

RCVD MAR22'07

OIL CONS. DIV.

DIST. 3

Form 3100-1
(April 2004)

UNITED STATES 2006 OCT 19 PM 2
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-21741
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 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. Dinger #90
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-045-34020
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1900' FSL & 1635' FEL, Lat. 36.28243 N At proposed prod. zone Same as above Long. 107.89809 W.		10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T. R. M. or Blk. and Survey or Area J Sec. 28, T24N, R10W NMPM		12. Country or Parish San Juan
13. State NM		14. Distance in miles and direction from nearest town or post office. Approx. 35-miles SE of Bloomfield, NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1635 Feet	16. No. of acres in lease 800.0 Acres	17. Spacing Unit dedicated to this well S/2-320.0 Acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 2,300'	19. Proposed Depth 1250 Feet	20. BLM/BIA Bond No. on file On File
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL- 6612'	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 10-19-2006
Title Geology		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) [Name]	Date 3/19/07
Title AEM	Office FFO	

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 Fruitland Coal will be completed from approximately 1075' - 1095'. The interval will be fracture stimulated.

NOTIFY AZTEC OGD
IN TIME TO WITNESS24 hrs
C69 & cementum

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

3/27/07

NMOCDB

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 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
RCVD MAR22'07

WELL LOCATION AND ACREAGE DEDICATION PLAT OIL CONS. DIV.
DIST. 3

*API Number 30-045-34020		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 36398	*Property Name DINGER		*Well Number 90
*GRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6612'

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	28	24N	10W		1900	SOUTH	1635	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)					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

<div><p>16</p><p>5229.84'</p><p>5227.86'</p><p>28</p><p>LAT: 36.28243°N LONG: 107.89809°W DATUM: NAD1983</p><p>1635'</p><p>1900'</p><p>DUGAN NM-21741 5231.16'</p></div>	<div><p>¹⁷ OPERATOR CERTIFICATION</p><p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p><p><i>Kurt Fagrelus</i> Signature Kurt Fagrelus Printed Name Geology Title 10-19-2006 Date</p></div>
	<div><p>¹⁸ SURVEYOR CERTIFICATION</p><p>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</p><p>Date of Survey: MAY 11, 2006</p><p>Signature and Seal of Professional Surveyor</p><div><p>JASON C. EDWARDS NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 15269</p><p><i>JASON C. EDWARDS</i> Certificate Number 15269</p></div></div>

Submit this form to: Oil and Gas Division
Energy, Minerals and Natural Resources
Division I
1220 South St. Francis Dr.
Santa Fe, NM 87505
Division II
1000 Rio Grande Blvd. A-200
Santa Fe, NM 87505
Division III
1220 S. St. Francis Dr. Santa Fe NM
87505

Oil and Gas Division
Energy, Minerals and Natural Resources
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form OGD-1
Rev. 12/2004

WELL NUMBER	30-045-34020
Indicate Type of Lease	Federal XX
STATE	NEW MEXICO
State Oil & Gas Lease No.	
Federal NM-21741	
Lease Name or Unit Agreement Name	Dinger
Well Number	#90
OGRID Number	006515
Pool name or Wildcat	Basin Fruitland Coal
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	GL-6612'
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>

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 OGD-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 : 1900 feet from the south line and 1635 feet from the east line
Section 28 Township 24N Range 10W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6612'

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drilling Depth to Groundwater +100' Distance from nearest fresh water well +1000' Distance from nearest surface water >200'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material Synthetic

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 COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Reserve pit for drilling (lined) ☒

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 Fruitland Coal will be completed. 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 Fagrelus TITLE Geology DATE 10-19-2006

Type or print name Kurt Fagrelus E-mail address: kfagrelus@duganproduction.com Telephone No.

For State Use Only

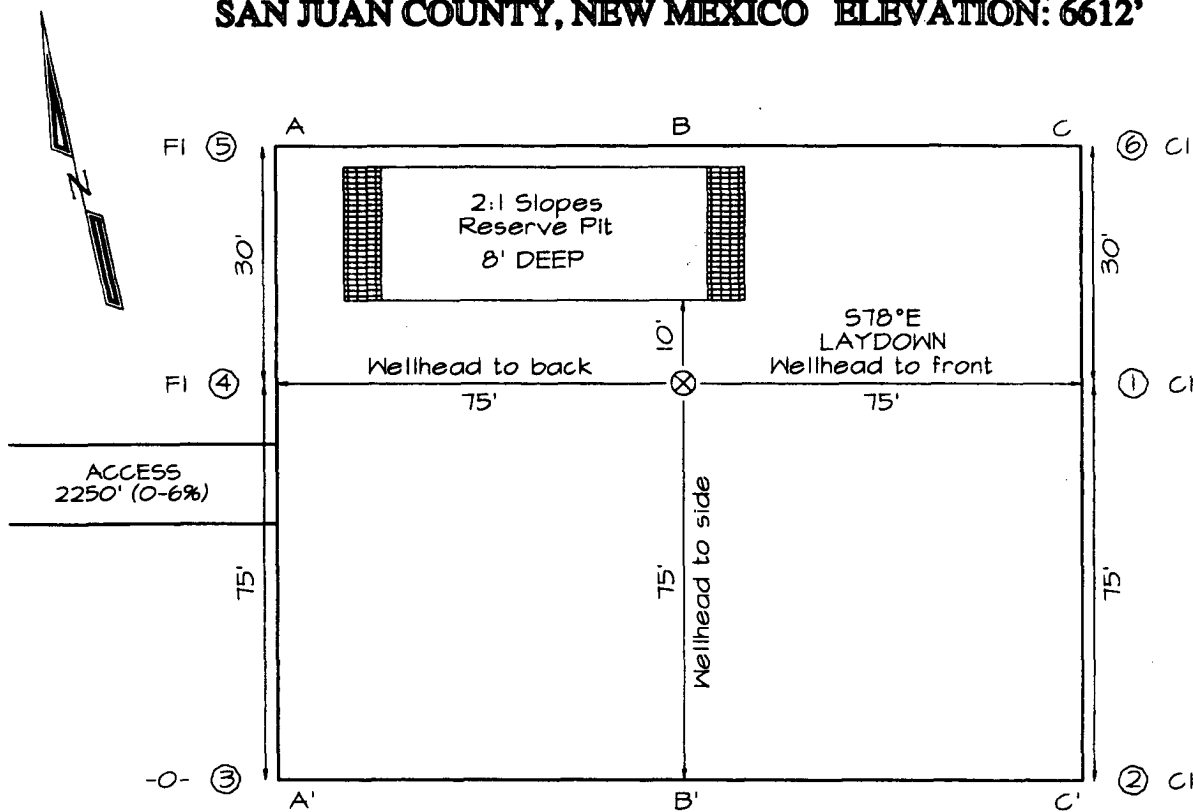
APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 05 DATE MAR 27 2007

Conditions of Approval (if any):

DUGAN PRODUCTION CORPORATION DINGER #90
1900' FSL & 1635' FEL, SECTION 28, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6612'

LATITUDE: 36.28243° N
LONGITUDE: 107.89809° W
 DATUM: NAD1983

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management



A-A'						
6622'						
6612'						
6602'						

B-B'						
6622'						
6612'						
6602'						

C-C'						
6622'						
6612'						
6602'						

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

1

EXHIBIT B
OPERATIONS PLAN
Dinger #90

APPROXIMATE FORMATION TOPS:

Ojo Alamo	210'
Kirtland	395'
Fruitland	900'
Pictured Cliffs	1102'
Total Depth	1250'

Catch samples every 10 feet from 1000 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#	1250'	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 125 cf 2% lodense with
1/4# celloflake/sx followed by 85 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 210 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)

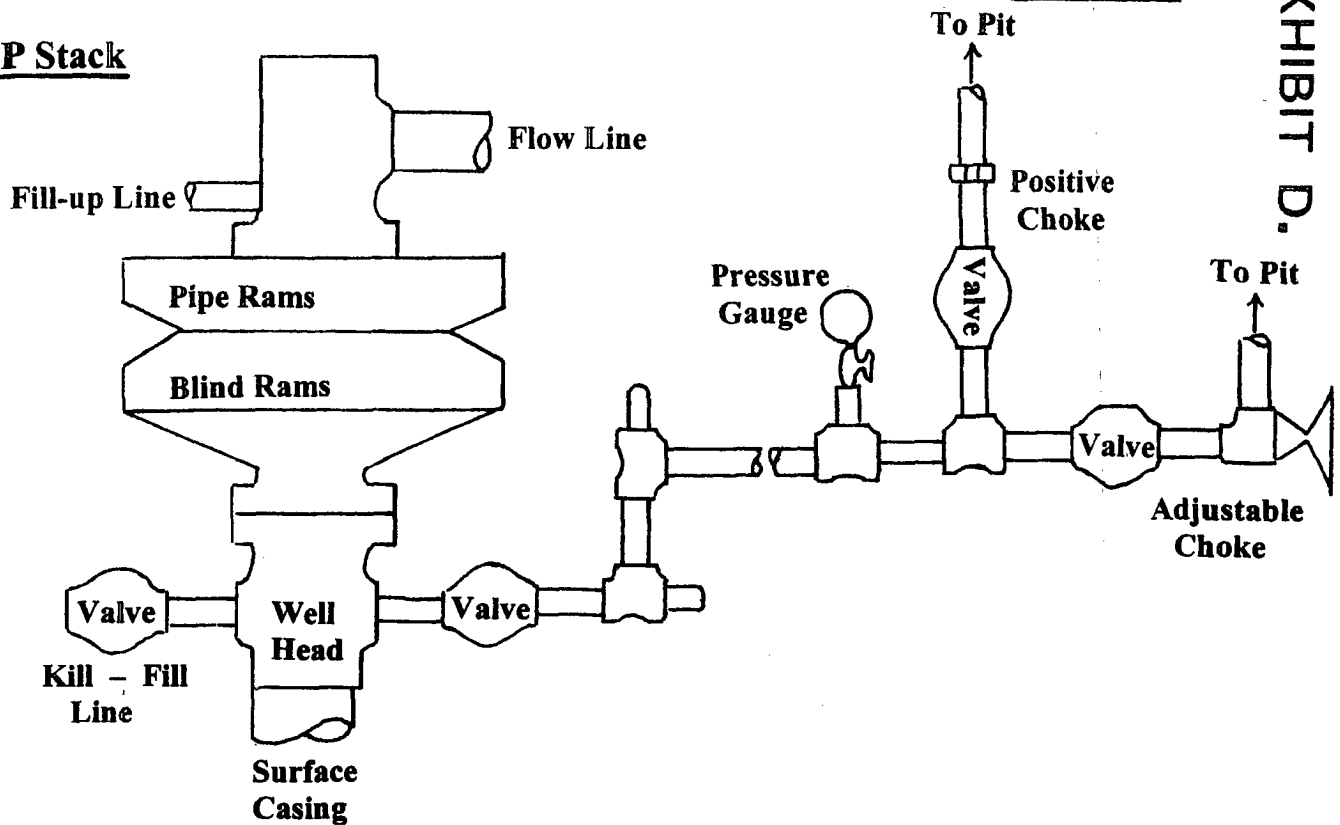
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

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

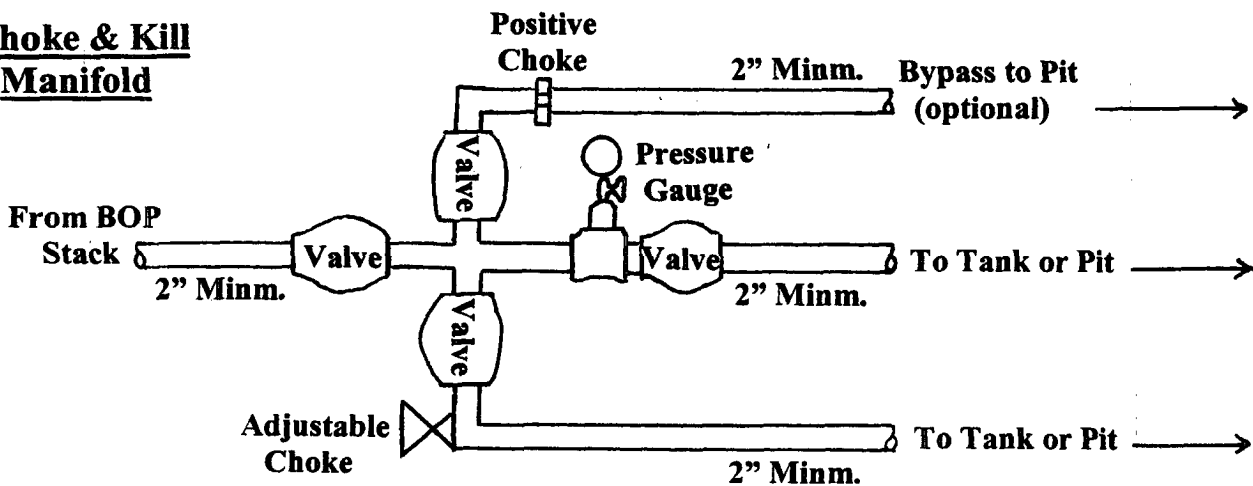
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
DINGER #90