13W | 76 | 16 | |
| KR #5 | SE SE 19-27N-13W | -- | -- | |
| KR #6 | SE SW 19-27N-13W | 16 | 16 | |
| KR #7 | SW NW 20-27N-13W | 487 | 16 | |
| KR #8 | SE NE 19-27N-13W | 607 | 16 | |
| KR #9 | NE SE 19-27N-13W | -- | -- | |
| KR #10 | NW SE 19-27N-13W | 447 | 16 | |
| TOTAL LEASE | | 2082 | | |
| <u>Federal Lease No. NM 37912</u> | | | | |
| Monticello #1 | NE NW 3-26N-13W | -- | -- | Lost prior to production |
| Monticello #1Y | NE NW 3-26N-13W | 261 | 3 | |
| TOTAL LEASE | | 261 | | |

*Gas at 15.025 psia

Pictured Cliffs
No. 3
Pg. 4 of 6

TABLE NO. 1
Well Data
Various Federal Leases
Townships 26 & 27 North & Range 13 West, San Juan County, New Mexico

| Well | Well Location ¼ ¼ Sec-Twp-Rge | Avg. Prod. 10 thru 12/83 MCF/mo.* | Metering Point Number | Remarks |
|-------------------------------------|----------------------------------|---|-----------------------------|------------------------------------|
| <u>Federal Lease No. NM 499348</u> | | | | |
| FAF #1 | SE SE 30-27N-13W | 182 | 13 | |
| FAF #2 | NE NE 30-27N-13W | 197 | 15 | |
| FAF #3 | NE NW 30-27N-13W | 1284 | 15 | |
| FAF #4 | NE SW 30-27N-13W | 1292 | 14 & 15 | |
| TOTAL LEASE | | 2955 | | <u>Best well average - 42 MCFD</u> |
| <u>Federal Lease No. NM 0553184</u> | | | | |
| WAW #1 | NW SW 32-27N-13W | 376 | 9 | |
| Ojo-He-He #1 | SE NE 31-27N-13W | 234 | 12 | |
| Ojo-He-He #2 | SW NW 33-27N-13W | 508 | 5 | |
| Ojo-He-He #3 | NW SW 33-27N-13W | 620 | 5 | |
| Ojo-He-He #4 | NW SE 32-27N-13W | 0 | 8 | |
| Ojo-He-He #5 | NW SE 33-27N-13W | 0 | 4 | |
| Ojo-He-He #6 | NE NW 31-27N-13W | 240 | 11 | |
| Ojo-He-He #7 | SW NE 33-27N-13W | 0 | 4 | |
| TOTAL LEASE | | 1978 | | |
| TOTAL WAW GATHERING SYSTEM | | 8432 | | |
| DAILY AVERAGE WAW GATHERING SYSTEM | | 275 MCFD | | |
| 21 ACTIVE WELLS | | 13 MCFD/well | | |

*Gas at 15.025 psia

APPROVED
No. 5
PR. 5/1/82



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

May 19, 1976

Attachment
No. 3
Pg. 6 of 6

Dugan Production Corporation
P. O. Box 234
Farmington, New Mexico 87401

Re: WAW Gathering System

Gentlemen:

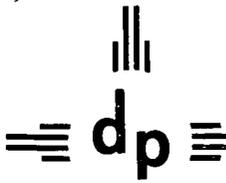
Your letter of April 15, 1976, requests approval to meter certain wells together as outlined on WAW gathering system map, namely a single meter for Ojo He He Nos. 2 and 3 and a single meter for Ojo He He Nos. 5 and 7 together, all four wells being on lease NM 0553184; single meter for Ojo Ho No. 1 and No. 2, both on lease NM 7276; single meter for both KR #1 and KR #2 wells both on lease NM 11580. This would not alter the previously approved plan to balance out volumes calculated from the wellhead meter with the El Paso sales meter. This modification is satisfactory to this office.

Form 9-361, Lessee's Monthly Report of Sales and Royalties, must show all computations used in the calculations of gas volume for each lease. Also, El Paso's Accounting Section must be advised of the allocations to each lease. Any further modification must receive prior approval from this office.

You are requested to notify our Farmington District office when installation is complete.

Sincerely yours,

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor



dugan production corp.

RECEIVED OGD

2011 AUG -3 A 11:50

August 2, 2011

Richard Ezeanyim, Engineering Bureau Chief
NM Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Notice Receipts
Dugan's Application dated 6/24/11
WAW Gathering System
San Juan County, New Mexico

Dear Richard,

For your consideration in the captioned application, attached are copies of the receipts for the notices mailed to the interest owners. The subject application presents a total of 30 wells and 34 completions (4 wells are dual completions and downhole commingled). Of the 30 wells and 34 completions, 18 wells (21 completions) are currently active and 12 wells (13 completions) have been plugged and abandoned. Dugan Production holds 100% of the working interest in all currently active wells (18 wells and 21 completions) and all royalty interest (active and P&A wells) is federal. **There are no fee, Indian or state royalty interests.** Only two wells had working interest owners in addition to Dugan Production (the Notsowaw #2 and Ojo He He #4), however both wells are plugged and abandoned, the Notsowaw #2 on 8/6/86 and the Ojo He He #4 on 9/27/88.

Presented are receipts for two of the three working interest owners, the exception being Harper Oil who's only interest was in the Ojo He He #4 which was plugged and abandoned 9/27/88. The subject application was addressed to the Bureau of Land Management for the federal royalty interest ownership and was hand delivered by the undersigned on 6/27/11. Of the 19 overriding royalty interest owners (ORRI), copies of the receipts for 13 are presented. We did not receive a receipt or returned mailing for one of the ORRI owners (Harry F. Schram), however the postal tracking system does show the mailing notice was delivered.

In addition, our notice to five of the ORRI owners (Belco Development, Burlington Resources, Irene Fellis, Lee Gray and Southland Royalty) was returned as having an address that could not be delivered to. Four of these ORRI owners are in wells that have been plugged and abandoned; the Notsowaw #2 (P&A 8/6/86), Ojo He He #4 (P&A 9/27/88) and Waw #1 (P&A 6/25/02). Please note, in anticipating that we would have problems corresponding with interest owners in wells that had been plugged for several years, we did place a legal ad in the Farmington Daily Times on 5/15/11 and a copy of this ad was presented in Attachment No. 7 to our application and is also attached to this letter for your reference. It is our belief that the interest owners in the currently active wells have had notice of our application and to date we have not received any objection. The majority of our notice failure is in the wells that have been plugged.

Should you have any questions, please let me know.

Sincerely,

John DeRoe
Engineering Manager

JDR/tmf

enclosures

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Apache Corporation
Western Region
2000 Post Oak Blvd STE 1000
Houston, TX 77056-4400

2. Article Number

(Transfer from service label)

7007 3020 0000 2102 4693

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x Sharon Van Agent
 Addressee

B. Received by (Printed Name)

Sharon Van

C. Date of Delivery

6/30/11

D. Is delivery address different from item 1? YesIf YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Pitco Production Company
PO Box 4190
Scottsdale, AZ 85261

2. Article Number

(Transfer from service label)

7007 3020 0000 2102 4686

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x T. Cree Agent
 Addressee

B. Received by (Printed Name)

Tim Cree

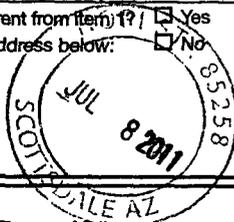
C. Date of Delivery

D. Is delivery address different from item 1? YesIf YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Gates Properties
PO Box 81119
Midland, TX 79708-1119

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 Karen Gates Agent Addressee
B. Received by (Printed Name) *Karen Gates* C. Date of Delivery *7-1-11*

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number (Transfer from service label) 7007 3020 0000 2102 4914

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bertrand O. & Peggy E. Baetz
633 Alta Avenue
San Antonio, TX 78209

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 Randy Baetz Agent Addressee
B. Received by (Printed Name) *RANDY BAETZ* C. Date of Delivery *6-30-11*

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 3020 0000 2102 4839

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Gene Grubitz III Trust
PO Box 1245
Salem, VA 24153-1245

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 Gene Grubitz III Agent Addressee
B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number (Transfer from service label) 7007 3020 0000 2102 4969

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Geraldine S. Gray
57 Nautilus Drive
Leonardo, NJ 07737

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 Gully Agent Addressee
B. Received by (Printed Name) *Geraldine S Gray* C. Date of Delivery

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 3020 0000 2102 4983

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Paul R. Kaufman
PO Box 307
Glorieta, NM 87535

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 W Phillips Agent Addressee

B. Received by (Printed Name) *W. PHILLIPS* C. Date of Delivery *7/08/11*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

*10. BOX 309
Glorieta, NM 87535*

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number (Transfer from service label) 7007 3020 0000 2102 4877

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Hunt Oil Company
Fountain Place
1445 Ross at Field
Dallas, TX 75202-2785

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 [Signature] Agent Addressee

B. Received by (Printed Name) *Robert F. KUNZ* C. Date of Delivery *6/30/11*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 3020 0000 2102 4846

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

James M. Richardson
c/o Stevan Schoen, Esq.
2 Hillside Drive
Placitas, NM 87043-9156

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 Mary Summers Agent Addressee

B. Received by (Printed Name) *Mary Summers* C. Date of Delivery *6-28*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

1 Ridge Rd.

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number (Transfer from service label) 7007 3020 0000 2102 4938

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

McBride Oil & Gas
PO Box 1515
Roswell, NM 88202-1515

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 [Signature] Agent Addressee

B. Received by (Printed Name) *T. Starnes* C. Date of Delivery *6/29/2011*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 3020 0000 2102 4907

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

RECEIVER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

WM. H. VIII & Patricia D. Short
Living Trust

OX 1444
ands, NC 28741

HIGHLANDS

Article Number
(Transfer from service label) 7007 3020 0000 2102 4884

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *Patricia Short* Agent Addressee
 B. Received by (Printed Name) *PATRICIA SHORT* C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No
 JUL 11 2011

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

James David & Lorena Jean Short
Living Trust
1591 Crestnut Ct.
West Palm Harbor, FL 34683

2. Article Number
(Transfer from service label) 7007 3020 0000 2102 4853

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee
 B. Received by (Printed Name) C. Date of Delivery *7-11-11*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

RECEIVER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Westway Petro
4514 Cole Avenue,
Suite 1005 LB15
Dallas, TX 75205

Article Number
(Transfer from service label) 7007 3020 0000 2102 4976

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee
 B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

J. Sandra Stanton Trust
1540 Ocean Avenue
Manaloking, NJ 08738

2. Article Number
(Transfer from service label) PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee
 B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

XTO
810 Houston Street
Ft. Worth, TX 76102

A. Signature

X

Agent

Addressee

Received by Karla Lacy Brown Date of Delivery JUN 29 2011

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

Certified Mail

Express Mail

Registered

Return Receipt for Merchandise

Insured Mail

C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 3020 0000 2102 4662

Attachment
No. 7
Pg 4 of 4

AFFIDAVIT OF PUBLICATION

COPY OF PUBLICATION

Ad No. 66164

**STATE OF NEW MEXICO
County of San Juan:**

JOHN ELCHERT, being duly sworn says:
That HE is the PUBLISHER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Sunday, May 15, 2011

And the cost of the publication is \$115.16



ON 5/19/11 JOHN ELCHERT
appeared before me, whom I know personally
to be the person who signed the above
document.



My Commission Expires - 11/05/11

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCOD) and the Bureau of Land Management (BLM) for regulatory approvals to add two well and operate Dugan Production's WAW Gathering System (WGS). This will require the surface commingling of produced natural gas and water plus the off-lease measurement and sale of natural gas. There will not be any commingling of oil or condensate. The wells to be added and the existing gathering system are located within Section 3 of Township 26N, Range 13W plus Sections 18, 19, 20, 29, 30, 31, 32, 33, 34, & 35 of Township 27N, Range 13W all located in San Juan County, New Mexico. The current central delivery gas sales meter (CDP) is located in the NENE of Section 35, T-27N, R-13W with natural gas delivered to Enterprise Field Services. The gathering system has a total of 28 wells and 32 completions; 28 of which are in the WAW Fruitland Sand-Pictured Cliffs and 4 completions in the Basin Fruitland Coal gas pools. All wells are operated by Dugan Production Corp. and are located upon, or the spacing units include the following Federal leases held by Dugan Production: NM-1336, NM-7276, NM-11090, NM-11580, NM-33040, NM-33044, NM-33045, NM-37912, NM-37913, NM-499348, NM-0553184 and SF-078009C. The wells to be added are Dugan Production's Faith No. 1 and Faith No. 4. The 28 wells currently connected to the WGS average 4 mcf per well with the maximum rate of all wells being 24 mcf. This is a marginal area of production for the Fruitland Sand, Fruitland Coal and Pictured Cliffs. Any person holding an interest in any of these leases or wells may contact Dugan Production for additional information. Inquires should be directed to John Roe at 505-325-1821 or by mail at PO Box 420, Farmington, NM 87499. Any objection or request for a formal hearing should be filed in writing with the NMOCOD's Santa Fe office within 20 days from the date of this publication. In the absence of objection, Dugan Production is requesting that the NMOCOD approve its application administratively. The NMOCOD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.
Legal No. 66164 Published in the Daily Times on May 15, 2011.