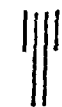


dugan production corp.



September 16, 1997

October 23, 1997  
NMOCD Case No. 11863  
Dugan Production Corp.  
Exhibit No. 3

Mr. Bill LeMay  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: Dugan Production's 8-19-97 Application  
Surface Commingling and Off-Lease Measurement  
Proposed Federal I Central Gathering System  
San Juan County, New Mexico

Dear Mr. LeMay:

Attached for your review and file in considering the captioned application are copies of return receipts as evidence of notification to the interest ownership involved. Please note that of the 7 leases and 6 wells involved, we have receipts from all ownership for 5 of the wells (Camp David Com #1, Federal I # 4, 5R, and 6, plus the Winifred #2). However, for the O'Henry No. 1, we only have receipts for 98.32% of the ownership. To date, we have not received, or have been unable to locate 6 overriding royalty interest owners with a combined interest of 1.68%. We will continue to locate these 6 parties, however at this time believe we have made a reasonable effort to contact these parties.

To aid in this issue, I have attached the interest ownership detail (Attachment No. 7) included in our 8-19-97 application and have highlighted in blue the owners that we have been unable to locate. In addition, I'm attaching a copy of the 8-26-97 letter from the State Land Office approving our application. Please let me know if you have questions or need additional information.

Sincerely,

John D. Roe  
Engineering Manager

JDR/tmf

attachs.

to E-14-97 Application

COPY

ATTACHMENT NO. 7  
INTEREST OWNERSHIP  
PROPOSED FEDERAL I CENTRAL GATHERING SYSTEM  
DUGAN PRODUCTION CORP.  
SAN JUAN COUNTY, NEW MEXICO

	Camp David Com #1		Federal I Lease 1		O'Henry #1		Winifred #2	
	WI	NI	WI	NI	WI	NI	WI	NI
<u>Working Interest Owners</u>								
Dugan Production	1.0000	0.8326	1.0000	0.8750	1.0000	0.7024	1.0000	0.8650
<u>Royalty Interest Owners</u>								
USA-Federal				0.1250				0.0625
State of New Mexico		0.1250				0.1250		
Joseph O. & Cicily Muench								0.03125
Patricia Harbin								0.03125
<u>Overriding Royalty Owners</u>								
Conoco		0.0068				0.1504		
Anne B. Little		0.0051						
Sylvia Little		0.0051						
Texaco Exploration		0.0253						
Edward & Juanita Lopez						0.0036		
Ruby Maculsay						0.0012		
Martin A. Moe, Jr.						0.0036		
James W. & Ella E. Post						0.0036		
Harper L. & Nellie A. Proctor						0.0036		
Gisle W. Romo						0.0012		
Clara Sault						0.0012		
Ernest J. & Valene M. Sill						0.0042		
Winifred & Forest Jacobs								0.0100

Total 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000

WI = interest owner  
Not located after  
4 weeks of attempts.

1 Federal I Wells No. 4, 5R & 6.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Bureau of Land Management  
Attn: Wayne Spencer  
1235 La Plata Hwy  
Birmingham, AL 35201

**4a. Article Number**

P 358 644 415 *Return receipt requested*

**4b. Service Type**

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

**7. Date of Delivery**

8-20-97

**5. Received By: (Print Name)**

**8. Addressee's Address (Only if requested and fee is paid)**

**6. Signature: (Addressee or Agent)**

X *Wayne Spencer*

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Ray Powell, Commissioner  
77M State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148

**4a. Article Number**

P 358 644 416 *Return receipt requested*

**4b. Service Type**

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

**7. Date of Delivery**

AUG 21 1997

**5. Received By: (Print Name)**

*Ray Powell*

**6. Signature: (Addressee or Agent)**

X

**8. Addressee's Address (Only if requested and fee is paid)**

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Joseph D. + Cindy M. Muench  
Family Trust dtd 10/12/84  
P.O. Box 779  
Elavitas, NM 87043-0779

**4a. Article Number**

P 358 644 417 *Return receipt requested*

**4b. Service Type**

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

**7. Date of Delivery**

8-20-97

**5. Received By: (Print Name)**

X *J. Muench*

**6. Signature: (Addressee or Agent)**

X

**8. Addressee's Address (Only if requested and fee is paid)**

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete item 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

*Feed I Cent. both. Sep.*

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

*Patricia Harkin  
c/o Marilyn Adragna  
1708 Lutz Place, NE  
Albuquerque, NM 87112*

4a. Article Number

*P 358 644 418 return receipt requested*

4b. Service Type

- ☐ Registered ☐ Insured
- ☒ Certified ☐ COD
- ☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

*Marilyn D. Adragna*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

*Feed I Cent. both. Sep.*

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

*Conoco, Inc.  
for Revenue  
P.O. Box 951063  
Dallas, TX 75395-1063*

4a. Article Number

*P 358 644 419 return receipt requested*

4b. Service Type

- ☐ Registered ☐ Insured
- ☒ Certified ☐ COD
- ☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

*AUG 22 1997*

5. Signature (Addressee)

6. Signature (Agent)

*Rose Costello*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

*Feed I Cent. both. Sep.*

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

*Anne D. Little  
P.O. Box 82277  
Albuquerque, NM 87198-2277*

4a. Article Number

*P 358 644 420*

4b. Service Type

- ☐ Registered ☒ Certified
- ☐ Express Mail ☐ Insured
- ☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

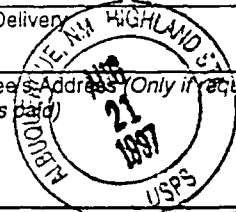
5. Received By: (Print Name)

*Anne D. Little*

6. Signature: (Addressee or Agent)

*X*

8. Addressee's Address (Only if requested and fee is paid)



PS Form 3811, December 1994

**Domestic Return Receipt**

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Sylvia J. Little  
TTEE UTAD 5-25-90  
P.O. Box 1254  
Farmington, NM 87499-1254

**4a. Article Number**

9358644421

**4b. Service Type**

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

**7. Date of Delivery**

8-20-97

**5. Received By: (Print Name)**

Cheri Whitney

**6. Signature: (Addressee or Agent)**

X Cheri Whitney

**8. Addressee's Address (Only if requested and fee is paid)**

Same

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Sylvia J. Little  
P.O. Box 20078  
Houston, TX 77216-0078

**4a. Article Number**

9358644422

**4b. Service Type**

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

**7. Date of Delivery**

AUG 23 1997

**5. Received By: (Print Name)**

Cheri Whitney

**6. Signature: (Addressee or Agent)**

X Cheri Whitney

**8. Addressee's Address (Only if requested and fee is paid)**

Same

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Clara Sault  
Palmer W. Larson, Pres. Rep.  
Milwaukee, OR 97222

**4a. Article Number**

9358644429

**4b. Service Type**

- ☐ Registered ☒ Certified  
☐ Express Mail ☒ Insured  
☒ Return Receipt for Merchandise ☐ COD

**7. Date of Delivery**

62

**5. Received By: (Print Name)**

Palmer W. Larson

**6. Signature: (Addressee or Agent)**

X Palmer W. Larson

**8. Addressee's Address (Only if requested and fee is paid)**

1049 N. 40 St

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Fed I Central bath. Sep.

Is your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Winifred + Forrest Jacobs 1000 SW Santa Fe Road Lawanda, KS 67144-9213	4a. Article Number P 358 644 431	Thank you for using Return Receipt Service.
	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
5. Received By: (Print Name) Forrest Jacobs	7. Date of Delivery 8-22-97	
6. Signature: (Addressee or Agent) X Paul J. Rogers	8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1994 Domestic Return Receipt

Fed I CPD

Is your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Ernest G. + Valerie M. Sill 30269 Cave View St. Sun City, CA 92587	4a. Article Number P 358 626 295	Thank you for using Return Receipt Service.
	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
5. Received By: (Print Name)	7. Date of Delivery 9-11-97	
6. Signature: (Addressee or Agent) X Valerie M. Sill	8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1994 Domestic Return Receipt



COPY

COMMERCIAL RESOURCES  
(505)-827-5724

SURFACE RESOURCES  
(505)-827-5793

MINERAL RESOURCES  
(505)-827-5744

ROYALTY  
(505)-827-5772

State of New Mexico  
Commissioner of Public Lands

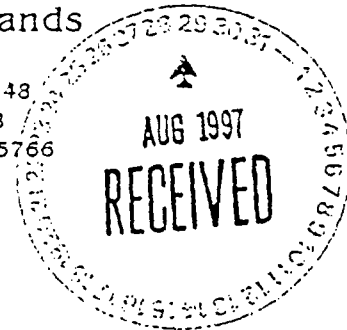
Ray Powell, M.S., D.V.M.  
310 Old Santa Fe Trail, P. O. Box 1148  
Santa Fe, New Mexico 87504-1148  
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS  
(505)-827-5765

ADMINISTRATIVE MGMT.  
(505)-827-5700

LEGAL  
(505)-827-5715

PLANNING  
(505)-827-5752



August 26, 1997

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

Attn: Mr. John D. Roe

Re: Application for Surface Commingling and Off-Lease Measurement  
Proposed Federal I Central Gathering System NE/4NW/4 Sec. 1-29N-14W  
Camp David Com #1, Federal I wells No. 4, 5R & 6, O'Henry #1, & Winifred #2  
San Juan County, New Mexico

Dear Mr. Roe:

We have received your letter of August 19, 1997, wherein you requested our approval for the proposed surface commingling of production (natural gas and water) from the above-captioned 6 wells which are being operated by Dugan Production.

We understand that Dugan Production plans to install a central gathering system to collect natural gas and water from the 6 low volume gas wells and use a central facility to separate the gas and water. Natural gas will be delivered to El Paso Field Services at their CPD sales meter and will be allocated to each well using allocation factors determined from periodic individual well tests. The water production will be transferred by pipeline and will be disposed of at Dugan's water disposal well in the NW/4NW/4 of Section 36-30N-14W.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management. Our approval is also contingent upon Dugan Production securing the appropriate right-of-way and salt water disposal easements.

Please submit a copy of the Bureau of Land Management's approval and a copy of the New Mexico Oil Conservation Division's approval order.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/JB/pm

encls.

xc: Reader file  
OCD Attn: Mr. David Catanach, Mr. Ben Stone  
BLM Farmington Attn: Mr. Duane Spencer  
Debbie Padilla  
Joseph Lopez



dugan production corp.

P. O. BOX 420  
FARMINGTON, NEW MEXICO 87439-0420

SEP 1 3 1997

1st Notice  
2nd Notice  
Return

UNCLAIMED

CERTIFIED

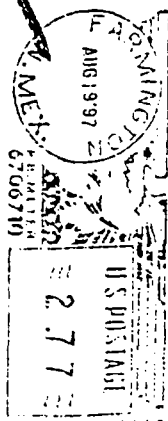
P 358 644 424

MAIL



LEBY MAOULSA  
8700 STREET  
OAKLAND, CA 94610

First Notice 8-22  
Second Notice 8-30  
Returned 8-30



CERTIFIED

dugan production corp.

P. O. BOX 420  
FARMINGTON, NEW MEXICO 87439-0420

1st Notice  
2nd Notice  
Return



UN34  
6-23-97

MAIL

JAMES W. & HILAE ROSS  
1442 WEST 101ST STREET  
LOS ANGELES, CA 90024



1st Notice  
2nd Notice  
Return

**CERTIFIED**

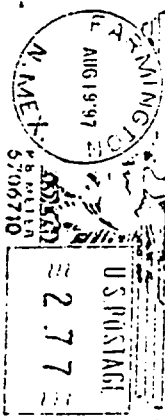
dugan production corp.

P.O. BOX 420  
FARMINGTON, NEW MEXICO 87400-0420

1st Notice  
2nd Notice  
Return

P 358 644 427

**MAIL**



HARPER L. & BUD L. DUGAN  
402 MASONIC TOWER  
JACKSONVILLE, FL 32206-9998

FOR RETURN TO SENDER  
JACKSONVILLE, FL 32206-9998  
BY  
IN 3d  
add  
add

874033/0420



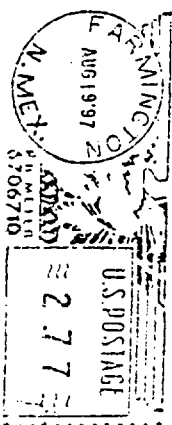
**CERTIFIED**

dugan production corp.

P.O. BOX 420  
FARMINGTON, NEW MEXICO 87499-0420

P 358 644 428

**MAIL**



☐ MOVED, LEFT NO ADDRESS  
☐ NOT DELIVERABLE AS ADDRESSED  
☐ UNABLE TO FORWARD  
☒ ATTEMPTED - NOT KNOWN  
☐ UNCLAIMED ☐ REFUSED  
☐ NO SUCH STREET  
☐ NO SUCH NUMBER  
☐ INSUFFICIENT ADDRESS

REMOVABLE

1st Notice  
2nd Notice  
Return

GISLE W. ROMO  
5012 VENICE BLVD.  
LOS ANGELES, CA 90019