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Form 3160-5 (June 2015)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APR 13 2017

FORM APPROVED OMB No. 1004-0137 Expires: January 31, 2018

5. Lease Serial No. State Lease VA-2965

SUNDRY NOTICES AND REPORTS ON THE LILLS ON Fie	ld Office
Do not use this form for proposals to drill or to referrer a	anageme

1 Toma of Wall	SUBMIT IN TRIPLICATE - Other instructions on page 2		7. If Unit of CA/Agreement, Name and/or No. PGA Unit - NMNM128992X	
1. Type of Well ☐ Oil Well ☐ Gas Well ☐ Other				
		8. Well Name and No. PGA 2 #2		
2. Name of Operator Dugan Product	Name of Operator Dugan Production Corp. 9. API Well No. 30-045-34733		9. API Well No. 30-045-34733	
a. Address 709 East Murray Drive, Farmington, NM 87401 3b. Phone No. (include area code)		o. (include area code)	10. Field and Pool or Exploratory Area	
	(505) 325-1	821	Basin Fruitland Coal	
4. Location of Well (Footage, Sec., T.,R.,M., or Survey Description) Sec. 2, T23N, R11W 790' FNL & 820' FWL		11. Country or Parish, State San Juan County, New Mexico		
12. CHI	ECK THE APPROPRIATE BOX(ES) TO I	NDICATE NATURE OF NO	TICE, REPORT OR OTHER DATA	
TYPE OF SUBMISSION		TYPE OF A		
✓ Notice of Intent			oduction (Start/Resume) Water Shu eclamation Well Integ	
Subsequent Report			ecomplete	
Final Abandonment Notice			mporarily Abandon ater Disposal	
produced water to centralized	5114) located in the NW/4 of Sec. 15, T d salt water disposal wells located in the ntralized gas compressor stations locate	NE/4 of Sec. 23, T23N, R	11W and NE/4 of Sec. 30, T24N, R10V	V. Gas line wil
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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)



PGA 2 #2 Water and Gas Pipelines To the Proposed PGA Interconnect

Plan of Development (POD)

A. PLAN OF DEVELOPMENT

- 1. Purpose and Need for the Pipeline:
 - a) The purpose of the proposed PGA 2 #2 water and gas pipelines is to provide Dugan Production Corp access to public lands managed by the BLM to construct produced water and gas pipelines and related facilities needed to access Dugan Production Corp Oil & Gas Minerals. The need for the proposed project is established by the BLM's responsibility under the Federal Land Policy and Management Act of 1976 to respond to a request for ROW grants over public lands.

b) What will be constructed?

The proposed produced water pipeline and associated gas pipeline system will consist of two lines in the same trench. Line 1 will have a 4-inch poly gas line and Line 2 will be a 2-inch poly water pipeline. The trench will be located within the 30-foot-wide pipeline ROW that is 940.4-feet in total length and located in the NW/4 of Sect. 2, in T23N and R11W and the SW/4 of Sect. 35, T24N and R11W. The total length is "onlease", on BLM surface within the PGA Unit (NM-128992X).

- c) <u>Commodity to be transported and for what purpose:</u>
 Produced water and gas will be transported for the operation of Dugan Production's mineral lease.
- d) <u>Is the pipeline for a gathering system, trunk line, or distribution line?</u>
 The pipelines will tie into Dugan Production's proposed PGA Interconnect which then ties into the existing "Sesame Street" gathering system.
- e) Will it be surface or subsurface?
 The pipeline system will be subsurface.
- f) Length and width of the right-of-way and the area needed for related facilities: Total length of the proposed pipeline is 940.4-feet in total length and 30-feet wide (See Exhibits 1a thru 1c). All of the total length; 940.4-feet is "on-lease" on Federal land and is within the PGA Fruitland Coal Unit. No related facilities are required.
- g) Is this ancillary to an existing right-of-way?

The proposed produced water and gas pipelines will tie in at the intersection of STA 0+00 on the PGA 2 #2 pipeline survey and STA 68+60.2 on the proposed PGA Interconnect to the Sesame Street Gathering System preliminary pipeline survey. Other proposed projects that this will be ancillary to include a Gas Pipeline and Water

Pipeline. The proposed water and gas pipelines will be parallel to, and within the same 30-foot wide ROW as the existing access road for the PGA 2 #2.

h) List alternative routes or locations:

No reasonable alternatives to the proposed action have been developed that would result in significantly fewer impacts or any clear advantages over the proposed action. The proposed pipelines follows the most economic and direct route based on the location of existing Dugan Production Corp. infrastructure, existing disturbance, and surface resources.

 i) <u>Estimated start date and duration of pipeline construction activities</u>: Dugan Production Corp. plans to start construction immediately upon issuance of ROW grants and expects construction to last 1-week.

2. Right-of-way Location

a) Legal description:

Mile Marker 123.4;

Please see attached exhibits labeled Exhibit 1a, 1b and 1c. SW/4 of the SW/4 of Sec. 35, T24N and R11W and the NW/4 of the NW/4 of Sec. 2, T23N and R11W (on-lease).

b) Driving Directions: From the intersection of US HWY 550 and US HWY 64 in Bloomfield, NM; travel southerly on U.S. Highway 550 for 27.9-miles to State Highway #57 @

Go right (south-westerly) on State Hwy #57 for 3.1-miles to fork in road;

Go left (south-westerly) remaining on State Hwy #57 for 2.6-miles to fork in road;

Go right (westerly) remaining on State Highway #57 for 4.2-miles to fork in road;

Go right (westerly) exiting State Hwy #57 onto County Road #7635 for 3-miles to fork in road;

Go right (westerly), exiting County Road #7635 for 3.5-miles to PGA road sign. Continue on for approximately 1.75 miles to intersection on left with PGA 2 #2 access road and beginning of pipeline survey.

c) <u>Centerline survey for complete project</u>: Please see attached map labeled Exhibits 1b and 1c.

d) Additional site specific engineering surveys for critical areas: Any critical areas requiring engineered drawings for this authorization will be determined during the onsite inspection.

e) Maps and drawings showing river crossings:

Any necessary maps or drawings showing water drainage or erosion issues for this authorization will be determined during the onsite inspection.

f) Acre calculation of the right-of-way by land status and ownership:

The total length of 940.4-feet and width 30-feet includes existing access road. Total length 940.4-feet is on Federal land, within the PGA Unit and is "on-lease" Acreage calculation by land status and ownership is as follows:

BLM – 940.4-feet length and width of 30-feet; or 0.65 acres.

3. Government Agencies Involved

a) FERC, USFWS, USFS:

Separate Sundry Notices for produced gas and produced water pipeline have been submitted to the BLM.

b) Copy of FERC Sec. 7c Application, if applicable:

This is not a FERC regulated project.

c) State and local agencies that may be involved:

The BLM is the only agency involved in the proposed action.

4. Facility Design Factors-

- a) Pipeline pressure standards:
 - 1) Pipe wall thickness; Poly 4" (gas) and 2" (water) nominal = 1.21 in wt.
 - 2) Pounds per square inch (psi) rating; Poly 4"& 2"= 150psi

b) Type and toxicity of pipeline product:

- 1) Natural gas-poly, non-toxic
- 2) Produced Water- poly, non-toxic
- c) Anticipated operating temperatures:

Poly 6'' = 180 degrees F

- d) Depth of the pipeline:
 - 1) Road crossing depth; minimum of 6-feet
 - 2) Drainage crossing depth; minimum of 6-feet
 - 3) Normal depth; 4-feet
- e) Permanent ROW width or size:

30-foot permanent ROW width.

f) Location, purpose, dimensions, and acreage of any temporary use areas:

Vehicle, material and equipment staging and storage will be kept within the 30-foot wide ROW.

g) Required or proposed upgrades to existing access roads:

The existing and proposed lease roads will be improved and maintained to Gold Book Standards.

5. Additional Components of the Right-of-Way

a) Facilities at each end of the pipeline (local road, well pad, etc.):

From the PGA 2 #2 well head, meter then well pad;

Pipeline follows existing access road (940.4 -ft.) to intersection with

Proposed STA 0+00 on the PGA 2 #2, preliminary pipeline survey.

Shut-off valve for gas and water pipelines will be installed within 30-foot wide ROW at STA 0+00.

b) Connection to an existing right-of-way:

- 1) Existing components on or off public land; Pipeline is located "on-lease" on Federal land within the PGA Fruitland Coal Unit.
- 2) <u>Possible future components:</u> None planned at this time.
- c) Need for sand and gravel and where will it be obtained:

If a need for sand and gravel arises then it will be obtained at any available source on FFO BLM Public Lands within close proximity to project area, coordination for source material will take place with the FFO BLM roads specialist.

- d) Within a pipeline corridor:
 - 1) No. The water line will be buried in the same trench as the gas line.
 - 2) Off-set requirements- Pipeline is parallel to, and off-sets by approximately 15-20 feet to the east, the centerline for existing PGA 2 #2 access road.
- e) <u>Location of staging or equipment storage</u>, and include areas that may need remediation:

Vehicle, material, and equipment staging and storage will be kept within the 30-foot width of the ROW or on the well pad. On-site refueling of heavy equipment will be conducted within the R-O-W or on the well pad.

f) Communication facilities needed to operate the facility:

No communication facilities are necessary for this authorization.

g) Location of pumping and/or compressor stations:

Water line will transport produced water to centralized salt water disposal wells located in the NE/4 of Sec. 23, T23N, R11W and the NE/4 of Sec. 30, T24N, R10W. Gas line will transport produced gas to centralized gas compressor stations located in the NE/4 of Sec. 23, T23N, R11W and the NE/4 of Sec. 6, T23N, R10W.

- 6. Construction of the Facilities
 - a) Construction description:
 - 1) Major facilities-No major facilities to be constructed.
 - 2) Ancillary facilities-Well pad, access road and produced water and gas pipelines.

3) Methods of construction and types of equipment to be used on the pipeline ROW: Methods of construction will be in compliance with the FFO BLM requirements. Types of equipment to be used on ROW for pipeline construction will be a dozer, scraper, grader and backhoe, side booms and welding machines. Methods of construction is detailed in the description of construction process and facilities (6d & e) below.

b) Work force:

Approximately 5-10 pipeline construction personnel will be onsite during construction. Approximately 5-10 standard size oilfield pickups will be used to transport construction personnel and 5 transport truck loads to deliver equipment to location. Workers will be on-site 10 hours a day, 7 days a week, for the duration of construction. The majority of the workers will commute to the construction ROW early in the morning (between 6:00 a.m. and 7:00 a.m.) and will return in the evening during non-peak traffic hours (between 5:30 p.m. and 6:30 p.m.). Heavy equipment will be transported to the site and left on the ROW until construction is complete.

c) Flagging or staking the right-of-way:

ROW will be staked to ensure all activity is confined to authorized area. The centerline and edge of ROW for the pipeline will be staked at 100 to 200-foot intervals to delineate trench placement and limits of the pipeline construction corridor. All staking will be maintained for the duration of the pipeline construction.

d) Clearing and grading:

Vegetation removed during construction, including trees that measure less than 3-inches in diameter (at ground level) and slash/brush will be chipped or mulched and incorporated into the top soil as additional organic matter. If trees are present, all trees 3-inches in diameter or greater will be cut to ground level and de-limbed. Tree trunks and cut limbs will be stacked within the permitted project area for public access. The subsurface portion of trees (tree stump/root ball) will be hauled to an approved disposal facility. The upper 6-inches of topsoil will be stripped following vegetation and site clearing. The topsoil will not be mixed with the underlying subsurface soil horizons and will be stockpiled as a berm along the outer edge, but within the pipeline ROW. Sub-surface soil from the trench will be stockpiled on the opposite, working side of the ROW from the surface top soil and will be used to backfill the trench after the pipeline has been constructed. Top soil will then be distributed evenly over the disturbed area.

e) <u>Description of construction process and facilities</u>:

Construction methods will be in compliance with FFO BLM Gold Book Standards. After completion of clearing and grading, trenching activities will be conducted using a trencher or track hoe. The pipeline trench will be a minimum of 4-feet in depth. Under watercourses, the trench will be deep enough to allow for 6-feet of soil cover between the pipes and the wash. The trench will be a minimum of 16- inches in width. Soft plugs will be placed every quarter of a mile within the trench. No more than half a mile of open trench or the amount of trench that can be worked in a day will be

opened at a time unless a night watchman is utilized for open trench monitoring. After the pipe has been welded and coated, a side-boom tractor will be used to place the pipe into the trench. After trenching and pipe placement in the trench, the sub-surface soil excavated from the trench will be returned and compacted to prevent subsidence. The trench will be compacted after approximately two feet of fill is placed within the trench and after the ground surface has been leveled. Backfilling operations will be performed within a reasonable amount of time to ensure that the trench is not left open for more than 24-hours. If a trench is left open overnight, it will be fenced with a temporary fence or a night watchman will be utilized.

f) Access to, and along, right-of-way during construction: Access to and along ROW will be utilizing existing roadways, two-tracks and approved ROW.

g) Traffic control:

Traffic control signage will be utilized within the construction area during construction of pipeline when needed. Pipeline does not cross an existing roadway and thru traffic does not utilize the access road or existing unimproved road.

h) Engineering drawings and specifications for site-specific problems relating to surface use or special mitigation:

Any specific problems requiring engineered drawings and specifications needed for this authorization, will be determined during the onsite inspection.

- i) <u>Diagrams, drawings, and cross sections to help visualize the scope of the project</u>: Please see attached access road and pipeline centerline drawings labeled Exhibit 1a, 1b and 1c.
- j) Special equipment that will be utilized:
 No special equipment will be utilized for this action.
- k) Contingency planning Holder Contacts:
 - Dugan Production Corporation Kurt Fagrelius, VP – Land & Exploration 505-325-1821
 - 2) BLM contacts Acting Officer Realty Specialist 505-564-7600

1) Safety requirements:

Signage for traffic control will be utilized if necessary. It is not anticipated to be necessary as this is project will be new construction to the proposed PGA 2 #2 gas well location that does not provide access for thru traffic. The NM One Call Notification System will be utilized prior to commencement of construction.

Dugan Production Corp. and their contractors will follow Company Best Management Practices and Policies.

m) Industrial wastes and toxic substances:

No wastes will be stored and no toxic substances to be generated on ROW.

n) Post-construction requirements and activities:

Post-Construction requirements and activities will be followed as stipulated in the ROW grant.

7. Resource Values and Environmental Concerns

- a) Address at level commensurate with anticipated impacts and location with regard to existing corridors: The anticipated impacts are minimal and temporary in nature during construction as all disturbances will be parallel to and within the disturbance area of the proposed access road. Also, all disturbances associated with this pipeline project will be reclaimed.
- b) Potential issues and/or conflicts regarding livestock grazing, public health and safety, and resources: Air, noise, geologic hazards, mineral and energy resources, paleontological resources, cultural resources, soils, water, vegetation, forest resources, wildlife, migratory birds, threatened and endangered species, visual resources, noxious weeds, livestock grazing, BLM projects, recreation activities, wilderness, etc. The above highlighted resources have the potential to be impacted by this project.
- c) Project design features to mitigate the above issues and/or conflicts:

 The following design features and best management practices in addition to the stipulations in the ROW grant and FFO BLM Gold Book Standards will be followed to mitigate the above identified issues and/or conflicts. For additional detailed information on the below listed design features and best management practices please refer to Dugan Production Corporation's PGA 2 #2 Gas Well and Pipeline Project Bare Soils Reclamation Plan (Appendix A) that will be provided following consultation between Adkins Consulting the BLM and completion of the report.
 - 1) Control of Waste
 - 2) Protection of Cultural Resources
 - 3) Protection of Top Soil
 - 4) Prevention and Control of Weeds
- 5) Protection of Flora and Fauna
- 6) Protection of the Public
- 7) Protection of Air Resources
- 8) Protection of Water Resources

8. Operation and Maintenance

a) Will new or expanded access be needed for operation and maintenance? No new or expanded access will be needed for the operation or maintenance of this pipeline system once placed into service. If an event occurs that expanded access is needed a request to additional TUA will be submitted on a Sundry Notice to the FFO BLM. b) Will there be hydrostatic testing and subsequent release of water and what is the anticipated volume?

Yes, hydrostatic testing will occur on the new pipeline system. No, there will not be a subsequent release of water, as we will haul the water used for hydrostatic testing to our nearest drilling rig or storage tank for re-use.

c) Will removal and/or addition of pipe and/or pumps be required as part of pipeline maintenance?

No, there will be no removal or installation of pipe or pumps as part of pipeline maintenance.

d) Will all maintenance activities be confined within the right-of-way? Yes, all maintenance activities will be confined within existing ROW.

e) Safety:

All above ground equipment not subject to safety requirements will be painted the color stipulated in the ROW grant. A reflective material may be used to reduce hazards that may occur when structures are near a roadway.

- f) Will industrial wastes and toxic substances be generated or stored on right-of-way? No industrial wastes or toxic substances will be generated or stored on ROW.
- g) Inspection and maintenance schedules:
 - 1) Will these be conducted on-the-ground and/or by aircraft: Pipeline inspections will be conducted on the ground.
 - 2) If by aircraft, will the aircraft require landing strips and/or heliports- Pipeline inspections will not be conducted by aircraft.
- h) Work schedules:

Monday thru Sunday

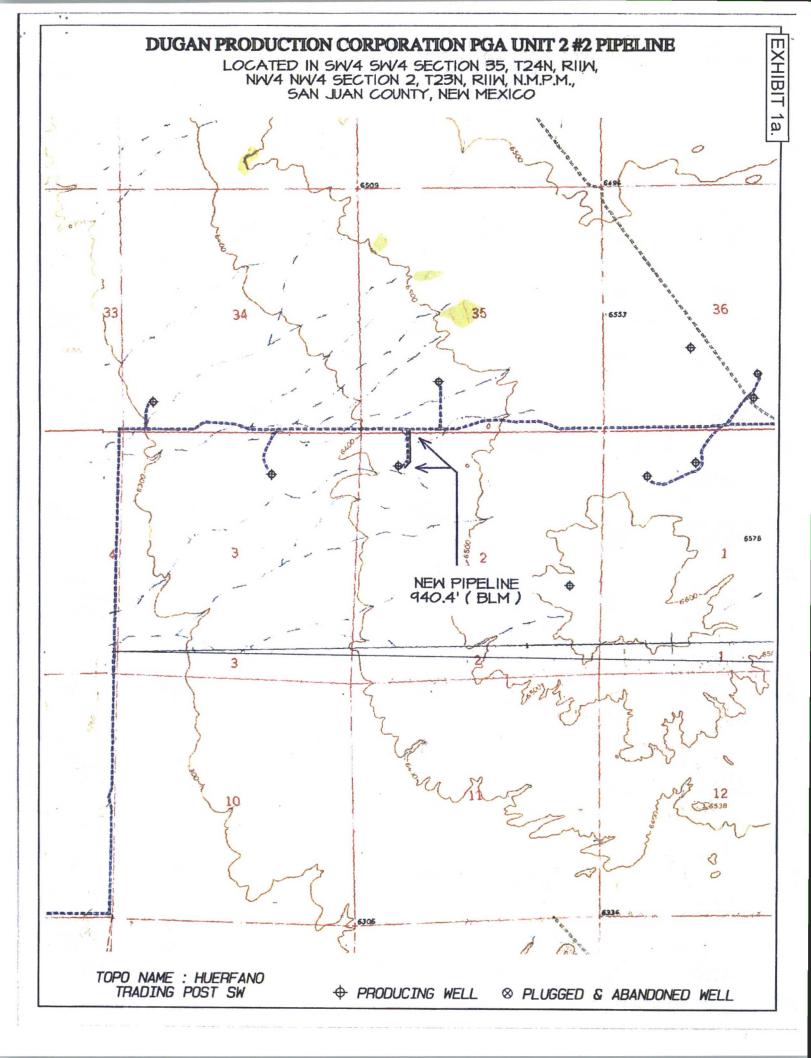
i) Fire control:

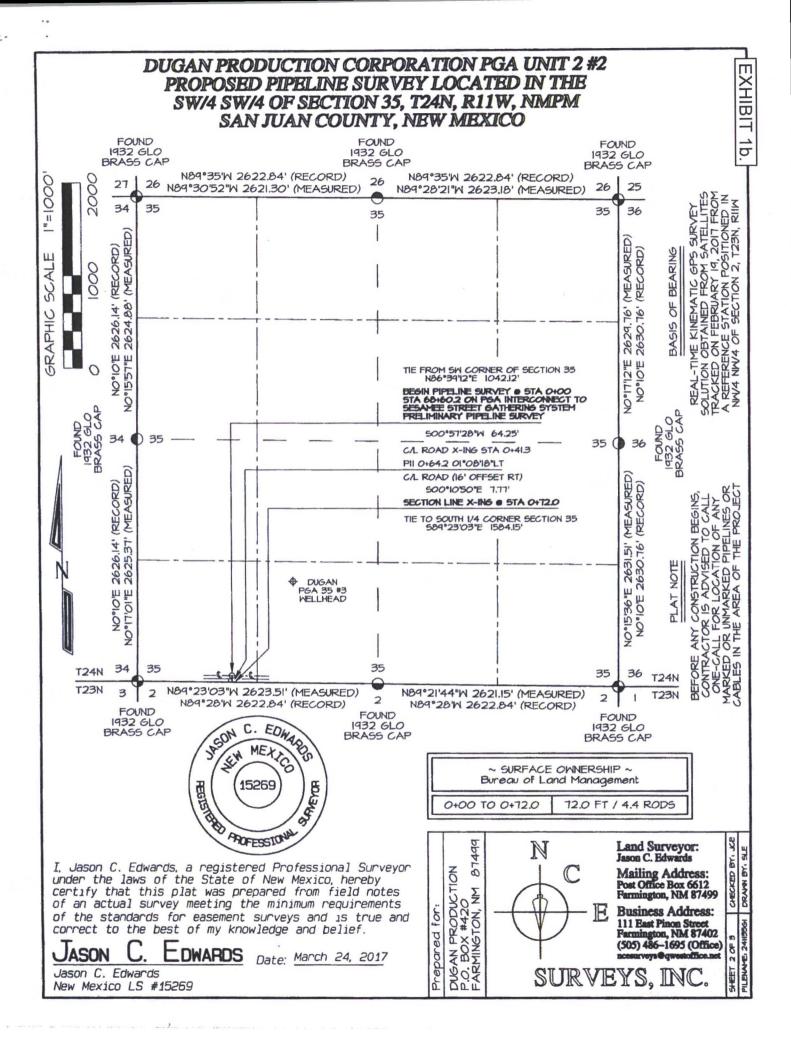
In case of a fire emergency fire extinguishers are available in company vehicles.

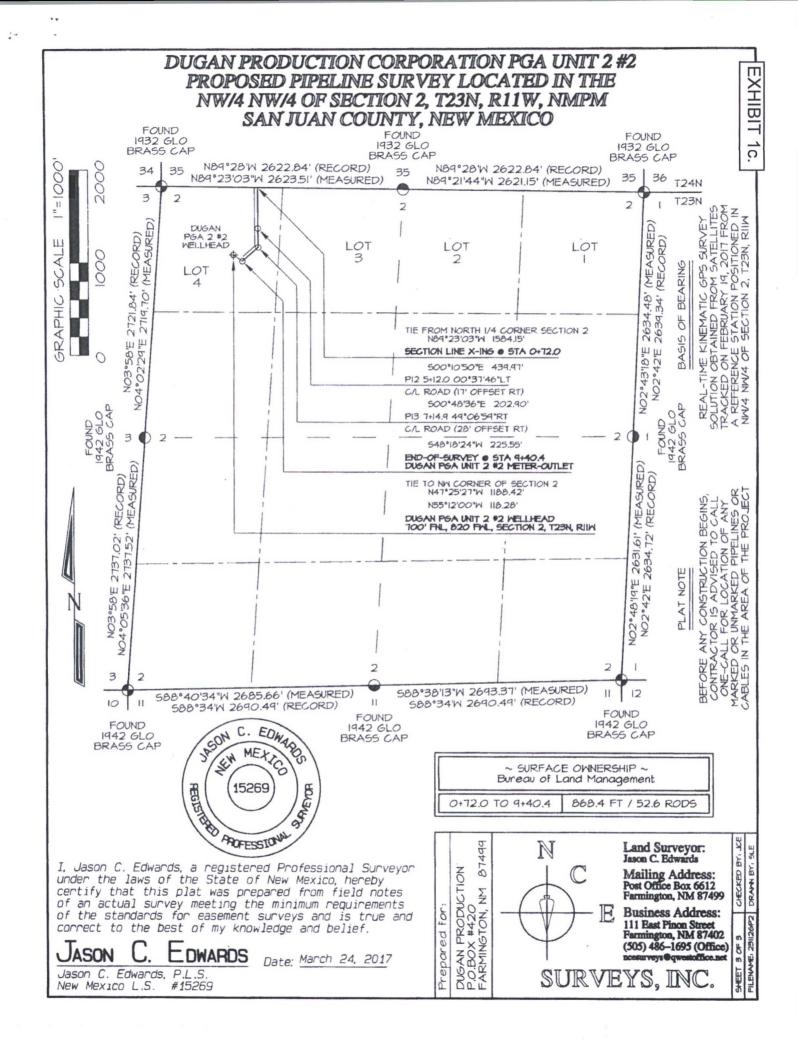
- j) Contingency planning Holder Contacts:
 - Dugan Production Corp Kurt Fagrelius – VP Land and Exploration 505-325-1821
 - BLM contacts
 Acting Officer
 Realty Specialist BLM FFO 505-564-7600

B. RECLAMATION PLAN- Will be completed following consultation and completion and

will then be attached and labeled as Appendix A.







PGA 2 #2 Water and Gas Pipelines To The PGA Interconnect Water and Gas Pipelines

Bare Soils Reclamation Plan

NOTE:

The bare soils reclamation plan will be submitted following completion of the report by Adkins Consulting (1-505-793-1140).