

Form 3160-3
(April 2004)

2006 MAY 8 PM 10 20

DIST. 3

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

70 FARMINGTON NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NOOC-14-20-7479
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 Navajo Allotted
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. Guinness Com #90-S
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-045-33735
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FSL and 1980' FEL, Lat. 36.48278 N., Long. 108.16829 W. At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T. R. M. or Blk. and Survey or Area Sec. 13, T26N, R13W NMPM		12. County or Parish San Juan
13. State NM		14. Distance in miles and direction from nearest town or post office* Approx. 20-miles south of Farmington, New Mexico
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660 Feet	16. No. of acres in lease 160.0 Acres	17. Spacing Unit dedicated to this well S/2-320 Acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 1200'	19. Proposed Depth 1280 Feet	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6012'	22. Approximate date work will start* ASAP	23. Estimated duration 5-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. | 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. |

SEE ATTACHED FOR CONDITIONS OF APPROVAL

25. Signature <i>Kurt Fagrelus</i>	Name (Printed/Typed) Kurt Fagrelus	Date May 6, 2006
Title Geology		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 8/28/07
Title AFM	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 1080' to 1100'. The interval will be fractured. **NOTIFY AZTEC OGD 24 HRS. PRIOR TO CASING & CEMENT**

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

NMOCD

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 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

RCVD AUG 30 '07

☐ AMENDED REPORT
OIL CONS. DIV.

DIST. 3

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33735		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 36696	*Property Name GUINNESS COM		*Well Number 90S
*OGRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6012'

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
0	13	26N	13W		660	SOUTH	1980	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>16</div> <div>5280.00'</div> <div>2006 MAY 8 AM 10 20 RECEIVED OTO FARMING NM</div> <div>13</div> <div>5285.28'</div> <div>LAT. 36.48278 °N LONG. 108.16829 °W DATUM. NAD1983</div> <div>660'</div> <div>1980'</div>	<div>5286.60'</div> <div>DUGAN</div> <div>NOO-14-20-7479</div>	<div>¹⁷ OPERATOR CERTIFICATION</div> <div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</div> <div><i>Kurt Fagrelus</i></div> <div>Signature</div> <div>Kurt Fagrelus</div> <div>Printed Name</div> <div>Geology</div> <div>Title</div> <div>May 5, 2006</div> <div>Date</div>
	<div>5280.00'</div> <div>NO-9601-1298</div> <div>XTO</div>	<div>5280.00'</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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
May 27, 2004

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. 30-045-33735
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease Nav. <input checked="" type="checkbox"/> Allotted STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. Nav. Allot. N00-14-20-7479
3. Address of Operator 709 East Murray Drive, Farmington, NM		7. Lease Name or Unit Agreement Name Guinness Com
4. Well Location Unit Letter 0 : 660 feet from the south line and 1980 feet from the east line Section 13 Township 26N Range 13W NMPM County San Juan		8. Well Number 90-S
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GL-6012'		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 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 from approximately 1080' - 1100'. 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 May 8, 2006
Kurt Fagrelus kfagrelus@duganproduction.com 505-325-1821

Type or print name E-mail address: Telephone No.

For State Use Only

APPROVED BY: [Signature] TITLE Deputy Oil & Gas Inspector, District #3 DATE SEP 04 2007
Conditions of Approval (if any):

EXHIBIT B
OPERATIONS PLAN
Guinness Com #90-S

APPROXIMATE FORMATION TOPS:

Ojo Alamo	Surface		
Kirtland	70'	Pictured Cliffs	1115'
Fruitland	1075'	Total Depth	1280'

Catch samples every 10 feet from 1000 feet to 1280 feet.

LOGGING PROGRAM:

Run cased-hole GR-CCL-CNL from total depth to surface.

CASING PROGRAM:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
12-1/4"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	1280'	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 110 cf 2% Lodense with
1/4# celloflake/sx followed by 90 cf Class "B" with
1/4# celloflake/sx.
— Total cement slurry for production stage is 200 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)

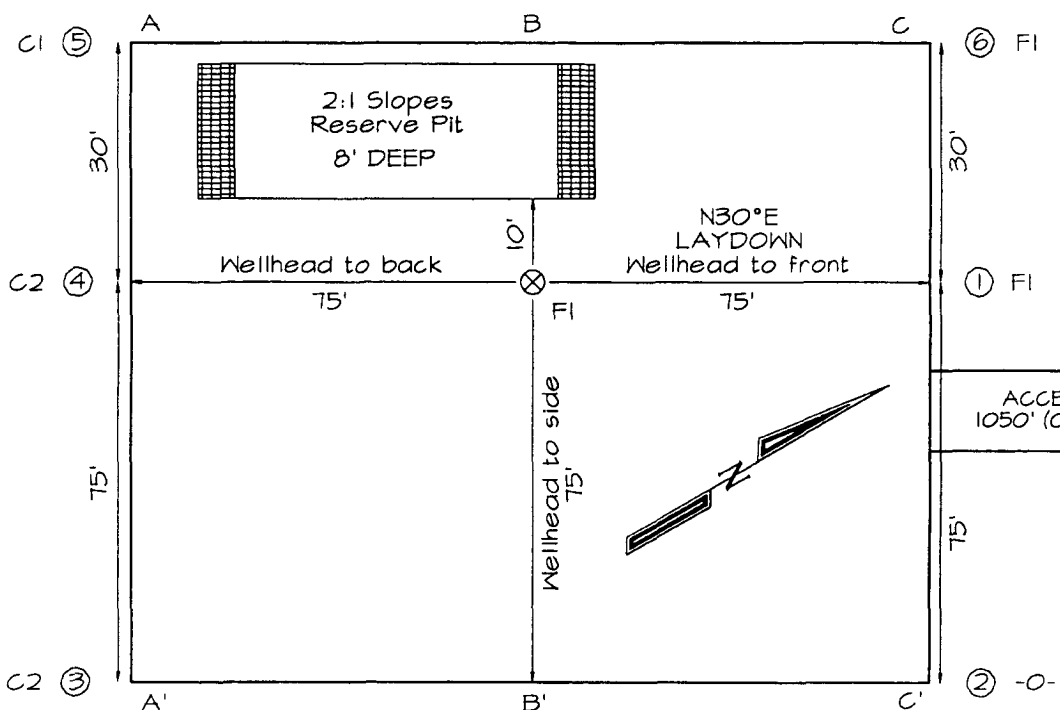
John Alexander	325-6927 (H)
	320-1935 (M)

DUGAN PRODUCTION CORPORATION GUINNESS COM #90S
 660' FSL & 1980' FEL, SECTION 13, T26N, R13W, NMPM
 SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6012'

LATITUDE: 36.48278° N
 LONGITUDE: 108.16829° W
 DATUM: NAD1983

PLAT NOTE

SURFACE OWNER
 Navajo Tribal Trust



A-A'									
6023'									
6013'									
6003'									

B-B'									
6023'									
6013'									
6003'									

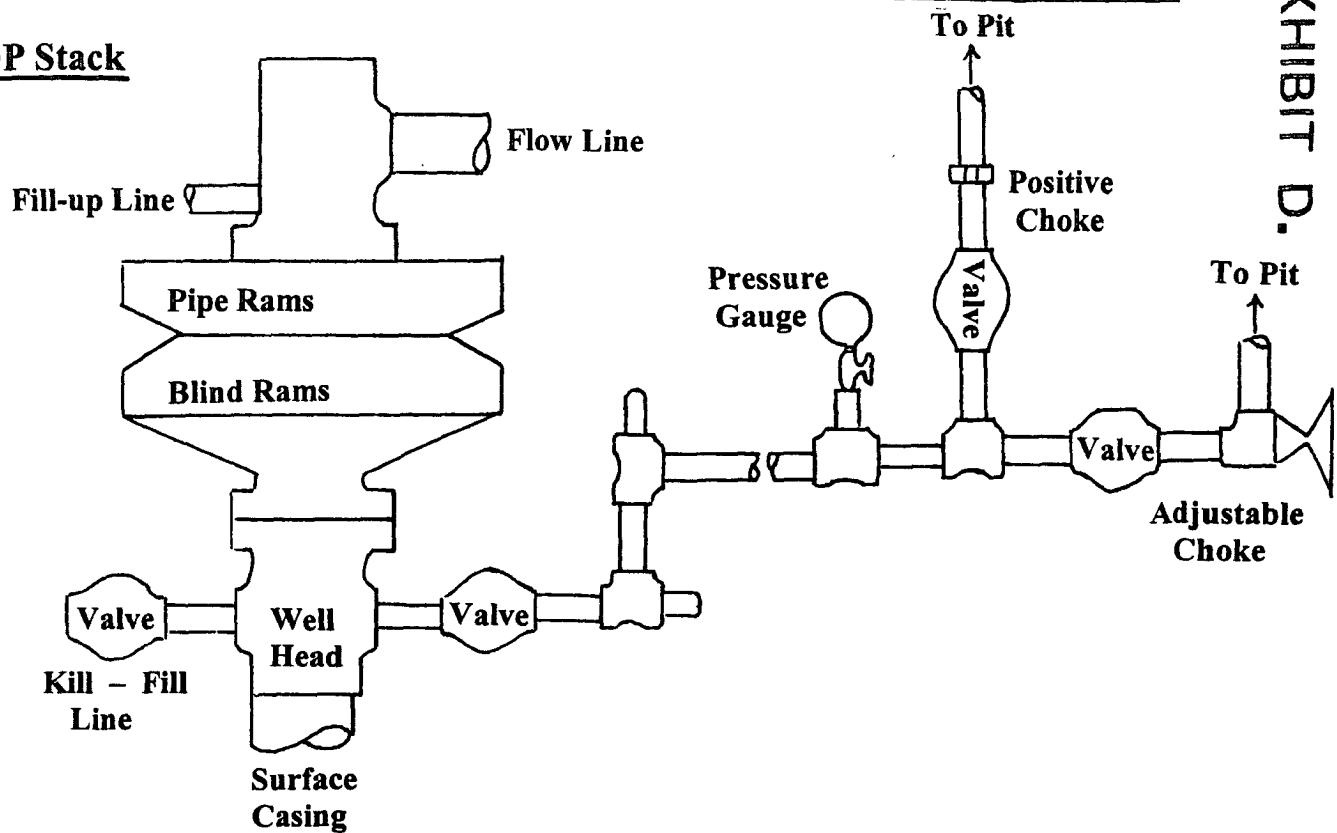
C-C'									
6023'									
6013'									
6003'									

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

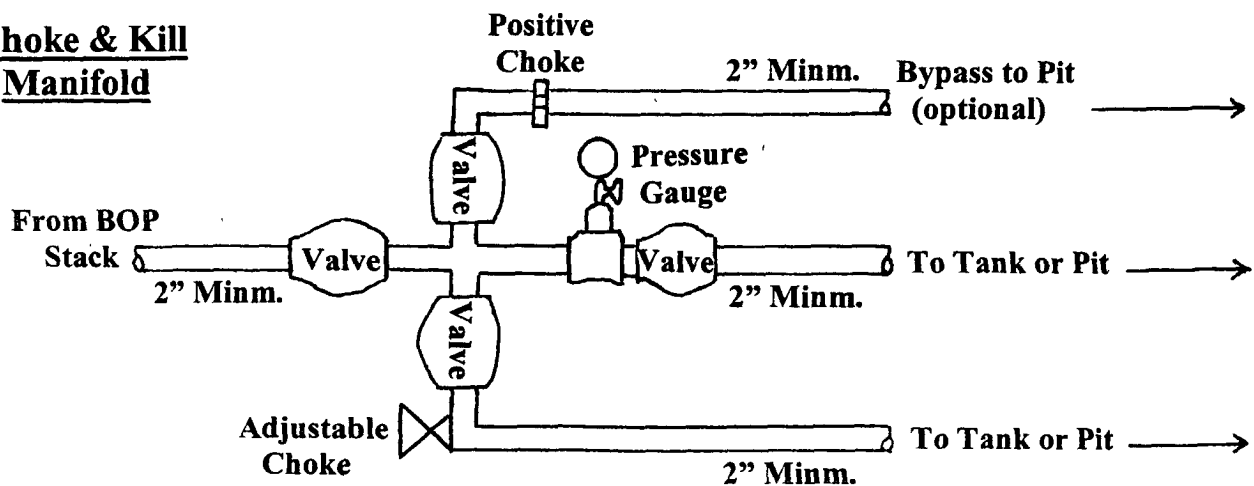
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
GUINNESS COM #90-S