

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RCVD OCT30'06  
OIL CONS. DIV.  
DIST. 3

FORM APPROVED  
OMB No. 1604-0136  
Expires November 30, 2009

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-94067</b>
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 Zones		6. If Indian, Allottee or Tribe Name
2. Name of Operator <b>DUGAN PRODUCTION CORP.</b> Contact: <b>KURT FAGRELIUS</b> E-Mail: <b>kfagrelus@duganproduction.com</b>		7. If Unit or CA Agreement, Name and No.
3a. Address <b>709 EAST MURRAY DRIVE FARMINGTON, NM 87401</b>	3b. Phone No. (include area code) Ph: <b>505.325.1821</b> Fx: <b>505.327.4613</b>	8. Lease Name and Well No. <b>Ellington Com #90-S</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface <b>1320' FSL &amp; 790' FEL, Lat. 36.10678 N.</b> At proposed prod. zone <b>Same as above Long. 107.64526 W.</b>		9. API Well No. <b>30-045-33870</b>
14. Distance in miles and direction from nearest town or post office* <b>Approx. 70-miles SE of Farmington, New Mexico 87401</b>		10. Field and Pool, or Exploratory <b>Basin Fruitland Coal</b>
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>790 Feet</b>	16. No. of Acres in Lease <b>960.0 Acres</b>	11. Sec., T., R., M., or Blk. and Survey or Area <b>P Sec. 26, T22N, R8W NMPM</b>
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. <b>Approx. 3000' Feet</b>	19. Proposed Depth <b>940 Feet</b>	12. County or Parish <b>San Juan</b>
21. Elevations (Show whether DF, KB, RT, GL, etc.) <b>GL-6709'</b>	22. Approximate date work will start <b>ASAP</b>	13. State <b>NM</b>
23. Estimated duration <b>5-Days</b>		

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.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification  |
| 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). | 6. 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) <b>KURT FAGRELIUS</b>	Date <b>7/26/2006</b>
Title <b>GEOLOGIST</b>		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date <b>10/27/06</b>
Title <b>AFM</b>	Office <b>PFO</b>	

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 775' - 790'. The interval will be fracture stimulated.

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-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 <b>30-045-33870</b>		*Pool Code <b>71629</b>	*Pool Name <b>BASIN FRUITLAND COAL</b>
*Property Code <b>36111</b>	*Property Name <b>ELLINGTON COM</b>		*Well Number <b>90S</b>
*OGRID No. <b>006515</b>	*Operator Name <b>DUGAN PRODUCTION CORPORATION</b>		*Elevation <b>6709'</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
P	26	22N	8W		1320	SOUTH	790	EAST	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 <b>320.0 Acres - (E/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

16	5229.18'		<b>DUGAN NM-90472</b>		<sup>17</sup> 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 <b>Kurt Fagrelus</b> Printed Name <b>Geology</b> Title <b>July 27, 2006</b> Date		
	5313.66'		<b>26 DUGAN NM-94067</b>		<sup>18</sup> 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: <b>JUNE 12, 2006</b> Signature and Seal of Professional Surveyor  <b>JASON C. EDWARDS</b> Certificate Number <b>15269</b>		
		5213.34'		1345' LAT: 36.10678°N LONG: 107.64536°W DATUM: NAD83 790' 1320'			

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.	30-045-33810
5. Indicate Type of Lease	Federal <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	Federal NM-94067
7. Lease Name or Unit Agreement Name	Ellington Com
8. Well Number	90-S
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 <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator	Dugan Production Corp.
3. Address of Operator	709 East Murray Drive, Farmington, NM
4. Well Location	Unit Letter <u>P</u> : <u>1320</u> feet from the <u>south</u> line and <u>790</u> feet from the <u>east</u> line Section <u>26</u> Township <u>22N</u> Range <u>8W</u> NMPM County <u>San Juan</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) <u>GL-6709'</u>	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type <u>Drilling</u> Depth to Groundwater <u>+100'</u> Distance from nearest fresh water well <u>+1000'</u> Distance from nearest surface water <u>+200'</u>	
Pit Liner Thickness: <u>12</u> mil	Below-Grade Tank: Volume <u>        </u> bbls; Construction Material <u>Synthetic</u>

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 (lined) <input checked="" 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 Fruitland Coal will be completed from approximately 775' - 790'. The interval will be fracture stimulated.

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 Fagrelius TITLE Geology DATE 7/26/2006  
Type or print name Kurt Fagrelius E-mail address: kfagrelius@duganproduction.com Telephone No. 505-325-1821

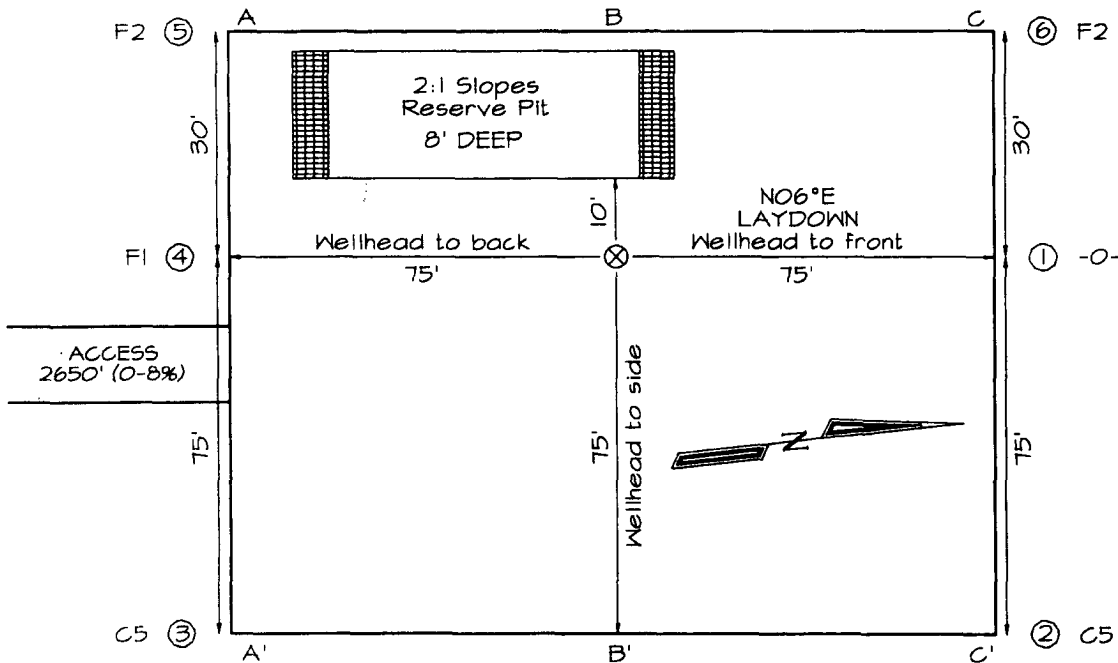
For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 4 DATE OCT 30 2006  
Conditions of Approval (if any):

**DUGAN PRODUCTION CORPORATION ELLINGTON COM #90S**  
**1320' FSL & 790' FEL, SECTION 26, T22N, R8W, NMPM**  
**SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6709'**

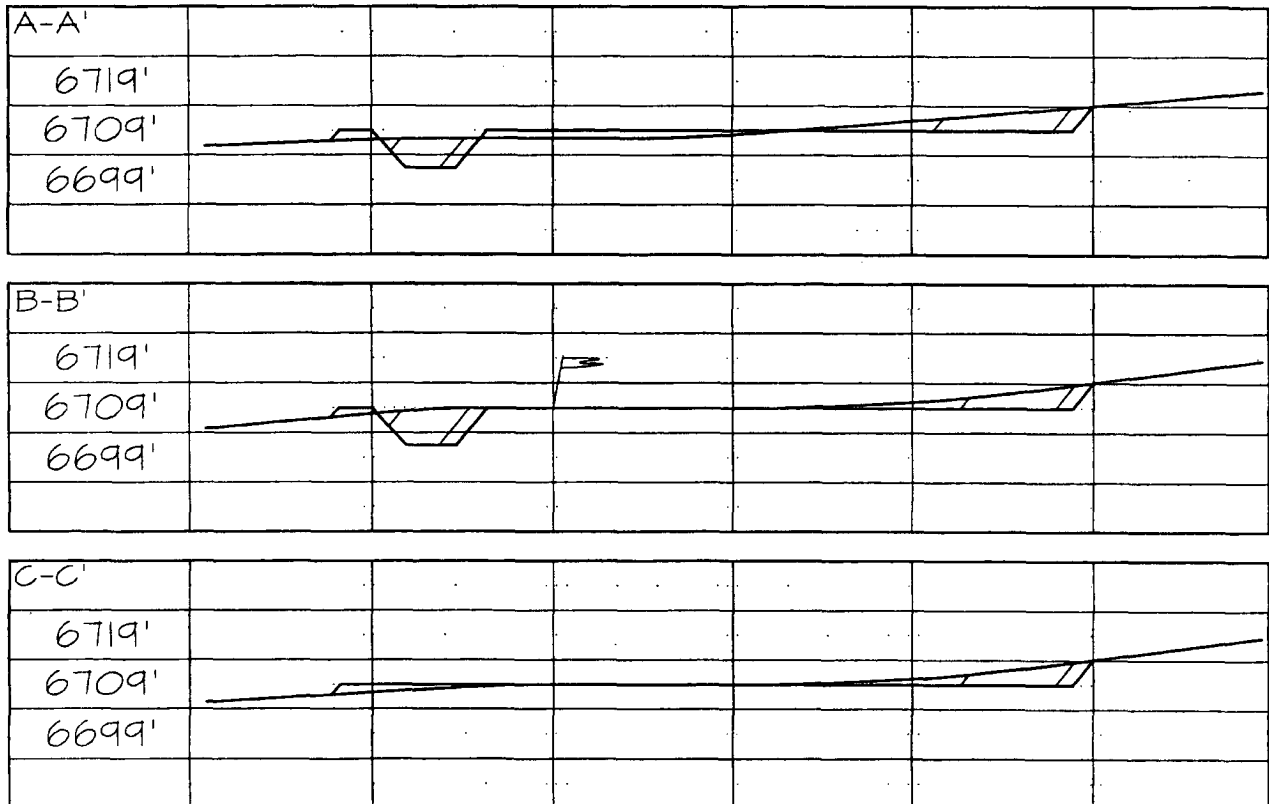
**PLAT 3.**

**LATITUDE: 36.10678° N**  
**LONGITUDE: 107.64526° W**  
 DATUM: NAD1983



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**  
*Ellington Com #90-S*

**APPROXIMATE FORMATION TOPS:**

Ojo Alamo	55'	Pictured Cliffs	790'
Kirtland	140'		
Fruitland	490'	<b>Total Depth</b>	<b>940'</b>

Catch samples every 10 feet from 650 feet to total depth.

**LOGGING PROGRAM:**

Run cased hole GR-CCL-CNL 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#	120'	J-55
7"	5-1/2"	14#	940'	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 100 cf 2%Lodense with  
1/4# celloflake/sx followed by 55 cf Class "B" with  
1/4# celloflake/sx.  
Total cement slurry for production stage is 155 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)

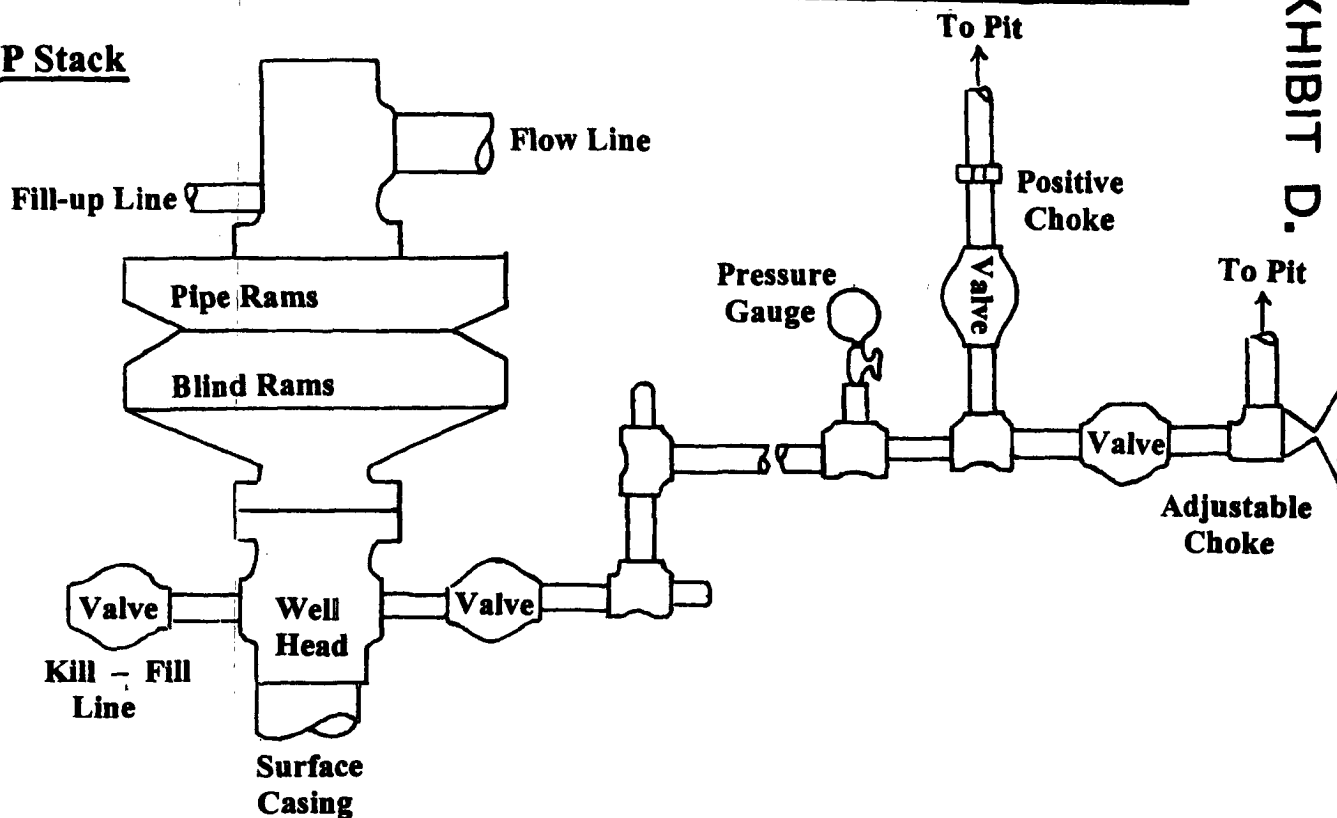
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

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

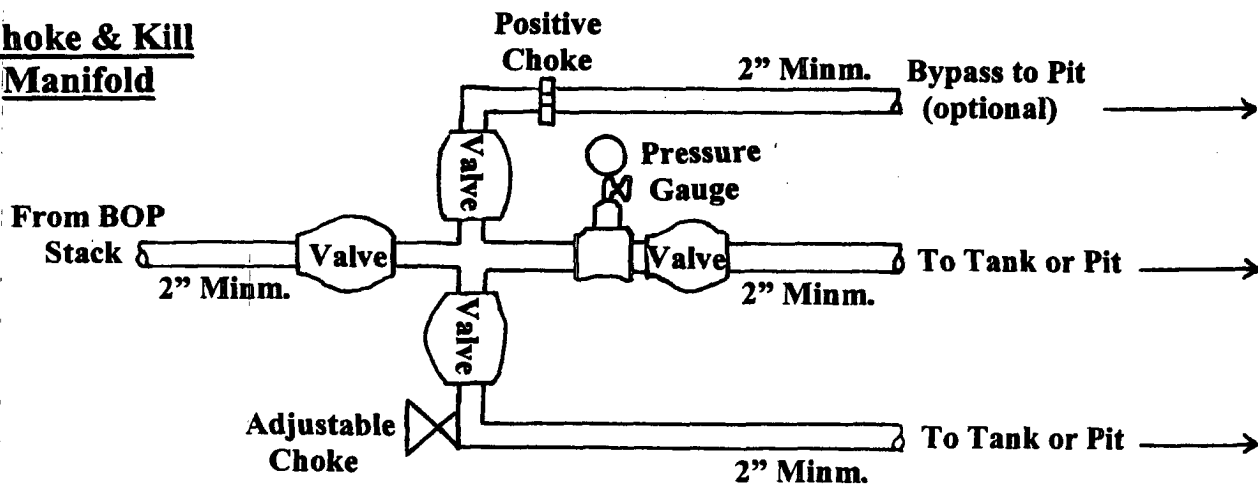
# Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

## BOP Stack



## Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.  
ELLINGTON COM #90-S