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Form 3160-3 (April 2004)

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JAN 1 6 2008

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

UNITED STATES	į				
	INTERIOR SI and Manage	ment ,	e Serial No.	200	
BUREAU OF LAND MAN	AGEMENT Land Field Off	ice	NO#C-14-20-73		
APPLICATION FOR PERMIT TO	DRILL OR REENTER	1	dian, Allotee or Tribe N		
			Navajo Allott		
la. Type of work: X DRILL REENTI	ER	7 lf Uni	t or CA Agreement, Na	me and No.	
		ļ <u>.</u>			
lb. Type of Well: Oil Well X Gas Well Other	X Single Zone Multip		Name and Well No.	#90	
b. Type of Well: Ohl Well X Gas Well Other Name of Operator	143mgs com Intuity	O A DI	Well Ma		
Dugan Production Corp.		2. 7.1	30-045-34	570	
Ba. Address 709 East Murray Drive	3b. Phone No. (include area code)		and Pool, or Exploratory		
Farmington, NM 87401	505-325-1821		Basin Fruitland Coa		
Location of Well (Report Isration clearly and in accordance with an	ny State requirements.")	11. Sec., 7	. R. M. or Blk. and Sur	vey or Area	
	Lat. 36.25958 N	A Sec	. 4, T23N, F	RIOW	
	Long. 107.89687 W	NIME	NMPM		
4. Distance in miles and direction from nearest town or post office*	J		ty or Parish	13. State	
Approx. 35-miles SE of Bloomfiel	d, New Mexico		n Juan	NM	
5. Distance from proposed*	16. No. of acres in lease	17. Spacing Unit dedic	cated to this well		
location to nearest 1205 Feet property or lease line, ft.	160.52 acres	N/2 - 3	20.96 Acres		
(Also to nearest drig, unit line, if any)					
R. Distance from proposed location* to nearest well, drilling, completed. Approx. 800'	19. Proposed Depth	· · · · · · · · · · · · · · · · · · ·			
to nearest well, drilling, completed, Approx. 800' applied for, on this lease, ft.	1185 Feet	On File			
. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will star	r 23 Estin	nated duration		
GL - 6634'	ASAP		-Days		
	24. Attachments	***	***************************************		
ne following, completed in accordance with the requirements of Onshor	re Oil and Gas Order No. 1, shall be at	tached to this form:			
•			4.4. 1		
. Well plat certified by a registered surveyor. 2. A Drilling Plan.	4. Hong to cover the litem 20 above).	e operations unless co	vered by an existing be	ond on the (see	
. A Surface Use Plan (if the location is on National Forest System	Lands, the 5. Operator certific	ation	,	•	
SUPO shall be filed with the appropriate Forest Service Office).	6. Such other site s authorized office		d/or plans as may be re-	quired by the	
5. Signature	Name (Printed/Typed)	"·	Date		
But tegrelos	Kurt Fagrel:	ius		16/2008	
ite Geologist		······································			
Nin (_1_	
approved by (Signature)	Name (Printed/Typed)		Date	x/8/	
All anderway	1000			18/6	
itle AFM	Office FFD				
pplication approval does not warrant or certify that the applicant hold	s legal or equitable title to those right	s in the subject lease w	hich would entitle the ap	plicantto	
onduct operations thereon.					
Conditions of approval, if any, are attached.					
itle 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a creates any false, fictitious or fraudulent statements or representations as	time for any person knowingly and want to any matter within its jurisdiction	illfully to make to any	department or agency o	t the United	

*(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 1005' - 1030'. The interval will be fracture stimulated.

This action is subject to technical and procedural review pursuant to 43 CFR 3165 3 and appeal pursuant to 43 CFR 3165 4

OCT 1 4 2008

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER **AUTHORIZATION REQUIRED FOR OPERATIONS** ON FEDERAL AND INDIAN LANDS

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

NOTIFY AZTEC OCD 24 HRS. PRIOR TO CASING & CEMENT NMOCD

District I 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210

Energy, Minerals & Natural Resources Department

District III 1000 Rio Brazos Rd., Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
OIL CONSERVATION DIVISION
Submit to Appropriate District Office
1220 South St. Francis Dr.
Santa Fe, NM 87505

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				WELL		ION AND) A	CREA	GE DED	ICA:				
2 ~		PI Numbe												
)	perty	15.3	45 IC	71629 BASIN FRUITLAND COAL Property Name Well Number						ell Number				
	742							N CO	М				, , , , , , , , , , , , , , , , , , , 	90
	GRID N					*Oper	rator	Name					• E	levation
0	0651	5			DUGAN	PRODUC	RODUCTION CORPORATION						6634'	
						¹⁰ Surfa	се	Loca	tion			^		
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	L		11 B	ottom	Hole L	ocation	ı I	f Di	ferent	Fr	om Surf	ace		<u> </u>
UL or 1	lot no.	Section	Township	Range	Lat Idh	Feet from	the	Nort	n/South line	Fe	et from the	East/Ne	st line	County
sa Dedicate	-d Acres				L	²⁹ Joint or In	4433	M	idetion Code	2 Oro				
Denicati	. AU 48	320	.96 Acre	es - (1	N/S)	- Source or in	7333	COLEDI	IDECION CODE	-04	P NO.			
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16				52	245.68						¹⁷ OPER	ATOR	CERTI	FICATION
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13			ח	gan		Dugan		}		13			CERTI	FICATION
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5254.921

AD ESSION

Certificate Number

EXHIBIT B OPERATIONS PLAN

Marathon Com #90

APPROXIMATE FORMATION TOPS:

Total Depth	1185'
Pictured Cliffs	1035'
Fruitland	700 ′
Kirtland	260 ′
Ojo Alamo	170 ′

Catch samples every 10 feet from 900 feet to total depth.

LOGGING PROGRAM:

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

CASING PROGRAM:

Hole	Casing		Setting	Grade and
Size	Size	Wt./ft.	Depth	Condition
12-1/4"	8-5/ 8"	24#	120'	J-55
7"	5 - 1/2 "	14#	1185′	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 120 cf 2%lodense with

celloflake/sx followed by 80 cf Class "B" with

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.

Maximum Anticipated Bottom Hole Pressure - 350 psi.

Drilling Fluid - will be fresh water with bentonite (8.9#/gal).

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:

The second secon

Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

Mark	Brown	327-3632 320-8247	
Kurt	Fagrelius	325-4327 320-8248	
John	Alexander	325-6927 320-1935	

Form 3160-5 (June 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT Bureau of Land Management

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MAY 0 9 2008

Farmington Field Office

FORM APPROVED Budget Bureau No. 1004-0135

Expires: March 31,1993

5 Lease Designation and Serial No NO-C-14-20-7308

Use "APPLICATION FOI	6. If Indian, Allotted or Tribe Name				
SUBMIT IN	Navajo Allotted				
1. Type of Well Oil Well X Well	Other	7 If Unit or CA, Agreement Designation			
2 Name of Operator		8. Well Name and No.			
Dugan Production Corp.		Marathon Com #90			
3. Address and Telephone No.		9. API Well No.			
P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821	30 045			
Location of Well (Footage, Sec., T , R., M., or Survey Description)		10. Field and Pool, or Exploratory Area			
1205' FNL & 1265' FEL (NE/4 NE/4)		Basin Fruitland Coal			
Unit A, Sec. 4, T23N, R10W, NMPM	11. County or Parish, State				
		San Juan, NM			
12. CHECK APPROPRIATE BOX(s) TO IND	ICATE NATURE OF NOTICE, REPORT, OR OT	THER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION				
X Notice of Intent	Abandonment	Change of Plans			
Outcomed Board	Recompletion	New Construction			
Subsequent Report	Plugging Back Casing Repair	Non-Routine Fracturing Water Shut-Off			
Final Abandonment Notice	Altering Casing	Conversion to Injection			
	X Other Additional APD info	Dispose Water			
	<u> </u>	(Note Report results of multiple completion on Well Completion or Recompletion Report and Log form.)			
Blow-out Preventor Equipment (B Will test the BOPE and surface ca held for five minutes and a high pa	open to details, and give pertinent dates, including estimated date of starting any properties for all markers and zones pertinent to this work.)* OPE) tests will be performed without using a test asing together. The test will include a low pressuressure test to 800 psig held for thirty minutes (without duration of the tests). If a 10 percent or greater particles are casing and BOPE to locate the source of	t plug. re test to 250 psig ith no more than a 10 pressure drop occurs,			
14 I hereby certify that the foregoing is true and correct					
Signed Kurttzgrein	Title Vice-President, Exploration Date	5/6/2008			
Kurt Fagrelius					
(This space for Federal or State office use)					
Approved by Malt Pinka	Title Emilyes In Tech Date	5-27-08			

or representations as to any matter within its jurisdiction

Conditions of approval, if any

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

Dugan Production Corp. is asking for consent to pressure test the Blow-out Preventor Equipment (BOPE) without using a test plug because of the following reason:

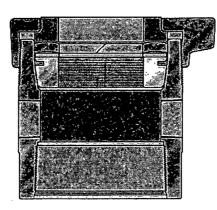
Dugan uses a Gardner Denver 2000 drilling rig to drill shallow coal wells. The largest BOP that will fit under this rig is a Schafer 6" 2000 series that has an internal diameter of 7.0625". This BOP is screwed on to a Hercules LM85 casing head (1500 psi working pressure, 3000 psi test pressure, bottom thread 8-5/8" 8rd, cap thread 9-5/8" 8rd) that has an internal minimum bore of 7.920". The casing head is screwed onto 8-5/8" surface casing (24#, J-55 and 8rd thread) that has an internal diameter of 8.097".

Currently Dugan is unable to get a test plug for the casing head (7.920" ID) or surface casing (8.097" ID) that will pass through the BOP (7.0625").

Dugan will test the BOPE and surface casing together. The test will include a low pressure test to 250 psig held for five minutes and a high pressure test to 800 psig held for thirty minutes (with no more than a 10 percent pressure drop during the duration of the tests). If a 10 percent or greater pressure drop occurs, a packer will be run to isolate the surface casing and BOPE to locate the source of the leak.



SPECIFICATIONS



Patented Positive Mechanical Stop Slip Design

- · Limits slip travel.
- · Reduces hoop stress in wellhead body.
- Slip load capacity equals thread joint capacity.
- Will not crush pipe ID below API drift.
- . Non-restrictive to side outlet flow.

Contoured Packing Design

· For improved seal.

Improved Top Metal Ring Design

Prevents packing extrusion.

Interchangeable Parts

 All internal parts on 1500, 2000 & 3000 PSI WP LM85 models are interchangeable.

Bottom Thread 8-5/8" 8rd API* 8-5/8" 8rd API* 8-5/8" 8rd API* **Bottom Connection** Male Short or Male Short, Fem. Short Fem. Short or Fem. Short or Fem. Slip Joint Fem. Slip Joint **Working Pressure** 1500 PSI 2000 PSI 3000 PSI **Test Pressure** 3000 PSI 4000 PSI 6000 PSI Max. Body Load (2:1 SF) 90.000 lbs. 180,000 lbs. 180,000 lbs. 9-5/8" 8rd API mod. ** 10-3/4" 8rd API mod.** 10-3/4" 8rd API mod. ** Cap Thread Carbon Steel Cap Material **Ductile Iron Ductile Iron** 2", 2-1/2", 3", 4-1/2", 5-1/2", 7" 2", 2-1/2", 3", 4-1/2", 5-1/2", 7" 2", 2-1/2", 3". Inner String 4-1/2", 5-1/2", 7" Suspension Slip or Mandrel Slip or Mandrel Slip or Mandrel

- Other thread styles available
- ** Caution: R&M Energy Systems recommends using only API modified threaded Hercules flanges. See pg. 22.

2" LP

7.920"

Ductile Iron

12-1/2"

142 lbs.

** 3" LP special order only. Contact Customer Service.

Side Outlet

Minimum Bore

Body Material

Height Weight



R&M Energy Systems P.O. Box 2871 Borger, Texas, U.S.A. 79008-2871 (800) 858-4158 (806) 274-5293 • Fax (806) 274-3418

2" LP & 3" LP***

7.920"

Carbon Steel

11-3/4"

200 lbs.

R&M Energy Systems Canada 9830 - 45th Avenue Edmonton, Alberta, Canada T6E 5C5 (800) 661-5659 (780) 437-6316 • Fax (780) 435-3074

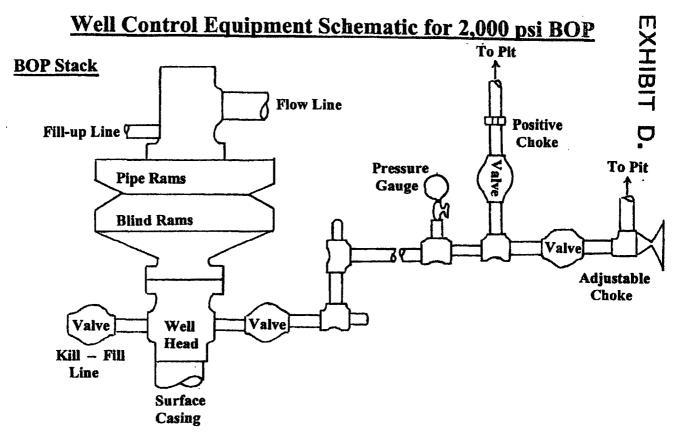
2" LP & 3" LP***

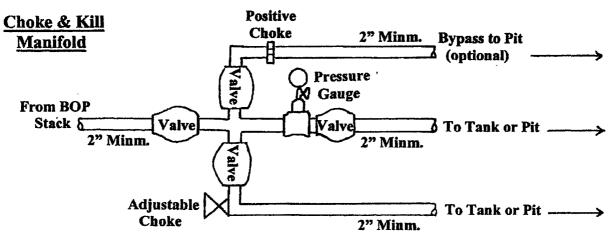
7.920"

Carbon Steel

11-3/4"

220 lbs.





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

DUGAN PRODUCTION CORP.

MARATHON COM #90