

Form 3100-3
(April 1984)



2005 AUG 29 AM 9 41

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
FARMINGTON, NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. **NM-36952**
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.
Fto Jo SWD #8

2. Name of Operator
Dugan Production Corp.

9. API Well No.
30-045-33320

3a. Address **709 East Murray Drive, Farmington, NM 87401**

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

10. Field and Pool, or Exploratory
Entrada SWD

4. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface **650' FNL & 915' FEL, Lat.36.1303, Long 107.5803**
At proposed prod. zone **Same as above**

11. Sec., T. R. M. or Blk. and Survey or Area
A Sec. 23, T23N, R11W

14. Distance in miles and direction from nearest town or post office*
Approx. 13-miles SW of Blanco Trading Post, NM

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)
650 Feet

16. No. of acres in lease
1760.00 Acres

17. Spacing Unit dedicated to this well
N.A.

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
Approx. 600'

19. Proposed Depth
6340 Feet

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL-6374'

22. Approximate date work will start*
ASAP

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 *Kurt Fagrelius*

Name (Printed/Typed) **Kurt Fagrelius**

Date **8-27, 2005**

Title **Geology**

Approved by (Signature) *[Signature]*

Name (Printed/Typed)

Date **9/23/05**

Title **AFM**

Office **FEO**

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) 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. Open hole logs will be run, the Entrada Sandstone will be evaluated for salt water disposal purposes. The Entrada will be completed for disposal of produced water.

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

NMOCDD

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

State of New Mexico
Energy, Minerals & Natural Resources Department

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

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

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

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

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AMENDED REPORT

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

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33320		*Pool Code	*Pool Name ENTRADA SWD
*Property Code 35159	*Property Name FLO JO SWD		*Well Number 8
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6374'

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
A	23	23N	11W		650	NORTH	915	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	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

5219.28'	5357.22'		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief <i>Kurt Fagrlélius</i> Signature Kurt Fagrlélius Printed Name Geology Title 9-22-05 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 of Survey: JULY 14, 2005 Signature and Seal of Professional Surveyor JASON C. EDWARDS Certificate Number 15269
	23		
	5379.00'		

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 March 4, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-045-33320

5. Indicate Type of Lease Federal STATE FEE

6. State Oil & Gas Lease No.
 Federal NM-36952

7. Lease Name or Unit Agreement Name
 Flo Jo SWD

8. Well Number
 8

9. OGRID Number
 006515

10. Pool name or Wildcat
 Entrada Salt Water Disposal

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other Salt Water Disposal Well

2. Name of Operator
 Dugan Production Corp.

3. Address of Operator
 709 East Murray Drive, Farmington, NM

4. Well Location
 Unit Letter A : 650' feet from the north line and 915' feet from the east line
 Section 23 Township 23N Range 11W NMPM County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 GL-6374'

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL A Sect 23 Twp 23N Rng 11W Pit type Drilling Depth to Groundwater 500' Distance from nearest fresh water well >1000'

Distance from nearest surface water 700' Below-grade Tank Location UL Sect Twp Rng ;
 feet from the line and feet from the line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

- PERFORM REMEDIAL WORK PLUG AND ABANDON
 TEMPORARILY ABANDON CHANGE PLANS
 PULL OR ALTER CASING MULTIPLE COMPLETION

SUBSEQUENT REPORT OF:

- REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS. PLUG AND ABANDONMENT
 CASING TEST AND CEMENT JOB

OTHER: Reserve pit for drilling (unlined)

OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion. 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 Entrada will be completed for salt water disposal.

Federal lease, pits will be unlined and constructed and abandoned as per BLM and NMOCD guidelines.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Kurt Fagrelius TITLE Geology DATE 8-23-05
 Type or print name Kurt Fagrelius E-mail address: kfagrelius@duganproduction.com
 Telephone No. 325-1821

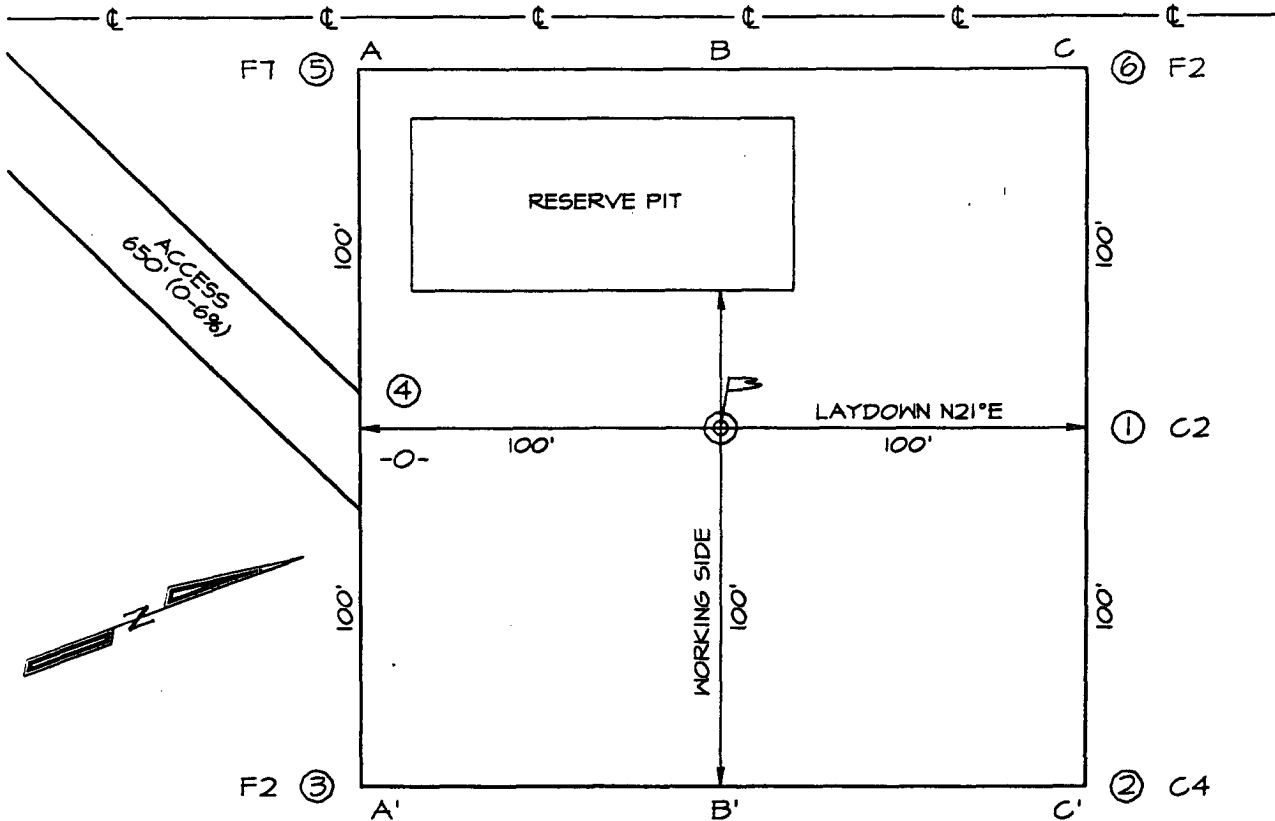
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APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 4 DATE SEP 29 2005
 Conditions of approval, if any:

**DUGAN PRODUCTION CORPORATION FLO JO SWD #8
650' FNL, 915' FEL, SECTION 23, T23N, R11W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6374'**

PLAT 3.

DUGAN PRODUCTION HOPSING #1 PRELIMINARY PIPELINE SURVEY



**LATITUDE: 36°13'03"
LONGITUDE: 107°58'03"
DATUM: NAD1927**

PLAT NOTE:
SURFACE OWNER
Bureau of Land
Management

A-A'					
6384'					
6374'					
6364'					

B-B'					
6384'					
6374'					
6364'					

C-C'					
6384'					
6374'					
6364'					

EXHIBIT B
OPERATIONS PLAN
 Flo Jo SWD #8

APPROXIMATE FORMATION TOPS:

Fruitland	Surface	Greenhorn	7817'
Pictured Cliffs	490'	Graneros	4855'
Lewis	600'	Dakota	1915'
Cliff House	1240'	Morrison	5190'
Menefee	1380'	Bluff	5760'
Point Lookout	2920'	Todilto	6101'
Mancos	3051'	Entrada	6125'
Gallup	3965'	Total Depth	6340'
Skelly	3940'		

LOGGING PROGRAM:

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

CASING PROGRAM:

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	320'	J-55
7"	5-1/2"	15.5#	5200'	K-55
7"	5-1/2"	17#	6340'	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 5200') and 5-1/2", 17# (5200' to 6340') 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:

Surface: Cement to surface with 200 cf Class B + 2% CaCl₂. Circulate to surface.

Production Stage-Cement with 1050 cf 2%Lodense with 1/4# celloflake/sx followed by 550 cf Class "B" with 1/4# 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 (H)
320-8247 (M)

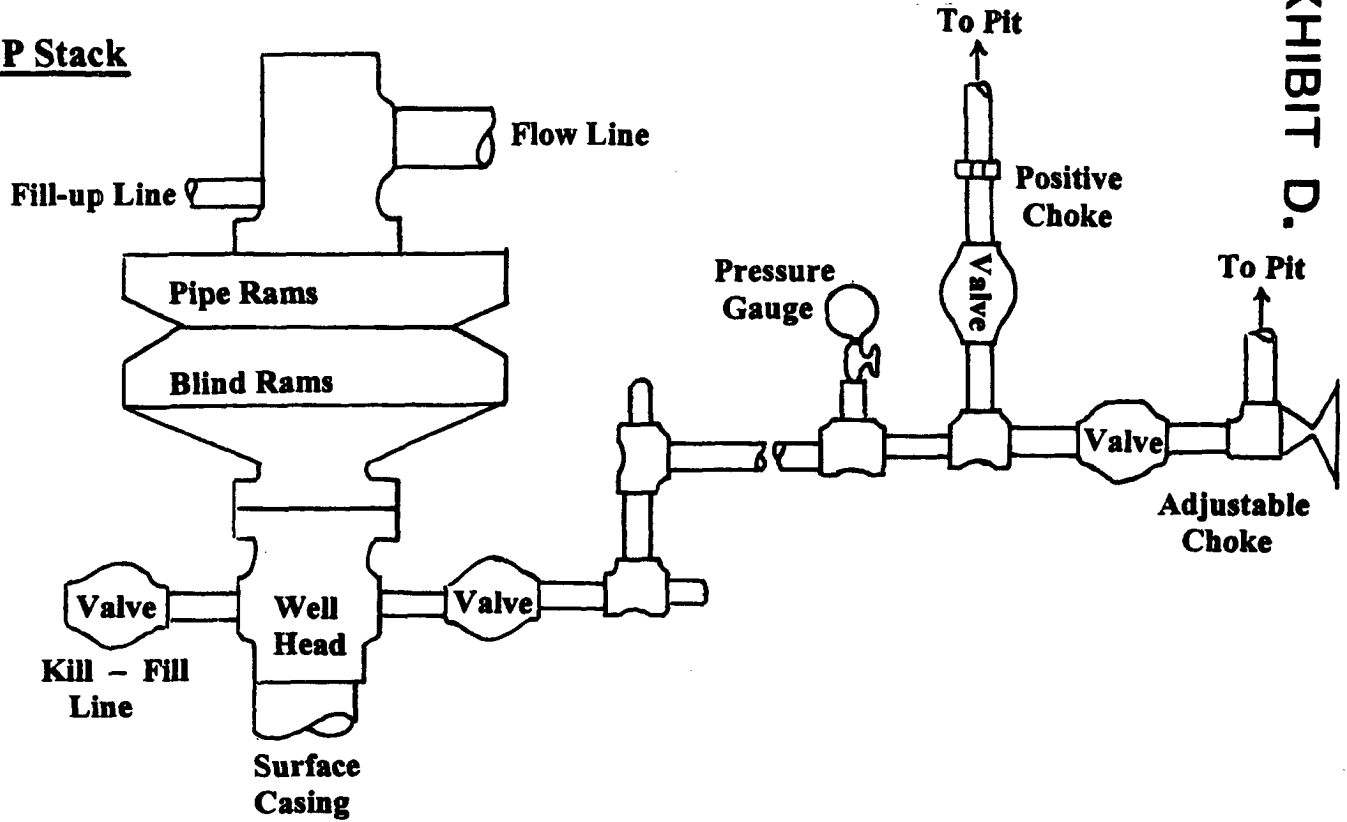
Kurt Fagrelius 325-4327 (H)
320-8248 (M)

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

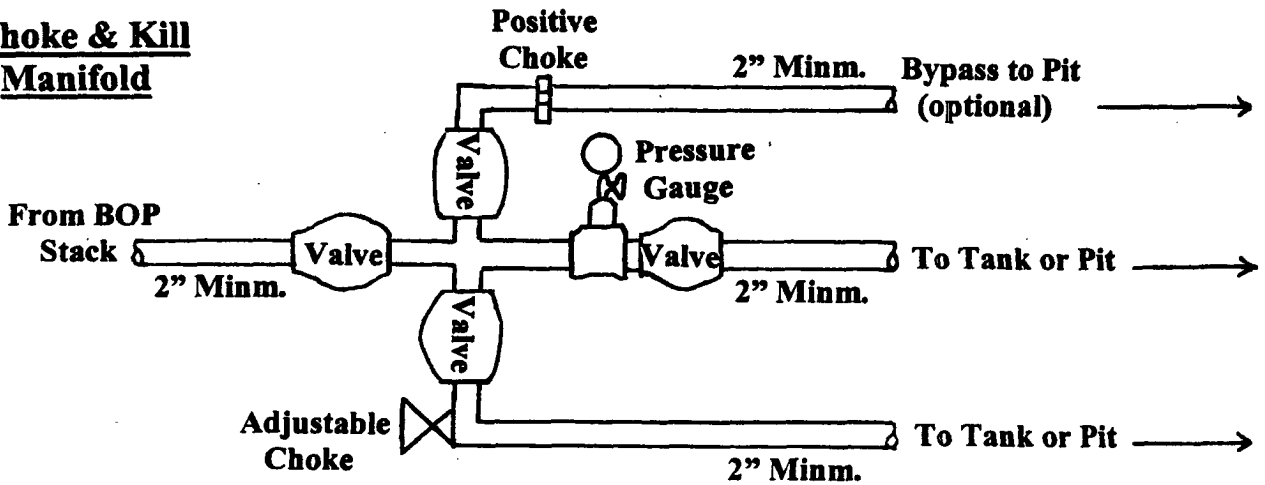
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



Working Pressure for all equipment is 2,000 psi or greater

**DUGAN PRODUCTION CORP.
FLO JO SWD #8**