

1-24-12 DATE IN	SUSPENSE	ENGINEER DB	LOGGED IN 1.24.12	TYPE NSL	APP NO. 1202452786
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



Dugan Production
Federal I Com #1035
30-045-35348

ADMINISTRATIVE APPLICATION CHECKLIST

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

Application Acronyms:

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

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [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

[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.

Kurt Fagrelius

Print or Type Name

Signature

VP-Land & Exploration

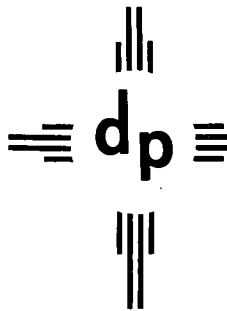
Title

1-20-2012

Date

kfagrelius@duganproduction.com

e-mail Address



dugan production corp.

RECEIVED OCD

2012 JAN 24 A 10:39

Mr. David Brooks
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

January 17, 2012

CERTIFIED MAIL – 7007-3020-0000-2100-4381

Re: Application for Administrative Approval of Unorthodox Location for Dugan
Production Corp.'s Federal I Com #103-S
Unit M, Section 12, T29N, R14W 1065' FSL and 335' FWL
Harper Hill Fruitland Sand Pictured Cliffs Pool (SW/4-160)
Basin Fruitland Coal Pool (W/2-320)

Dear Mr. Brooks:

Dugan Production hereby requests approval for an unorthodox location for the referenced well. Attached for your reference are the following exhibits:

1. Well location and acreage dedication plat (NMOCD Form C-102)
2. Topographic map.
3. Offsetting Fruitland Coal, Sand and Pictured Cliffs Working Interest Owners Map.
4. Detailed drawing of neighborhood and well-pad within Farmington City Limits.

The unorthodox location is necessary due to topographic conditions.

The subject well is located inside the Farmington city limits. Existing, commercial and private interests occupy all favorable topographic and orthodox areas within the proration unit. After an extended period of time planning, surveying and negotiating with surface owners in the immediate area and consideration of existing city streets, utilities and zoning setback requirements, it was determined that the subject non-standard location was the only acceptable location to all involved parties. Since the proposed well-pad and pipeline are located on a lot in a relatively undeveloped area, surface impact within the Farmington city limits will be minimized. Once an agreement on the location of the well pad and pipeline had been reached, Dugan Production Corp. then purchased the lot on which to drill from Steven Pierro with Willow Creek Construction Inc.

By certified mail, a copy of this application and request for administrative approval has been sent to all Fruitland Sand and Pictured Cliffs offsetting operators (XTO Energy Inc.), the NMOCD district office in Aztec, the Bureau of Land Management, and the City of Farmington.

Please contact me if you have any questions or need additional information.

Sincerely,



Kurt Fagrelus
VP-Land and Exploration

Attachments

Cc:

Bureau of Land Management, Mr. David Mankiewicz – 1235 La Plata Hwy.,
Farmington, NM 87401

(Certified Return Receipt Requested – 7005 2570 0001 3772 0453)

NMOCD, Mr. Charlie Perrin – 1000 Rio Brazos Road, Aztec, NM 87410

(Certified Return Receipt Requested – 7005 2570 0001 3772 0460)

City of Farmington, Mr. Fran Fillerup – 800 Municipal Drive, Farmington, NM 87401

(Certified Return Receipt Requested – 7005 2570 0001 3772 0477)

XTO Energy Inc., Ryan O'Kelly – 810 Houston Street, Fort Worth, TX 76102

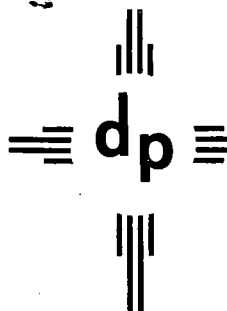
(Certified Return Receipt Requested – 7005 2570 0001 3772 0484)

State Highway Department of New Mexico, P.O. Box 1149, Santa Fe, NM 87504

(Certified Return Receipt Requested – 7005 2570 0001 3772 0491)

Atchison, Lee – P.O. Box 15069, Farmington, NM 87499

(Certified Return Receipt Requested – 7005 2570 0001 3772 0507)



dugan production corp.

PTG-W 1202452796

RECEIVED OCD

2012 JAN 30 A 11:24

Mr. David Brooks
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

January 24, 2012

Re: Application for Administrative Approval of Unorthodox Location for Dugan
Production Corp.'s Federal I Com #103S
Unit M, Section 12, T29N, R14W 1065' FSL and 335' FWL
Harper Hill Fruitland Sand Pictured Cliffs Pool (SW/4-157.67)
Basin Fruitland Coal Pool (W/2-317.67)

Dear Mr. Brooks:

Dugan Production sent you the subject application on January 17, 2012. I regret to inform you that there was an error in the C-102 that was included with the original application. Please replace the original C-102 with the one enclosed with this letter.

I am sorry if this has created an inconvenience for you.

If you have any questions or require additional information, please contact me.

Sincerely,

Kurt Fagrellus
VP-Land and Exploration

PTGW 1202452796

District I
1625 N. French Drive, Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First Street, Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Drive
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 78160 / 71629	³ Pool Name HARPER HILL FRUITLAND SAND PICTURED CLIFFS / BASIN FRUITLAND COAL
⁴ Property Code	⁵ Property Name FEDERAL I COM	⁶ Well Number 103S
⁷ GRID No. 006515	⁸ Operator Name DUGAN PRODUCTION CORPORATION	⁹ Elevation 5454'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	29N	14W		1065	SOUTH	335	WEST	SAN JUAN


¹¹ Bottom Hole Location If Different From Surface

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

¹² Dedicated Acres 157.67 Acres (SW/4) - PC 317.67 Acres (W/2) - FC	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶

<p>2641.32'</p> <p>Dugan Fee</p> <p>Dugan SF-078110</p> <p>2543.30'</p> <p>1323.30'</p> <p>1326.60'</p> <p>2556.84'</p> <p>2426.15'</p> <p>1065'</p> <p>335</p> <p>XTO FEE</p> <p>LOT 7</p> <p>LOT 2</p> <p>LOT 1</p> <p>LOT 3</p> <p>San Juan River</p> <p>5287.92'</p> <p>LAT: 36.73681°N LONG: 108.26851°W DATUM: NAD1927</p> <p>LAT: 36.73682°N LONG: 108.26914°W DATUM: NAD1983</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kurt Fagrelus</i> 1-12-2012 Signature Date Kurt Fagrelus Printed Name kfagrelus@duganproduction.com E-mail Address</p> <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey: AUGUST 1, 2011</p> <p>Signature and Seal of Professional Surveyor</p> <p></p> <p>JASON C. EDWARDS Certificate Number 15269</p>
--	--

District I
1625 N. French Drive, Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First Street, Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number	*Pool Code 78160 / 71629	*Pool Name HARPER HILL FRUITLAND SAND PICTURED CLIFFS / BASIN FRUITLAND COAL
*Property Code	*Property Name FEDERAL I COM	*Well Number 103S
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION	*Elevation 5454'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	29N	14W		1065	SOUTH	335	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

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

¹² Dedicated Acres	160.0 Acres (SW/4) - PC 320.0 Acres (W/2) - FC	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------	---	-------------------------------	----------------------------------	-------------------------

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

¹⁶


2643.30'	1323.30'	1326.60'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Kurt Fagrelus</i> 1-12-2012 Signature Date Kurt Fagrelus Printed Name kfagrelus@duganproduction.com E-mail Address
Dugan FEE	Dugan SF-078110		
2556.84'			¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: AUGUST 1, 2011 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269
2426.16'	12	2598.42'	
LAT: 36.73681°N LONG: 108.26851°W DATUM: NAD1927 LAT: 36.73682°N LONG: 108.26914°W DATUM: NAD1983			
335			
XTO FEE	LOT 2	LOT 1	
1065'			
	San Juan River		
	LOT 3		
5287.92'			

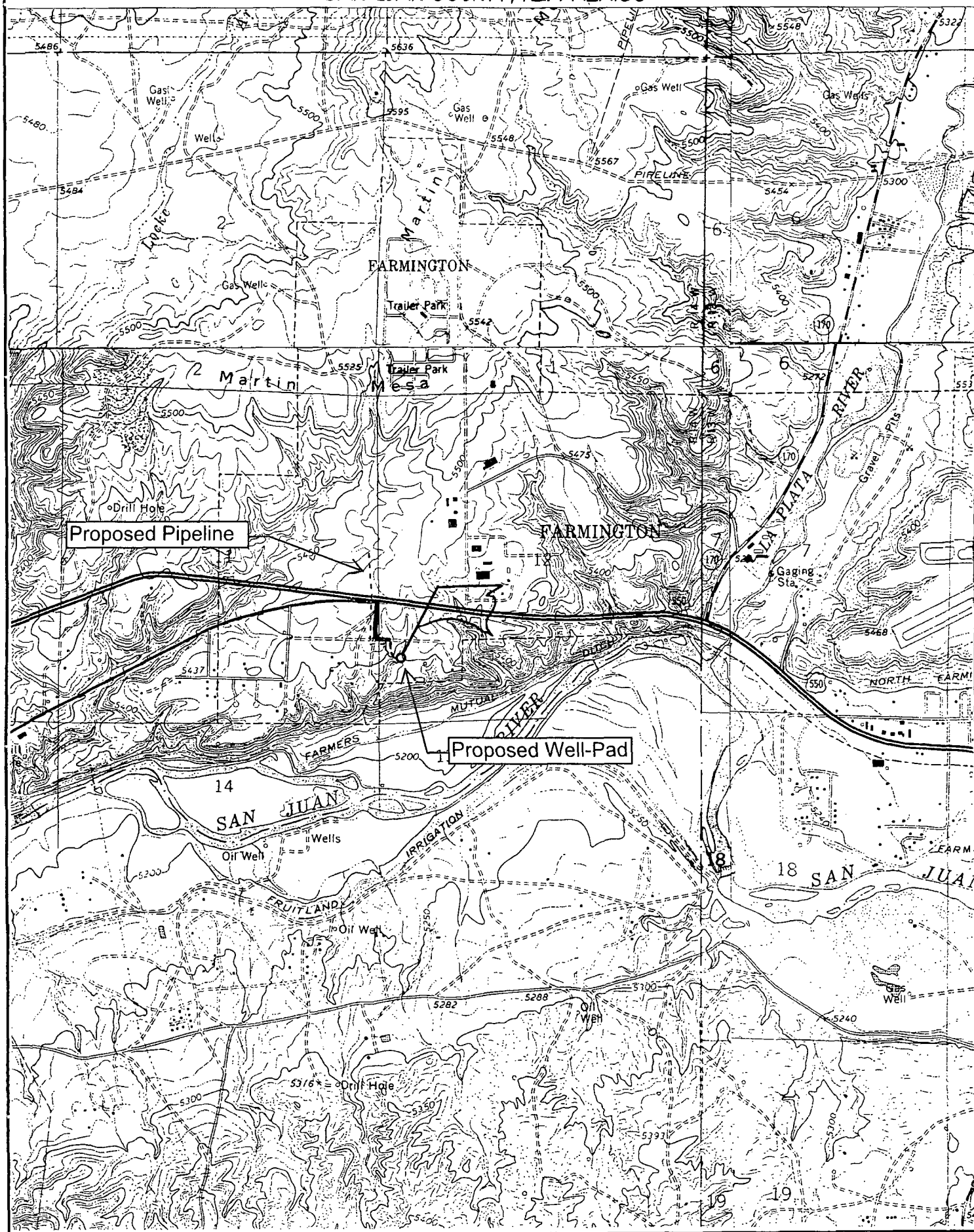
EXHIBIT 1.

DUGAN PRODUCTION CORPORATION FEDERAL 1 COM #1035

1065' FSL & 335' FWL, SECTION 12, T29N, R14W, N.M.P.M.

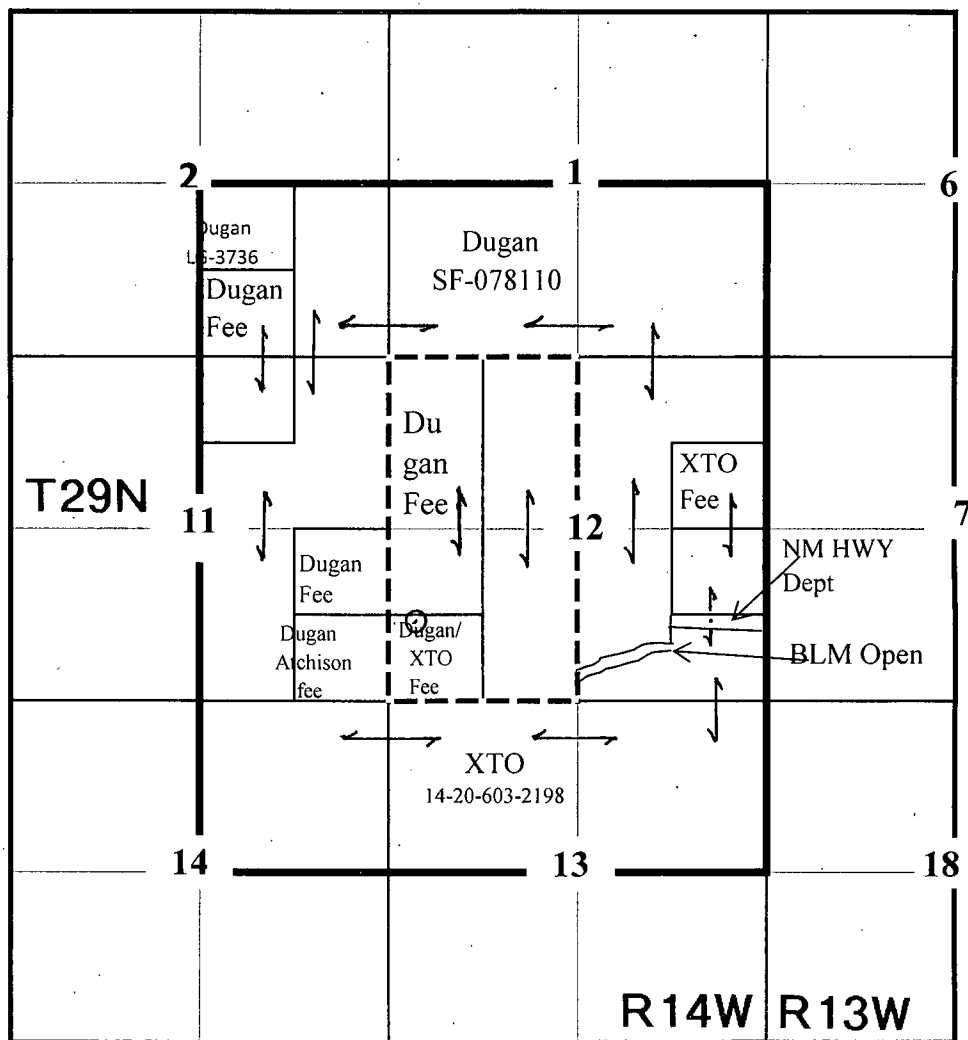
SAN JUAN COUNTY, NEW MEXICO

EXHIBIT 2.



Offsetting Working Interest Owner Map

Fruitland Coal



Offsetting Notification Area



Spacing Unit

Dugan Production Corp.

Federal I Com #103S

Non-Standard Location Application

Sec. 12, T29N, R14W NMPM

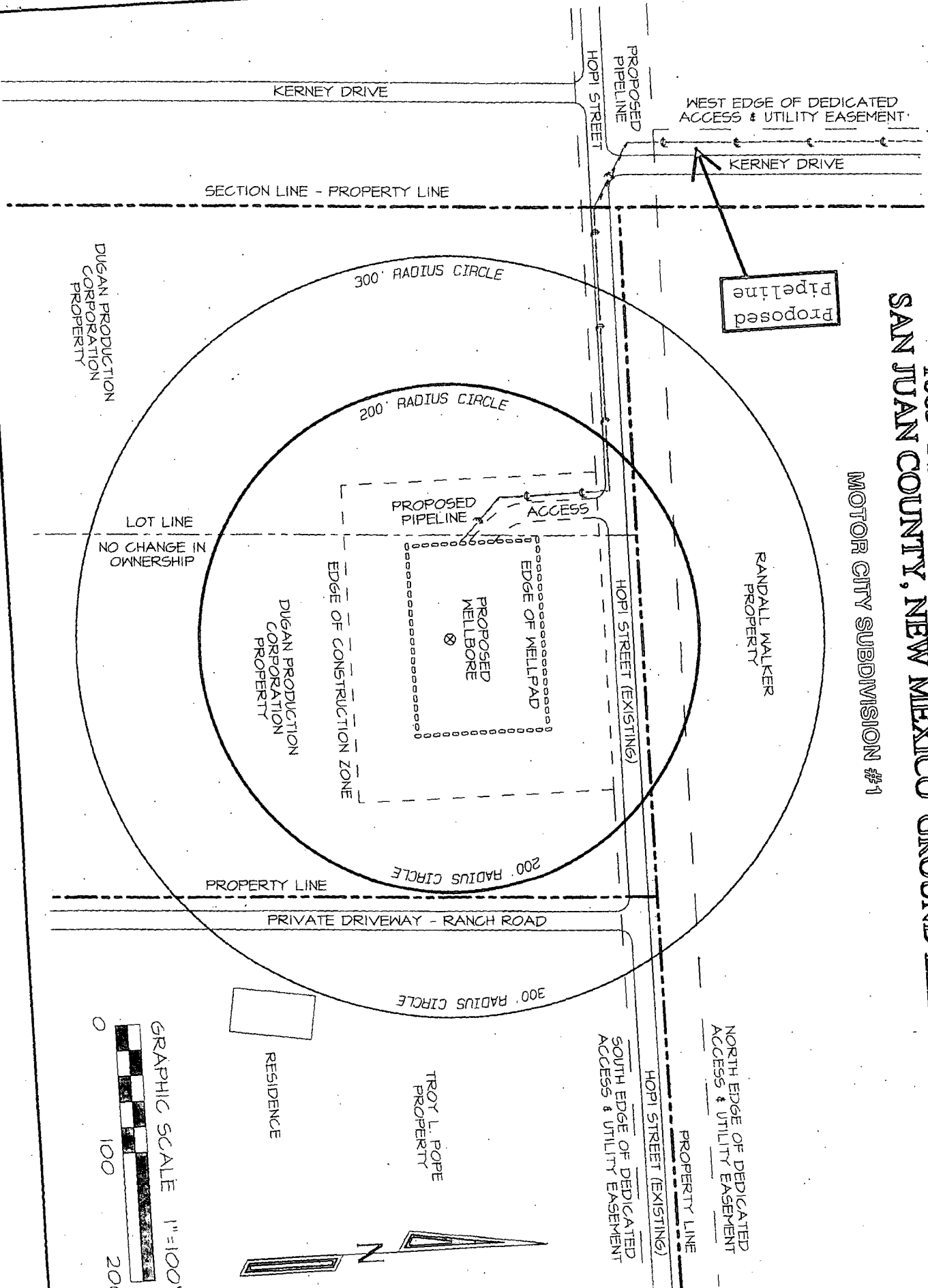
1065' FSL & 335' FWL

San Juan County, New Mexico

EXHIBIT 4.

DUGAN PRODUCTION CORPORATION FEDERAL I COM #103S
1065' FSL & 335' FWL, SECTION 12, T29N, R14W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 5454'

MOTOR CITY SUBDIVISION #1



7005 2570 0001 3772 0452

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage	Postmark Here
Sent To Bureau of Land Management	
Attn: Mr. Dave Mankiewicz	
Street, Apt. No., or PO Box No. 1235 La Plata Highway	
City, State, ZIP+4 Farmington, NM 87401	
PS Form 3800, June 2002 See Reverse for Instructions	

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Restricted Delivery Fee (Endorsement Required)	
Total Postage	Postmark Here
Sent To City of Farmington	
Attn: Mr. Fran Fillerup	
Street, Apt. No., or PO Box No. 800 Municipal Drive	
City, State, ZIP+4 Farmington, NM 87401	
PS Form 3800, June 2002 See Reverse for Instructions	

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Restricted Delivery Fee (Endorsement Required)	
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PO Box 1149	
Street, Apt. No., or PO Box No. Santa Fe, NM 87504-1149	
City, State, ZIP+4	
PS Form 3800, June 2002 See Reverse for Instructions	

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Restricted Delivery Fee (Endorsement Required)	
Total Postage	Postmark Here
Sent To NM Oil Conservation Division	
Attn: Mr. Charlie Perrin	
Street, Apt. No., or PO Box No. 1000 Rio Brazos Rd.	
City, State, ZIP+4 Aztec, NM 87410	
PS Form 3800, June 2002 See Reverse for Instructions	

7005 2570 0001 3772 0484

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Restricted Delivery Fee (Endorsement Required)	
Total Postage &	Postmark Here
Sent To XTO Energy Co.	
Attn: Mr. Ryan O'Kelly	
Street, Apt. No., or PO Box No. 810 Houston St.	
City, State, ZIP+4 Ft. Worth, TX 76102	
PS Form 3800, June 2002 See Reverse for Instructions	

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Restricted Delivery Fee (Endorsement Required)	
Total Post	Postmark Here
Sent To Lee Atchison	
PO Box 15069	
Street, Apt. No., or PO Box No. Farmington, NM 87499	
City, State, ZIP+4	
PS Form 3800, June 2002 See Reverse for Instructions	

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	Postmark Here
NM Oil Conservation Division	
Attn: Mr. David Brooks	
1220 S. St. Francis St.	
Santa Fe, NM 87505	
PS Form 3800, August 2006	
See Reverse for Instructions	