

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. NM-4958
1b. Type of Well: <input checked="" 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 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. April Surprise #89
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-045-33101
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 1500' FSL and 1600' FEL Lat 36.1602 At proposed prod. zone Same as above Long 107.4934		10. Field and Pool, or Exploratory Bisti Gallup South
11. Sec., T. R. M. or Bk. and Survey or Area J Sect. 31, T24N, R9W		12. County or Parish San Juan
13. State NM		
14. Distance in miles and direction from nearest town or post office Approx. 40-miles SE of Farmington, NM	15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1500'	16. No. of acres in lease 1721.01
17. Spacing Unit dedicated to this well 80-Acres, W2/SEA	18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. Approx 2600'	19. Proposed Depth 5050'
20. BLM/BIA Bond No. on file	21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6771	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:

- 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 on file (see item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Kurt Fagrelus</i>	Name (Printed/Typed) Kurt Fagrelus	Date May 19, 2005
Title Geology		
Approved by (Signature) <i>D. Manton</i>	Name (Printed/Typed) D. Manton	Date 11/4/05
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. The Gallup Sandstone will be completed from approximately 4550' - 4900'. The interval will be fracture stimulated.

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

NMOC

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

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-1
Revised February 21, 19
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 30-045-33101		*Pool Code 5860	*Pool Name BISTI, S-GALLUP (O)
*Property Code 3579	*Property Name APRIL SURPRISE		*Well Number 9
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6771'

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
J	31	24N	9W		1500	SOUTH	1600	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 80.0 ACRES - W/2 SE/4	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

¹⁶ 1330.56' LOT 1 1320.00' 2640.66'	<div style="text-align: center;">31 DUGAN NM-4958</div> <div style="text-align: center;">1600'</div> <div style="text-align: center;">1500'</div> <div style="text-align: center;">2653.20'</div>	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 Fagrelus</i> Signature Kurt Fagrelus Printed Name Geology Title May 18, 2005 Date
2625.48'		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: MAY 4, 2005 Signature and Seal of Professional Surveyor
5284.62'		<div style="text-align: center;"> JASON C. EDWARDS Certificate Number 15269</div>
1335.84' LOT 2 LOT 3 LOT 4 1308.78'		

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
May 27, 2004

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

WELL API NO. 30-045-33101	
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> Fed. <input checked="" type="checkbox"/>	
6. State Oil & Gas Lease No. Federal NM-4958	
7. Lease Name or Unit Agreement Name April Surprise	
8. Well Number #8	
9. OGRID Number 006515	
10. Pool name or Wildcat Bisti Gallup South	

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6771

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type Drilling Depth to Groundwater 500' Distance from nearest fresh water well 1-Mi. Distance from nearest surface water 500'

Pit Liner Thickness: none mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

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 ☐

2. Name of Operator
Dugan Production Corp.

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

4. Well Location
Unit Letter J : 1500 feet from the south line and 1600 feet from the east line
Section 31 Township 24N Range 9W NMPM County San Juan

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Reserve pit for drilling, un-lined <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 not be lined and will be constructed and abandoned as per BLM conditions of approval, following completion of the well.

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

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 Fagundes TITLE Geology DATE 5-19-2005

Type or print name
For State Use Only

E-mail address:

Telephone No.

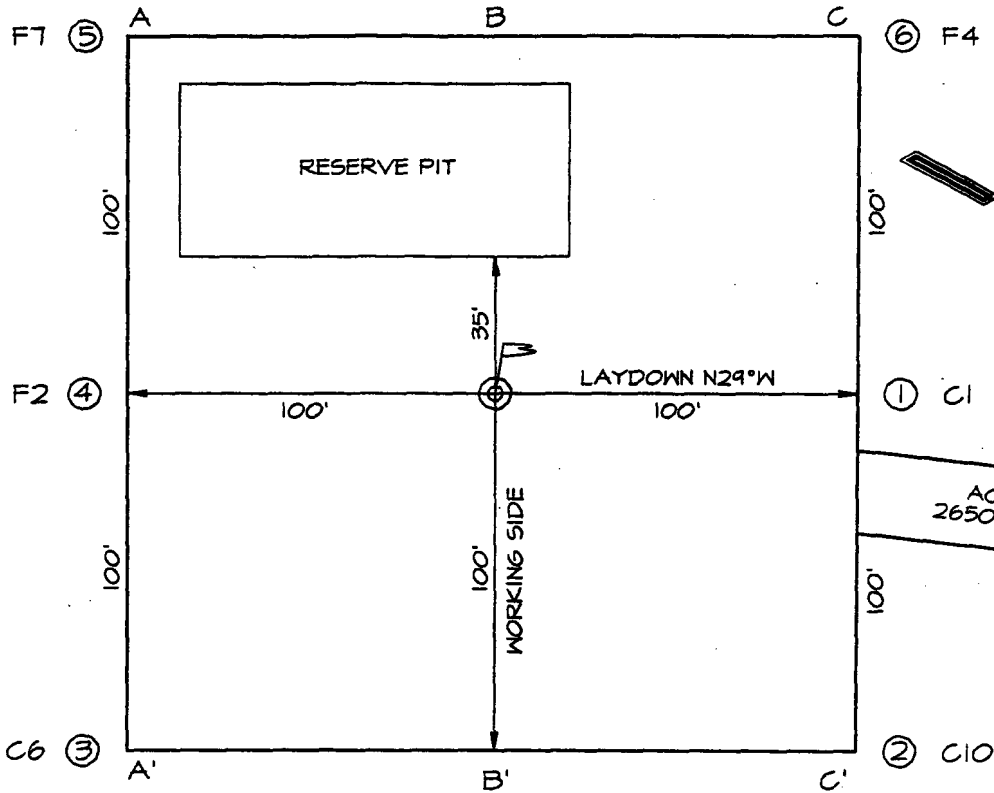
APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. IV DATE NOV 07 2005
Conditions of Approval (if any): NMOCD Rule 50 and pit guidelines shall be followed

DUGAN PRODUCTION CORPORATION APRIL SURPRISE #8
1500' FSL, 1600' FEL, SECTION 31, T24N, R9W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6771'

LATITUDE: 36°16'02"
LONGITUDE: 107°49'34"
 DATUM: NAD1927

PLAT NOTE:

SURFACE OWNER
 Bureau of Land
 Management



A-A'						
6781'						
6771'						
6761'						

B-B'						
6781'						
6771'						
6761'						

C-C'						
6781'						
6771'						
6761'						

EXHIBIT B
OPERATIONS PLAN
April Surprise #8

APPROXIMATE FORMATION TOPS:

Ojo Alamo	500'	Cliff House	1935'
Kirtland	650'	Menefee	2560'
Fruitland	920'	Point Lookout	3655'
Pictured Cliffs	1245'	Mancos	3805'
Lewis	1400'	Gallup	4495'
		Total Depth	5050'

Catch samples every 10 feet from 4550 feet to total depth.

LOGGING PROGRAM:

IES and CDL logs will be run from total depth to surface.

CASING PROGRAM:

<u>Hole</u> <u>Size</u>	<u>Casing</u> <u>Size</u>	<u>Wt./ft.</u>	<u>Setting</u> <u>Depth</u>	<u>Grade and</u> <u>Condition</u>
12-1/4	8-5/8	24#	200	J-55
7-7/8	4-1/2	10.5#	5,050	J-55

Plan to drill a 12-1/4" hole and set 200' of 8-5/8" OD, 24#, J-55 surface casing. Then plan to drill a 7-7/8" hole to total depth with gel-water mud program to test Gallup Formation. Plan to run IES and CDL logs. If determined productive, will run 4-1/2", 10.5#, J-55 production casing, selectively perforate, frac, clean out after frac and complete well.

CEMENTING PROGRAM:

Surface Cement to surface with 125 cf Class B + 2% CaCl₂.
Circulate to surface.

1st Stage Cement with 265 sx 50/50 "B" Poz with 2% gel + 1/4# flocele/sk (300 cf).
Total cement slurry for 1st state is 335 cf.
Projected top for 1st stage is 3900'.

2nd Stage Cement with 590 sx 65/35 "B" Poz with 12% gel + 1/4# flocele/sk (1200 cf) followed by 50 sx 50/50 "B" Poz with 2% gel + 1/4# flocele/sk (100 cf).
Circulate to surface.
Total cement slurry for 2nd stage is 1300 cf.
Total cement for both stages is 1635 cf.

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:

Casinghead 8-5/8" X 4-1/2" 2000# WP-screwed wellhead.
Tubinghead 4-1/2" X 2-3/8" 2000#WP-screwed wellhead.

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:

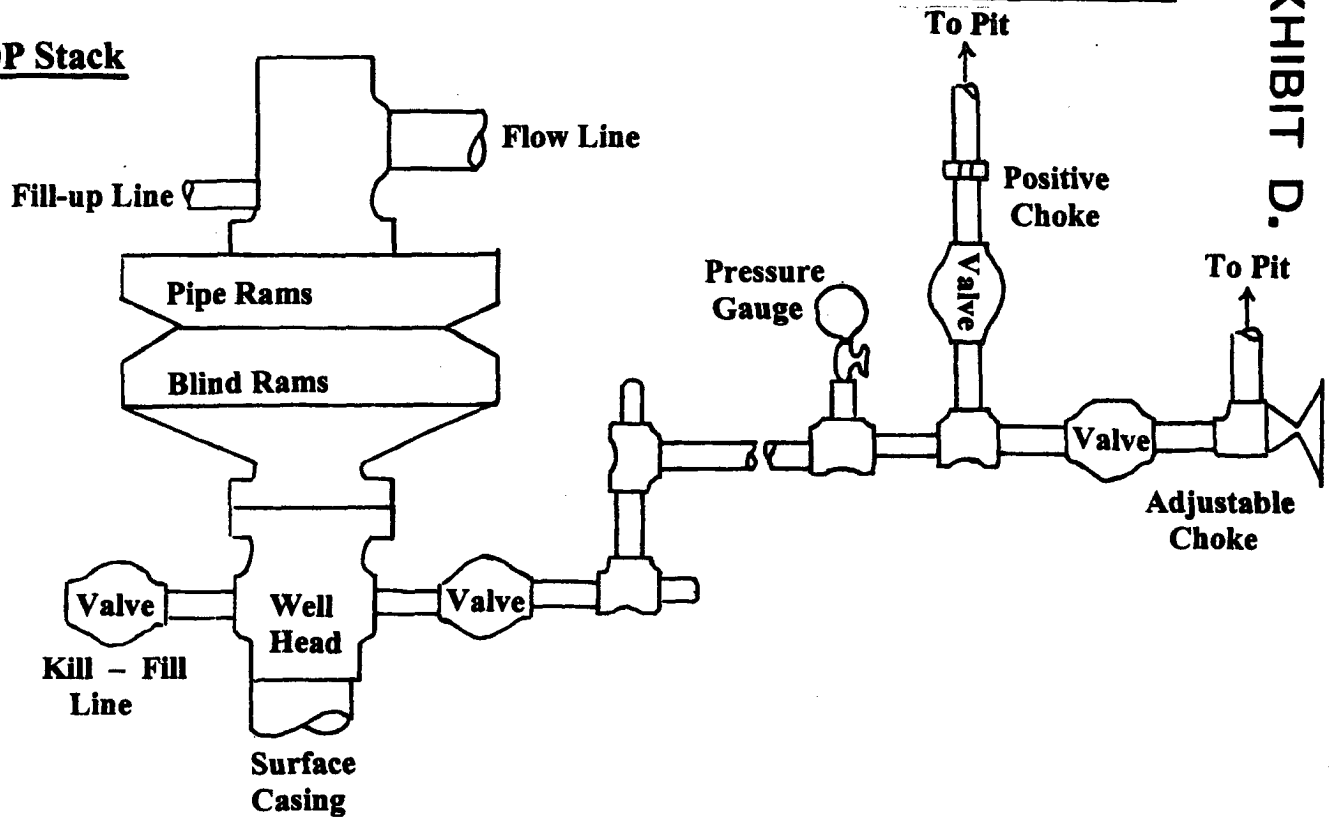
Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

Mark Brown	327-3632 (H)
	320-8247 (M)
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)
John Alexander	325-6927 (H)
	320-1935 (M)

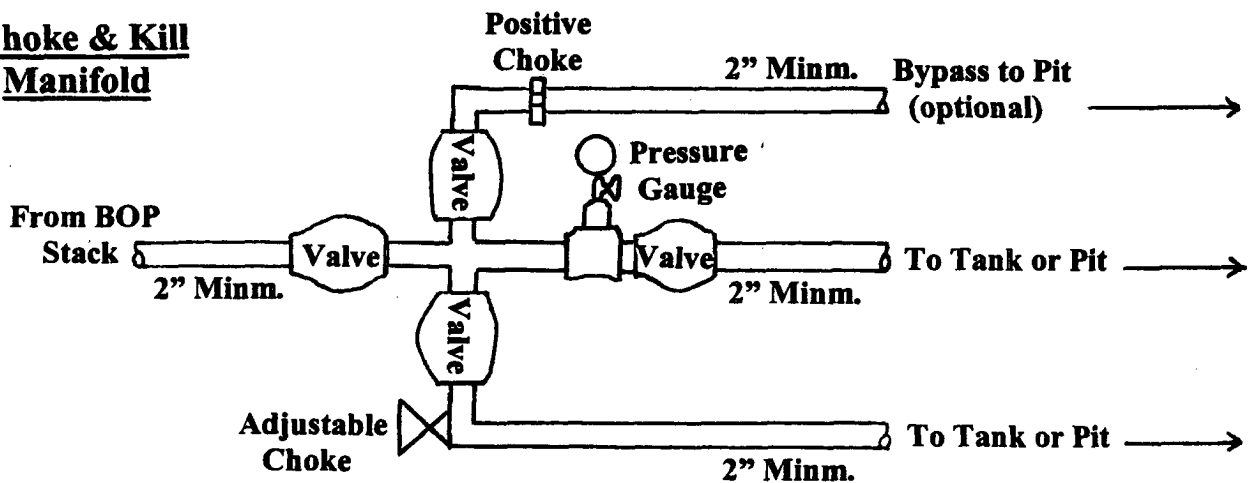
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
APRIL SURPRISE #8