

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-15272
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator DUGAN PRODUCTION CORP.		7. If Unit or CA Agreement, Name and No.
Contact: KURT FAGRELIUS E-Mail: kfagrelus@duganproduction.com		8. Lease Name and Well No. MUCHO DEAL COM 15
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401	3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613	9. API Well No. 3004532219
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSW 1230FSL 830FWL 36.48370 N Lat, 108.17020 W Lon At proposed prod. zone		10. Field and Pool, or Exploratory HARPER HILL FRUITLAND SS PC SS
14. Distance in miles and direction from nearest town or post office* APPROX. 5-MILES NORTHWEST OF FARMINGTON, NM		11. Sec., T., R., M., or Blk. and Survey or Area M Sec 14 T30N R14W Mer NMP SME: BLM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 830'	16. No. of Acres in Lease 200.00	12. County or Parish SAN JUAN
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. APPROX. 1500'	19. Proposed Depth 1820 MD	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) 5996 GL	22. Approximate date work will start 04/01/2004	17. Spacing Unit dedicated to this well 160.00 SW 1/4
		20. BLM/BIA Bond No. on file
		23. Estimated duration 7-DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Kurt Fagrelus</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 03/05/2004
Title GEOLOGIST		
Approved by Signature <i>David J. Markiewicz</i>	Name (Printed/Typed)	Date APR 22 2004
Title Office		

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks:

COA: Compliance w/Rule 50

A water based gel-mud will be used to drill surface and production casing hole. Standard 2,000 psi BOP will be used to drill production hole. The Fruitland sand and Pictured Cliffs Sandstone will be completed from approximately 1500' - 1675'. The interval will be fractured.

DRILLING OPERATIONS AUTHORIZED ARE  
SUBJECT TO COMPLIANCE WITH ATTACHED  
"GENERAL REQUIREMENTS".

NMOC

This action is subject to technical and  
procedural review pursuant to 43 CFR 3165.3  
and appeal pursuant to 43 CFR 3165.4

District I  
PO Box 1980, Hobbs, NM 88241-1980

District II  
PO Drawer 00, Artesia, NM 88211-0719

District III  
1000 Rio Brazos Rd., Aztec, NM 87410

District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 21, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number <b>30-045-32219</b>		*Pool Code <b>78160</b>	*Pool Name <b>HARPER HILL FRUITLAND SAND PICTURED CLIFFS</b>
*Property Code <b>30343</b>	*Property Name <b>MUCHO DEAL Com</b>		*Well Number <b>15</b>
*GRID No. <b>006515</b>	*Operator Name <b>DUGAN PRODUCTION CORPORATION</b>		*Elevation <b>5996'</b>

10 Surface Location

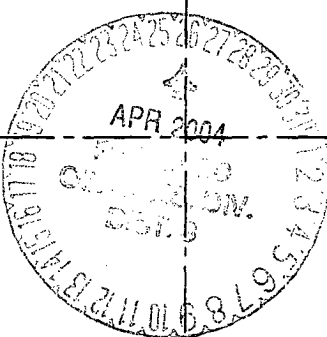

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	14	30N	14W		1230	SOUTH	830	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres <b>160.0 Acres - (SW/4)</b>	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>16</div> <div>5260.86'</div> <div></div> <div>5280.00'</div> <div><b>DPC 70%</b> <b>Wexpro 30%</b> <b>NM-13213</b></div> <div><b>Dugan 100%</b> <b>NM-2555</b></div> <div><b>14</b></div> <div>830'</div> <div><b>DPC 60%</b> <b>Wexpro 40%</b> <b>NM-15272</b></div> <div>1230'</div> <div>5280.00'</div>	<div>17 OPERATOR CERTIFICATION</div> <div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</div> <div><i>Kurt Fagrelus</i></div> <div>Signature</div> <div>Kurt Fagrelus</div> <div>Printed Name</div> <div>Geologist</div> <div>Title</div> <div>3/5/2004</div> <div>Date</div> <div>18 SURVEYOR CERTIFICATION</div> <div>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</div> <div>Survey Date: DECEMBER 17, 2003</div> <div>Signature and Seal of Professional Surveyor</div> <div></div> <div><i>JASON C. EDWARDS</i></div> <div>Certificate Number</div> <div>15269</div>
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**EXHIBIT B**  
**OPERATIONS PLAN**  
*Mucho Deal Com #15*

**APPROXIMATE FORMATION TOPS:**

Ojo Alamo	Surface	Pictured Cliffs	1665'
Kirtland	115'	<b>Total Depth</b>	<b>1820'</b>
Fruitland	1225'		

Catch samples every 10 feet from 1550 feet to total depth.

**LOGGING PROGRAM:**

Run cased-hole GR-CCL-CNL from total depth to surface.

**CASING PROGRAM:**

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	1820'	J-55

Plan to drill a 12-1/4" hole and set 120' of 8-5/8" OD, 24#, J-55 surface casing. Then plan to drill a 7" hole to total depth with gel-water mud program to test the Fruitland and Pictured Cliffs Sandstone. 5-1/2", 14#, J-55 production casing will be run and cemented. Cased hole GR-CCL-CNL log will be run. Productive zone will be perforated and fractured. After frac, the well will be cleaned out and production equipment will be installed.

**CEMENTING PROGRAM:**

Surface: Cement to surface with 75 cf Class B + 2% CaCl<sub>2</sub>.  
Circulate to surface.

Production Stage-Cement with 180 cf 2%Lodense with  
¼# celloflake/sx followed by 100 cf Class "B" with  
¼# celloflake/sx.  
Total cement slurry for production stage is 280 cf.  
Circulate cement to surface.

An adequate spacer will be pumped ahead of the cement slurry to help prevent mud contamination of the cement. An adequate number of casing centralizers will be run through usable water zones to ensure that casing is centralized through these zones. The adequate number of centralizers will be determined based on API standards. Centralizers to impart a swirling action around

the casing will be used just below and into the base of the lowest usable water zone. These devices will assist mud displacement, increase cement bonding potential and create an effective hydraulic seal. A chronological log will be kept which records the pump rate, pump pressure, slurry density, and slurry volume for the cement job. The log will be sent to the BLM after completion of the job.

**WELLHEAD EQUIPMENT:**

Huber 8-5/8"x5-1/2" casing head, 1000# WP, tested to 2000#.  
Huber 5-1/2"x2-7/8" tubing head, 1000# WP, tested to 2000#.

**BOP and Related Equipment** will include for a 2000 psi system:

(Exhibit D)

Annular preventer, double ram, or 2 rams with one being blind and one being a pipe ram.

Kill line (2" minimum)

1 kill line valve (2" minimum)

1 choke line valve

2 chokes

Upper kelly cock valve with handle available

Safety valve and subs to fit all drill string connections in use.

Pressure gauge on choke manifold.

2" minimum choke line.

Fill-up line.

**Contacts:**

Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

Mark Brown	327-3632 (H)
	320-8247 (M)

Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

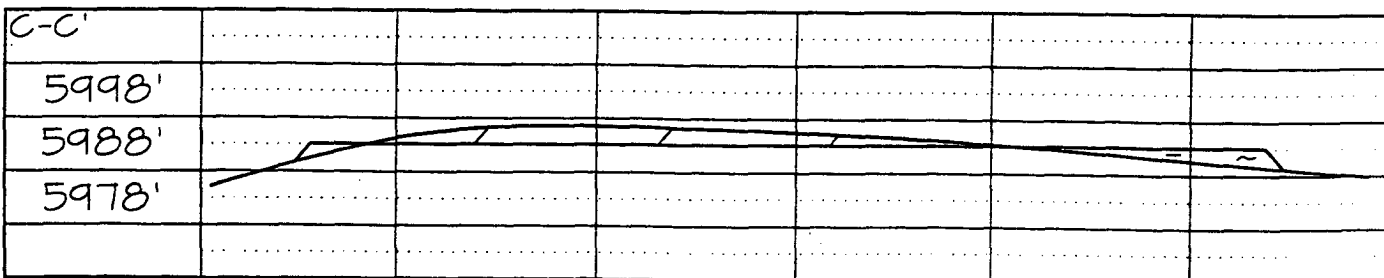
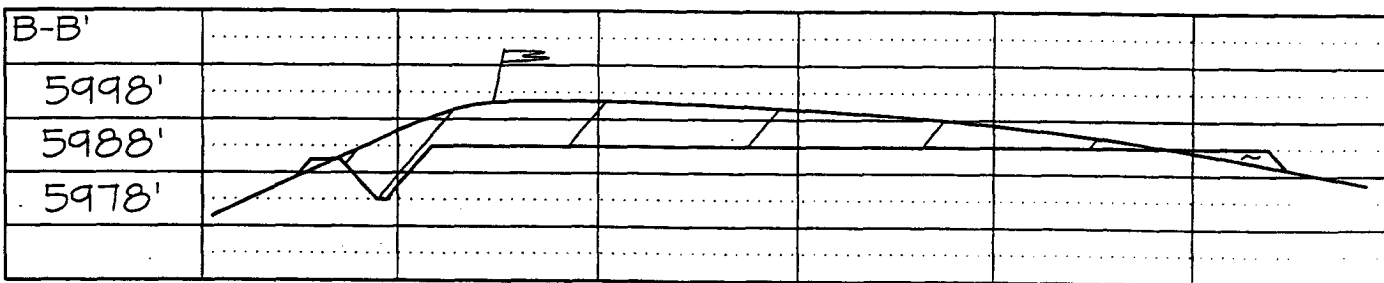
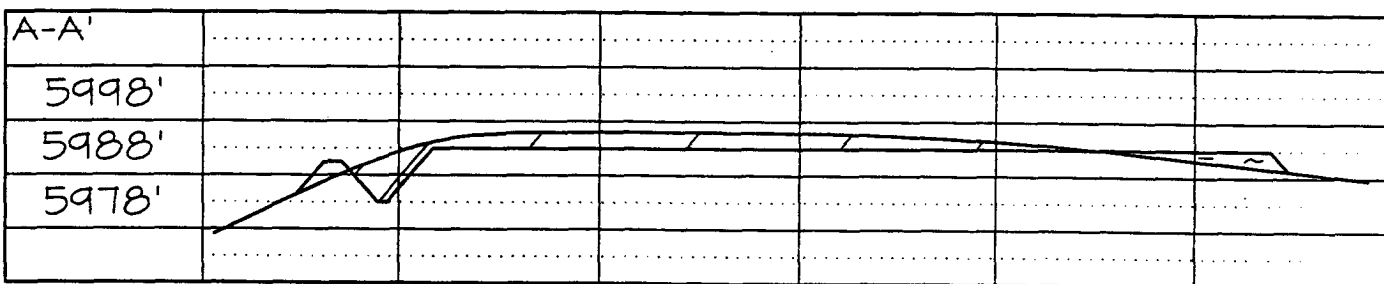
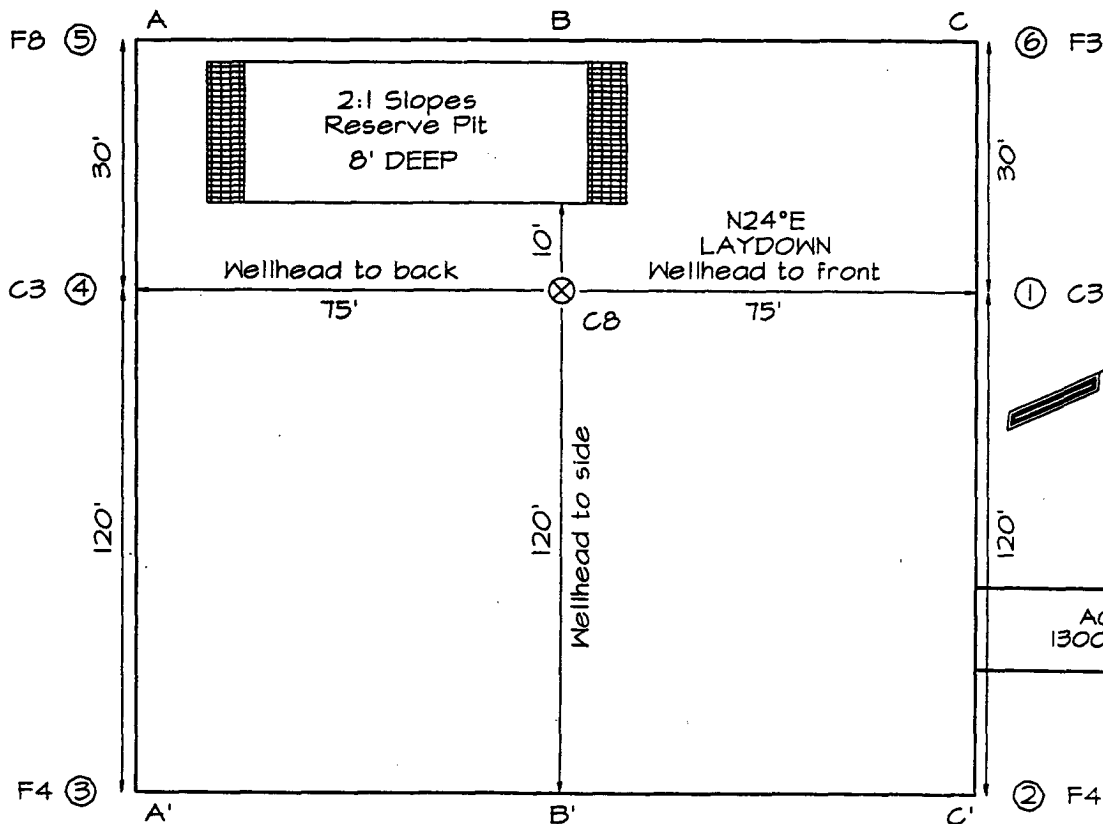
John Alexander	325-6927 (H)
	320-1935 (M)

**DUGAN PRODUCTION CORPORATION MUCHO DEAL #15**  
**1230' FSL & 830' FWL, SECTION 14, T30N, R14W, NMPM**  
**SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5996'**

**LATITUDE: 36°48'37"**  
**LONGITUDE: 108°17'02"**  
 DATUM: NAD1927

PLAT NOTE:

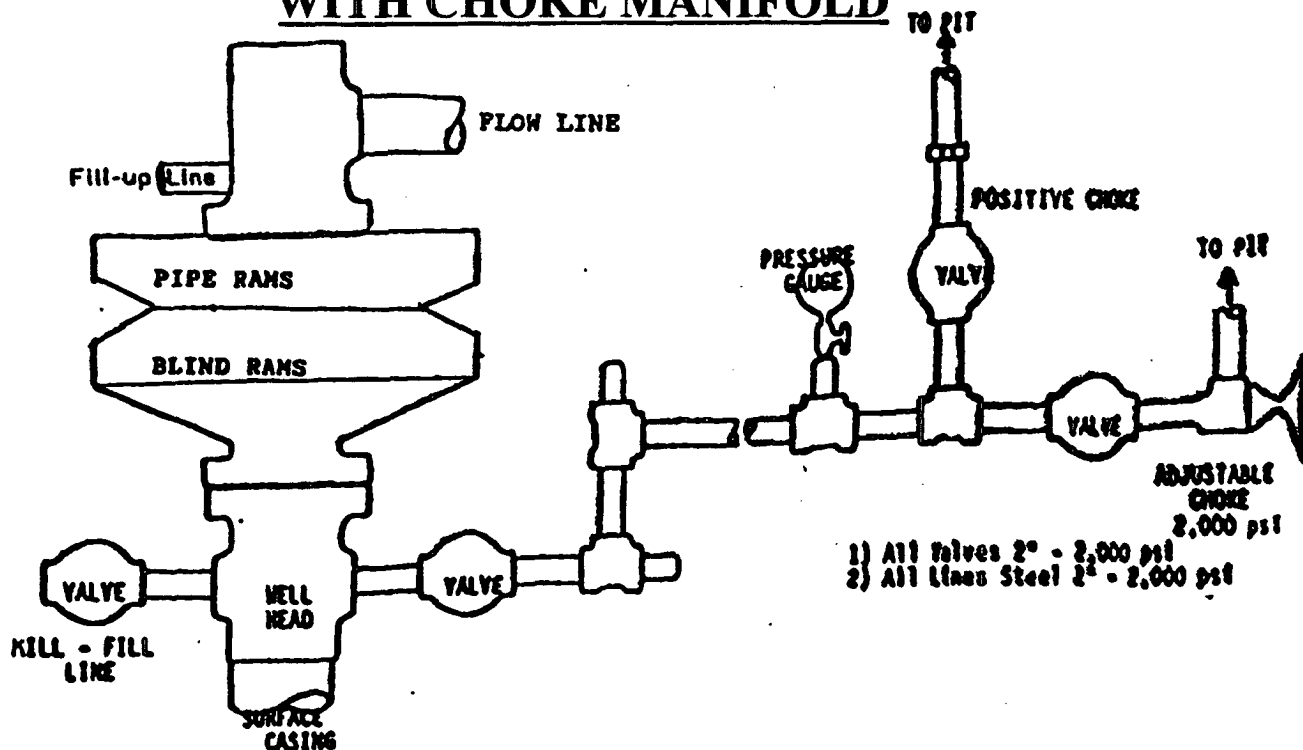
\*SURFACE OWNER\*  
 Bureau of Land  
 Management



Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

# BOP DIAGRAM WITH CHOKE MANIFOLD

EXHIBIT D.



BOP and Related Equipment will include for a 3000 psi system:

## 2000 PSI DOUBLE RAM BLOWOUT PREVENTER

Kill line (2" minimum)

1 kill line valve (2" minimum)

1 choke line valve

2 chokes

Upper kelly cock valve with handle available

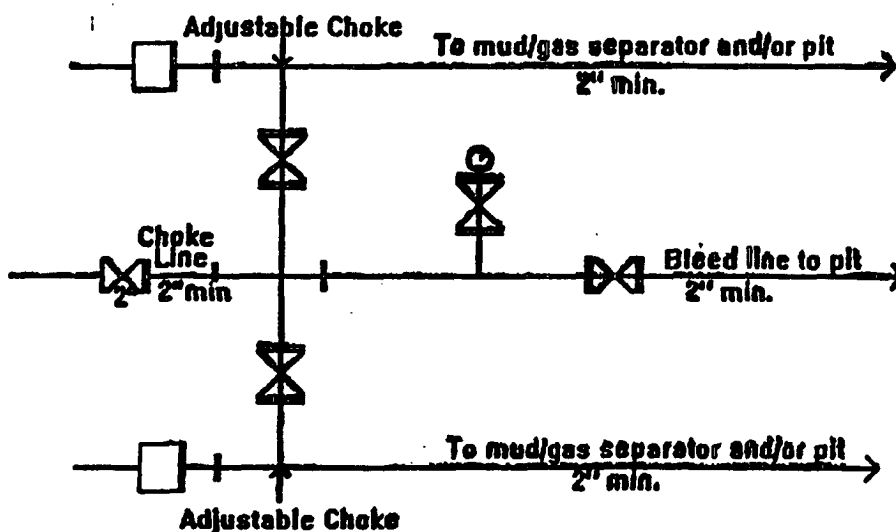
Safety valve and subs to fit all drill string connections in use

Pressure gauge on choke manifold

2" minimum choke line

Fill-up line above the uppermost preventer

BOP equipment will be tested as required in Section III A.1 of Onshore Order 2, plus a 30% safety factor.



2M Choke Manifold Equipment - Configuration May Vary

DUGAN PRODUCTION CORP.

Com  
MUCHO DEAL #15