

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

Oil ☐
Well ☐Gas ☐
Well ☒ Other ☐SINGLE ☐
ZONE ☒MULTIPLE ☐
ZONE ☐

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 (Report location clearly and in accordance with any State requirements.)

At surface 1005' FNL & 1360' FEL (SW/4 NE/4)

At proposed prod. zone 1445' same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

4 miles north of Kirtland, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drig. unit line, if any)

500'

16. NO. OF ACRES IN LEASE

1840

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320 N/2

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,

OR APPLIED FOR, ON THIS LEASE, FT.

1360'

19. PROPOSED DEPTH

1082'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

5487' GL

22. APPROX. DATE WORK WILL START*

ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADES, SIZES OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
8-3/4"	7"	20#	120'	70 cu ft - circ to surface
6 1/4"	4 1/2"	10.5#	1082'	165 cu ft - circ to surface

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 930'-945'. The interval will be fractured.

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3168.4

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

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Kurt Fagrellius
Kurt Fagrellius

Title Geologist

Date 7/5/2001

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

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:

Approved by

Title

Date

*See Instructions on Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

NMOOD

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-30719		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 3865	*Property Name TURKS TOAST		*Well Number 93
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5482'

¹⁰ Surface Location

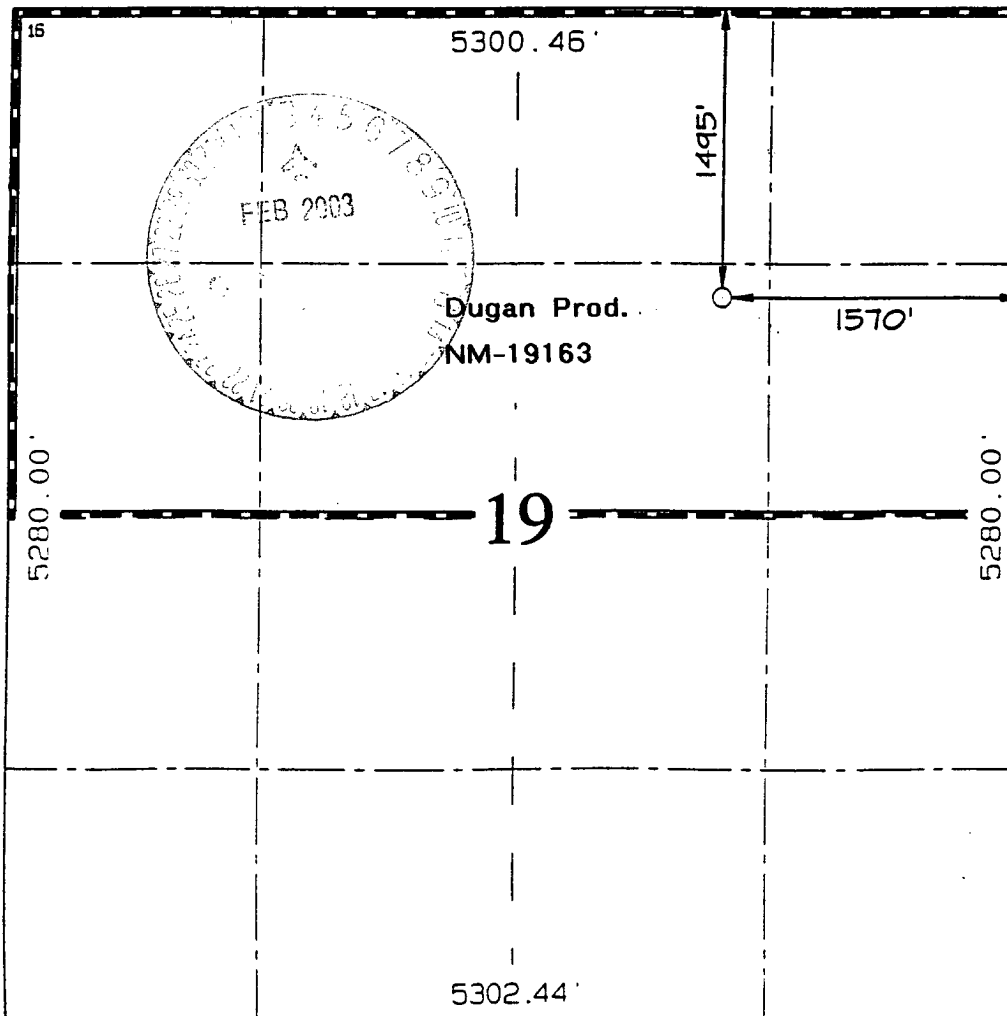
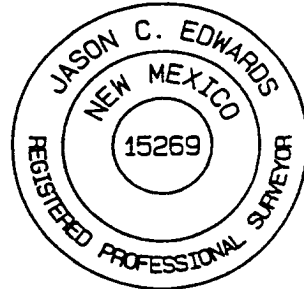
UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
G	19	30N	14W		1495	NORTH	1570	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320.0 ACRES - (N/2)	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

	<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</p> <p><i>Kurt Fagrelus</i> Printed Name</p> <p><i>Geologist</i> Title</p> <p><i>7/1/02</i> Date</p>
	<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: JUNE 14, 2002</p> <p>Signature and Seal of Professional Surveyor</p> <div data-bbox="1166 1654 1469 1942"></div> <p><i>JASON C. EDWARDS</i> Certificate Number 15269</p>

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-19163	
2. Name of Operator DUGAN PRODUCTION CORP.		6. If Indian, Allottee or Tribe Name	
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401		7. If Unit or CA/Agreement, Name and/or No.	
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		8. Well Name and No. TURKS TOAST 93	
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 19 T30N R14W SWNE 1635FNL 1360FEL		9. API Well No.	
		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL	
		11. County or Parish, and State SAN JUAN COUNTY, NM	

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Change to Original A PD
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Amend APD submitted 7/5/2001 by moving location at the request of the BLM by letter dated 9/28/2001.

Original location: 1635' FNL & 1360' FEL - Sec. 19, T30N, R14W
New location: 1495' FNL & 1570' FEL - Sec. 19, T30N, R14W

RECEIVED
2002 JUL - 1 PM 4:25
070 FARMINGTON, NM

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

Name (Printed/Typed) KURT FAGRELIUS	Title GEOLOGIST
Signature <i>Kurt Fagrelus</i>	Date 07/01/2002

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <i>David J. Markiewicz</i>	Title	Date
Conditions of approval, if any, are attached. Approval of this notice 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.	Office	JAN 30 2003

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.

NMOCD

EXHIBIT B
OPERATIONS PLAN
Turk's Toast #93

APPROXIMATE FORMATION TOPS:

Kirtland	surface
Fruitland	520'
Pictured Cliffs	957'
 Total Depth	 1082'

LOGGING PROGRAM: Run cased hole CNL-CDL

Catch samples every 10 feet from 700 feet to total depth.

CASING PROGRAM:

Hole <u>Size</u>	Casing <u>Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
8-3/4"	7"	20#	±120'	J-55-new
6-1/4"	4-1/2"	10.5#	±1082'	J-55-new

Plan to drill a 8-3/4" hole and set 120' of 7" OD, 20#, J-55 surface casing; then plan to drill a 6-1/4" hole to total depth with gel-water-mud program to test Fruitland Coal Formation. 4½", 10.5# J-55 casing will be run and cemented. Cased hole CNL-CDL 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: All volumes are contingent upon Caliper logs.

Surface: Cement with 70 cu.ft. Class "B" neat. Circulate to surface

Production Stage - Cement with 105 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 60 cu.ft. Class "B" with 1/4# celloflake/sx.
Total cement slurry for production stage is 165 cu.ft.
Circulate 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. If no Ojo Alamo is present, no centralizers will be run on surface casing. 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 7" x 4-1/2" casing head, 1000#WP, tested to 2000#

Huber 4-1/2" x 2-7/8" tubing head, 1000# WP, tested to 2000#

BOP and Related Equipment will include for a 2000 psi system:

Annual 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

Dugan Prod.Corp. Office & Radio Dispatch:	325-1821
	Kurt Fagrelus 325-4327
John Alexander 325-6927	Mark Brown 327-3632
Sherman Dugan 327-3121	John Roe 326-1034