

RECEIVED

Form 3160-3  
(April 2004)

FEB 21 2008

FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
Farmington Field OfficeLease Serial No.  
NO-G-0311-1696

## APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. If Indian, Allottee or Tribe Name Navajo Allotted
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		7. If Unit or CA Agreement, Name and No.
2. Name of Operator Dugan Production Corp.		8. Lease Name and Well No. Hoss Com #96
3a. Address 709 East Murray Drive Farmington, NM 87401		9. API Well No. 30-045-34601
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 950' FSL and 1130' FWL, Lat. 36.23642 N At proposed prod. zone Same as above. Long. 107.9607 W		11. Sec., T. R. M. or Blk. and Survey or Area M Sec. 12, T23N, R11W NMPM
14. Distance in miles and direction from nearest town or post office* Approx. 40-miles SE of Bloomfield, NM 87401		12. County or Parish San Juan
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 950 Feet		13. State NM
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. N.A.		20. BLM/BIA Bond No. On File
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6369'		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:

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

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 <i>Kurt Fagrelus</i>	Name (Printed/Typed) Kurt Fagrelus	Date 2/19/2008
Title Geologist		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) [Signature]	Date 1/4/08
Title AFM	Office FEO	

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 casing hole. The  
Fruitland Coal will be completed from approximately 620' - 670'. The interval  
will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS.  
PRIOR TO CASING & CEMENT

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

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

NMOCD

OCT 14 2008

NOTICE: 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

District I  
1625 N. French Dr., Hobbs, NM 88240

District II  
1301 W. Grand Avenue, 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 & Natural Resources Department

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

Form C-102  
Revised October 12, 2005  
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 30045-34601		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 31980	*Property Name HOSS COM		*Well Number 96
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6369'

<sup>10</sup> Surface Location


UL or lot no. M	Section 12	Township 23N	Range 11W	Lot Idn	Feet from the 950	North/South line SOUTH	Feet from the 1130	East/West line WEST	County SAN JUAN
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<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
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<sup>12</sup> Dedicated Acres 320.0 Acres - (S/2)	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

16	5384.28'		<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature <u>Kurt Fagrelus</u> Date <u>2-19-2008</u> Kurt Fagrelus Printed Name
5263.50'	12 XTO NO-G-0311-1696 Dugan NM-96800 LAT: 36.23642°N LONG: 107.96067°W DATUM: NAD1983	5266.14'	<sup>18</sup> SURVEYOR CERTIFICATION 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 Survey Date: FEBRUARY 7, 2008 Signature and Seal of Professional Surveyor   JASON C. EDWARDS Certificate Number 15269
1130'	950'	5297.16'	

**EXHIBIT B**  
**OPERATIONS PLAN**  
Hoss Com #96

**APPROXIMATE FORMATION TOPS:**

Kirtland	Surface
Fruitland	305'
Pictured Cliffs	670'
<b>Total Depth</b>	<b>820'</b>

Catch samples every 10 feet from 550 feet to total depth.

**LOGGING PROGRAM:**

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

**CASING PROGRAM:**

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	820'	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 90 cf 2% lodense with  
1/4# celloflake/sx followed by 50 cf Class "B" with  
1/4# celloflake/sx.  
Total cement slurry for production stage is 140 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** - 300 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:**

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)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

MAY 09 2008

Bureau of Land Management  
Farmington Field Office

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

**SUBMIT IN TRIPLICATE**

1 Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

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 (Footage, Sec., T., R., M., or Survey Description)

950' FSL & 1130' FWL (SW/4 SW/4)  
Unit M, Sec. 12, T23N, R11W, NMPM

5 Lease Designation and Serial No  
NO-G-0311-1696

6. If Indian, Allotted or Tribe Name

Navajo Allotted

7. If Unit or CA, Agreement Designation

8 Well Name and No.

Hoss Com #96

9. API Well No.

30 045 - 34601

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

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

TYPE OF SUBMISSION

- ☒ Notice of Intent  
☐ Subsequent Report  
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment  
☐ Recompletion  
☐ Plugging Back  
☐ Casing Repair  
☐ Altering Casing  
☒ Other  
☐ Change of Plans  
☐ New Construction  
☐ Non-Routine Fracturing  
☐ Water Shut-Off  
☐ Conversion to Injection  
☐ Dispose Water

Additional APD info

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

RCVD OCT 9 '08  
OIL CONS. DIV.

Blow-out Preventor Equipment (BOPE) tests will be performed without using a test plug.

DIST. 3

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.

RCVD MAY 28 '08  
OIL CONS. DIV.  
DIST. 3

14 I hereby certify that the foregoing is true and correct

Signed

*Kurt Fagrellius*

Kurt Fagrellius

Title

Vice-President, Exploration

Date

5/6/2008

(This space for Federal or State office use)

Approved by

*Math. P. P. P.*

Title

*Engineering Tech*

Date

5/27/08

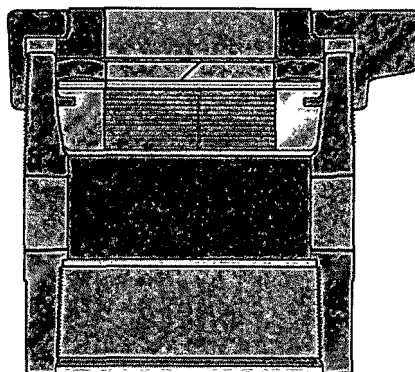
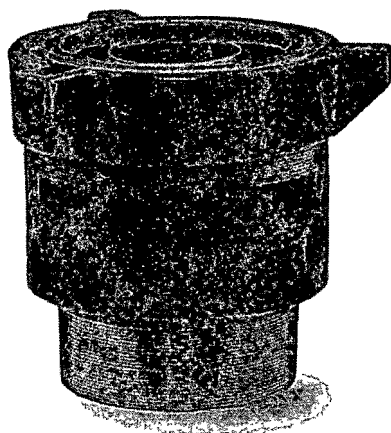
Conditions of approval, if any.

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.

**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.

**SPECIFICATIONS**

<b>Bottom Thread</b>	8-5/8" 8rd API*	8-5/8" 8rd API*	8-5/8" 8rd API*
<b>Bottom Connection</b>	Male Short or Fem. Short	Male Short, Fem. Short or Fem. Slip Joint	Fem. Short or Fem. Slip Joint
<b>Working Pressure</b>	1500 PSI	2000 PSI	3000 PSI
<b>Test Pressure</b>	3000 PSI	4000 PSI	6000 PSI
<b>Max. Body Load (2:1 SF)</b>	90,000 lbs.	180,000 lbs.	180,000 lbs.
<b>Cap Thread</b>	9-5/8" 8rd API mod.**	10-3/4" 8rd API mod.**	10-3/4" 8rd API mod.**
<b>Cap Material</b>	Ductile Iron	Ductile Iron	Carbon Steel
<b>Inner String</b>	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", 4-1/2", 5-1/2", 7"
<b>Suspension</b>	Slip or Mandrel	Slip or Mandrel	Slip or Mandrel
<b>Side Outlet</b>	2" LP	2" LP & 3" LP***	2" LP & 3" LP***
<b>Minimum Bore</b>	7.920"	7.920"	7.920"
<b>Body Material</b>	Ductile Iron	Carbon Steel	Carbon Steel
<b>Height</b>	12-1/2"	11-3/4"	11-3/4"
<b>Weight</b>	142 lbs.	200 lbs.	220 lbs.

\* Other thread styles available.

\*\* Caution: R&M Energy Systems recommends using only API modified threaded Hercules flanges. See pg. 22.

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

**R&M ENERGY  
SYSTEMS**  
A Unit of Robbins & Myers, Inc.

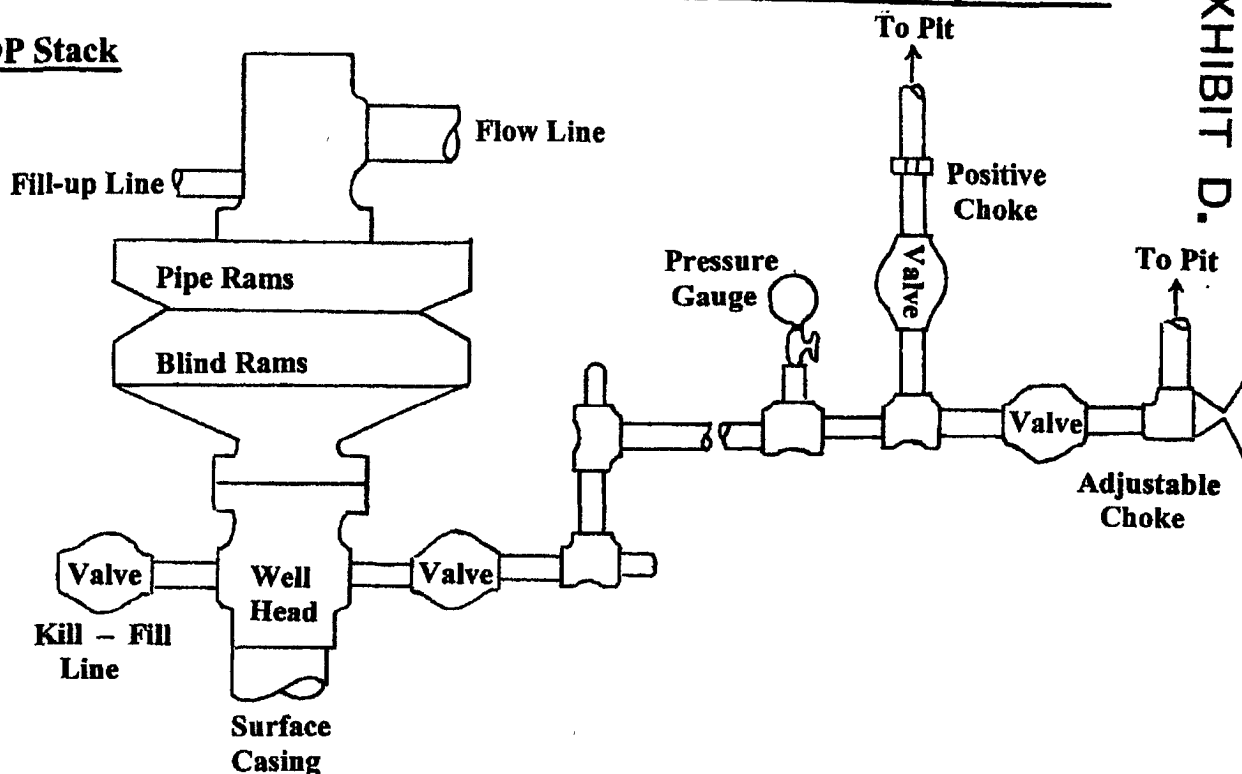
**R&M Energy Systems**  
P.O. Box 2871  
Borger, Texas, U.S.A. 79008-2871  
(800) 858-4158  
(806) 274-5293 • Fax (806) 274-3418

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

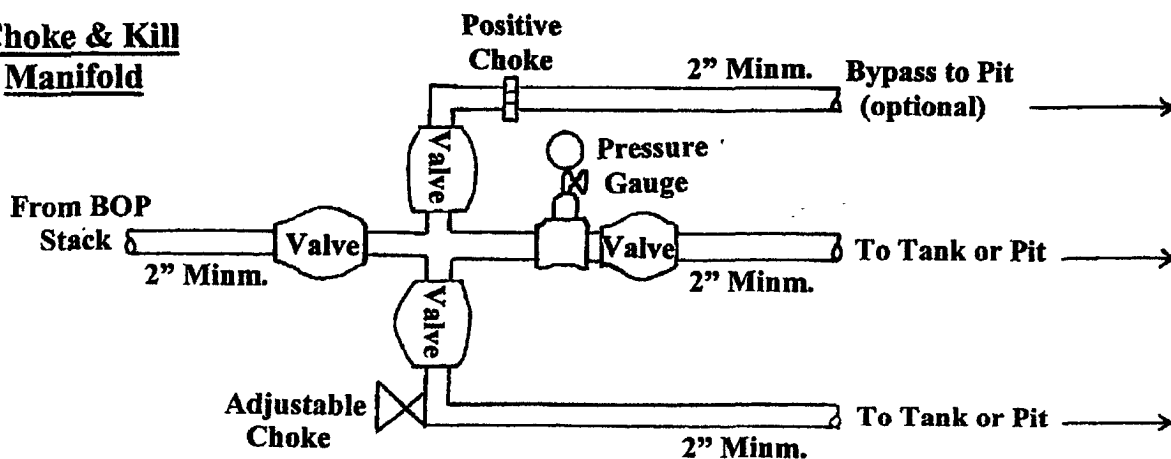
# Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

## BOP Stack



## Choke & Kill Manifold



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

**DUGAN PRODUCTION CORP.**

Hoss Com #96