

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

|  |   |  |
|--|---|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER   |   | 5. Lease Serial No.<br>NM-96800  |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone |   | 6. If Indian, Allottee or Tribe Name                                   |
| 2. Name of Operator<br>Dugan Production Corp.  |   | 7. If Unit or CA Agreement, Name and No.                               |
| 3a. Address 709 East Murray Drive, Farmington, NM 87401  |   | 8. Lease Name and Well No.<br>Hoss #92                                 |
| 3b. Phone No. (include area code)<br>505-325-1821  |   | 9. API Well No.<br>30-045-33068  |
| 4. Location of Well (Report location clearly and in accordance with any State requirements)<br>At surface 990' FSL and 1980' FWL<br>At proposed prod. zone Same as above   |   | 10. Field and Pool, or Exploratory<br>Basin Fruitland Coal             |
| 14. Distance in miles and direction from nearest town or post office<br>Approx. 13-miles SW of Blanco Trading Post, NM   |   | 11. Sec., T. R. M. or Blk. and Survey or Area<br>N Sec. 22, T23N, R11W |
| 15. Distance from proposed location to nearest property or lease line, ft.<br>(Also to nearest drig. unit line, if any)<br>990'  | 16. No. of acres in lease<br>1200 Ac.             | 17. Spacing Unit dedicated to this well<br>W/2-320 Acres               |
| 18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.<br>Approx. 2400'   | 19. Proposed Depth<br>600'                        | 20. BLM/BIA Bond No. on file   |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br>GL-6253'  | 22. Approximate date work will start<br>7/10/2005 | 23. Estimated duration<br>3-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 (see item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

|  |                                       |                   |
|--|---------------------------------------|-------------------|
| 25. Signature<br><i>Kurt Fagrelus</i>        | Name (Printed/Typed)<br>Kurt Fagrelus | Date<br>4/28/2005 |
| Title<br>Geology                             |                                       |                   |
| Approved by (Signature)<br><i>D. Mankeep</i> | Name (Printed/Typed)                  | Date<br>10/28/05  |
| Title<br>AFM                                 | Office<br>FFO                         |                   |

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. The Fruitland Coal will be completed from approximately 350' - 400'. The interval will be fractured.

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

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

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-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<br><b>30-045-33068</b> |   | *Pool Code<br><b>71629</b> | *Pool Name<br><b>BASIN FRUITLAND COAL</b> |
| *Property Code<br><b>18998</b>     | *Property Name<br><b>HOSS</b>                         |                            | *Well Number<br><b>92</b>                 |
| *GRID No.<br><b>006515</b>         | *Operator Name<br><b>DUGAN PRODUCTION CORPORATION</b> |                            | *Elevation<br><b>6253'</b>                |

<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   |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| N             | 22      | 23N      | 11W   |         | 990           | SOUTH            | 1980          | 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<br><b>320.0 Acres - (W/2)</b> | <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

|   |  |
|---|--|
| <div><p><sup>16</sup> <b>DUGAN NM-96800</b></p><p>5379.66'</p><p>5255.58'</p><p>1980'</p><p>990'</p><p>5415.30'</p><p>22</p><p>RECEIVED<br/>OIL CONSERVATION DIVISION<br/>MAY 8 17 2005</p></div> | <div><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 Fagrelis</i></p><p>Signature</p><p>Kurt Fagrelis</p><p>Printed Name</p><p>Geology</p><p>Title</p><p>4/28/2005</p><p>Date</p></div>   |
|   | <div><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: JANUARY 6, 2005</p><p>Signature and Seal of Professional Surveyor</p><div><p><b>JASON C. EDWARDS</b></p><p>REGISTERED PROFESSIONAL SURVEYOR</p><p>NEW MEXICO</p><p>15269</p></div><p><i>Jason C. Edwards</i></p><p>Certificate Number 15269</p></div> |

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.<br><b>30-045-33008</b>   |
| 5. Indicate Type of Lease<br>STATE <input type="checkbox"/> FEE <input type="checkbox"/> Fed. <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No.<br>Federal NM-96800  |
| 7. Lease Name or Unit Agreement Name<br>Hoss  |
| 8. Well Number<br>92  |
| 9. OGRID Number<br>006515   |
| 10. Pool name or Wildcat<br>Basin Fruitland Coal  |

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:<br>Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other   |
| 2. Name of Operator<br>Dugan Production Corp.  |
| 3. Address of Operator<br>709 East Murray Drive, Farmington, New Mexico 87401  |
| 4. Well Location<br>Unit Letter <u>N</u> : <u>990'</u> feet from the <u>south</u> line and <u>1980'</u> feet from the <u>west</u> line<br>Section <u>22</u> Township <u>23N</u> Range <u>11W</u> NMPM County <u>San Juan</u> |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.)<br>6253'-GL   |

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached) >100'

Pit Location: UL N Sect 22 Twp 23N Rng 11W Pit type Drilling Depth to Groundwater 400' Distance from nearest fresh water well >1000'

Distance from nearest surface water 850' 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 <input type="checkbox"/>                             | PLUG AND ABANDON <input type="checkbox"/>    |
| TEMPORARILY ABANDON <input type="checkbox"/>                               | CHANGE PLANS <input type="checkbox"/>        |
| PULL OR ALTER CASING <input type="checkbox"/>                              | MULTIPLE COMPLETION <input type="checkbox"/> |
| OTHER: Reserve pit for drilling, lined <input checked="" type="checkbox"/> |  |

SUBSEQUENT REPORT OF:

|   |   |
|---|---|
| REMEDIAL WORK <input type="checkbox"/>              | ALTERING CASING <input type="checkbox"/>      |
| COMMENCE DRILLING OPNS. <input type="checkbox"/>    | PLUG AND ABANDONMENT <input type="checkbox"/> |
| CASING TEST AND CEMENT JOB <input type="checkbox"/> |   |
| OTHER: <input type="checkbox"/>                     |   |

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 reserve pit will be lined with an impervious material and be abandoned as per BLM conditions of approval, following completion of the well.

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 NMOC guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

Federal lease, pits will be constructed and abandoned as per BLM conditions of approval.

SIGNATURE Kurt Fagrelius TITLE Geologist DATE 4/29/2005

Type or print name Kurt Fagrelius

E-mail address: kfagrelius@duganproduction.com Telephone No. 505-325-1821

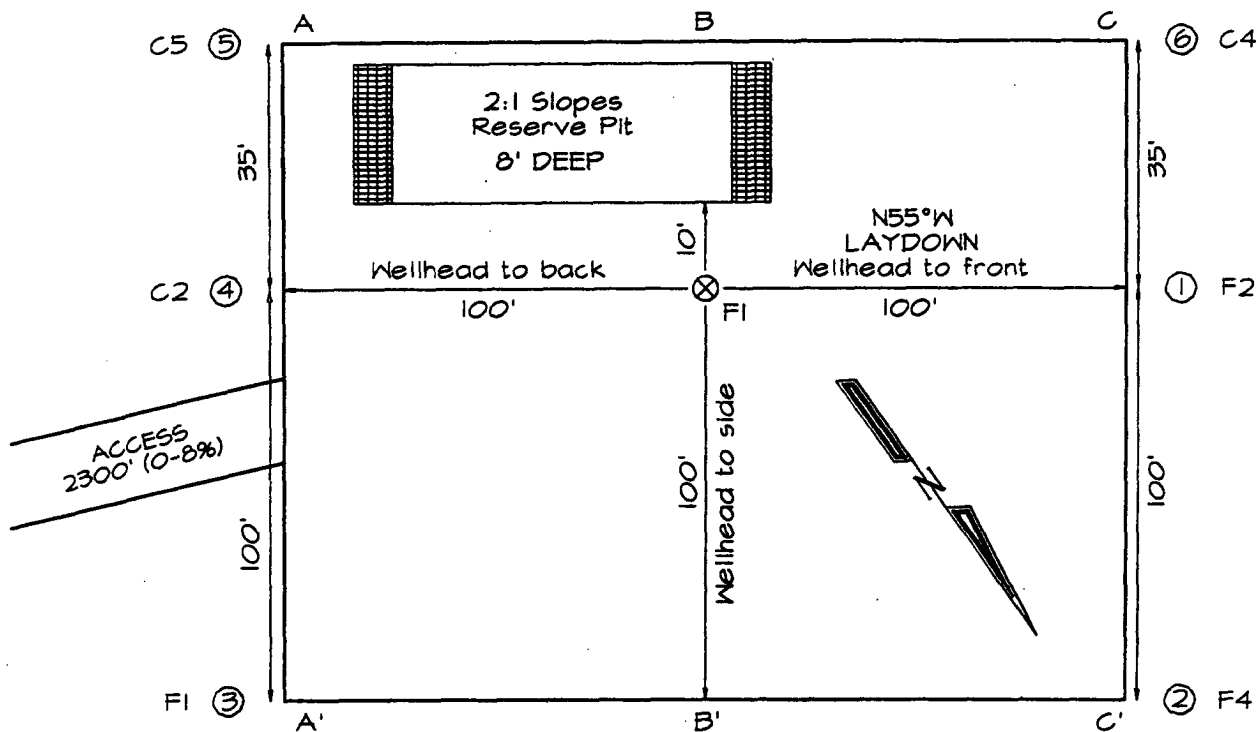
(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 4 DATE NOV 02 2005  
Conditions of approval, if any: Comply with NMOC rule 60 and guidelines

**DUGAN PRODUCTION CORPORATION HOSS #92  
990' FSL & 1980' FWL, SECTION 22, T23N, R11W, NMPM  
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6253'**

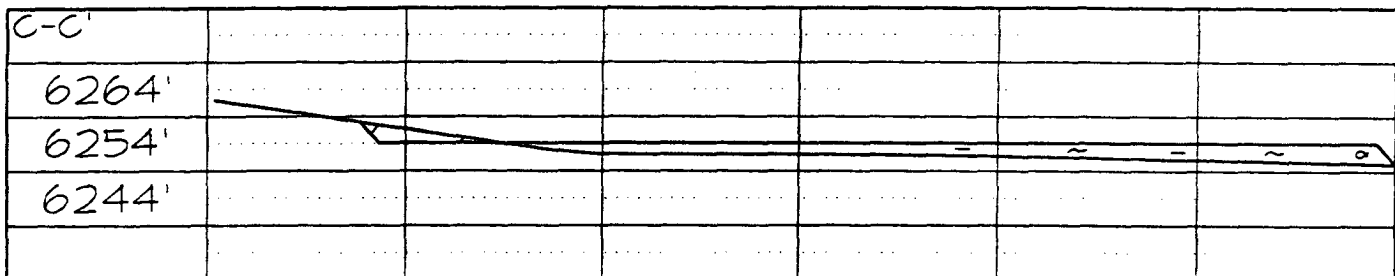
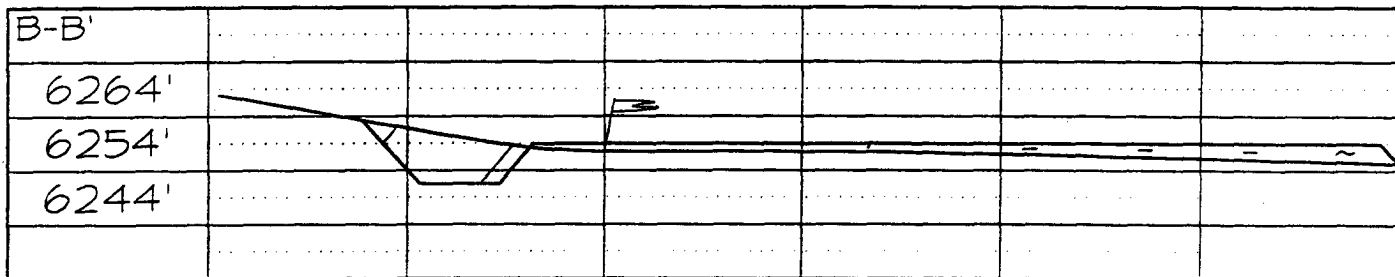
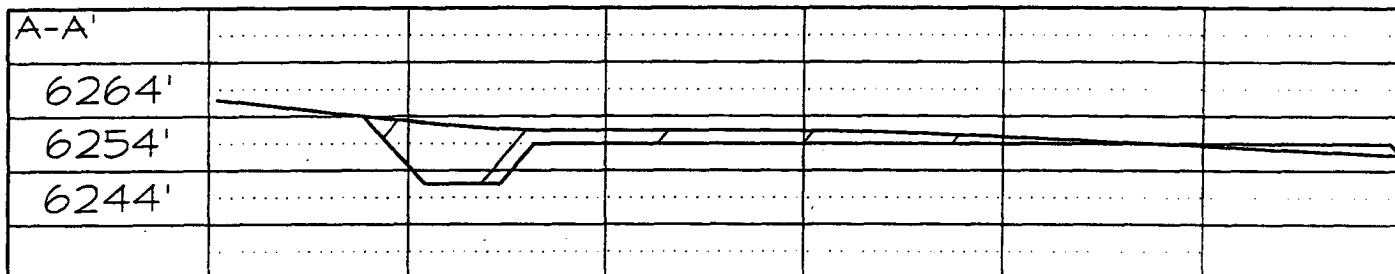
**PLAT 3.**

**LATITUDE: 36°12'29"  
LONGITUDE: 107°59'41"  
DATUM: NAD1927**



PLAT NOTE:

\*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

**EXHIBIT B**  
**OPERATIONS PLAN**

Hoss #92

**APPROXIMATE FORMATION TOPS:**

|            |         |                    |             |
|------------|---------|--------------------|-------------|
| Kirtland . | Surface | Pictured Cliffs    | 400'        |
| Fruitland  | 80'     | <b>Total Depth</b> | <b>600'</b> |

Catch samples every 10 feet from 300 feet to 600 feet.

**LOGGING PROGRAM:**

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

**CASING PROGRAM:**

| <u>Hole</u><br><u>Size</u> | <u>Casing</u><br><u>Size</u> | <u>Wt./ft.</u> | <u>Setting</u><br><u>Depth</u> | <u>Grade and</u><br><u>Condition</u> |
|----------------------------|------------------------------|----------------|--------------------------------|--------------------------------------|
| 12-1/4"                    | 8-5/8"                       | 24#            | 120'                           | J-55                                 |
| 7"                         | 5-1/2"                       | 14#            | 600'                           | J-55                                 |

Plan to drill a 12-1/4" hole and set 120' of 8-5/8" OD, 24#, J-55 surface casing. Then plan to drill a 7" hole to total depth with gel-water mud program to test the Fruitland Coal. 5-1/2", 14#, 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 60 cf 2%Lodense with  
1/4# celloflake/sx followed by 40 cf Class "B" with  
1/4# celloflake/sx.  
Total cement slurry for production stage is 100 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.

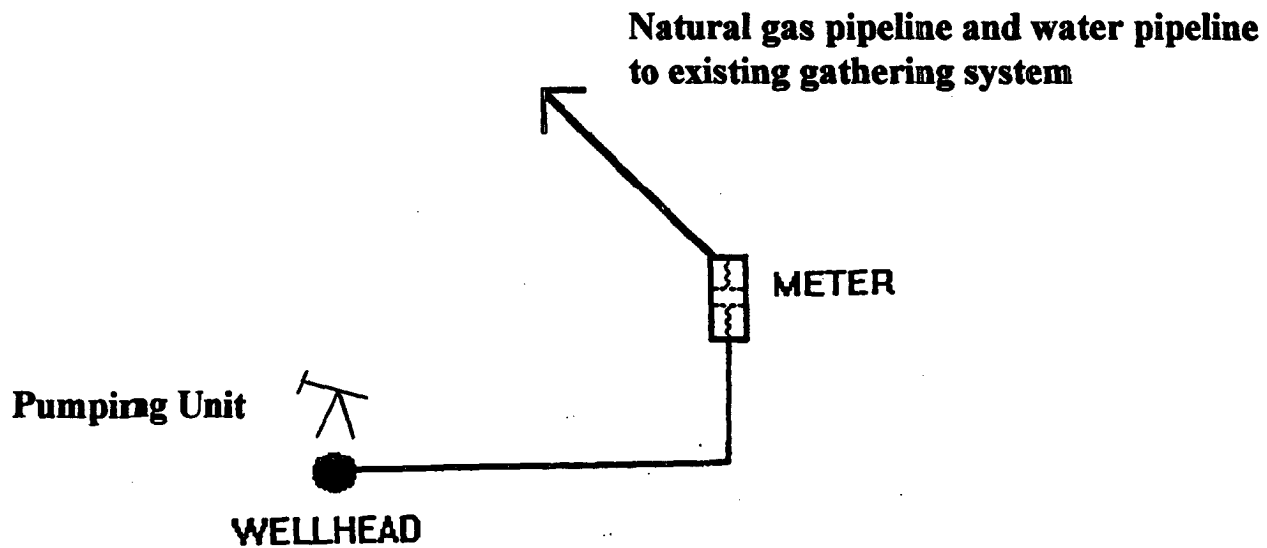
**Contacts:**

Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

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

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

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



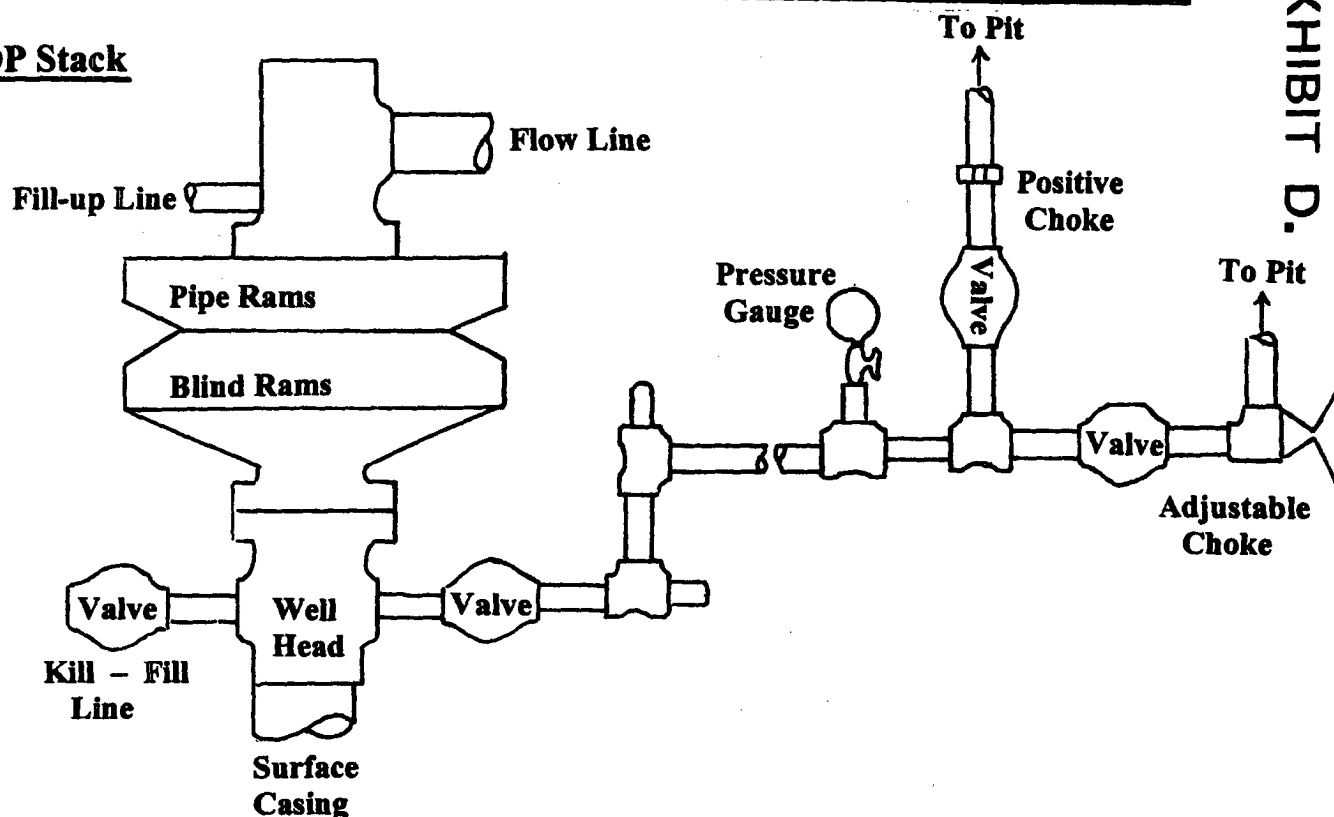
**Anticipated Production Facilities**

**DUGAN PRODUCTION CORP.**  
**HOSS #92**

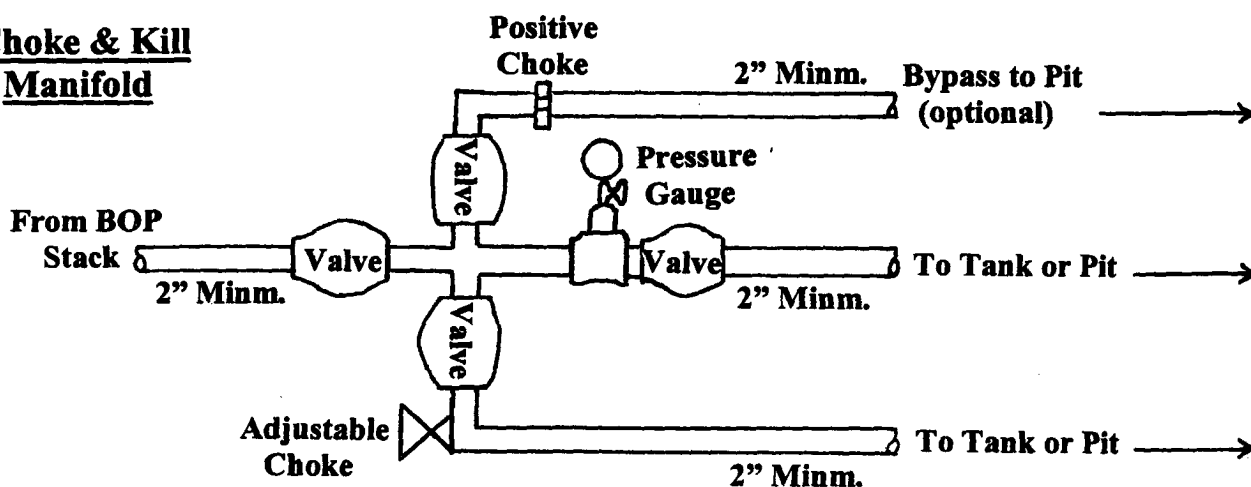
# Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

## BOP Stack



## Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.  
HOSS #92