

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

2007

Lease Serial No.

NM-22044

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.  
Gold Medal #94

9. API Well No.  
30-045-34229

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.

3a. Address 709 East Murray Drive  
Farmington, NM 87401

3b. Phone No. (include area code)  
505-325-1821

10. Field and Pool, or Exploratory  
Basin Fruitland Coal

4. Location of Well (Report location clearly and in accordance with any State requirements.)  
At surface 1700' FNL & 1700' FEL, Lat. 36.27279 N  
At proposed prod. zone Same as above Long. 107.88055 W

11. Sec., T. R. M. or Blk. and Survey or Area  
6 Sec. 34, T24N, R10W  
NMPM

14. Distance in miles and direction from nearest town or post office\*  
Approx. 35-miles SE of Bloomfield, New Mexico

12. County or Parish  
San Juan

13. State  
NM

15. Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drg. unit line, if any)  
1700 Feet

16. No. of acres in lease  
1594.4 Acres

17. Spacing Unit dedicated to this well  
N/2 - 320.0 Acres

18. Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft. Approx. 2150'

19. Proposed Depth  
1350 Feet

20. BLM/BIA Bond No.  
On File

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
GL-6736'

22. Approximate date work will start\*  
ASAP

23. Estimated duration  
5-Days

24. Attachments

This action is subject to technical and  
procedural review pursuant to 43 CFR 3165.3  
and appeal pursuant to 43 CFR 3165.4

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*  
Title Geologist

Name (Printed/Typed)  
Kurt Fagrelus

Date  
March 12, 2007

Approved by (Signature) *[Signature]*  
Title *AFM*

Name (Printed/Typed)

Date *8/14/07*

Office *PFO*

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 1178' - 1198'. The interval will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS. PRIOR TO CASING & CEMENT/TOIL CONS. DIV.

RCVD AUG 16 '07

DIST. 3

NMOCD

HOLD 0404 FOR *new plat*

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

District II  
PO Drawer DD, 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

MAR 12 AM 8:49

☐ AMENDED REPORT

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 3692	*Property Name GOLD MEDAL		*Well Number 94
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6736'

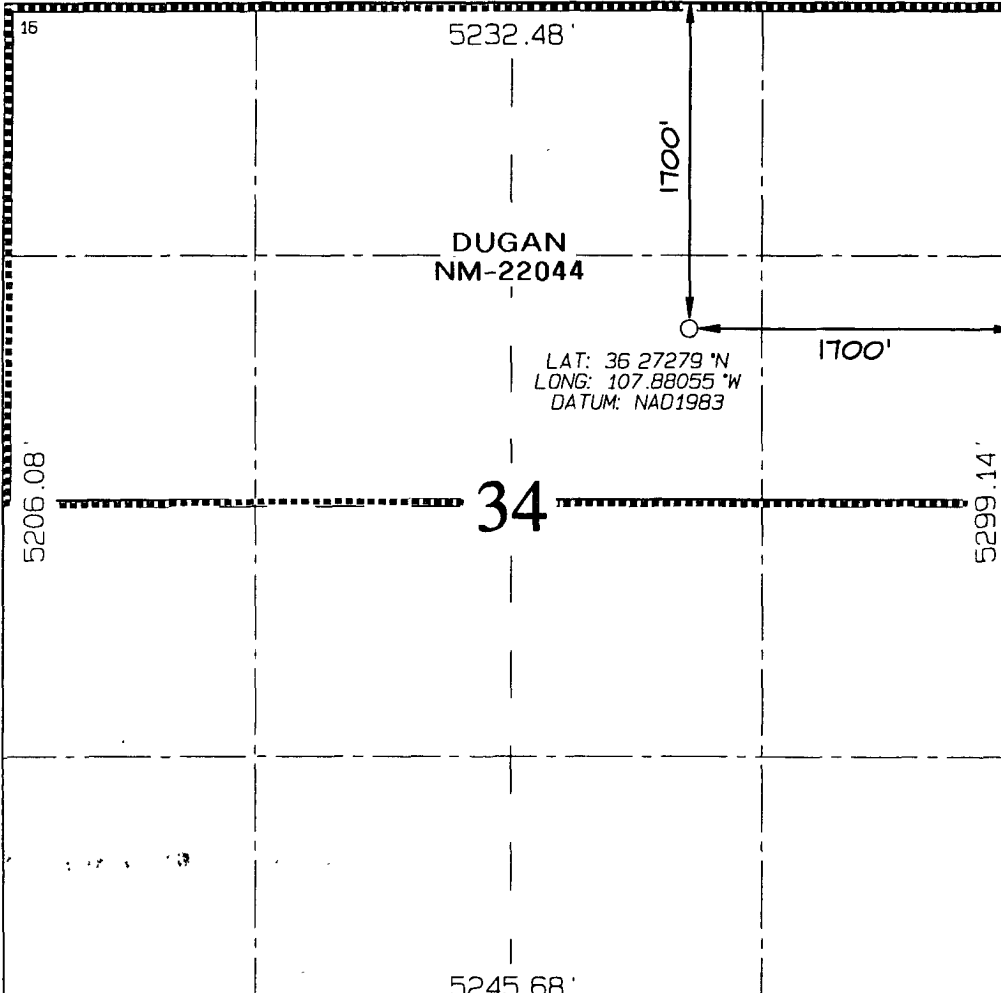

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	34	24N	10W		1700	NORTH	1700	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 320.0 Acres - (N/2)					<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

<div><p><sup>16</sup></p></div>	<div><p><sup>17</sup> 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 March 12, 2007 Date</p></div>
	<div><p><sup>18</sup> 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>Survey Date: FEBRUARY 20, 2007</p><p>Signature and Seal of Professional Surveyor</p><div><p><i>Jason C. Edwards</i> Certificate Number 15269</p></div></div>

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

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b> (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 Federal XX STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. Federal NM-22044
3. Address of Operator 709 East Murray Drive, Farmington, NM 87401		7. Lease Name or Unit Agreement Name Gold Medal
4. Well Location Unit Letter G : 1700 feet from the north line and 1700 feet from the east line Section 34 Township 24N Range 10W NMPM County San Juan		8. Well Number 94
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GL-6736'		9. OGRID Number 006515
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>		10. Pool name or Wildcat Basin Fruitland Coal
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: 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 from approximately 1178' - 1198'. The interval will be fracture  
stimulated.

RCVD AUG 16 '07

OIL CONS. DIV.

DIST. 3

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 Geologist DATE 3/12/2007  
Kurt Fagrelus kfagrelus@duganproduction.com 505-325-1821  
Type or print name E-mail address: Telephone No.

For State Use Only

APPROVED BY: [Signature] Deputy Oil & Gas Inspector, District #3 DATE AUG 20 2007  
Conditions of Approval (if any): TITLE DATE

**EXHIBIT B**  
**OPERATIONS PLAN**  
Gold Medal #94

**APPROXIMATE FORMATION TOPS:**

Ojo Alamo	360'
Kirtland	435'
Fruitland	800'
Pictured Cliffs	1200'
<b>Total Depth</b>	<b>1350'</b>

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#	1350'	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 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)

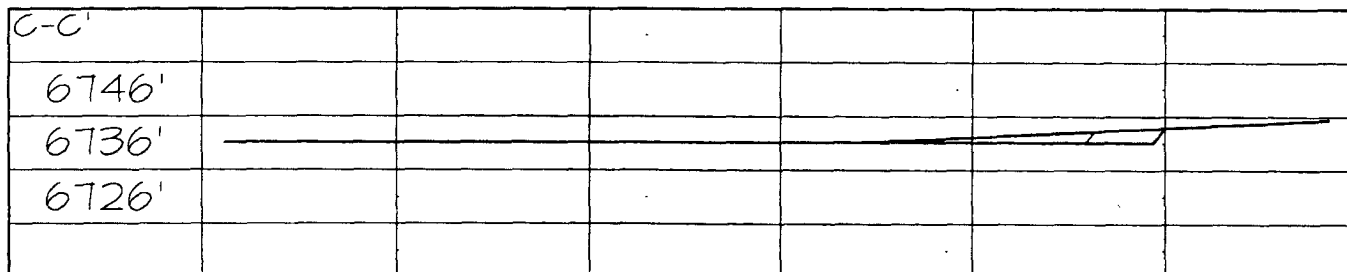
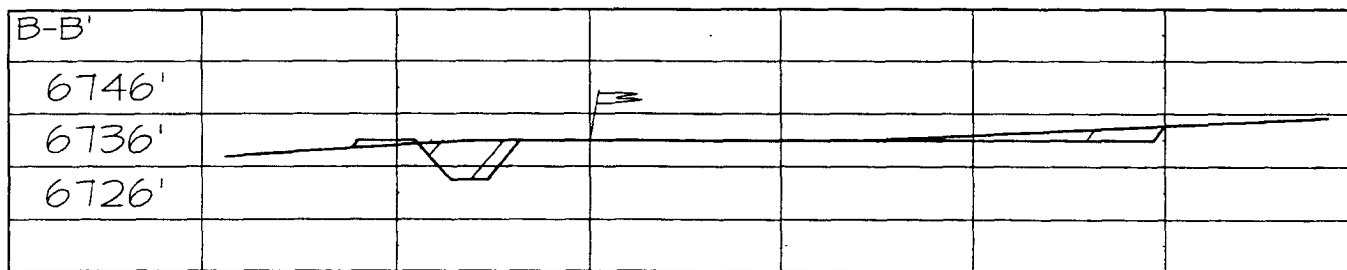
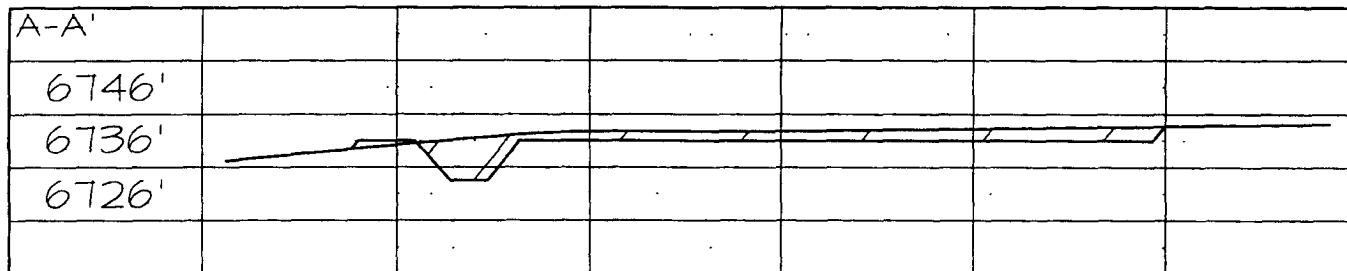
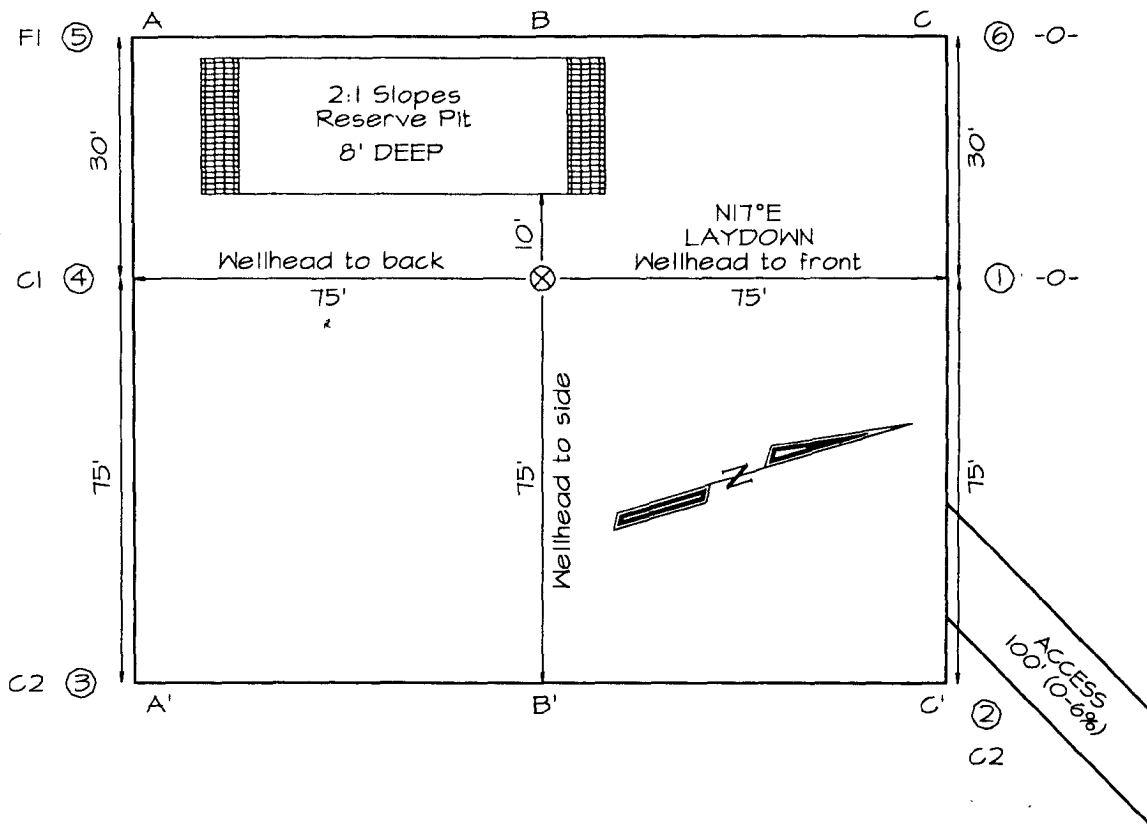
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

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

**DUGAN PRODUCTION CORPORATION GOLD MEDAL #94**  
**1700' FNL & 1700' FEL, SECTION 34, T24N, R10W, NMPM**  
**SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6736'**

**LATITUDE: 36.27279° N**  
**LONGITUDE: 107.88055° W**  
 DATUM: NAD1983

**PLAT NOTE:**  
 \*SURFACE OWNER\*  
 Bureau of Land  
 Management

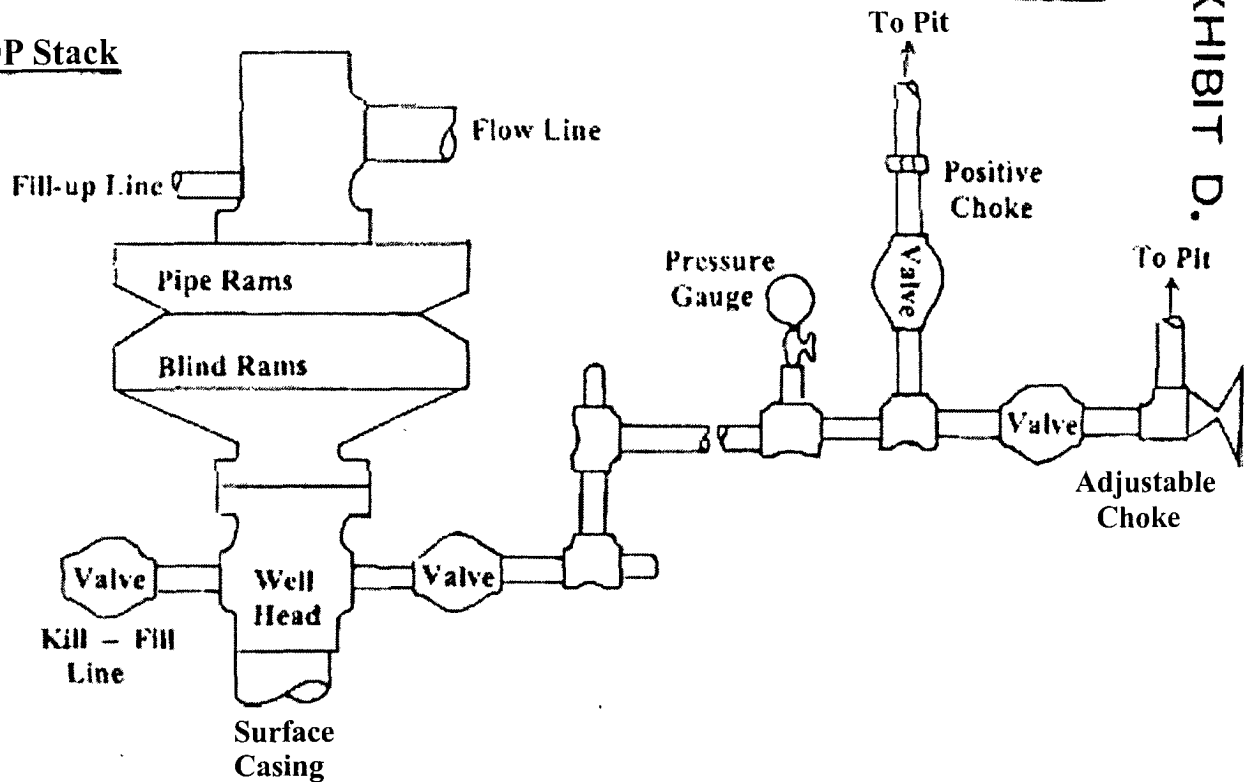


Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

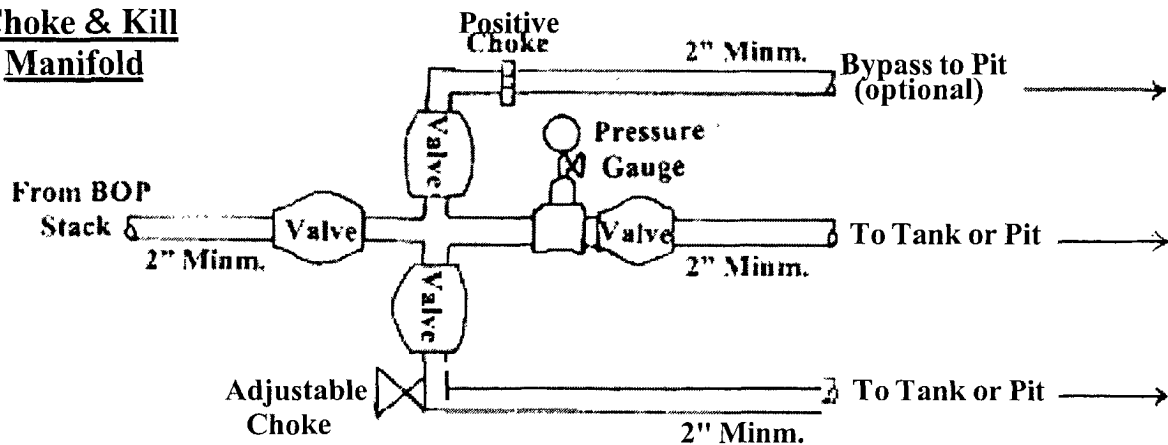
# Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

## BOP Stack



## Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.  
GOLD MEDAL #94