

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

1a. Type of work: ☒ DRILL ☐ REENTER

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

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

8. Lease Name and Well No. *Ernie Com*
-Sesame Street #90S 90S

2. Name of Operator
Dugan Production Corp.

9. API Well No.
30-045- 32703

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

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

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 **1280' FSL & 1790' FEL (SW/4 SE/4) Lat. 36.2018 Long. 107.5703**
At proposed prod. zone

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

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

12. County or Parish

13. State

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **1280'**

16. No. of acres in lease
2005.5

17. Spacing Unit dedicated to this well
320 ~~5~~ 2

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **Approx. 2400'**

19. Proposed Depth
1530'

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6708' GL

22. Approximate date work will start*
02/17/2005

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.
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

Kurt Fagrelus

Name (Printed/Typed)
Kurt Fagrelus

Date
02/25/2005

Title

Geologist

Approved by (Signature)

[Signature]
AFM

Name (Printed/Typed)

Date
6-7-05

Title

Office

PFO

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)

NMOCD

RECEIVED
MAR 2 6 07 50
BUREAU OF LAND MANAGEMENT
FARMINGTON, NM

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 30-045-32703	*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 31868	*Property Name ERNIE COM	*Well Number 90S
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION	*Elevation 6708'

¹⁰ Surface Location

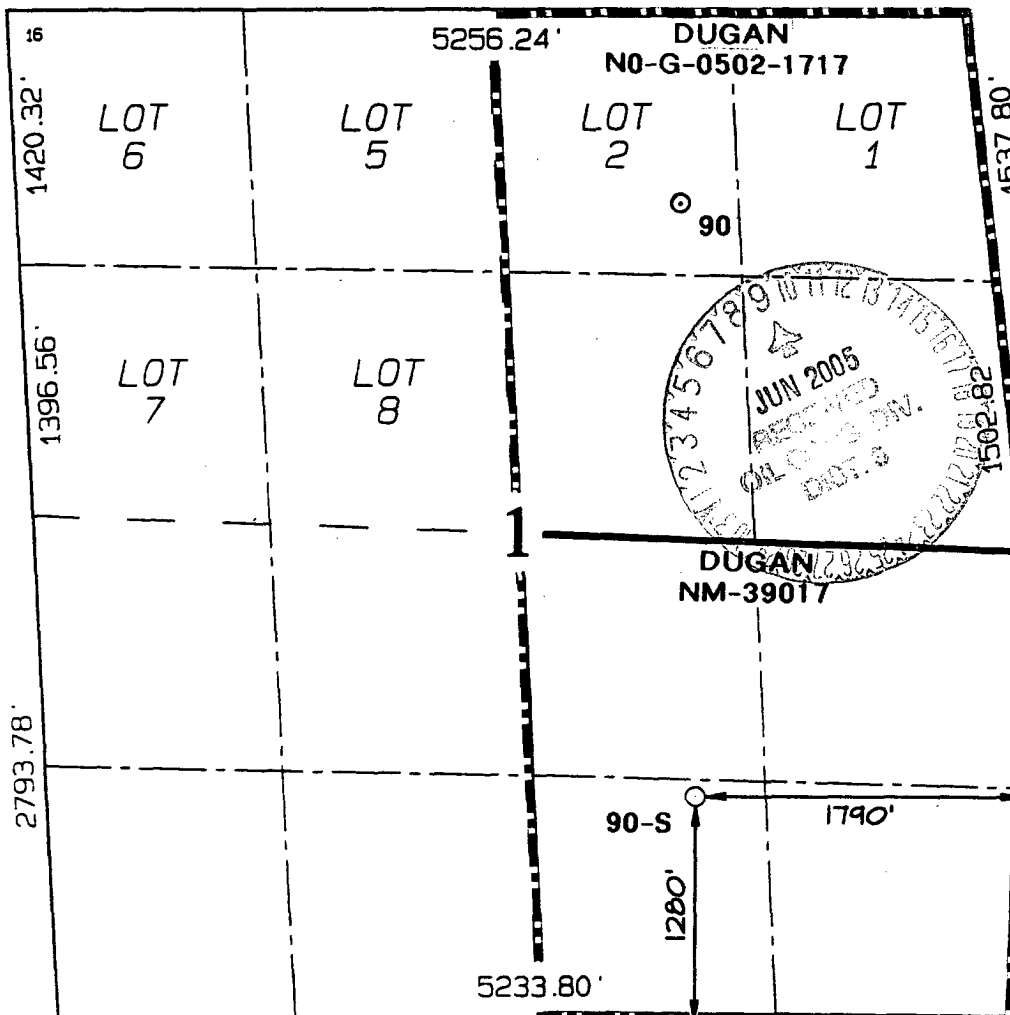
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	1	24N	11W		1280	SOUTH	1790	EAST	SAN JUAN

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 321.72 Acres - (E/2)	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



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: Geology
Date: 02/28/2005

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.

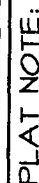
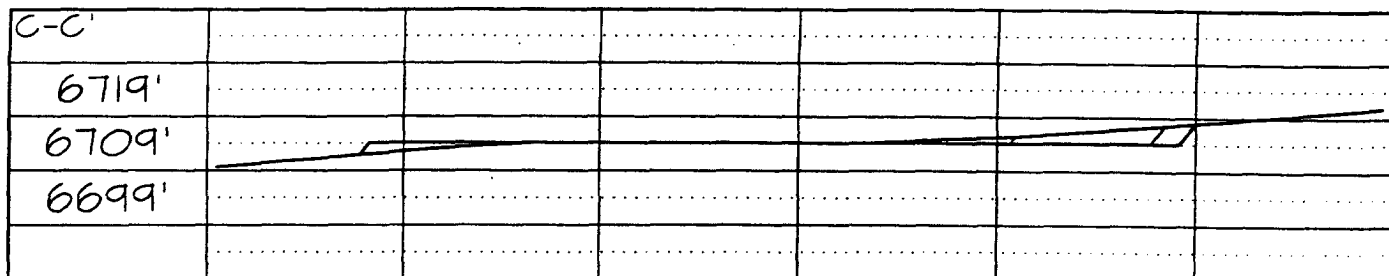
Date Revised: FEBRUARY 27, 2005
Date of Survey: JUNE 5, 2004
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

PLAT 3.

ЗАТІМ: НАДІСЛА

**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

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. 1280' FSL & 1790' FEL, NMPM, Unit O, Lat. 36.2018, Long. 107.5703

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-S

9. API Well No.

30-045- 3270310. Field and Pool, or Exploratory Area
Basin Fruitland Coal

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. Change well name to the Ernie Com #90-S.

2. Change the dedicated acreage to E/2 320-acres. A new C-102 to reflect this change has been attached.

3. Casing program will be changed as follows:

	Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade
Surface Casing	11"	8-5/8"	24#	120'	J-55
Production Casing	7"	5-1/2"	14#	1530'	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

D. Montielos

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

PFO

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)

NMOC

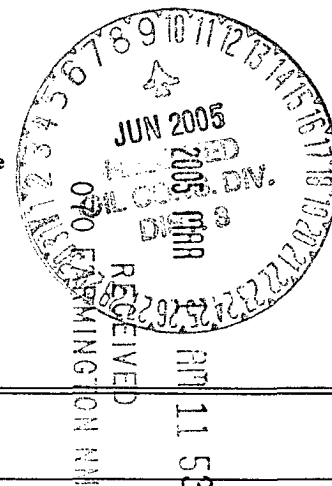


EXHIBIT B
OPERATIONS PLAN
Sesamee Street #90-S

APPROXIMATE FORMATION TOPS:

Ojo Alamo	480'
Kirtland	555'
Fruitland	1090'
Pictured Cliffs	1380'
Total Depth	1530'

ABHP ~ 1050 psi

Catch samples every 10 feet from 1300 feet to total depth.

LOGGING PROGRAM:

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

CASING PROGRAM:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
9-7/8"	7"	20#	120'	J-55
6-1/4"	4-1/2"	10.5#	1530'	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.

*15.6 ppg
1.18 ft³/sk*

Production Stage-Cement with 155 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 235 cf
Circulate cement to surface.

*lead: 2.00 ft³/sk
11.8 ppg
tail: 15.6 ppg
1.18 ft³/sk*

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

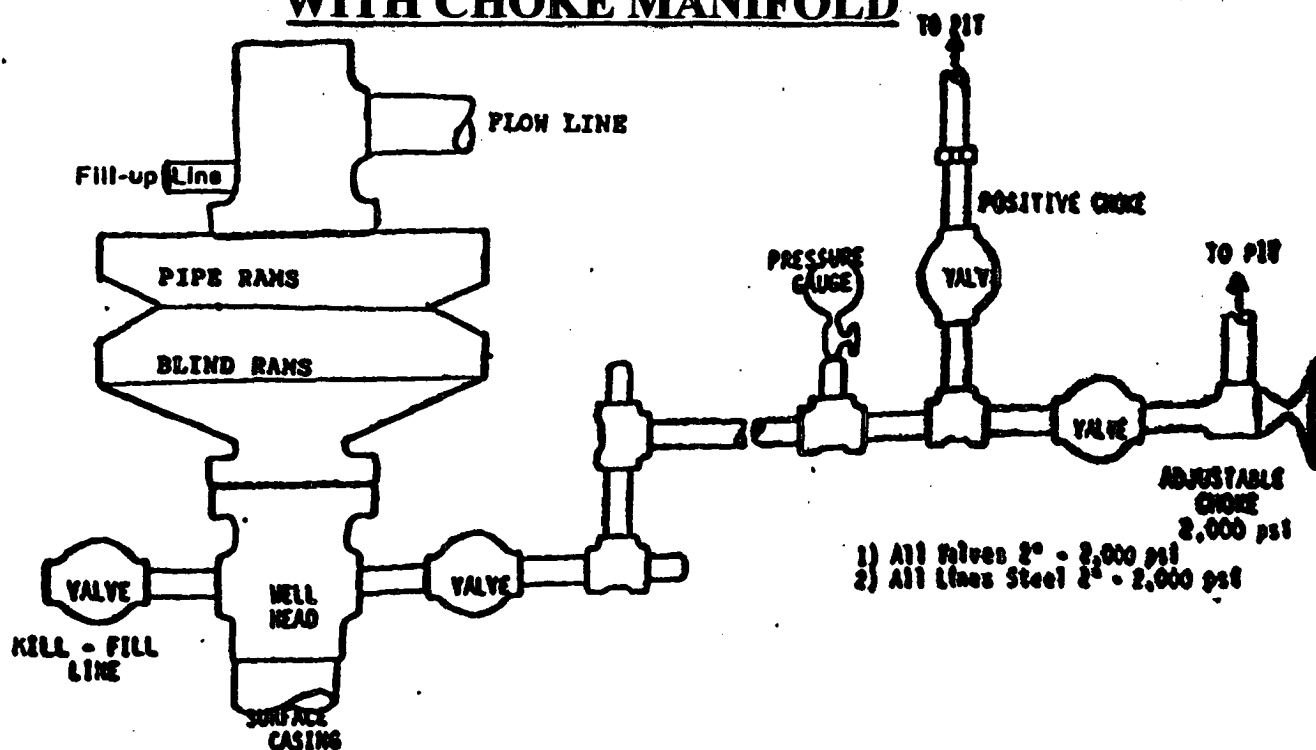
Mark Brown	327-3632 (H)
	320-8247 (M)

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

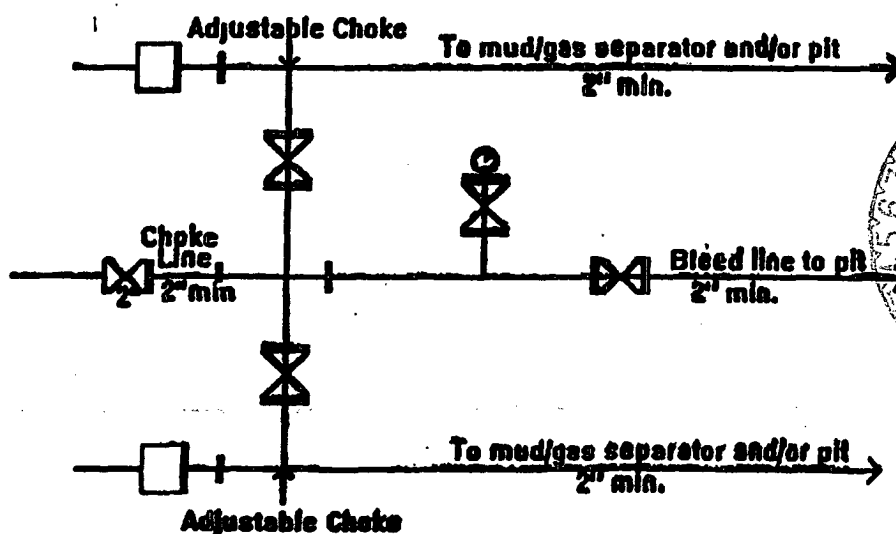
Safety valve and subs to fit all drill string connections in use

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-S