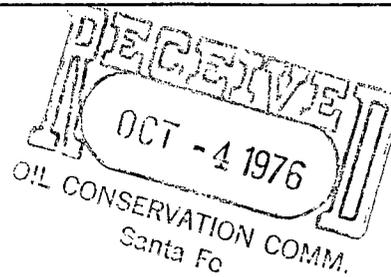


# dugan production corp.

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October 1, 1976

Joe D. Ramey  
Secretary-Director  
Box 2088  
Santa Fe, NM 87501

Re: Nail Lease  
USA NM 28761  
San Juan County, New Mexico

Dear Mr. Ramey:

On August 7, 1973 the New Mexico Oil Conservation Commission issued Administrative Order NWU-565 directing us to place 120/320 of the funds derived from the sale of gas from the Carpenter #1 Well in a trust account. The reason for placing the funds in a trust account was because approximately 120 acres of the dedicated acreage to the well was unleased federal acreage.

Since the issuance of the above Administrative Order we have acquired the unleased federal acreage under the federal leases NM 23072 and NM 28761. The acreage described in these leases follows:

USA NM 23072 (Hammer Lease)

Township 30 North, Range 14 West, NMPM

Section 25: Lots 4, 5 (S/2 SW/4)

Containing 80.36 acres, more or less

San Juan County, New Mexico

USA NM 28761 (Nail Lease)

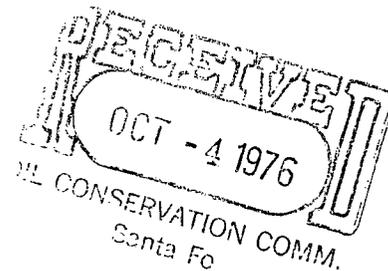
Township 30 North, Range 14 West, NMPM

Section 25: SW/4 NW/4

Containing 40 acres, more or less

San Juan County, New Mexico

Joe D. Ramey  
October 1, 1976  
Page 2



We are enclosing a copy of the revised form C-102 which is being filed with the District III Office of the Oil Conservation Commission in Aztec, New Mexico showing the dedicated acreage of the Carpenter #1 Well and the current federal leases contributing acreage to this well.

Please be advised that on or before October 15, 1976 we plan to terminate any and all trust accounts established pursuant to Administrative Order NWU-565. We plan to withdraw the money in these trust accounts and pay the appropriate federal royalties and taxes, and deposit the remainder in our account. Unless we hear to the contrary from you prior to this date we will assume this action is acceptable.

If you need further information or assistance, please advise.

Sincerely,

A handwritten signature in cursive script that reads "Richard Tully".

Richard T. C. Tully  
Landman

cb

Enclosures

xc: Al R. Kendrick  
Supervisor, District III  
Oil Conservation Commission  
1000 Rio Brazos Road  
Aztec, NM 87410

Phil T. McGrath  
U. S. Geological Survey  
Box 959  
Farmington, NM 87401

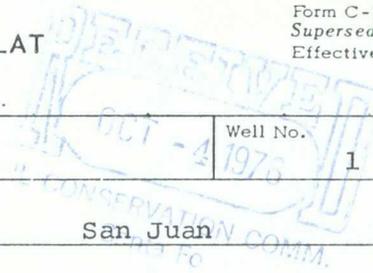
Carl Traywick  
U. S. Geological Survey  
Drawer 1857  
Roswell, NM 88201

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator <b>Dugan Production Corp.</b>		Lease <b>Carpenter</b>			Well No. <b>1</b>
Unit Letter <b>K</b>	Section <b>25</b>	Township <b>30N</b>	Range <b>14W</b>	County <b>San Juan</b>	
Actual Footage Location of Well: <b>1730</b> feet from the <b>South</b> line and <b>1800</b> feet from the <b>West</b> line					
Ground Level Elev.:	Producing Formation <b>Dakota</b>	Pool <b>Basin Dakota</b>	Dedicated Acreage: <b>320.36</b> Acres		



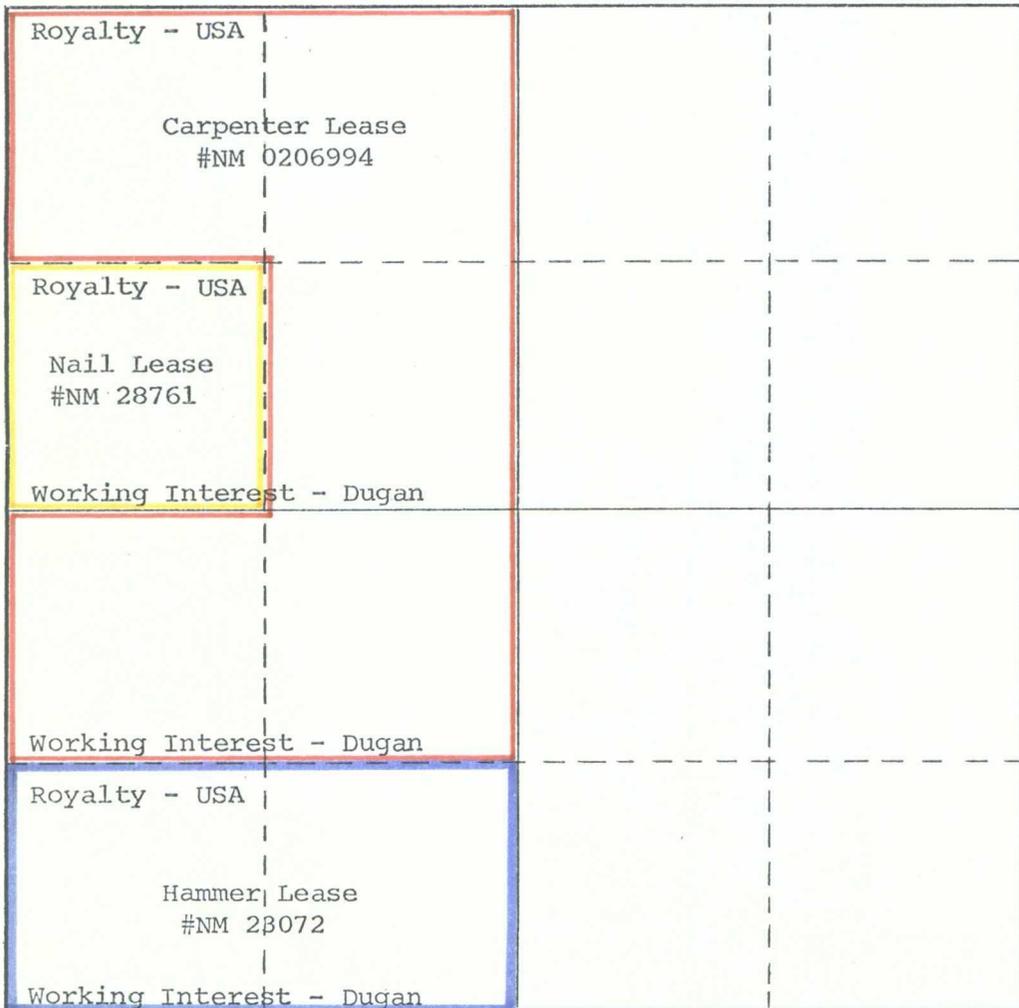
- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Communitization Agreement SW-968  
issued effective September 1, 1973.

Yes  No If answer is "yes," type of consolidation

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

*Thomas A. Dugan*  
Name

Thomas A. Dugan

Position

Petroleum Engineer

Company

Dugan Production Corp.

Date

10-1-76

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 knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.



Northwest Pipeline Corporation



P. O. BOX 1526  
SALT LAKE CITY, UTAH 84110  
801 - 328-8252

April 24, 1975

1975  
OIL AND GAS  
COMMISSION  
NWu 565

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

Attention: Mr. Thomas A. Dugan

Re: Carpenter No. 1  
Section 25-30N-14W  
San Juan County, New Mexico  
Amoco Production Company  
Contract Dated 3-18-57  
Ladd Petroleum Corporation  
Contract Dated 3-18-57  
Dugan Production Corporation  
Contract Dated 2-4-75

Gentlemen:

We are releasing the funds that have been held in suspense on the referenced unit to Dugan Production Corporation as required by A. L. Porter, Jr., Secretary-Director of the New Mexico Oil Conservation Commission, by letter dated August 7, 1973. Mr. Porter therein authorized production from the above-named well providing you established an escrow agreement for the unleased portion of the referenced unit; at that time, the SW1/4 NW1/4, lots 4, 5 (S1/2 SW1/4), containing approximately one hundred twenty (120) acres were unleased.

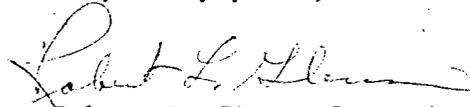
The delay in releasing these funds was caused by the confusion resulting from El Paso's recent divestiture of Northwest Pipeline and our processing the divested contract files.

Northwest will pay you, as of January 1, 1975, pursuant to the new contract dated February 4, 1975, covering the south half of the southwest quarter. We presume you will properly escrow the funds for the southwest of the northwest quarter pursuant to Mr. Porter's directive.

Dugan Production Corporation  
Attention: Mr. Thomas A. Dugan  
April 24, 1975  
Page Two

I hope this will resolve any future problems we may have with  
this unit.

Very truly yours,



Robert L. Glenn, Supervisor  
Contract Administration (Price)

RLG/jb

cc: ✓ A. L. Porter, Jr.

Mel Martin

New Mexico Bureau of Land Management

Oil & Gas Engineering Committee - Hobbs, New Mexico

United States Geological Survey - Roswell, New Mexico

United States Geological Survey - Farmington, New Mexico

THOMAS A. DUGAN  
President  
Home 325-5694

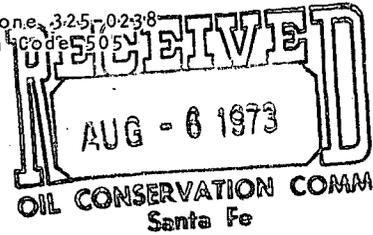
JIM JACOBS  
Vice-President  
Home 325-8353

# DUGAN PRODUCTION CORP.

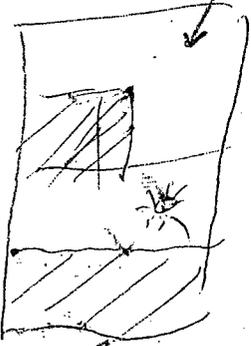
709 Bloomfield Road  
Post Office Box 234  
FARMINGTON, NEW MEXICO  
87401

Telephone 325-0238  
Area Code 505

August 3, 1973



DM 0206994



W/ Sec 25

Mr. A. L. Porter  
Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

We purchased the Carpenter Gas Com B #1, located in the NE/4 SW/4, Section 25, T 30 N, R 14 W, San Juan County, New Mexico. The well is a marginal well producing from the Basin Dakota pool and has not produced for a couple of years. Prior to the time of our purchase, forty acres of the 320 acre proration unit expired because of non-production. Subsequent to our purchase of the well, another eighty acres in the proration unit expired. We now wish to produce the well so that the remaining 200 acre lease under the well can be held. Because of the recent gas price increase we believe we can produce the well economically.

We have written a letter to the U. S. Geological Survey requesting that the 120 acres that have expired be put up on the next GGS sale. We hope to purchase these leases and put the 320 acre proration unit back together. The entire 320 acres is Federal Land. We are requesting permission to produce the well with only 200 acres assigned to it.

Sincerely,

*Thomas A. Dugan*  
Thomas A. Dugan

6/71 quit prod  
4/72 dis connected

cc: Emery Arnold, Oil Conservation Commission, Aztec, N. M.  
P. T. McGrath, USGS, Farmington, N. M.

Com O

dw

*Carl Trauwick*  
effective  
2 yr extension 8/30/71  
on Com in Sec 25