

DATE IN 7/24/06	SUSPENSE	ENGINEER WILL JONES	LOGGED IN 7/25/06	TYPE PC	APP NO. PTDSOL620631471
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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 PM 2



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

Identical ownership

[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 SLD
 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

Notification sent by sundry copy included as Attachment #2. Return Receipt will be forwarded to NMOCB.

[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.

John D. Roe
 Print or Type Name

John D. Roe
 Signature

Engineering Manager
 Title

07/19/06
 Date

johnroe@duganproduction.com
 e-mail Address

AFFIDAVIT

STATE OF NEW MEXICO)
) SS.
COUNTY OF SAN JUAN)

Attachment No. 1
NMOCF form C-103 dated 7/19/06
Application of Dugan Prods
Surface commingled Natural Gas
Dugan's Garrett A No. 1 (phased)
+ Garrett Fed. Com #1E (MURDK)

Skip Fraker, a Land Manager presently employed by Dugan Production Corp. being duly sworn on his oath, states that he is familiar with the following described property, to-wit:

Township 29 North, Range 11 West, NMPM
Section 12: E/2

E/2E/2	USA NM-03717-B	Federal Lease
W/2E/2	M. B. Garrett	Fee Lease
Garrett A #1	Otero Chacra well	NE/4 160 acres
Garrett Federal Com #1E	Basin Dakota/Blanco Mesaverde well	E/2 320 acres

and that he is also familiar with the aforementioned lands and leases and has knowledge that said lands and leases are owned by Dugan Production Corp. Affiant states that said lands and leases have identical ownership in the drilling proration units for said wells. The ownership in these lands are identical as to owners and percentage of ownership for all working interest, royalty interest and overriding royalty interest owners in the above captioned wells. Affiant further states that no change in ownership has occurred and that Dugan Production Corp. has not sold, leased or otherwise made any commitments to affect a change in ownership of the aforementioned lands.

Further, affiant saith not.


Skip Fraker, Registered Landman #62101

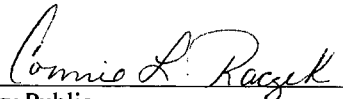
ACKNOWLEDGEMENT

STATE OF NEW MEXICO)
) SS.
COUNTY OF SAN JUAN)

BEFORE ME, the undersigned, a notary public in and for the county and state aforesaid, on this the 19th day of July, 2006, personally appeared Skip Fraker, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year first above written.

My commission expires: 3/4/08


Notary Public



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Attachment
No. 2

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐

Oil
Well

☒

Gas
Well

☐

Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

A #1 1450' FNL & 1530' FEL (Unit G), Section 12, T-29N, R-11W
#1E 1170' FNL & 1470' FEL (Unit B), Section 12, T-29N, R-11W

5. Lease Designation and Serial No.

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Garrett A #1 & Garrett Fed Com #1E

9. API Well No. A #1 30-045-23113
& #1E 30-045-24302

10. Field and Pool, or Exploratory Area

A #1 Otero Chacra #1E Basin DK
& Blanco Mesaverde

11. County or Parish, State

San Juan, NM

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

TYPE OF SUBMISSION

☒

Notice of Intent

☐

Subsequent Report

☐

Final Abandonment Notice

TYPE OF ACTION

☐

Abandonment

☐

Recompletion

☐

Plugging Back

☐

Casing Repair

☐

Altering Casing

☒

Other

Surface Commingle
Natural Gas-CDP

☐

Change of Plans

☐

New Construction

☐

Non-Routine Fracturing

☐

Water Shut-Off

☐

Conversion to Injection

☐

Dispose Water

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

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Dugan Production proposes to convert the existing gas sales meter for the Garrett A No. 1 (Enterprise Field Services Meter No. 90306) to a central delivery gas sales meter for the Garrett A No. 1 (Chacra) and the Garrett Federal Com No. 1E (MV & DK). This will require the surface commingling of natural gas from the Otero Chacra, Blanco Mesaverde and Basin Dakota gas pools. Only natural gas will be commingled. Measurement will be on lease at the Garrett A No. 1 well. Dugan Production operates both wells and the spacing units for both wells encompass federal lease NM-03717-B and a fee lease 50/50 such that the royalty for all pools is identical, 50% federal and 50% Fee. The Garrett Federal Com No. 1E currently has the Blanco Mesaverde and Basin Dakota surface commingled and uses a compressor to produce into the gas sales line. Production currently averages ± 90 mcf/d (50.4 mcf/d MV & 39.6 mcf/d Dakota). The Garrett A No. 1 well is $\pm 286'$ to the southwest and currently averages 5.2 mcf/d into a gas sales line averaging ± 170 psi. The proposed CDP will allow the Garrett A No. 1 well to utilize the compressor currently installed for the Garrett Federal Com No. 1E and hopefully improve production. A copy of Dugan's application to the NMOCD for surface commingling is attached to provide additional information about this proposal.

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

Signed

John D. Roe
John D. Roe

Title

Engineering Manager

Date

7/19/2006

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any: