

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No.
NM-39017

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
Sesamee Street #90

9. API Well No.
30-045-32702

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T. R. M. or Blk. and Survey or Area
Unit L, Sec. 1, T24N, R11W NMPM

12. County or Parish

13. State

1a. Type of work: ☒ DRILL ☐ REENTER

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

2. Name of Operator
Dugan Production Corp.

3a. Address **P. O. Box 420, Farmington, NM 87499-0420**

3b. Phone No. (include area code)
(505)325-1821

4. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface **1920' FSL & 1265' FWL (NW/4 SW/4) Lat. 36.2025 Long. 107.5731**
At proposed prod. zone

14. Distance in miles and direction from nearest town or post office*
8 miles west of Blanco Trading Post, NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) **1265'**

16. No. of acres in lease
2005.5

17. Spacing Unit dedicated to this well
320' ~~320'~~ 12

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. **Approx. 2500'**

19. Proposed Depth
1570'

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6750' GL

22. Approximate date work will start*
03/01/2005

23. Estimated duration
6 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature **Kurt Fagrellius**
Title **Geologist**

Name (Printed/Typed)
Kurt Fagrellius

Date
02/25/2005

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

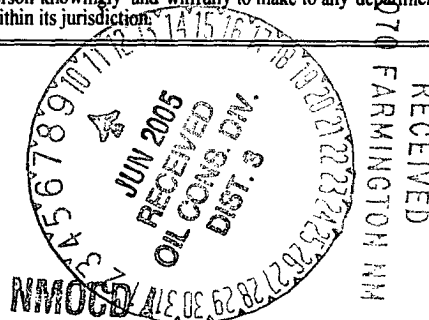
Name (Printed/Typed)
Office **FFC**

Date
6-7-05

Application approval does not warrant or certify that 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.

*(Instructions on page 2)



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-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 30-045-32702		Pool Code 71629	Pool Name BASIN FRUITLAND COAL
Property Code 34869	Property Name SESAMEE STREET		Well Number 90
GRID No. 006515	Operator Name DUGAN PRODUCTION CORPORATION		Elevation 6750'

10 Surface Location

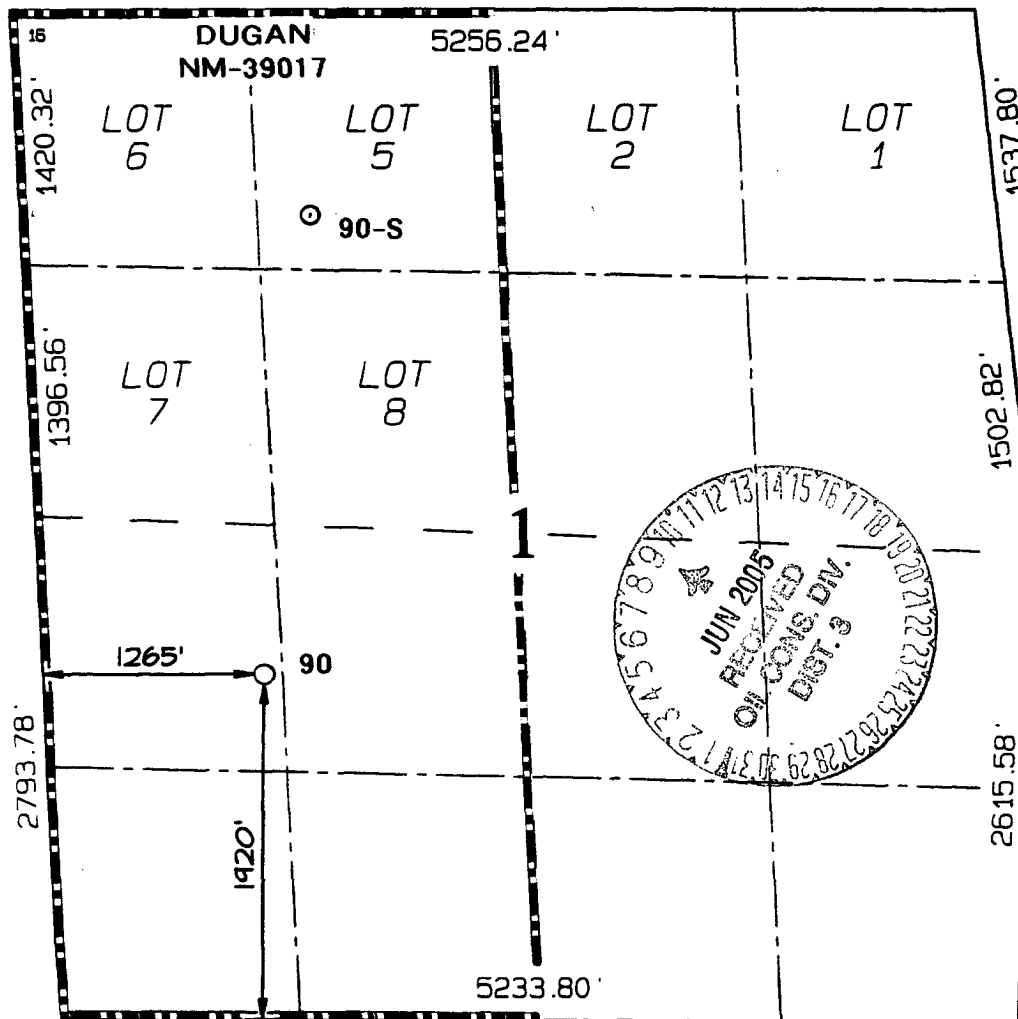
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	1	24N	11W		1920	SOUTH	1265	WEST	SAN JUAN

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

Dedicated Acres 332.48 Acres - (W/2)	Joint or Infill	Consolidation Code	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



17 OPERATOR CERTIFICATION

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

Signature Kurt Fagrelus

Printed Name **Kurt Fagrelus**

Title **Geologist**

Date **02/28/2005**

Date

18 SURVEYOR CERTIFICATION

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.

Date Revised: FEBRUARY 27, 2005
Survey Date: NOVEMBER 10, 2004

Signature and Seal of Professional Surveyor

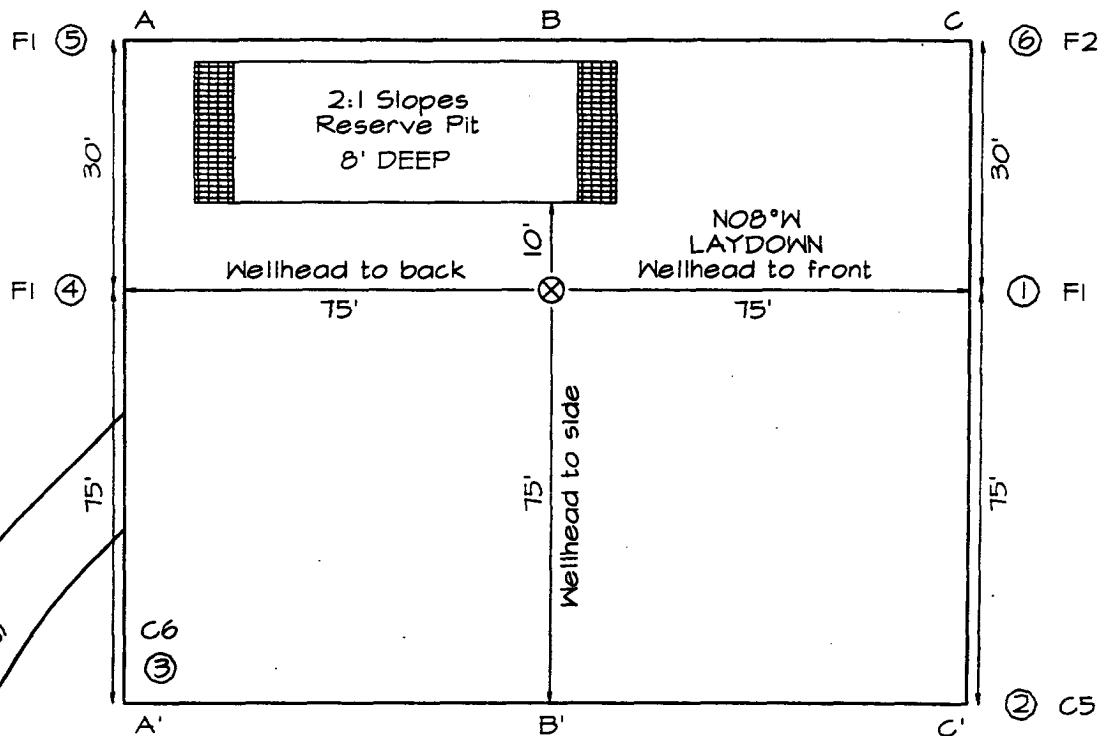


JASON C. EDWARDS
Certificate Number **15269**

**DUGAN PRODUCTION CORPORATION SESAMEE STREET #90
1920' FSL & 1265' FWL, SECTION 1, T24N, R11W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6750'**

PLAT 3.

**LATITUDE: 36°20'25"
LONGITUDE: 107°57'31"
DATUM: NAD1927**



PLAT NOTE:

***SURFACE OWNER*
Bureau of Land
Management**

A-A'						
6760'						
6750'						
6740'						
B-B'						
6760'						
6750'						
6740'						
C-C'						
6760'						
6750'						
6740'						

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
Dugan Production Corp.3a. Address
709 East Murray Drive, Farmington, NM 874013b. Phone No. (include area code)
505-325-1821

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec.1, T24N, R11W. 1920' FSL & 1265' FWL, NMPM, Unit L, Lat. 36.2025, Long. 107.5731

5. Lease Serial No.

NM-39017

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Sesamee Street #90

9. API Well No.

30-045- 32702

10. Field and Pool, or Exploratory Area
Basin Fruitland dCoal

11. County or Parish, State

San Juan County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Changes to original
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	APD
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1. The dedicated acreage has been changed from a S/2 320-acres to a W/2 320-acres. A new C-102 to reflect this change has been attached.

2. Casing program will be changed as follows:

	Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade
Surface Casing	12-1/4"	8-5/8"	24#	120'	J-55
Production Casing	7"	5-1/2"	14#	1715'	J-55

All cement volumes will remain the same and be circulated to surface.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Kurt Fagrelus

Title Geologist

Signature

Kurt Fagrelus

Date

02/25/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

[Signature]

Title

AFM

Date

6-7-05

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

Office

FFO

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.

(Instructions on page 2)

NMOCD

EXHIBIT B
OPERATIONS PLAN
Sesame Street #90



APPROXIMATE FORMATION TOPS:

Ojo Alamo	520'
Kirtland	600'
Fruitland	1130'
Pictured Cliffs	1420'
Total Depth	1570'

Catch samples every 10 feet from 1350 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#	1570'	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% CaCl₂.
Circulate to surface.

Production Stage-Cement with 160 cf 2% lodense with
1/4# celloflake/sx followed by 80 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

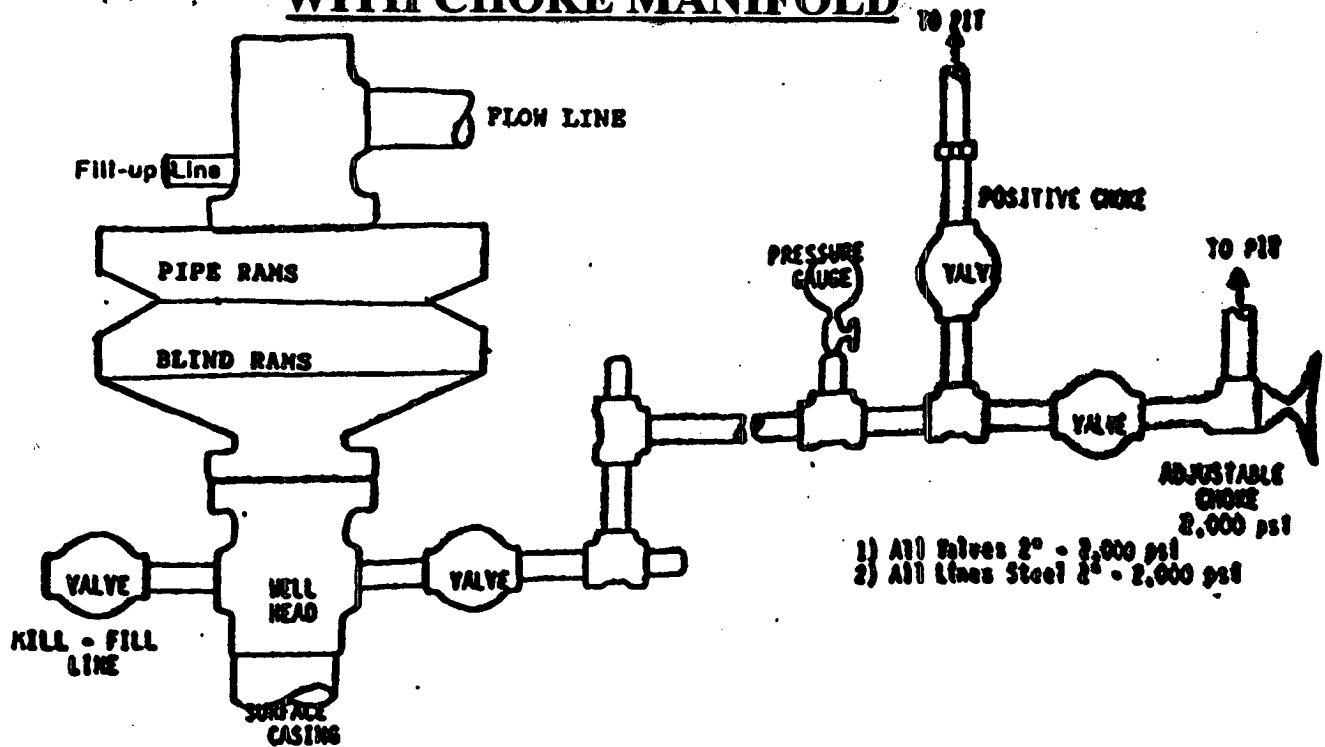
325-6927 (H)

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 (3" minimum)

1 kill line valve (3" minimum)

1 choke line valve

2 chokes

Upper kelly cock valve with handle available

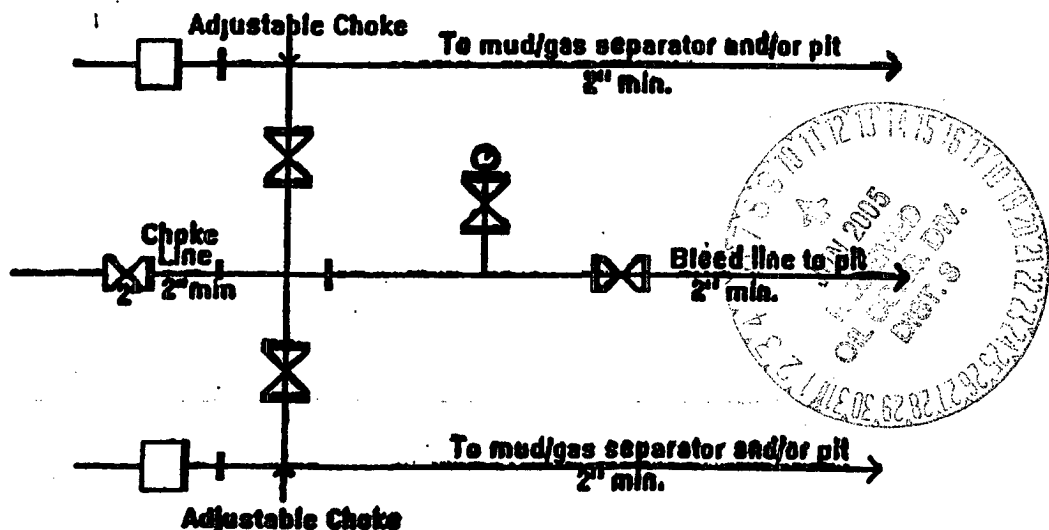
Safety valve and subs to fit all drill string connections in use

Pressure gauge on choke manifold

3" 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.
SESAMEE STREET #90