

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.

NOG-05020-1714

6. If Indian, Allottee or Tribe Name

Navajo Allotted

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

8. Lease Name and Well No.

Werito Com #1

9. API Well No.

30-045-33382

10. Field and Pool, or Exploratory

Basin Dakota

11. Sec., T., R., M., or Blk. and Survey or Area

J Sec. 8, T23N, R9W (J)

1a. Type of Work: ☒ DRILL ☐ REENTER

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

RECEIVED

070 FARMINGTON NM

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 1975' FSL and 1905' FEL, Lat.36.1422, Long. 107.4833

At proposed prod. zone Same as above

14. Distance in miles and direction from nearest town or post office*

Approx. 5-miles SW of Nageezi Trading Post, NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
1905 Feet

16. No. of Acres in Lease
160.0 Acres

12. County or Parish

San Juan Co.

13. State

NM

17. Spacing Unit dedicated to this well

80 AC w/ 5 SE 1/4 - 911p
S2-320 Acres DK

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

Approx. 2700 Feet

19. Proposed Depth

5750 Feet

20. BLM/BIA Bond No. on file

On File

21. Elevations (Show whether DF, KB, RT, GL, etc.)
GL-6611'

22. Approximate date work will start
ASAP

23. Estimated duration
10-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 Fagrelus

Name (Printed/Typed)
KURT FAGRELIUS

Date

Oct. 18, 2005

Title
GEOLOGIST

Approved by (Signature)

[Signature]

Name (Printed/Typed)

Office

FFO

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. Open hole electric logs will be run to evaluate possible productive zones. If commercial, casing will be run and cemented. The well will be perforated and fracture stimulated.

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".

NMOCG

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

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

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

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33382	*Pool Code 71599 / 5860	*Pool Name BASIN DAKOTA / BISTI GALLUP SOUTH
*Property Code 35950	*Property Name WERITO COM	*Well Number 1
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION	*Elevation 6611'

¹⁰ Surface Location

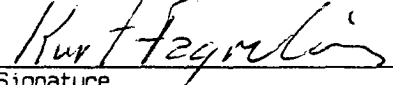

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	8	23N	9W		1975	SOUTH	1905	EAST	SAN JUAN

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 320.0 Acres - S/2 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

<div>15</div> <div>5280.66'</div> <div>2649.90'</div> <div>2624.82'</div> <div>2640.00'</div> <div>2651.88'</div> <div>1975'</div> <div>1905'</div> <div>2688.18'</div> <div>2647.92'</div> <div>006 APR 7 PM 12 33</div> <div>RECEIVED</div> <div>OTO FARMINGTON NM</div> <div>DUGAN NOG-8505-1062</div> <div>8</div> <div>DUGAN NOG-05020-1714</div>	<div>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Kurt Fagrelus Printed Name Geology Title Date April 7, 2006 Date</div> <div>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 Revised: OCTOBER 15, 2005 Date of Survey: MAY 9, 2005 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269</div>
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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

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.)		WELL API NO. 30-045-
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease Nav. Allotted STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. Nav. Allotted NOG-05020-1714
3. Address of Operator 709 East Murray Drive, Farmington, NM 87401		7. Lease Name or Unit Agreement Name Werito Com
4. Well Location Unit Letter J : 1975 feet from the south line and 1905 feet from the east line Section 8 Township 23N Range 9W NMPM County San Juan		8. Well Number #1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GL-6611'		9. OGRID Number 006515
Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)		
Pit Location: UL J Sect 8 Twp 23N Rng 9W Pit type Drilling Depth to Groundwater 220' Distance from nearest fresh water well 11 miles		
Distance from nearest surface water 250' 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 (unlined) ☒

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.

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 Dakota Sandstone will be completed from approximately 5400' - 5600'. The interval will be fractured.

Pits will be constructed and abandoned as per BLM and OCD 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 NMOC guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Kurt Fagrelius TITLE Geology DATE Oct. 18, 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. #3 DATE AUG 21 2006
Conditions of approval, if any:

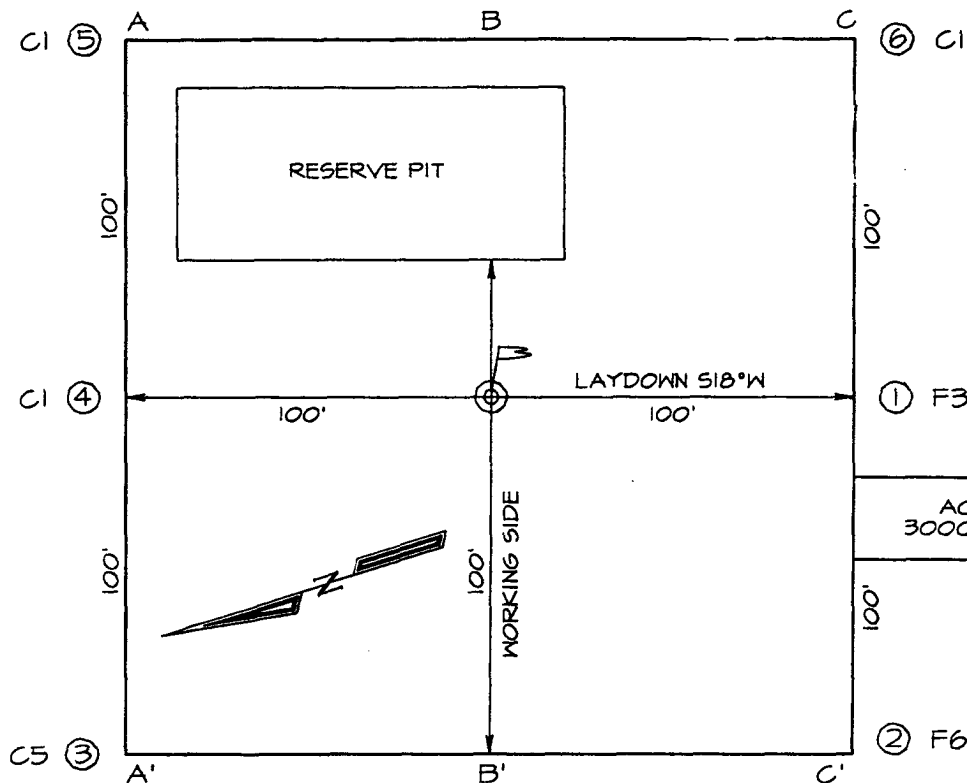
DUGAN PRODUCTION CORPORATION WERITO #1
1975' FSL, 1905' FEL, SECTION 8, T23N, R9W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6611'

PLAT 3

LATITUDE: 36°14'22"
LONGITUDE: 107°48'33"
 DATUM: NAD1927

PLAT NOTE:

SURFACE OWNER
 Navajo Allotted Land



3000' TOTAL LENGTH OF ACCESS
 1450' FOLLOWS EXISTING PIPELINE
 1550' REQUIRES NEW CONSTRUCTION
 1900' SW/4 SECTION 8, T23N, R9W
 1100' SE/4 SECTION 8, T23N, R9W

ACCESS
 3000' (0-8%)

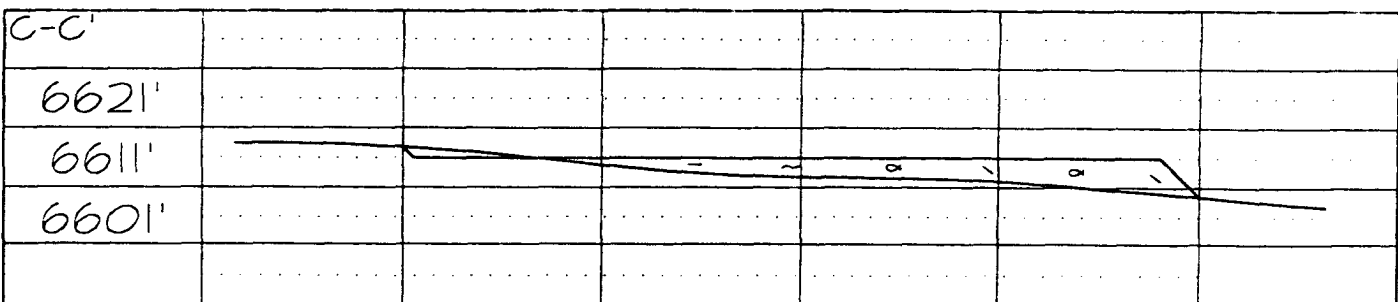
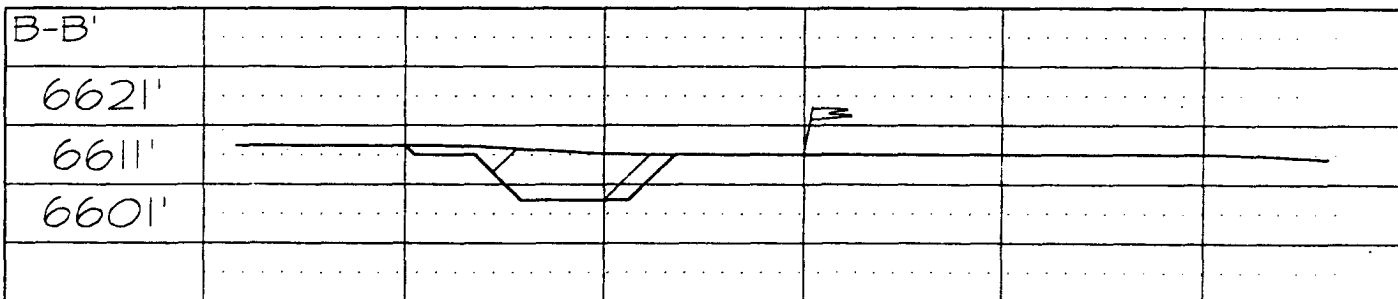
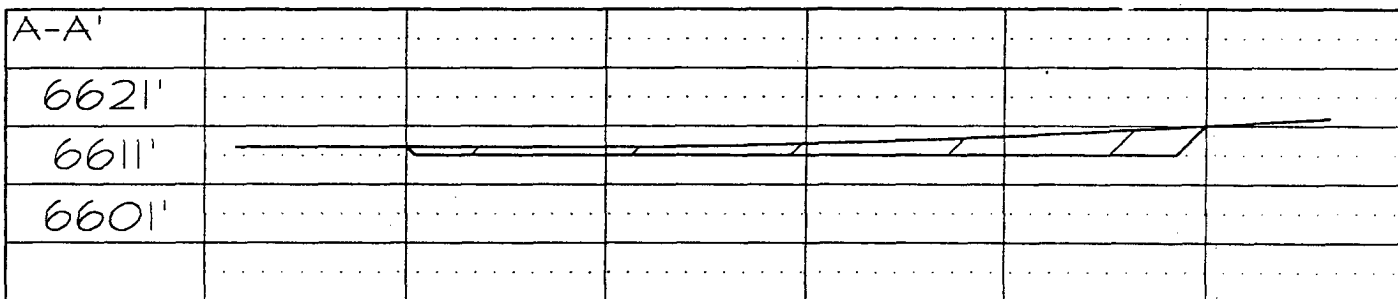


EXHIBIT B
OPERATIONS PLAN
Werito Com #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	220'	Point Lookout	3400'
Kirtland	305'	Mancos	3525'
Fruitland	620'	Gallup	4205'
Pictured Cliffs	970'	Greenhorn	5305'
Lewis	1095'	Graneros	5360'
Cliff House	1730'	Dakota	5400'
Menefee	2250'	Total Depth	5750'

Catch samples every 10 feet from 4200'-4700' and 5300'-T.D.

LOGGING PROGRAM:

IES and CDL logs will be run 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#	200	J-55
7-7/8	4-1/2	10.5#	5,750	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 and Dakota Formations. 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 Premium Lite High Strength BJ cement with additives (730 cf). Total cement slurry for 1st stage is 730 cf. Projected top for 1st stage is 3600'.
Circulate to surface.

2nd Stage Cement with Premium Lite BJ cement with additives (800 cf) followed by Neat Type 3 BJ cement with additives (500 cf). Total cement slurry for 2nd stage is 1300 cf. Projected top of 2nd stage is surface.
Circulate to surface.

Total cement for both stages is 2030 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:

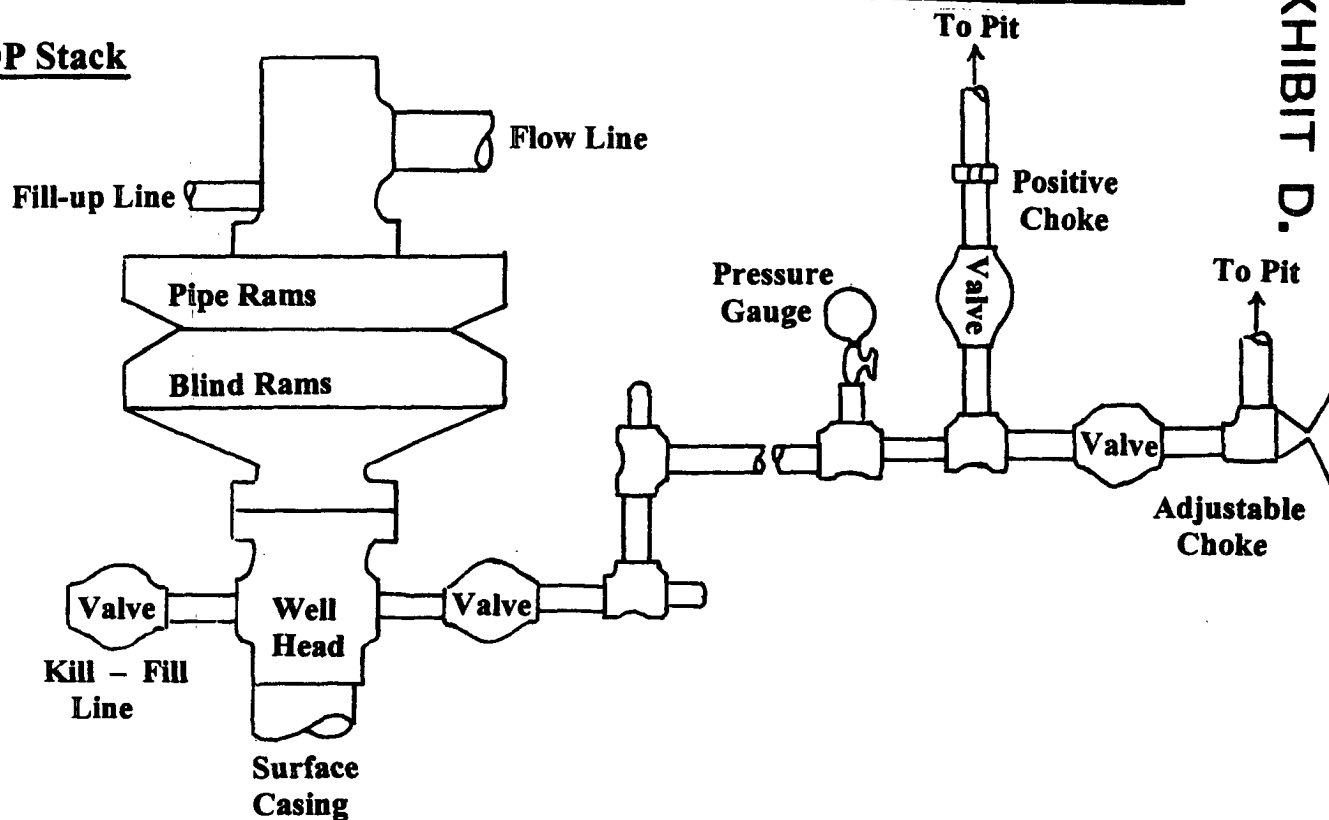
Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

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

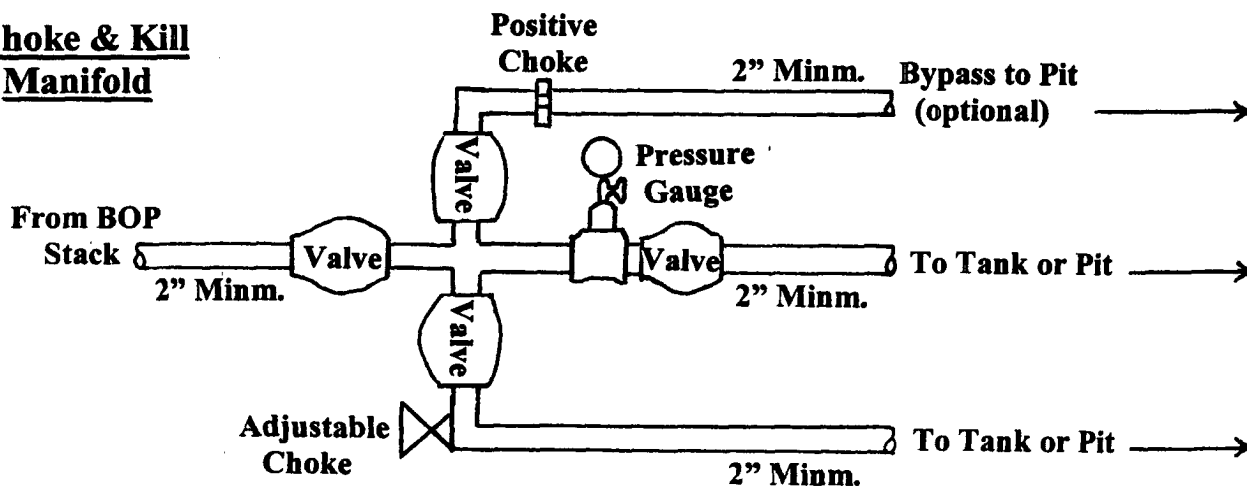
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
WERITO COM #1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 APR 7 PM 12 33

RECEIVED

070 FARMINGTON NM

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐

Oil
Well

☒

Gas
Well

☐

Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

1975' FSL & 1905' FEL (NW/4 SE/4)
Unit J, Sec. 8, T23N, R9W

5. Lease Designation and Serial No.

NOG-0502-1714

6. If Indian, Allotted or Tribe Name

Navajo Allotted

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Werito Com #1

9. API Well No.

30 045 33382

10. Field and Pool, or Exploratory Area

Basin Dakota

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒

Notice of Intent

☐

Subsequent Report

☐

Final Abandonment Notice

☐

Abandonment

☐

Recompletion

☐

Plugging Back

☐

Casing Repair

☐

Altering Casing

☒

Other

Commingle Gallup

☐

Change of Plans

☐

New Construction

☐

Non-Routine Fracturing

☐

Water Shut-Off

☐

Conversion to Injection

☐

Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Original APD submitted 10/18/2005 was for a Basin Dakota completion. With this Sundry Notice, the operator proposes to complete the Bisti Gallup South interval also. The Basin Dakota and Bisti Gallup South will be downhole commingled. Under separate notice an application to commingle the zones will be filed.

A C-102 reflecting the S/2-320 acreage dedicated to the Basin Dakota and the W/2 SE/4-80 acreage dedicated to the Bisti Gallup South is attached.

Also, the access road and pipeline route proposed in the original APD will be changed. An amended Exhibit A, Exhibit E (Topographic Map), Plat 2 (Pipeline Survey) and Plat 3 (Cut and Fill Diagram) are included to describe and show the new location of the proposed road and pipeline.

14. I hereby certify that the foregoing is true and correct

Signed

Kurt Fagrellius
Kurt Fagrellius

Title

Geologist

Date

4/7/2006

(This space for Federal or State office use)

Approved by

DD Mankie
DD Mankie

Title

AFM

Date

8/18/06

Conditions of approval, if any.