

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: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☐ Gas Well ☒ Other: CBM ☒ Single Zone ☐ Multiple Zone

2. Name of Operator: DUGAN PRODUCTION CORP. Contact: KURT FAGRELIUS  
E-Mail: kfagrelus@duganproduction.com

3a. Address: 709 EAST MURRAY DRIVE  
FARMINGTON, NM 87401

3b. Phone No. (include area code)  
Ph: 505.325.1821  
Fx: 505.327.4613

5. Lease Serial No.  
SF-078156

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.  
SALGE FEDERAL A 96

9. API Well No.  
30045 32039

10. Field and Pool, or Exploratory  
BASIN FRUITLAND COAL

4. Location of Well (Report location clearly and in accordance with any State requirements. \*)

At surface: SENW 1850FNL 1895FWL 36.26490 N Lat, 108.13350 W Lon

At proposed prod. zone

11. Sec., T., R., M., or Blk. and Survey or Area

Sec 33 T26N R13W Mer NMP

14. Distance in miles and direction from nearest town or post office\*  
APPROX. 10-MILES NW OF CARSON TRADING POST

12. County or Parish  
SAN JUAN

13. State  
NM

15. Distance from proposed location to nearest property or  
lease line, ft. (Also to nearest drig. unit line, if any)  
1850

16. No. of Acres in Lease  
1599.05

17. Spacing Unit dedicated to this well  
320.00 W/2

18. Distance from proposed location to nearest well, drilling,  
completed, applied for, on this lease, ft.  
APPROX. 1400-FEET

19. Proposed Depth  
1525 MD

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KB, RT, GL, etc.)  
6320 GL

22. Approximate date work will start  
05/28/2004

23. Estimated duration  
5-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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature: Kurt Fagrelus  
Title: GEOLOGIST

Name (Printed/Typed)  
KURT FAGRELIUS

Date  
11/28/2003

Approved by (Signature): [Signature]  
Title: AFM

Name (Printed/Typed)

Office: PFO

Date  
12/3/04

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.

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

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

Additional Operator Remarks:

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 Coal will be completed from approximately 1310' - 1370'. The interval will be fractured.

NMOCD

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

District II  
PO Drawer DD, 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-117  
Revised February 21, 1991  
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>30045-32039</b>		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code <b>3825</b>	*Property Name SALGE FEDERAL A		*Well Number 96
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6320'


<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	33	26N	13W		1850	NORTH	1895	WEST	SAN JUAN

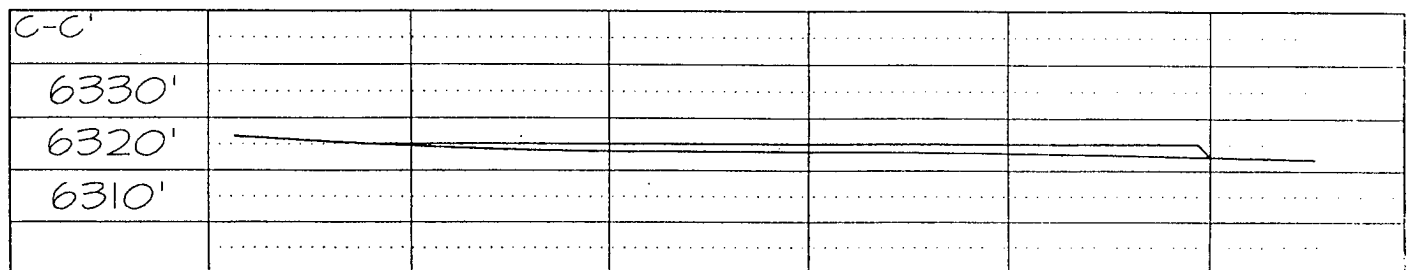
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Dedicated Acres 320.0 Acres - (W/2)					<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.		

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

<p><sup>16</sup></p> <p>DUGAN 100% GWI</p> <p>5278.68'</p> <p>1850'</p> <p>1895'</p> <p>5280.00'</p> <p>33</p> <p>5280.00'</p> <p>SF-078156</p> <p>5280.00'</p>	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kurt Fagrelus</i></p> <p>Signature</p> <p>Kurt Fagrelus</p> <p>Printed Name</p> <p>Geologist</p> <p>Title</p> <p>11/28/2003</p> <p>Date</p>
	<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Survey Date: NOVEMBER 21, 2003</p> <p>Signature and Seal of Professional Surveyor</p> <p></p> <p><i>JASON C. EDWARDS</i></p> <p>Certificate Number 15269</p>

# PLAT 3



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

**EXHIBIT B**  
**OPERATIONS PLAN**  
*Salge Federal A #96*

**APPROXIMATE FORMATION TOPS:**

Ojo Alamo	Surface'	Pictured Cliffs	1375'
Kirtland	Less than 120'		
Fruitland	1010'	<b>Total Depth</b>	<b>1525'</b>

Catch samples every 10 feet from 1250 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
9-7/8"	7"	20#	120	J-55
6-1/4"	4-1/2"	10.5#	1,525	J-55

Plan to drill a 9-7/8" hole and set 120' of 7" OD, 20#, J-55 surface casing. Then plan to drill a 6-1/4" hole to total depth with gel-water mud program to test the Fruitland Coal. 4-1/2", 10.5#, 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 70 cf Class B + 2% CaCl<sub>2</sub>.  
Circulate to surface.

Production Stage-Cement with 150 cft 2%Lodense with  
1/4# celloflake/sx followed by 90 cf Class "B" with  
1/4# celloflake/sx.  
Total cement slurry for production stage is 240 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 7"x4-1/2" casing head, 1000# WP, tested to 2000#.

Huber 4-1/2"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

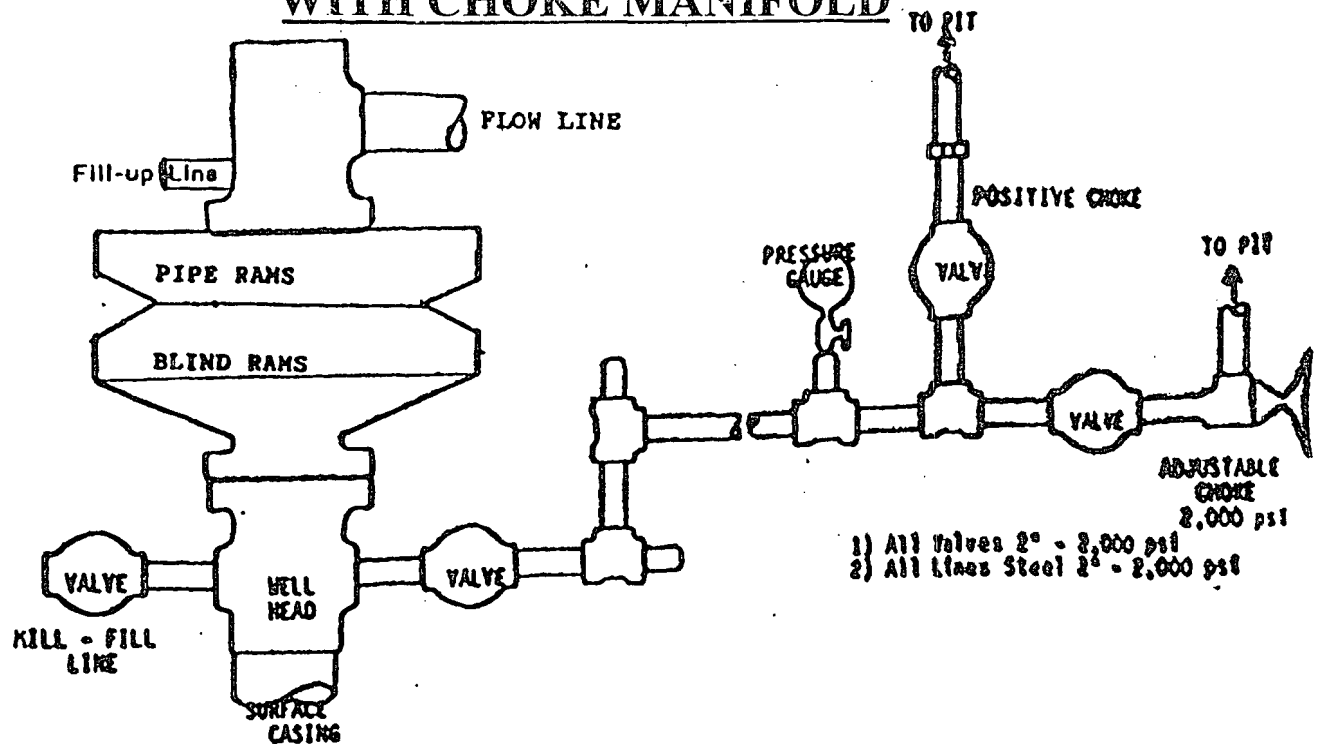
Mark Brown	327-3632 (H)
	320-8247 (M)

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

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

# BOP DIAGRAM WITH CHOKE MANIFOLD

EXHIBIT D.

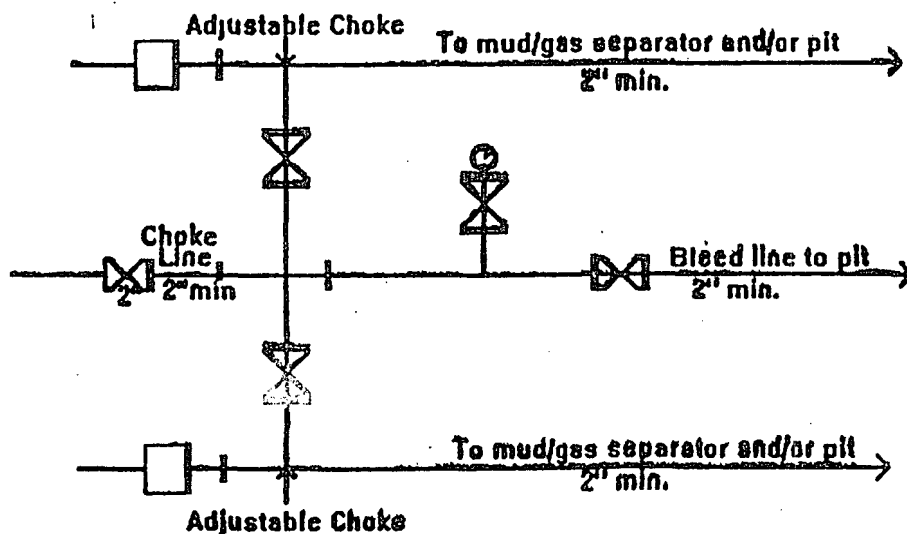


BOP and Related Equipment will include for a 2000 psi system:

## 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.**

SALGE FEDERAL A #96