

dugan production corp.

RECEIVED

AUG 12 2003

OIL CONSERVATION  
DIVISION

August 11, 2003

Mr. Will Jones  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Re: Dugan Production's application dated 7-23-03  
Add 42 wells to the Goodtimes Gas Gathering System  
San Juan County, New Mexico

Dear Will,

Attached for your consideration of the subject application is:

1. Copy of a letter dated 8-5-03 from Mr. W. James Langley which withdraws the objections he made in his letter dated 7-18-03. I am pleased that we were able to resolve Mr. Langley's concerns and hope that you are now able to consider Dugan's application administratively (assuming no other objections).
2. Copy of a letter dated 7-30-03 from the New Mexico State Land Office approving Dugan's application.

We are still receiving return receipt cards from the notices sent to interest owners and plan to send copies to you on Wednesday (8-13-03). To date of the 147 notices mailed we have receipts for 136.

Hope all is going well at your end.

Sincerely,

John D. Roe  
Engineering Manager

JDR/tmf

enclosure

# W. JAMES LANGLEY

4544 Cathedral Drive, Dallas, Texas 75214

Phone: 214/826-2717 Fax: 214/826-1992

August 5, 2003

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

Re: My letter to you dated July 10, 2003

July 18<sup>th</sup>?  
Dugan's letter was  
dated 7-10-03  
John Roe

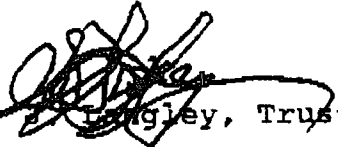
Dear Sir:

After receiving a detailed letter from John D. Roe of Dugan Production all my concerns are addressed to my satisfaction and apparently Mr. Dugan and staff have handled this matter (comingling) in an appropriate, honest and fair manner.

I pray you will accept this letter as a complete nullification of my previous letter and there will be no reflection on the honesty, integrity or character of Dugan Production, Mr. Dugan or his staff. There was a complete misunderstanding on my part of what was about to happen (and has with other parties).

Please let this matter be dropped and closed with Mr. Roe's very appropriate and well written clarification.

Sincerely,

  
W. J. Langley, Trustee  
D & J Trust

CC: John D. Roe  
Engineering Manager  
Dugan Production Corporation



PATRICK H. LYONS  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL

PO BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

July 30, 2003

Dugan Production Corporation  
P. O. Box 420  
Farmington, New Mexico 87499-0420

AUG 04 2003

OIL CONSERVATION  
DIVISION

Attn: Mr. John D. Roe

Re: Request for Surface Commingling, Off-Lease Measurement and Sale of Produced Natural Gas –  
Forty-two Additional wells  
Dugan Production's Goodtimes Gas Gathering System  
State Lease Numbers LG-1035, LG-1917, LG-5685, LG-5686, LG-5689, LG-9801, LG-9804,  
LH-1896, V-1509 and V-2364  
San Juan County, New Mexico

Dear Mr. Roe:

We are in receipt of your letter of July 23, 2003 requesting our approval to add 42 wells to Dugan's Goodtimes Gas Gathering System. It is our understanding that this is the fourteenth expansion to the Goodtimes Gas Gathering System, which will now contain a total of 221 Federal, State and Navajo Allotted wells.

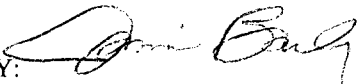
Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your \$30.00 dollar filing has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744  
PL/JB/pm

pc: Reader File, OCD-Attention: David Catanach,  
BLM-Farmington Attn: Mr. Steve Henke

from 6-22-98 Application  
Attachment No. 6 (Amended 8-2-99)

Allocation Procedures

Dugan Production Corp.'s

Goodtimes Gas Gathering System

CDP #1 = Elm Ridge Resources - SE SE 22, T24N, R8W

CDP #2 = El Paso Field Services - SE NE 12, T24N, R10W

San Juan County, New Mexico

Attachment  
No. 6  
Pg 1 of 2

Base Data for Gas Allocations:

W=Gas Volume (MCF) from Well or Battery Allocation Meter

X=Total Gas Volume (MCF) from CDP Sales Meters (CDP1 + CDP2)

Y=Total BTU's from CDP Sales Meters (CDP1 + CDP2)

Y1=BTU's from CDP1 Sales Meter

Y2=BTU's from CDP2 Sales Meter

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. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by  $(W / \text{Sum } W)$ .

2. Individual Well Allocated 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's Onshore Order No. 5. Wells on Navajo Allotted leases will be sampled as stipulated in the current guidelines for surface commingling and off-lease measurement on Navajo Allotted leases.. Computations to be based upon dry BTU @ 14.73 psi.

3. Individual Well Allocated Drip Volumes & Revenues. All liquid hydrocarbon volumes and revenues recovered from system drip traps will be allocated to the individual wells producing gas through the drip trap from which the hydrocarbons were recovered using a factor to be determined by dividing the individual well's theoretical liquids by the total theoretical liquids from all wells producing into the system from which liquids were recovered. The theoretical liquids will be calculated by multiplying the individual well's produced gas volumes by the individual wells gas stream liquids content (GPM) of isobutane and heavier. This allocation is to be made at the time the liquids are removed and will be based upon the most recent annual gas volumes produced from the wells involved and an average GPM during the same period. Using annual gas production rather than actual months of production will simplify this calculation and will not significantly affect the accuracy or validity of this factor.

**Base Data for Drip Allocations:**

S = Volume of drip (bbl) removed from system drip storage tank.

T = Revenue resulting from multiplying the volume of drip by the existing posted oil price in the field at the time of drip removal.

U = GPM (gallons per MCF) of isobutane and heavier from a current individual well gas analysis.

V = Most recent calendar year of gas production from the individual well - MCF. If a full 12 months is not available, an annual volume will be determined using an average production rate from the data available.

F = Individual Well Allocated Drip Volume, bbl

$$F = ((V \times U) / \text{Sum } (V \times U)) \times S$$

G = Individual Well Allocated Drip Revenues, \$

$$G = F \times \text{current posted oil price}$$

**ATTACHMENT NO. 4  
INTEREST OWNERS OF WELLS  
CONNECTED OR PROPOSED TO BE CONNECTED TO  
DUGAN PRODUCTION CORP.'S  
GOODTIMES GAS GATHERING SYSTEM  
AS OF 7-1-03**

**OWNER NAME & ADDRESS**

**WELLS & INTEREST OWNERSHIP (DECIMAL)**

***Working Interest Owners***

ABO Petroleum Corp. P O Box 900 Artesia, NM 88211-0900	Oktoberfest Com 2 (.10937500)
ConocoPhillips 600 North Dairy Ashford Houston, TX 77079-1175	July Jubilee 1DK (.20625000)
Dugan Production Corp. P O Box 420 Farmington, NM 87499-0420	All wells except Federal D 3,4,5,6 wells
Fullerton, James B. 1645 Court Place, Suite 406 Denver, CO 80202-4508	Mo Valley 90 (.00146093) Rodeo Rosie 1 (.00375000), 90 (.00166666)
Key Production Company, Inc. Department 1102 Denver, CO 80263-1102	Champ 1,2,3,4,5,6,7,8,9 (.20625000)
MYCO Industries, Inc. P O Box 840 Artesia, NM 88211-0840	Oktoberfest Com 2 (.10937500)
Questar E&P P O Box 45601 Salt Lake City, UT 84145-0601	MF 2 (.41250000), Federal D 3, 4, 5, 6 (1.00000000)
SECO Energy Corp. 1801 Broadway, Suite 900 Denver, CO 80202	Olympic 1,2,3,4 (.01050000)
Yates Drilling Company 207 South 4th Street Artesia, NM 88210	Oktoberfest Com 2 (.10937500)
Yates Petroleum Corp. P O Box 1395 Artesia, NM 88211-1395	Oktoberfest Com 2 (.10937500)
Unleased - Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	Location T (.25000000)

***Royalty Interest Owners***

Nayajo Allotted Bureau of Land Management Farmington Field Office 1235 La Plata Highway Farmington, NM 87401	Blanco Wash 1,2,3,4,5,7 (.16666700), Bright Angel 1 (.16666700), Bronze Medal 1, 2 (.16670000), Jim Thorpe 1 (.16666670), Bumble 2 (.166666670) Kaibab Trail 1 (.16666700), Kaibab Trail 90,90S (.083333330) Lake Placid 1 (.16670000), Lava Falls 1 (.16666670), Louie Louie 1 (.20000000) Marathon 1,2 (.16670000), Montreal 1,2 (.16670000), Seoul 88 (.16670000) Squaw Valley 1,2 (.16670000), St Louis 12 (.16670000), Location R (.08333330)
Department of the Interior Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	169 wells, all except Blanco Wash 1,2,3,4,5,7, Bright Angel 1, Bronze Medal 1,2, Bumble 2, Holly 1, Jim Thorpe 1, Kaibab Trail 1, Lake Placid 1, Lava Falls 1, Louie Louie 1, Luna 2,3, Marathon 1,2, March On 1, Mary Lou 1,2,3,4,5,6,90,90S, Com 91, Com 91S, Mesa 1,2,3,90,90S, Montreal 1,2, Oktoberfest 1, Oktoberfest Com 2, Roadrunner 1,2,3,90, Seoul 88, Squaw Valley 1,2, St. Louis 12, Wit's End 1,2,3,4,6
State of New Mexico P O Box 1148 Santa Fe, NM 87504-1148	Holly 1, Luna 2,3, March On 1, Mary Lou 1,2,3,4,5,6,90,90S, Com 91, Com 91S, Mesa 1,2,3,90,90S, Oktoberfest 1, Oktoberfest Com 2, Roadrunner 1,2,3,90, Wit's End 1,2,3,4,6

***Overriding Royalty Interest Owners***

A. G. Andrikopoulos Res. Inc. P O Box 788 Cheyenne, WY 82003	Angel's Gate 90 (.01128906)
ABC Oil & Gas Properties 3208 Boyd Midland, TX 79705	Adobe A 1 (.02000000)
Adams, Mary Bernice 9743 Bon Haven Lane Owings Mills, MD 21117	Target 1 (.05000000)

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**WELLS & INTEREST OWNERSHIP (DECIMAL)**

**Overriding Royalty Interest Owners (cont.)**

Albanese, David A. & Rebecca L. 2301 Whitcomb Place Falls Church, VA 22046	Fabulous Feb 1 (.06250000)
Altrogge Resources Company 6901 East Walsh Place Denver, CO 80224	Helsinki 52 (.01100000)
Amato, Anne 37290 Stanton Point Road Ingelside, IL 60041	Mo Valley 90 (.00007813), Phillips 1 (.00007776), 1FR (.00003887)
Andrikopoulos, John G. & Judy K. P O Box 670 Saratoga, WY 82331	Angel's Gate 90 (.00035156)
Apache Corporation P O Box 840133 Dallas, TX 75284-0133	Muddy Mudda 1DK (.03000000)
Attebery, R. Tucker P O Box 2351 Bartlesville, OK 74005	Lee's Ferry 1 (.02000000), Lee's Ferry 90 (.01000000) Muddy Mudda 1GA, 1DK (.02000000), Muddy Mudda Com 90 (.01000000), Location P (.02000000)
Bayer, Elizabeth 2812 Westminster Dallas, TX 75205	Adobe A 1 (.00064930), Sapp 1,2,90,91 (.00064930)
Belco Development Corp. c/o Enron Oil & Gas Co. P O Box 840321 Dallas, TX 75284-0321	Holly 1GA (.08312500), 1DK (.05195310)
Black, Martha N. Family Trust c/o Norwest Bank Attn: Oil & Gas Trust Department 40 NE Loop 410, Suite 300 San Antonio, TX 78216	Adobe A 1 (.00016280), Sapp 1,2,90,91 (.00016280)
Black, Martha Nobles c/o Wells Fargo Attn: OG&M Administration P. O. Box 5383 Denver, CO 80270	Adobe A 1 (.00016290), Sapp 1,2,90,91 (.00016290)
Bowers, Alexander S. Estate Robert M. Musselman, Executor P. O. Box 254 Charlottesville, VA 22902	Bowers 1,90, 91, 91S (.03250000), Locations N,O (.03250000)
BP America Production Company P O Box 3092 Houston, TX 77253	Mary Lou Com 91, 91S (.02125000)
Breecher, V.M. 23430 Cattail Lane Barrington, IL 60010	Flo Jo 1,2,4,5,6,7 (.00500000)
Brennan, Laura L. Schaller P O Box 1333 Buies Creek, NC 27506	Silver Medal 1 (.00500000)
Burness, Wanda 75535 Fern Hill Road Rainier, OR 97048	April Surprise 4DK (.00124900), July Jubilee 2,3,1GA, (.00250000) July Jubilee 1DK (.00125000)
Campbell, Lewis O. P O Box 51508 Albuquerque, NM 87181-1508	Mo Valley 90 (.00045455), Phillips 1 (.00045240), 1FR (.00022600)
Carpenter, B.K. & D.L. 2935 Nob Hill Drive Casper, WY 82601	December Dream 1,2,3 (.00500000)
Colwill, Kathleen 2254 Shawnee South East Grand Rapids, MI 49506	Adobe A 1 (.00048700), Sapp 1,2,90,91 (.00048700)



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**Overriding Royalty Interest Owners (cont.)**

Cometra Oil & Gas Inc. 210 West 6th Street, Suite 1001 Fort Worth, TX 76102	Holly 1DK (.01250000)
ConocoPhillips 600 North Dairy Ashford Houston, TX 77216-1940	April Surprise 4 DK (.03747700), July Jubilee 2,3,1GA, (.00750000) Mesa 1,3 (.12500000)
Cotter, Jane H. 6625 Barber Place, NE Albuquerque, NM 87109	Mo Valley 90 (.00045455), Phillips 1 (.00045240), 1FR (.00022600)
Cramer Oil 410 17th Street, Suite 1340 Denver, CO 80202	Flo Jo 1,2,4,5,6,7 (.04093750)
Cuesta Production Company P O Box 451 Albuquerque, NM 87103	March On 1 (.05000000)
Cummins, Patsy R. 5110 A Shadylane Midland, TX 79703	Adobe A 1 (.00045180), Sapp 1,2,90,91 (.00045180)
D & J Trust 4544 Cathedral Drive Dallas, TX 75214	Calgary 2,3,4,5,6,7,8,88 (.05000000)
Dahl, Mildred O. 4731 Lemon Hill Ave. Sacramento, CA 95824	Rodeo Rosie 1 (.00500000)
DeCarlo, Linda 14516 Casey Lane Lockport, IL 60441	Mo Valley 90 (.00007813), Phillips 1 (.00007776), 1FR (.00003887)
Deemar, Irving Trust Irving R. Deemar Trustee UAD 9/23/92 P O Box 566 Morton Grove, IL 60053	Silver Medal 1 (.01000000)
DHB Partnership 8144 Walnut Hill Lane Suite 982, LB 51 Dallas, TX 75231	Largo Federal B 1,91 (.00500000)
Dickey, Brian 3810 West County Road 118 Midland, TX 79703	Adobe A 1 (.00015060), Sapp 1,2,90,91 (.00015060)
Dickey, Dianna 3810 West County Road 118 Midland, TX 79703	Adobe A 1 (.00015060), Sapp 1,2,90,91 (.00015060)
Dickey, John 3810 West County Road 118 Midland, TX 79703	Adobe A 1 (.00015060), Sapp 1,2,90,91 (.00015060)
DK Investments 828 East Edgehill Road Salt Lake City, UT 84103	April Surprise 4 DK (.00374700), July Jubilee 2,3,1GA (.02000000) July Jubilee 1DK (.00375000)
Dow, Arthur 324 Yucca NW Albuquerque, NM 87105	Mo Valley 90 (.00170454), Phillips 1 (.00169648), 1FR (.00084900)
Dugan Production Corp. P O Box 420 Farmington, NM 87499-0420	Flo Jo 1,2,4,5,6,7 (.02062500), Jim Thorpe 1 (.00999990) Largo Federal B 1 (.13265600), Lee's Ferry 1 (.03000000) Largo Federal B 90 (.01500000), Muddy Mudda 1GA (.03000000) Olympic 1,2,3,4 (.01950000), Location P (.03000000)
Emmerson, Ann Home Trustee of the Ann Emmerson Trust 1495 SW Clifton Portland, OR 97201	Adobe A 1 (.00238260), Sapp 1,2,90,91 (.00238260)

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**WELLS & INTEREST OWNERSHIP (DECIMAL)**

*Overriding Royalty Interest Owners (cont.)*

Energen Resources Corporation 2198 Bloomfield Highway Farmington, NM 87401	Mo Valley 90 (.00312500)
Excalibur Energy Company P O Drawer 25045 Albuquerque, NM 87125	Mo Valley 90 (.00295454), Phillips 1 (.00294057), 1FR (.00147100)
Fasken Clearing Wells Fargo OGM Op. AU 10291 #5115100 P O Box 5383 Denver, CO 80217	Adobe A 1 (.00072150), Sapp 1,2,90,91 (.00072150)
Fasken Foundation P O Box 162786 Austin, TX 78716-2786	Adobe A 1 (.00017314), Sapp 1,2,90,91 (.00017314)
Fasken, Celeste Management Trust c/o Wells Fargo P O Box 5383 Denver, CO 80217	Adobe A 1 (.00065040), Sapp 1,2,90,91 (.00065040)
Fasken, Frank Andrew 4095 Sunset View Paris, TX 75460	Adobe A 1 (.00012812), Sapp 1,2,90,91 (.00012812)
Fasken, G. R. 230 Johnson Woods Drive Paris, TX 75460	Adobe A 1 (.00004502), Sapp 1,2,90,91 (.00004502)
Fasken, Murray & Celeste Trust c/o Wells Fargo Bank of TX, NA P O Box 5383 Denver, CO 80217	Adobe A 1 (.00082354), Sapp 1,2,90,91 (.00082354)
Fasken, Steven Price Revocable Trust Steven Price Fasken, Trustee P O Box 6088 Colorado Springs, CO 80934-6088	Adobe A 1 (.00031744), Sapp 1,2,90,91 (.00031744)
Feil Living Trust, Marie A. Feil Successor Trustee 6096 Upland Terrace S Seattle, WA 98118	Gold Medal 1,2,3,4,5,6 (.03000000)
Felter, Jack L. 5501 Drayton Street, NE Albuquerque, NM 87111	Mo Valley 90 (.00170454), Phillips 1 (.00169648), 1FR (.00084900)
Flame Royalties P O Box 702281 Tulsa, OK 74170-2281	June Joy 2,90 (.03500000), Largo Federal B 1 (.07921900) Mo Valley 90 (.00625000), Phillips 1FR (.01249600) Rodeo Rosie 1 (.07500000)
Foster, Timothy G. & Darlene V. Living Trust CR 6100 #576 Kirtland, NM 87417	Holly 1DK (.00039062)
Four Star Oil & Gas Company P O Box 845896 Dallas, TX 75284-5896	Jim Thorpe 1 (.02333310)
Fullerton, James B. 1645 Court Place, Suite 406 Denver, CO 80202-4508	Phillips 1FR (.00012500)
Fundingsland, E.L. Jr. P O Box 1157 Littleton, CO 80160-1157	Holly 1DK (.01750000)
Gainey, Daniel C. Marital Trust Bank of Oklahoma, Agent AC#25277720 P O Box 1588 Tulsa, OK 74101	So Huerfano Federal 1 (.00500000)
Gates Properties, Ltd. P O Box 81119 Midland, TX 79708-1119	Holly 1GA (.03000000), 1DK (.01875000)

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**WELLS & INTEREST OWNERSHIP (DECIMAL)**

**Overriding Royalty Interest Owners (cont.)**

Geisler Family Ltd. Partnership c/o Geisler Property Management Corp. 4706 North Lindhurst Ave. Dallas, TX 75229-6518	Adobe A 1 (.00259770), Sapp 1,2,90,91 (.00259770)
Gentle, Glenn R. Living Trust George H. Didlake & Willie Horton, Trustees 635 Via Santa Cruz Vista, CA 92083-6336	April Surprise 2,3,5,6,7,8,4GA,90 (.00500000), 4DK (.00250200) July Jubilee 1DK (.00187500)
Charles B. Gonzales P O Drawer 2509 Santa Fe, NM 87504-2509	Mary Lou Com 91, 91S (.01000000)
Green Ribbon Inc. 46-5 Est. Lilliendahl & Marienhof St. Thomas US Virgin Islands, 00802	April Surprise 4DK (.00999400), July Jubilee 2,3,1GA (.02000000) July Jubilee 1DK (.01000000)
Haefele, James W. & Estelle C. 7000 Ranger Drive Cheyenne, WY 82009	Angel's Gate 90 (.00070312)
Hanson-McBride Petroleum Co. A New Mexico Limited Partnership P O Box 1515 Roswell, NM 88201-1515	April Surprise 2,3,5,6,7,8,4GA,90 (.03600000), 4DK (.01801100) July Jubilee 1DK (.01350000)
Hardin-Simmons University c/o Baptist Foundation of Texas 1601 Elm, Suite 1700 Dallas, TX 75201-7241	Largo Federal B 1 (.00250000)
C.B. Harrison, Jr., Trustee Spindletop Oil & Gas Co. 9319 LBJ Freeway, #205 Dallas, TX 75243	Okie 1,2,4 (.01750000), Locations D, F (.01750000)
Hartin, Susan Fasken Trust c/o Wells Fargo OGM Operations AU 10291 P O Box 5383 Denver, CO 80217	Adobe A 1 (.00017314), Sapp 1,2,90,91 (.00017314)
Harvey, M.J. & W.J. P O Box 12705 Dallas, TX 75225	Harvey 2 (.07500000)
Harvey, M.J. Jr. P O Box 12705 Dallas, TX 75225	Elwood P Dowd 1,2(.07500000), Elwood P Dowd Com 90, 90S (.03750000) July Jubilee 1 DK (.00937500)
Hendley, William R. P O Box 45373 Rio Rancho, NM 87174	Mo Valley 90 (.00045454), Phillips 1 (.00045240), 1FR (.00022600)
Home, Teresa 2850 Baseline Ave Santa Ynez, CA 93460	Adobe A 1 (.00517580), Sapp 1,2,90,91 (.00517580)
Honey, Mary Ann 10303 Ocotillo Drive Sun City, AZ 85373	Adobe A 1 (.00090360), Sapp 1,2,90,91 (.00090360)
Hood, Lisa K. c/o Wells Fargo OGM P O Box 5383 Denver, CO 80217	Witty Lease (.01500000)
Hood, Robin c/o Wells Fargo OGM P O Box 5383 Denver, CO 80217	Witty Lease (.01500000)
House, Wesley T. 1201 Bedford Drive Midland, TX 79701-4110	Adobe A 1 (.00259880), Sapp 1,2,90,91 (.00259880)

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**Overriding Royalty Interest Owners (cont.)**

Huck, Virginia M. c/o Virginia M. Breecher 23430 W Cattail Lane Barrington, IL 60010	Flo Jo 1,2,4,5,6,7 (.00500000)
Jacobs, Jim L. & Mary Lou Living Trust 3505 Crescent Avenue Farmington, NM 87401	Big Eight 1,1E (.02000000), Mary Anne 1,3 (.02000000) Sixteen G's 1,3,4,90 (.02000000)
Kauzlarich, Therese 13728 Santa Fe Trail Orland Park, IL 60462	Mo Valley 90 (.00007813), Phillips 1 (.00007775), 1FR (.00003888)
Kelly Revocable Trust P O Box 2097 Cheyenne, WY 82003	Angel's Gate 90 (.00070313)
Kennedy, Carl L. 7349 S Ingalls Court Littleton, CO 80123-4650	Helsinki 52 (.00200000)
Key Production Company, Inc. Department 1102 Denver, CO 80263-1102	December Dream 1,2,3 (.02500000) Flo Jo 1,2,4,5,6,7 (.00343750), Silver Medal 1 (.02250000)
Keyser, Cassandra 7170 Isabelle Court Windsor, Ontario Canada N8S 4J7	Adobe A 1 (.00146100), Sapp 1,2,90,91 (.00146100)
Kidd, Barron U. 3838 Oak Lawn Ave., Suite 725 Dallas, TX 75219	Adobe A 1 (.00129950), Sapp 1,2,90,91 (.00129950)
Joe Kim 1645 Court Place #201 Denver, CO 80202	Billary 90 (.01000000)
Koch Exploration Co. P O Box 27224 Houston, TX 77046	Holly 1 DK (.00937500)
Lane, Harry & Sharon M. Living Trust Sharon M. Lane, Trustee P O Box 243 Farmington, NM 87499-0243	Holly 1 DK (.00039063)
Lansdale, William M. P O Box 27 Seal Beach, CA 90740	MF 1,2,4,3GA,3DK (.05000000), Mountain 1 (.05000000), Locations I,J,K,L,M (.05000000)
Larson, Janet 22 Independence Lake Oswego, OR 97034	Helsinki 52 (.00500000)
Longcope, Charles Jr. 7157 Joyce Way Dallas, TX 75225	Adobe A 1 (.00014430), Sapp 1,2,90,91 (.00014430)
Longcope, Ed 400 W Hopkins Street, Suite 101 San Marcos, TX 78666-4462	Adobe A 1 (.00014430), Sapp 1,2,90,91 (.00014430)
Longcope, Kay 1312 Travis Heights Blvd. Austin, TX 78704	Adobe A 1 (.00014430), Sapp 1,2,90,91 (.00014430)
Lowe Royalty Partners, LP P O Box 4887 Department 4 Houston, TX 77210-4887	Adobe A 1 (.00130000), Sapp 1,2,90,91 (.00130000)
Maltz, Jerome P. 21535 Erwin Street Woodland Hills, CA 91367	Mo Valley 90 (.01125000), Phillips 1FR (.02249400)

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CONNECTED OR PROPOSED TO BE CONNECTED TO  
DUGAN PRODUCTION CORP.'S  
GOODTIMES GAS GATHERING SYSTEM  
AS OF 7-1-03

**OWNER NAME & ADDRESS**

**WELLS & INTEREST OWNERSHIP (DECIMAL)**

**Overriding Royalty Interest Owners (cont.)**

Martin, James M. & Blanche D. 943 T Avenue Rural Route 1 Box 321 Council Grove, KS 66846-8777	August 1 (.05000000)
McBride Oil & Gas Corporation P O Box 1515 Roswell, NM 88202-1515	April Surprise 2,3,5,6,7,8,4GA,90 (.00900000), 4DK (.00450300) July Jubilee 1DK (.00337500)
McBride, Frank J. Trust #1 c/o Sunflower Bank AC#105769458 P O Box 800 Salina, KS 67401-0800	Mo Valley 90 (.00170454), Phillips 1 (.00169648), 1FR (.00084900)
McDougall, John W. P O Box 267997 Weston, FL 33326	McDougal 2 (.06250000)
McKenna, Deborah M. 7555 South Biscay Street Aurora, CO 80016	Holly 1 DK (.00125000)
Miller, Robert M. 5358 South Havana Court Englewood CO 80111	Helsinki 52 (.00200000)
Ninian Oil Co. P O Box 297166 Houston, TX 77297	Holly 1 DK (.00156250)
Oakason, John E. & Jean C. Trusts c/o Wells Fargo, T. Davies Oil/Gas 1700 Lincoln Street Salt Lake City, UT 84130	Rodeo Rosie 1 (.04500000)
Oklahoma Oil Co. Attn: Wheeler Sears 4925 Greenville Ave., Suite 717 Dallas, TX 75206	Okie 1,2,4 (.03250000), Locations D,F (.03250000)
Olson, Maurice G. & Lorraine R. 1007 Farnam Street Omaha, NE 68102	Olson 1 (.04000000)
Ostiller, Rosemarie 1847 Noel Place Beverly Hills, CA 90210	Mo Valley 90 (.00125000)
Patterson, Ben M. Jr. 613 NW Loop 410, Suite 680 San Antonio, TX 78216	Largo Federal B 1 (.00250000)
Phillips, Clare M. 1315 E Bello Circle Lockport, IL 60441	Mo Valley 90 (.00078125), Phillips 1 (.00077756), 1FR (.00038875)
Phillips, James 3400 Bob-O-Link Denton, TX 76209	Mo Valley 90 (.00007813), Phillips 1 (.00007775), 1FR (.00003888)
Preston Hollow United Methodist Church 6315 Walnut Hill Lane Dallas, TX 75230	Largo Federal B 1 (.00375000)
Puckett Energy Company 5460 South Quebec Street, Suite 250 Greenwood Village, CO 80111-1917	Helsinki 52 (.01100000)
Questar E&P P O Box 45601 Salt Lake City, UT 84145-0601	Bronze Medal 1,2 (.03330000), December Dream 1,2,3 (.04500000) Fairway 1 (.04500000), Gold Medal 1,2,3,4,5,6 (.04500000) Holly 1 DK (.00156250), Lake Placid 1 (.03330000) Marathon 1,2 (.03330000), MF 4,3GA,3DK (.07500000) Montreal 1,2 (.03330000), Mountain 1 (.10000000) Olympic 1,2,3,4 (.04500000), Seoul 88 (.03330000) Squaw Valley 1,2 (.03330000), St Louis 12 (.03330000) Witty Lease (.04500000), Locations I,J,K,L,M (.10000000)

**ATTACHMENT NO. 4  
INTEREST OWNERS OF WELLS  
CONNECTED OR PROPOSED TO BE CONNECTED TO  
DUGAN PRODUCTION CORP.'S  
GOODTIMES GAS GATHERING SYSTEM  
AS OF 7-1-03**

**OWNER NAME & ADDRESS**

**WELLS & INTEREST OWNERSHIP (DECIMAL)**

***Overriding Royalty Interest Owners (cont.)***

R.F. Partnership, Ltd. 755 S Elizabeth Denver, CO 80209	Muddy Mudda Com 90 (.01875000), November 24 1, 24 2 (.03750000)
Resource Enterprises Inc. 345 East 4500 South, Suite 300 Salt Lake City, UT 84107	Helsinki 52 (.00400000)
Robins, Melvin P O Drawer 2225 Albuquerque, NM 87102	Mo Valley 90 (.00045455), Phillips 1 (.00045240), 1FR (.00022600)
Robinson, Billie P O Box 1281 Santa Fe, NM 87501-1281	Muddy Mudda Com 90 (.01875000), November 24 1, 24 2 (.03750000)
Roman, Kathleen P O Box 1055 Buena Vista, CO 81211	Angel's Gate 90 (.00125000)
James J. & Nickola A. Rubow 200 S. Main Street Aztec, NM 87410	Billary 90 (.01500000)
San Juan Basin Properties, LLC 1499 Blake Street, #7K Denver, CO 80202	Luna 3 (.02500000), Rodeo Rosie 1 (.00500000)
Sapp, John Dillon 1993 Trust Chase Bank of Texas, Trustee P O Box 201884 Houston, TX 77216-1884	Adobe A 1 (.00333334), Sapp 1,2,90,91 (.00333333)
Sapp, Mary Margaret 1993 Trust Chase Bank of Texas, Trustee P O Box 201884 Houston, TX 77216-1884	Adobe A 1 (.00333333), Sapp 1,2 (.00333334), 90 (.00333333), 91 (.00333334)
Sapp, William Dean 1993 Trust Chase Bank of Texas, Trustee P O Box 201884 Houston, TX 77216-1884	Adobe A 1 (.00333333), Sapp 1,2 (.00333333), 90 (.00333334), 91 (.00333333)
Sealy & Company, LP P O Box 9557 Fort Worth, TX 76147	Adobe A 1 (.00195430), Sapp 1,2,90,91 (.00195430)
SECO Energy Corp. 1801 Broadway, Suite 900 Denver, CO 80202	Bowers 1,90,91,91S (.01750000), Locations N,O (.01750000)
Sheridan, Susan C. 151 South Birch Street Denver, CO 80246-1016	Calgary 2,3,4,5,6,7,8,88 (.01000000)
Slemp, C.B. Family Trust #1501172 Lillian Slemp & Chase Bank of Texas P O Box 201884 Houston, TX 77216-1884	So Huerfano Federal 1 (.00500000)
Spear, Howell & Mary Nan DBA Paradox Oil & Gas Co. P O Box 30169 Pensacola, FL 32503	Fairway 1 (.03000000)
Stewart, Viola I. P O Box 291245 Kerville TX 78029-1245	Adobe A 1 (.00043290), Sapp 1,2,90,91 (.00043290)
David J. & Jennie F. Steyard, Joint Tenants 19456 E. Nassau Drive Aurora, CO 80013	Billary 90 (.02500000)
Stubbeman, Violet Graves c/o David Stubbeman P O Box 3473 Abilene, TX 79604	Adobe A 1 (.00032570), Sapp 1,2,90,91 (.00032570)

ATTACHMENT NO. 4  
INTEREST OWNERS OF WELLS  
CONNECTED OR PROPOSED TO BE CONNECTED TO  
DUGAN PRODUCTION CORP.'S  
GOODTIMES GAS GATHERING SYSTEM  
AS OF 7-1-03

**OWNER NAME & ADDRESS**

**WELLS & INTEREST OWNERSHIP (DECIMAL)**

*Overriding Royalty Interest Owners (cont.)*

Sweeney, Lisa 152 Mary Lynn Lane Newman, GA 30265	Mo Valley 90 (.00007813), Phillips 1 (.00007776), 1FR (.00003887)
Target Exploration Inc. 9180 Rumsey Road Columbia, MD 21045	Target 1 (.01000000)
Ternes, Stella 1275 Sierra Ridge New Lenox, IL 60451	Mo Valley 90 (.00007813), Phillips 1 (.00007776), 1FR (.00003888)
Texas Commerce Bank Trustee, Acct 5067200 P O Box 209871 Houston, TX 77216-9871	Sapp 90,91 (.00017314)
Trujillo, Rosita P O Box 1225 Cheyenne, WY 82003	Silver Medal 1 (.01250000)
Tucker, Dorothy J. Trust 200 Cascade Ave. Cheyenne, WY 82009	Angel's Gate 90 (.00070313)
Unknown Interest Owners c/o Bureau of Land Management 1235 La Plata Highway Farmington, NM 87401	Holly DK (.01171875) & (.00312500)
Volis, George 519 Glen Arbor Grosse Pointe, MI 48236	Champ 1,2,3,4,5,6,7,8,9 (.05000000)
Westway Petro 500 N. Akard, Suite 200 Dallas, TX 75201	Holly 1GA (.01187500), 1DK (.00742190)
Wieland, William K. 7831 Academy Trail NE Albuquerque, NM 87109	Mo Valley 90 (.00045455), Phillips 1 (.00045240), 1FR (.00022600)
Wilkinson, Jack B. Jr. P O Box 305 Midland, TX 79702	Adobe A 1 (.00129950), Sapp 1,2,90,91 (.00129950)
Williams, J.L. 7700 La Condesa NE Albuquerque, NM 87110	Mo Valley 90 (.00045455), Phillips 1 (.00045240), 1FR (.00022600)
Williamson, Martha K. 4949 Skillman #155 Dallas, TX 75206	Adobe A 1 (.00064930), Sapp 1,2,90,91 (.00064930)
Willis, Guy M. P O Box 823447 Dallas, TX 75382	Mo Valley 90 (.01250000)
Wood, Patti Peck P O Box 1099 Rising Star, TX 76471	Adobe A 1 (.00178850), Sapp 1,2,90,91 (.00178850)
Yellow Ribbon Inc. P O Box 6901 Denver, CO 80206	April Surprise 4DK (.00999400), July Jubilee 2,3,1GA (.02000000) July Jubilee 1DK (.01000000)
Zimmerman, Richard c/o Advantage Trust Company P O Box 1337 Salina, KS 67402-1337	Mo Valley 90 (.00045455), Phillips 1 (.00045240), 1FR (.00022600)

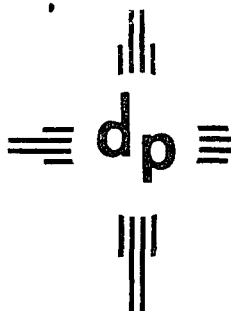
**Attachment No. 5**  
**Interest Ownership Notification**  
**Dugan Production Corp.'s Application dated 7/23/03**  
**Proposing the Addition of 42 Wells to**  
**Dugan Production's Goodtimes Gas Gathering System**

Presenting evidence that all interest ownership in the subject wells have been given notice of Dugan's application, attached is:

*Note: A tabulation presenting the interest ownership for all 179 existing wells plus the 42 wells to be added is presented on Attachment No. 4.*

1. A copy of Dugan's transmittal letter dated 7/23/03 used to send copies of the subject application to the 10 working interest owners in addition to Dugan Production. Note, of the 221 wells, (179 existing and 42 proposed), only 22 existing (Champ 1 thru 9, Federal D 3 thru 6, July Jubilee 1, MF 2, Mo Valley 90, Oktoberfest Com 2, Olympic 1 thru 4, and Rodeo Rosie 90), plus 1 proposed well (Location T) have working interest owners other than Dugan Production Corp. Dugan Production holds 100% of the working interest in 198 of the 221 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. Copy of Dugan's transmittal letter dated 7/10/03 used to send copies of the subject application to the 144 overriding royalty interest owners. All letters were sent by certified mail with a return receipt requested. Upon receiving the receipts, copies will be sent to the NMOCD.
3. Copy of the "Affidavit of Publication" for an advertisement published in the 7/16/03 issue of the Farmington Daily Times regarding the subject application to add 42 wells to Dugan's Goodtimes Gas Gathering System. This publication was made in anticipation that of the 156 interest owners mailed, there will be at least one either returned for some reason or the return receipt will be lost in the mail.





# dugan production corp.

AH-11-m-nA  
No. 5  
Pg 2 of 9

July 23, 2003

ConocoPhillips  
600 North Dairy Ashford  
Houston, TX 77079

**COPY**

*Similar letter was sent to each working interest owner. If the WI owner also has OREI, the OREI is included.*

**CERTIFIED  
RETURN RECEIPT REQUESTED**

Re: Dugan Production's proposed addition of wells to  
Dugan's Goodtimes Gas Gathering System  
San Juan County, New Mexico

Dear Sir or Madam,

According to our records, you have an interest in one or more of the wells that is either currently connected or proposed to be connected to Dugan's Goodtimes Gas Gathering System. The wells and your interest are as follows: July Jubilee 1DK (.20625000), April Surprise 4DK (.03747700), July Jubilee 2,3,1GA (.00750000), Mesa 1,3 (.12500000). Attached for your information and review is a complete copy of Dugan's application to the NMOCD, BLM and State Land Office (SLO), requesting their approvals to add 42 wells to the Goodtimes Gas Gathering System which currently has 179 wells approved for the system. This will require surface commingling of gas production from the subject wells, plus the sale of gas at one of two central delivery sales meters (CDP). Dugan Production will install, operate and maintain the gathering system and will pay all costs associated with this proposal. As a working interest owner in wells connected or to be connected to the Goodtimes Gas Gathering System, your only costs associated with the gathering system will be a fee charged for 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.

This proposal should not affect your interest in these wells and should allow for optimum operations on all wells, especially the Fruitland Coal wells. All wells will benefit 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.

This matter does not require any action on your part. Current NMOCD regulations require that all interest owners (those in the existing system and those being added) receive notice of proposed additions to gathering systems. Included in Dugan's application is a request that for future additions to the gathering system, only the interest owners in the wells to be added will require notification provided that the proposed additions will not adversely affect the existing wells. This will greatly simplify adding wells to a gathering system and should not affect the interests previously authorized to operate on a gathering system. Should you have any questions, need additional information, or have any concern as to our proposal, please let me know. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 1220 South St. Francis Drive in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager

Attachments

xc: New Mexico Oil Conservation Division, Bureau of Land Management, State Land Office

# W. JAMES LANGLEY

4544 Cathedral Drive, Dallas, Texas 75214

Phone: 214/826-2717 Fax: 214/826-1992

August 5, 2003

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

Re: My letter to you dated July 10, 2003


Dear Sir:

After receiving a detailed letter from John D. Roe of Dugan Production all my concerns are addressed to my satisfaction and apparently Mr. Dugan and staff have handled this matter (comingling) in an appropriate, honest and fair manner.

I pray you will accept this letter as a complete nullification of my previous letter and there will be no reflection on the honesty, integrity or character of Dugan Production, Mr. Dugan or his staff. There was a complete misunderstanding on my part of what was about to happen (and has with other parties).

Please let this matter be dropped and closed with Mr. Roe's very appropriate and well written clarification.

Sincerely,

  
W. James Langley, Trustee  
D & J Trust

CC: John D. Roe  
Engineering Manager  
Dugan Production Corporation

# W. JAMES LANGLEY

4544 Cathedral Drive, Dallas, Texas 75214

Phone: 214/826-2717 Fax: 214/826-1992

July 18, 2003

Certified:  
7002-0860-0008-6139-5773

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

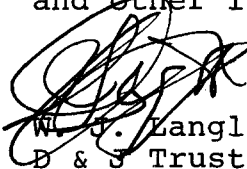
RECEIVED  
JUL 28 2003  
Oil Conservation Division

Dear Sir:

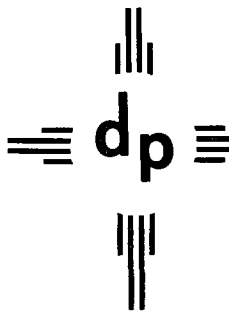
As trustee of D & J Trust I strenuously object to the proposal of Dugan Production Corporation's letter of July 10, 2003, including commingling of gas production, unless I receive a complete copy of the Dugan application and a certified notarized guarantee that our checks will not be reduced from the current status (amount received by us: D & J Trust).

I reserve the right to file a class action or otherwise suit, if need be, for protection of D & J Trust's interest.

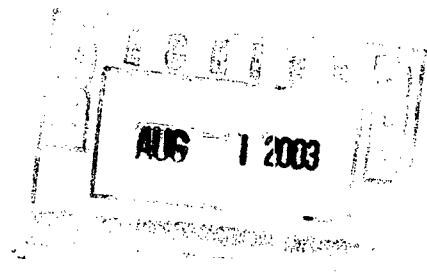
Some of listed wells have o-o (zero-zero) oil and gas production and other irregularities such as nonproducing and not yet drilled.

  
W. J. Langley, Trustee  
D & J Trust

Copy to: John D. Roe  
Engineering Manager  
Dugan Production Corporation



dugan production corp.



July 30, 2003

Ms. Lori Wrotenbery  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Re: Dugan Production Corp.'s  
Application dated 7-23-03 to  
Add 42 wells to the  
Goodtimes Gas Gathering System  
San Juan County, New Mexico

Dear Ms. Wrotenbery,

Attached for your review and consideration in the captioned application is a copy of our response to Mr. W. James Langley, as trustee for the D & J Trust, and his letter to the NMOCD dated 7-18-03. We are only sending you our response, although the letter sent to Mr. Langley did include a complete copy of our application dated 7-23-03 which you received earlier. The D & J Trust has a 5% overriding royalty interest in eight wells on Dugan's Calgary lease, all small oil wells completed in the South Bisti Gallup oil pool. These eight wells have all been connected to the gathering system since their completion, the earliest in 1987.

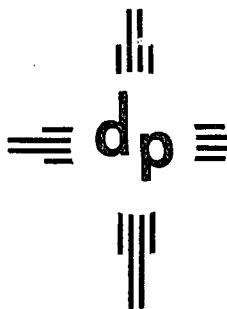
The letter from Mr. Langley is a very good example of why the joint NMOCD/NMOGA surface commingling committee recently spent such a large amount of time on the surface commingling rule revisions and the issue of notice to interest owners in existing gathering systems. Mr. Langley's only concern is his 5% interest in eight wells that have been benefiting from the gathering system (at no cost to him) for the past  $\pm 16$  years. He has no regard for the interest owners of the 42 wells to be added. I can understand Mr. Langley's desire to be a good trustee, but when his interest is to be protected to the maximum extent reasonably possible and we believe his interest will not be affected, we do not think his need for a "guarantee" should interfere with the interest owners of the 42 wells to be added.

Sincerely,

John D. Roe  
Engineering Manager

JDR/tmf

enclosure



# dugan production corp.

---

July 30, 2003

**CERTIFIED**  
**RETURN RECEIPT REQUESTED**

Mr. W. James Langley, Trustee  
D & J Trust  
4544 Cathedral Drive  
Dallas, TX 75214

Re: Dugan Production's application to add wells to the  
Goodtimes Gas Gathering System

Dear Mr. Langley,

We have received a copy of your 7-18-03 letter addressed to the New Mexico Oil Conservation Division and are puzzled by your objection. In our letter to you dated 7-10-03, we stated that "the wells to be added should not affect your interest in the wells that are currently connected to the gathering system". In addition, as also stated in our letter, regulatory approval will be given only if "the proposed additions will not adversely affect the existing wells". We believe your "strenuous objection" is not warranted as it is our sincere desire to maintain existing production and important that we do so in order to obtain regulatory approvals.

Enclosed is a complete copy of Dugan Production Corp.'s application as offered in our initial letter to you.

Our records indicate that the D & J Trust has a 5.0% overriding royalty interest in Dugan's Calgary well Nos. 2, 3, 4, 5, 6, 7, 8 & 88. These eight wells have been producing natural gas into the subject gathering system since completion of each well, the earliest being 1987. D & J Trust has no interest in any of the wells proposed to be added.

Your letter indicated you wanted Dugan Production Corp. to provide "a certified notarized guarantee" that your "checks will not be reduced from the current status". This is an unrealistic request which cannot be provided. As you should be aware, there are many factors that directly affect production revenues from oil and gas wells, probably the biggest factor being the price of oil and natural gas which changes frequently and for which oil and gas producers have absolutely no control. In addition, individual well performance is an important factor. Dugan Production strives to maintain optimum producing conditions for all wells, considering that not only is your interest important to us, but we typically have 75% to 87-1/2% net interest in each of the wells. Dugan Production holds 100% of the working interest and 81.5% of the net interest in each of the Calgary wells. Please be assured that we have no intent or desire to do anything that will result in reduced production from any of the wells.

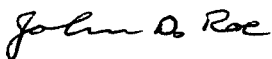
We recognize that you (as well as all other interest owners), have the right to file any kind of legal action you think appropriate. However, we again state that our proposal should not affect your interest and should you have a concern, we welcome your input. I have attempted to call you at your letterhead phone number (214-826-2717) and so far have had no answer. I will continue to attempt calling as your

expressed concerns are important to Dugan Production Corp. Hopefully there will never be a reason for you to file a "class action or otherwise suit".

With respect to your concern that some wells presented on Attachment No. 1 have zero oil and gas production and that some are listed as non-producing or not yet drilled; Attachment No. 1 presents the 194 wells/completions that are currently authorized to produce into the Goodtimes Gas Gathering System. Included are 33 wells/completions with either zero or no production. Of these 33, 19 are either plugged or temporarily abandoned, eight are locations that have been proposed but haven't been drilled, five are producing but recovering very little oil or gas, and one has been drilled but not completed. This gathering system has been in operation since 1984 and is necessary since most wells in this area do not produce enough gas to warrant pipeline companies making wellhead connections (average production = 9.0 mcf/d). We were faced with putting in the subject gathering system or venting the gas. Since Dugan Production Corp. had substantial lease holdings in this area, we elected to install a gas gathering system and deliver the collective gas to the pipeline company. Since 1984, 19 wells have become uneconomical to produce and were plugged or temporarily abandoned. Numerous proposed locations to develop lands adjacent to existing wells have been approved and of these, eight have not been drilled to date. You will note that of the 42 wells proposed to be added with this application include 22 proposed locations. Five wells are being produced but are giving up very little production. One of these wells was completed in 1956, one in 1976, two in the 1980's and one in 1990. It is likely these five wells will need to be plugged before long. The one well drilled and not completed is proposed as a Fruitland Coalbed Methane well and will be completed in the near future along with other wells in the area. As to "other irregularities", we will be willing to provide explanations for any specific questions you have. As offered in the July 10<sup>th</sup> letter to you, should you have additional questions or concerns, please feel free to call me at 505-325-1821 or write using the letterhead address.

It should be remembered that none of the 179 wells currently connected to the Goodtimes Gas Gathering System produce enough gas to qualify for individual pipeline connections (average production = 9.0 mcf/d & average sales = 5.1 mcf/d per well). Of the eight wells on the Calgary lease, production averages 3.0 bopd plus 7.24 mcf/d and had the Goodtimes Gas Gathering System not been available, it would have been necessary to vent the gas and none of the gas revenue to date would have occurred.

Sincerely,

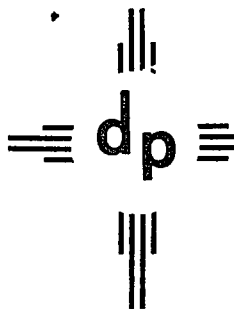


John D. Roe  
Engineering Manager

JDR/tmf

enclosure

xc: NMOCD - Santa Fe



# dugan production corp.

Attachment  
No. 5  
Pg 3 of 4

July 10, 2003

A G Andrikopoulos Resources Inc  
P O Box 788  
Cheyenne, WY 82003

**COPY**

Similar letter was  
sent to each OFFICE  
owner - letter sent by  
"Certified Mail - Return Receipt  
Requested"

Re: Dugan Production's proposed addition of wells to  
Dugan's Goodtimes Gas Gathering System  
San Juan County, New Mexico

Dear Sir or Madam,

According to our records, you have an interest in one or more of the wells that is either currently connected or proposed to be connected to Dugan's Goodtimes Gas Gathering System. The wells and your interest are as follows: Angel's Gate 90 (.01128906). Dugan Production is currently preparing an application to the New Mexico Oil Conservation Division (NMOCD), Bureau of Land Management (BLM) and the State Land Office (SLO), requesting their approvals to add 43 wells to the Goodtimes Gas Gathering System which currently has 179 wells authorized for the system. Attachment No. 1 presents information for each of the wells. This will require surface commingling of gas production from the subject wells, plus the sale of gas at a central delivery sales meter (CDP). Dugan Production will install all equipment and will operate and maintain the gathering system and central battery facilities. Since your interest in these wells is an overriding royalty, there are no costs chargeable to you. The wells to be added should not affect your interest in wells that are currently connected to the gathering system. Should you have interest in wells to be added, it will allow these wells to begin selling produced natural gas for the benefit of all interest owners. This proposal will allow for optimum operations on all wells and will allow all wells to 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, and will allow for the recovery of more of the gas reserves from each well.

This matter does not require any action on your part. Current NMOCD regulations require that all interest owners (those in the existing system and those being added) receive notice of proposed additions to gathering systems. Included in Dugan's application is a request that for future additions to the gathering system, only the interest owners in the wells to be added will require notification, provided the proposed additions will not adversely affect the existing wells. This will greatly simplify adding wells to a gathering system and should not affect the interests previously authorized to operate on a gathering system. Should you have any questions, need additional information, desire to receive a complete copy of our application, or have any concern as to our proposal, please let me know. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 1220 South St. Francis Drive, Santa Fe, NM 87505, and we would appreciate receiving a copy of your objection. Objections should be filed within 20 days after the NMOCD receives our application which will be approximately 7-16-03.

Sincerely,

*John D. Roe*  
John D. Roe  
Engineering Manager

JDR/tmf

Attachments

xc: New Mexico Oil Conservation Division, Bureau of Land Management, State Land Office

# AFFIDAVIT OF PUBLICATION

Ad No. 48236

## STATE OF NEW MEXICO County of San Juan:

CONNIE PRUITT, being duly sworn says:  
That she is the Classified Manager 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 meeting of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication on the following day(s):  
Wednesday, July 16, 2003.

And the cost of the publication is \$137.06



ON 7-17-03 CONNIE PRUITT appeared before me, whom I know personally to be the person who signed the above document.

  
My Commission Expires April 2, 2004.

## COPY OF PUBLICATION

918

Legals

### NOTICE

Dugan Production Corp. is applying to the New Mexico Oil Conservation Division (NMOCD), the Bureau of Land Management (BLM) and the New Mexico State Land Office (NMSLO), for regulatory approvals to add 12 existing plus 31 proposed natural gas wells to Dugan Production Corp's Goodtimes Gas Gathering System. This will require the surface commingling of natural gas and produced water plus the off-lease measurement and sale of natural gas. There will not be any commingling of oil or condensate. In addition to adding 43 wells to the existing gathering system, Dugan Production is also requesting the NMOCD to amend the surface commingling order to allow future additions to the gathering system following notice only to the interest owners being added, provided it is reasonably certain that the proposed additions will not affect the wells previously authorized for the gathering system. The wells to be added and the existing gathering system are located within Sections 3, 6, 7, 8, 10, 16, 17 of Township 23N, Range 9W; plus Sections 1 thru 6, 9, 11, 12 of T-23N, R-10W; plus Sections 1, 11, 12 or T-23N, R-11W; plus Sections 5 thru 9, 15 thru 22, 27 thru 30 of T-24N, R-8W; plus Sections 1 thru 12, 15 thru 22, 24, 25, 27 thru 33 of T-24N, R-9W; plus Sections 12, 13, 14, 20, 24 thru 27, 29, 31 thru 36 of T-24N, R-10W; plus Section 36 of T-24N, R-11W all located in San Juan County, New Mexico. There are two central delivery gas sales meters (CDP's). CDP #1 is located in the SE/4 SE/4 of Section 22, T-24N, R-8W and delivers gas to Elm Ridge Resources. CDP #2 is located in the SE/4 NE/4 of Section 12, T-24N, R-10W and delivers gas to Guilterra Field Services (previously El Paso Field Services). The gathering system currently has 179 wells (194 completions) which are completed in the following 15 pools: Basin Dakota gas (10 wells), Basin Fruitland Coal gas (31 wells), Bisti Lower Gallup oil (35 wells), South Bisti Gallup oil (89 wells), Bisti Chacra gas (1 well), Bisti Pictured Cliffs gas (3 wells), Cuervo Gallup oil (3 wells), Cuervo Mesaverde oil (2 wells), Lybrook Gallup oil (4 wells), Potwin Pictured Cliffs gas (7 wells), White Wash Mancos/Dakota oil (5 wells), White Wash Mesaverde oil (1 well), Witty Springs Pictured Cliffs Gas (1 well), Undesignated FR/PC (1 well) and Undesignated Dakota (1 well). It is proposed to add 41 additional wells to be completed in the Basin Fruitland Coal gas pool. 1 well to be completed in the Bisti Lower Gallup oil pool and 1 well to be completed in the Witty Springs PC gas pool. All wells are located upon one of the following leases held by Dugan Production Corp.: Federal Leases NM-237, NM-4958, NM-5991, NM-9520, NM-10089, NM-10755, NM-12374, NM-15654, NM-16589, NM-16759, NM-16760, NM-16762, NM-19567, NM-19816, NM-21741, NM-22044, NM-23742, NM-23744, NM-24661, NM-25440, NM-25443, NM-25842, NM-26047, NM-29560, NM-30854, NM-32124, NM-36473, NM-36474, NM-36951, NM-36952, NM-40643, NM-41650, NM-42059, NM-42421, NM-42422, NM-42424, NM-42425, NM-42740, NM-43442, NM-43443, NM-45207, NM-45208, NM-51000, NM-51005, NM-54980, NM-54981, NM-54983, NM-56311, NM-62973, NM-63319, NM-78060, NM-80498, NM-83507, NM-86485, NM-86074, NM-90843, NM-91522, NM-93451, NM-93774, NM-96800, NM-97108, NM-97837, NM-100302, NM-100303, SF-078859, SF-078860, SF-078862, SF-078868; State Leases B-10889, E-6644, LG-1035, LG-1917, LG-5685, LG-9801, LG-9804, LH-1896, V-1509, V-2364; Navajo Allotted Leases C-14-20-0603-1402, C-14-20-0603-1404, C-14-20-0603-1405, C-14-20-4310, C-14-20-4312, C-14-20-4313, NOG-0103-1462, NOG-0103-1464, NOG-8505-1062, NOO-C-1420-5825, NOO-C-1420-7307, NOO-C-1420-7308, NOO-C-1420-7309, NOO-C-1420-7310, NOO-C-1420-7311, NOO-C-1420-7312, NOO-C-1420-7313; or the Federal D Lease (NM-8005) held by Questar E & P Co. Any person holding an interest in any of these leases may contact Dugan Production Corp. for additional information. Inquiries should be directed to John D. Roe at 505-325-1821 or by mail at P.O. 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 initial date of this publication. In the absence of objection, Dugan Production Corp. has requested that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.

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