

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-096799**

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
Ponderosa Com #90

9. API Well No.
30-045- 33346

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T., R., M., or Blk. and Survey or Area
L Sec. 18, T23N, R10W

12. County or Parish
San Juan

13. State
NM

17. Spacing Unit dedicated to this well
320.08 acres, ^W/₁₂

20. BLM/BIA Bond No. on file
On file

23. Estimated duration
3-days

1a. Type of Work: ☒ DRILL ☐ REENTER

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

2. Name of Operator
DUGAN PRODUCTION CORP.
Contact: **KURT FAGRELIUS**
E-Mail: **kfagrelus@duganproduction.com**

3a. Address
**709 EAST MURRAY DRIVE
FARMINGTON, NM 87401**

3b. Phone No. (include area code)
Ph: **505.325.1821**
Fx: **505.327.4613**

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface 1500' FSL & 1200' FWL, Lat. 36.1324, Long. 107.5632
At proposed prod. zone Same as above

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

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
1200 Feet

16. No. of Acres in Lease
640.52 Acres

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.
Approx. 2700 Feet

19. Proposed Depth
870 Feet

21. Elevations (Show whether DF, KB, RT, GL, etc.)
GL-6503 Feet

22. Approximate date work will start
ASAP

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 **Kurt Fagrelus** Name (Printed/Typed) **KURT FAGRELIUS** Date **9-21-05**

Title **GEOLOGIST**

Approved by (Signature) **[Signature]** Name (Printed/Typed) **[Name]** Date **2/22/06**

Title **AFM** Office **PFO**

Application approval does not warrant or certify 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.

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 690' - 718'. The interval will be fractured.

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

NMOCB
8

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

District II
PO Drawer 00, 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-122
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

2005 SEP 22 AM 10 37 ☐ AMENDED REPORT

RECEIVED
WELL LOCATION AND ACREAGE DEDICATION PLAT
070 FARMINGTON NM

API Number 30-045-33346	Pool Code 71629	Pool Name BASIN FRUITLAND COAL
Property Code 35457	Property Name PONDEROSA COM	Well Number 90
GRID No. 006515	Operator Name DUGAN PRODUCTION CORPORATION	Elevation 6503'


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
L	18	23N	10W	3	1500	SOUTH	1200	WEST	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 320.08 ACRES - (W/2)					¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

¹⁶ 1317.36' DUGAN NM-86485 LOT 1 5266.14'	2647.26'	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 9-21-05 Date
LOT 2 5258.22'		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 18, 2005 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269
DUGAN NM-96799 LOT 3 1200'	18	
LOT 4 1500'	1337.82'	1337.49'
1345.74'		1337.49'

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- 33346

5. Indicate Type of Lease Federal XX
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
Federal NM-96799

7. Lease Name or Unit Agreement Name
Ponderosa Com

8. Well Number
90

9. OGRID Number
006515

10. Pool name or Wildcat
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:
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 L : 1500 feet from the south line and 1200 feet from the west line
Section 18 Township 23N Range 10W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
G.L. 6503'

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

Pit Location: UL L Sect 18 Twp 23N Rng 10W Pit type Drilling Depth to Groundwater 690' Distance from nearest fresh water well >1000'

Distance from nearest surface water 800' 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 ☐

OTHER: Reserve pit for drilling (lined) ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

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.

Water based gel-mud will be used to drill surface and production casing hole. Standard 2,000 psi BOP will be used to drill productio hole. The Fruitland Coal will be completed from approximately 690' - 718'. The interval will be fractured.

Federal lease, pits will be 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 TITLE Geology DATE 9-21-05

Type or print name Kurt Fagrelus E-mail address: Telephone No. 325-1821

(This space for State use)

APPROVED BY TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 4 DATE FEB 24 2006
Conditions of approval, if any:

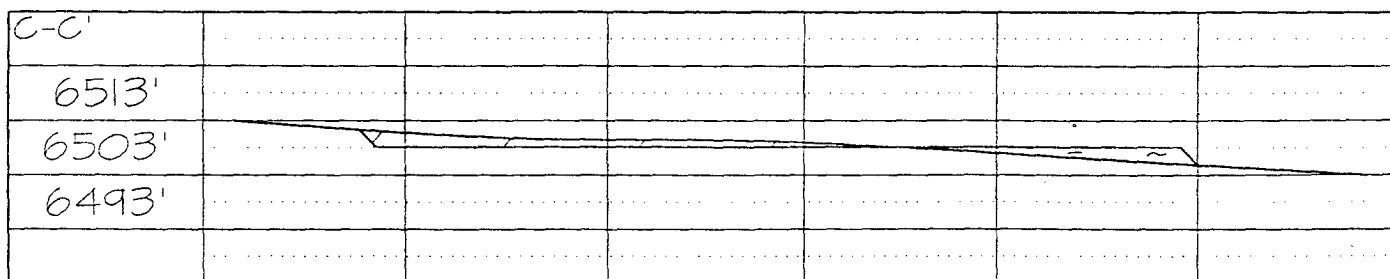
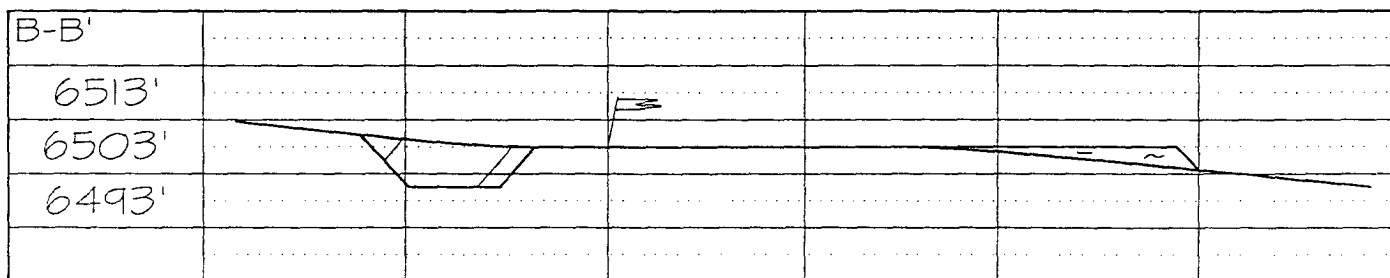
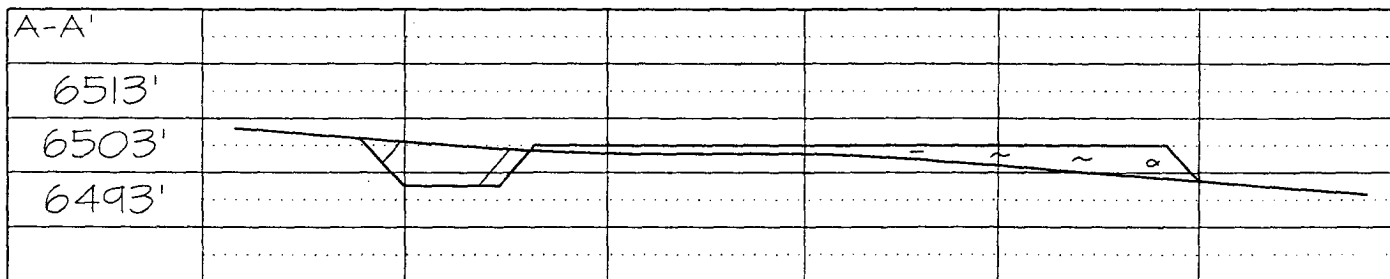
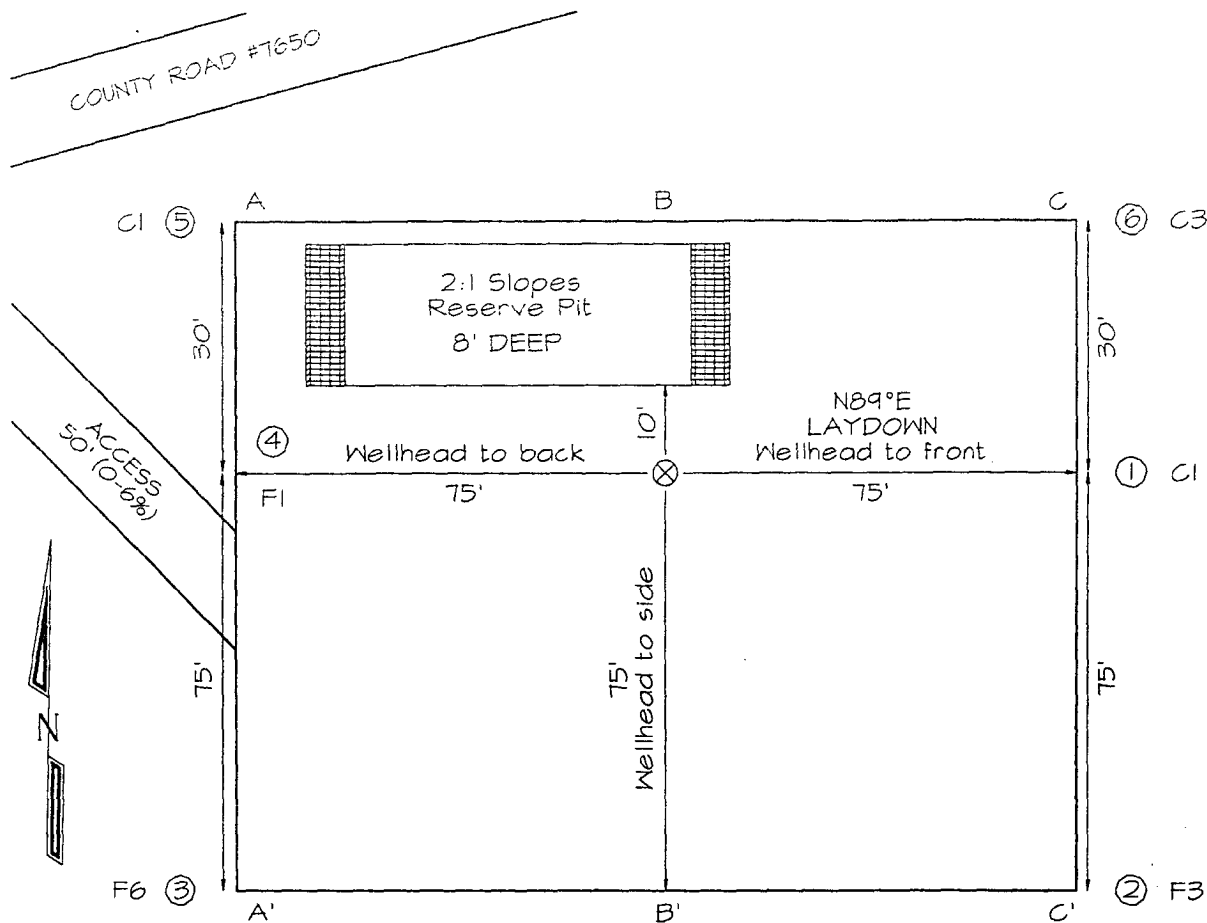
DUGAN PRODUCTION CORPORATION PONDEROSA COM #90
 1500' FSL & 1200' FWL, SECTION 18, T23N, R10W, NMPM
 SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6503'

PLAT 3.

LATITUDE: 36°13'24"
 LONGITUDE: 107°56'32"
 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
Ponderosa Com #90

APPROXIMATE FORMATION TOPS:

Kirtland	Surface	Pictured Cliffs	718'
Fruitland	320'	Total Depth	870'

Catch samples every 10 feet from 650 feet to TD.

LOGGING PROGRAM:

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

CASING PROGRAM:

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	870'	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% CaCl₂.
Circulate to surface.

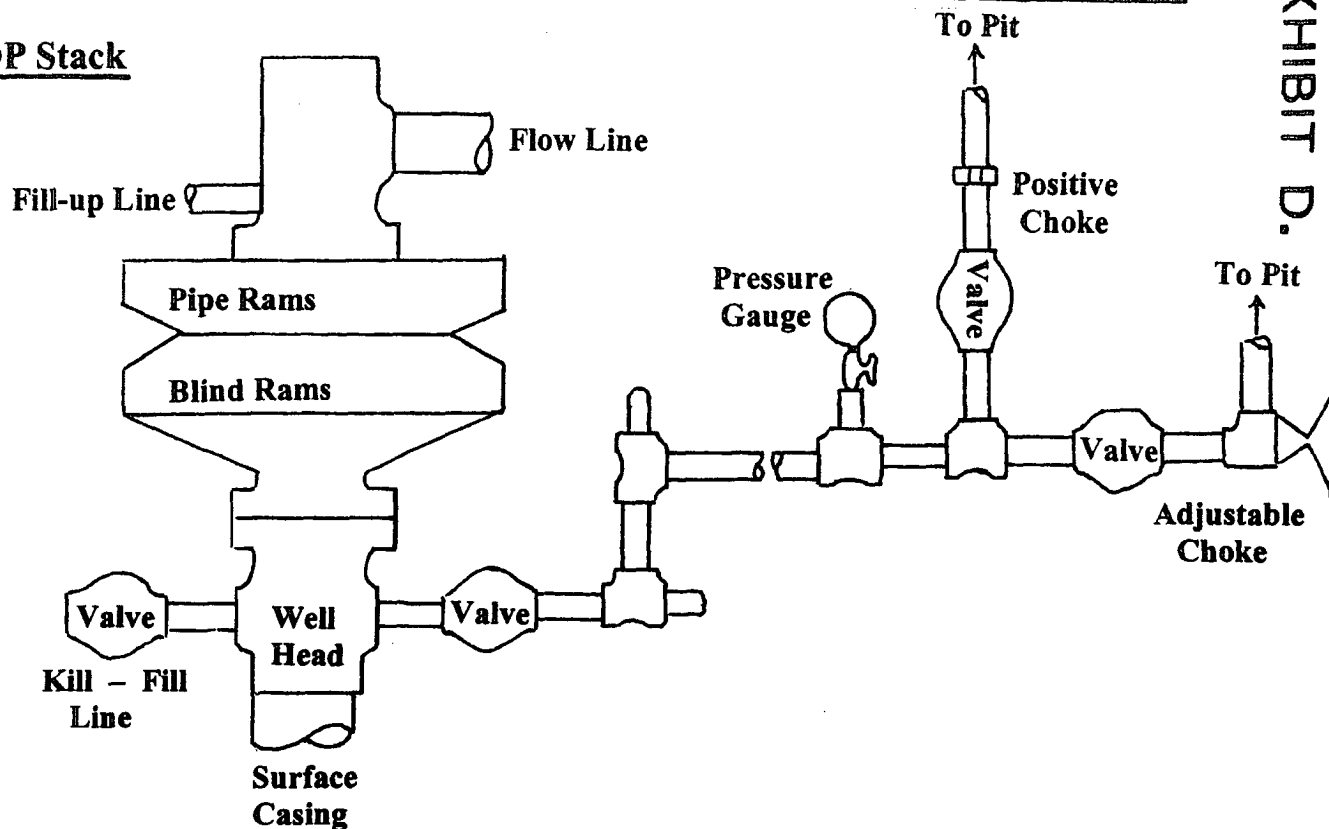
Production Stage-Cement with 60 cf 2%Lodense with
1/4# celloflake/sx followed by 40 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 100 cf.
Circulate cement to surface.

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

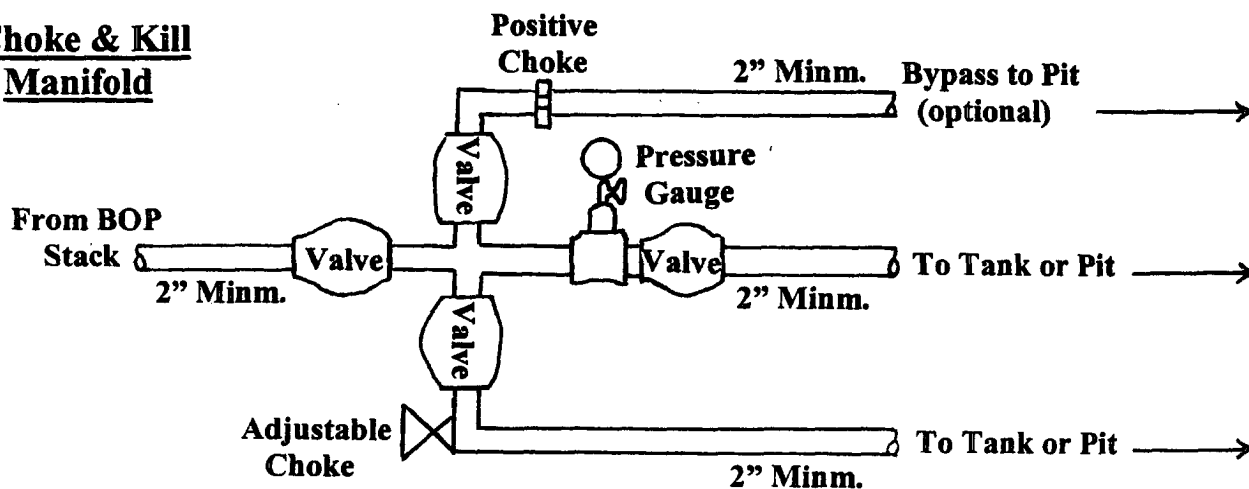
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
PONDEROSA COM #90

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)