UNITED STATES DEPARTMENT OF THE INTERIOR **BUREAU OF LAND MANAGEMENT**

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

5. Lease Serial No. NM-17015

If Indian Allottee or Tribe Name

APPLICATION FOR BERING	1 TO DRILL OR REEN ER	Ti maini, rinotas or rinotas	-
Ia. Type of Work: ☑ DRILL ☐ REENTER	FARMINGTON (A)	7. If Unit or CA Agreement, Name	and No.
UIV		8. Lease Name and Well No.	
ib. Type of Well: Oil Well Gas Well	Other SWD Single Zone Multiple Zone	Herry Monster S	SWD_#3
2. Name of Operator Conta DUGAN PRODUCTION CORP.	ct: KURT FAGRELIUS E-Mail: kfagrelius@duganproduction.com	9. API Well No. 30-045-332/	7
3a. Address	3b. Phone No. (include area code)	10. Field and Pool, or Exploratory	
709 EAST MURRAY DRIVE FARMINGTON, NM 87401	Ph: 505.325.1821 Fx: 505.327.4613	Entrada SWD	
4. Location of Well (Report location clearly and in acco	rdance with any State requirements.*)	11. Sec., T., R., M., or Blk. and Sur	rvey or Area
At surface 1980' FNL and 1700' At proposed prod. zone Same as Above	FWL	F Sec. 11, T24N,	R11W
14. Distance in miles and direction from nearest town or po 9-1/2 miles SE of Carson T		12. County or Parish SAN JUAN	13. State NM
15. Distance from proposed location to nearest property or	16. No. of Acres in Lease	17. Spacing Unit dedicated to this v	well
lease line, ft. (Also to nearest drig, unit line, if any) 1700 feet	968.96 Acres	NA	
18. Distance from proposed location to nearest well, drilling	g, 19. Proposed Depth	20. BLM/BIA Bond No. on tile	
completed, applied for, on this lease, ft. Approx. 1300 feet	7105 feet		
21. Elevations (Show whether DF, KB, RT, GL, etc. 6643 GL	22. Approximate date work will start ASAP	23. Estimated duration 14 days	
	24. Attachments		
The following, completed in accordance with the requirement	ts 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 S	System Lands, the Item 20 above). 5. Operator certification	ons unless covered by an existing bond	

- SUPO shall be filed with the appropriate Forest Service Office).
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Kurt Facrelin	Name (Printed/Typed) KURT FAGRELIUS	Date 7-5-2005
Title GEOLOGIST		
Approved by (Signature)	Name (Printed/Typed) Wayne Townsend	Date 7/22/03
Title Acting AFM	Office FFO	
Application approval does not warrant or certify the appli operations thereon.	cant holds legal or equitable title to those rights in the subject lease which wou	ld entitle the applicant to conduct

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.

Original plans to re-enter this previously P&A'd well and complete as a Mesaverde saltwater disposal well have been abandoned. Instead of a re-entry, a new Entrada saltwater disposal well will be drilled. The Entrada well will be drilled on the same well pad, 50feet east of the existing P&A'd Herry Monster #3. No new disturbance will be necessary.

A water based gel-mud will be used to drill surface and production hole. Standard 2,000 psi BOP will be used to drill production hole. The Entrada zone will be evaluated and completed as a Saltwater injection zone.

A C-102 and new development plan and operations plan showing the location of the disposal well and how it will be drilled and completed are attached.

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

Conditions of approval, if any, are attached.

This action is subject to technical and procedural review pursuant to 48 OFR 3165.3 and appeal pursuant to 43 CFR 3165.4

)IL CONSERVATION DIVISIO P.O. Box 2088 Santa Fg, New Mexico 87504-2088

. WELL LOCATION AND ACREAGE DEDICATION PLAT 30-045-33217

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,	Submit 3 Copies To Appropriate District Office	State of Energy, Minera	of New Me				orm C-103 farch 4, 2004_
) -	District I 1625 N. French Dr., Hobbs, NM 88240 District II	OIL CONSE			WELL API NO).	
	1301 W. Grand Ave., Artesia, NM 88210 District III	-	uth St. Fran		5. Indicate Type		FederalX
	1000 Rio Brazos Rd., Aztec, NM 87410		Fe, NM 87		6. State Oil &		Tredera. v
	District IV 1220 S. St. Francis Dr., Santa Fe, NM		•		Federal N		
	87505 SUNDRY NOTE	CES AND REPORTS	ON WELLS	 }		or Unit Agreem	ent Name
	(DO NOT USE THIS FORM FOR PROPOS DIFFERENT RESERVOIR. USE "APPLIC	SALS TO DRILL OR TO DE CATION FOR PERMIT" (FO	DEEPEN OR PLI ORM C-101) FO	UG BACK TO A OR SUCH	· F	Monster SWD	
	PROPOSALS.) 1. Type of Well:				8. Well Number		
	Oil Well Gas Well 🔀	Other				#3	
	2. Name of Operator Dugan P	roduction Corpo	ration		9. OGRID Nur	00010	
	3. Address of Operator 709 Eas	t Murray Drive,	Fmgt.,	NM, 87401	10. Pool name Salt Wa	or Wildcat ter Disposa	l Well
	4. Well Location						
	Unit Letter F :	1980 feet from the	he north	line and $\frac{1}{2}$.700 ' feet f	rom the west	line
	Section 11	Township	24N Ra	inge 11W	NMPM, San	Juanuty NM	
		11. Elevation (Show 6643' GL	whether DR,	, RKB, RT, GR, etc.	.)	· ·	
	Pit or Below-grade Tank Application (For	pit or below-grade tank cl	losures, a form	C-144 must be attache	ed)		
1	Pit Location: UL F Sect 11 Twg24	N Rng 11W Pit type D	rilling _D	epth to Groundwater	1000 Distance from	nearest fresh water	well +2000
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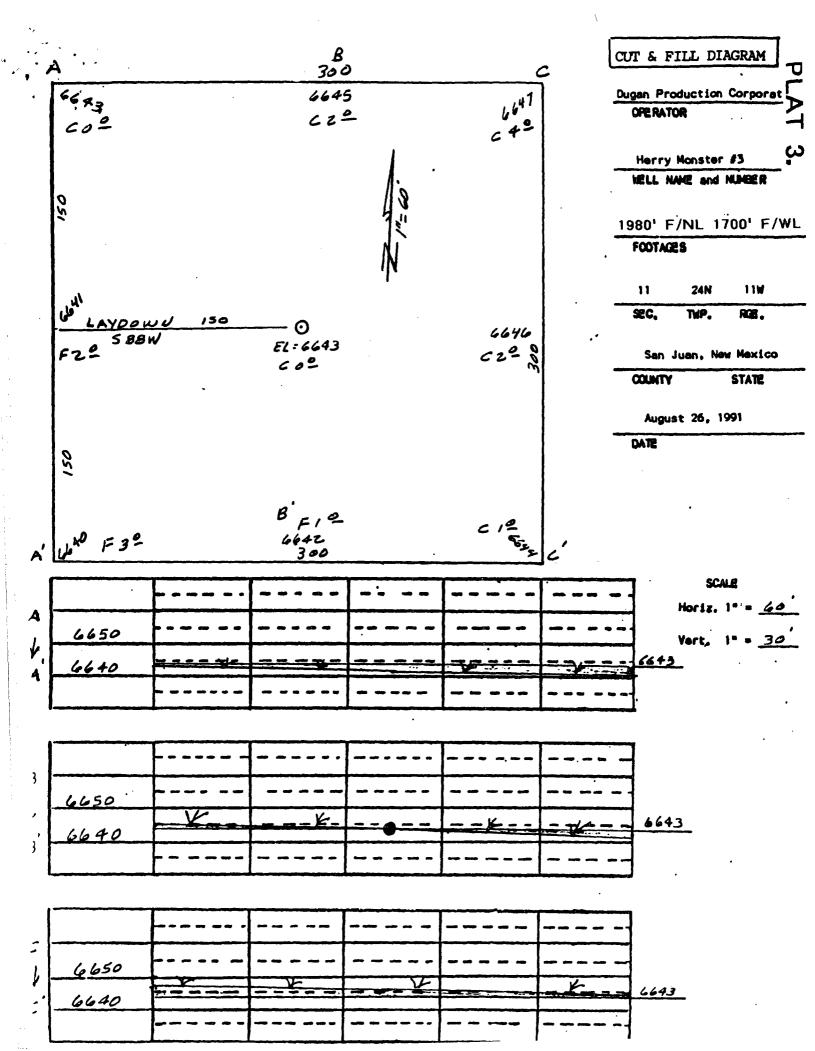


EXHIBIT B OPERATIONS PLAN

Herry Monster SWD #3

APPROXIMATE FORMATION TOPS:

		Total Depth	7105′
Mancos	3850 ′	Entrada	6893 ′
Point Lookout	3720 <i>′</i>	Todilto	6870 <i>'</i>
Menefee	2179′	Bluff	6530 ′
Cliff House	2040′	Morrison	5930 ′
Lewis	1399′	Dakota	5720 ′
Pictured Cliffs	1290′	Graneros	5655 ′
Fruitland	989′	Greenhorn	5605 ′
Kirtland	428′	Skelly	4840′
Ojo Alamo	330′	Gallup	4765′

LOGGING PROGRAM:

Run IES from total depth to surface and CDL over selected intervals.

CASING PROGRAM:

Hole	Casing		Setting	Grade and
<u>Size</u>	Size	Wt./ft.	Depth	Condition
12-1/4"	8-5/8"	24#	320′	J-55
7"	5-1/2"	15.5#	6000′	K-55
7"	5-1/2"	17#	7105′	K-55

Plan to drill a 12-1/4" hole and set 320' of 8-5/8" OD, 24#, K-55 surface casing. Then plan to drill a 7" hole to total depth with gel-water mud program. 5-1/2", 15.5# (surface to 6400') and 5-1/2", 17# (6400' to 7500') K-55 production casing will be run and cemented. Open hole IES and CDL logs will be run. Injection zone will be perforated and acidized. After completion, the well will be cleaned out and injection equipment will be installed.

CEMENTING PROGRAM:

 $\frac{\text{Surface:}}{\text{Circulate to surface with 200 cf Class B + 2% CaCl}_2.}$

Production Stage-Cement with 1050 cf 2%Lodense with

%# celloflake/sx followed by 550 cf Class "B" with

%# celloflake/sx.

Total cement slurry for production stage is 1600 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 320-8247	
	320-6247	(141)
Kurt Fagrelius	325-4327	
	320-8248	(M)
John Alexander	325-6927	(H)
	320-1935	(M)