

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

2002 NOV 12 PM 2:50

070 Farmington, NM

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☐ Gas Well ☒ Other: CBM ☒ Single Zone ☐ Multiple Zone

2. Name of Operator: DUGAN PRODUCTION CORP. Contact: KURT FAGRELIUS
E-Mail: kfagrelus@duganproduction.com

3a. Address: 709 EAST MURRAY DRIVE
FARMINGTON, NM 87401

3b. Phone No. (include area code)
Ph: 505.325.1821
Fx: 505.327.4613

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface: NENW Lot 7 800FNL 1600FWL 36.42260 N Lat, 108.02050 W Lon
At proposed prod. zone:

14. Distance in miles and direction from nearest town or post office*
4-MILES EAST OF FARMINGTON, NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
800

16. No. of Acres in Lease
120.60

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.
220

19. Proposed Depth
2200 MD

21. Elevations (Show whether DF, KB, RT, GL, etc.)
5812 GL

22. Approximate date work will start
12/15/2002

5. Lease Serial No.
NM-0175788

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.
52170

8. Lease Name and Well No.
FEDERAL B COM 90

9. API Well No.
30045 31258

10. Field and Pool, or Exploratory
BASIN FRUITLAND COAL

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 31 T30N R11W Mer NMP
C

12. County or Parish
SAN JUAN

13. State
NM

17. Spacing Unit dedicated to this well
334.43 W/2

20. BLM/BIA Bond No. on file

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.
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

Name (Printed/Typed)
KURT FAGRELIUS

Date
11/11/2002

Title
Geologist

Approved by (Signature): David J. Mankiewicz

Name (Printed/Typed)

Date
MAR 21 2003

Title

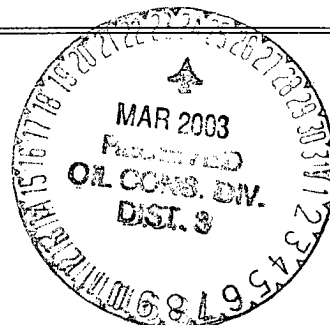
Office

Application approval does not warrant or certify 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.

Additional Operator Remarks:

A water based gel mud will be used to drill surface and production casing holes. A standard 2,000 psi BOP will be used to drill production casing hole. The Fruitland Coal interval will be completed from approximately 1985' to 2005'. The interval will be fractured.



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

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

NMOCD

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

District II
PO Drawer 00, 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 O-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 30045-31258		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 32170	*Property Name FEDERAL B COM		*Well Number 90
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5812'

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
C	31	30N	11W		800	NORTH	1600	WEST	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 334.43 ACRES - W/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

¹⁶ 1413.06' LOT 1 1600' 2624.16'		1255.98' LOT 7 800'		2511.96' LOT 6 MAR 2003 OIL CONSERV. DIV. DIST. 3		LOT 5		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Kurt Fagrelus Signature Kurt Fagrelus Printed Name Geologist Title Nov. 11, 2002 Date
DIAMOND HEAD 100% NM-0175788 LOT 2 LOT 8				LOT 9		LOT 10		
DIAMOND HEAD 100% Fee LOT 3 LOT 13 BURLINGTON 100% NM-019411		31		LOT 12		LOT 11		
2636.70' LOT 4 1457.94'		1281.72' LOT 14		LOT 15 NOV 12 PM 2:50 RECEIVED		LOT 16 2574.66'		
5293.20'								¹⁸ 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: OCTOBER 7, 2002 Signature and Seal of Professional Surveyor JASON C. EDWARDS Certificate Number 15269

EXHIBIT B
OPERATIONS PLAN
Federal B Com #90

APPROXIMATE FORMATION TOPS:

Ojo Alamo	650'	Pictured Cliffs	2024'
Kirtland	750'	Total Depth	2200'
Fruitland	1750'		

Catch samples every 10 feet from 1750' to total depth.

LOGGING PROGRAM: Run cased hole CNL-CCL.

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>
11"	8-5/8"	23#	120	J-55
7-1/8"	5-1/2"	14#	2200	J-55

Plan to drill a 11" hole and set 120' of 8-5/8" OD, 23#, J-55 surface casing. Then plan to drill a 7-1/8" hole to total depth with gel-water mud program to test Fruitland Coal Formation. 5-1/2", 14#, J-55 production casing will be run and cemented. Cased hole CNL-CCL 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" neat.

Production Stage Cement with 185 cf. 2% Lodense w/ 1/4# celloflake/sk.
followed by 185 cf. of Class "B" w/ 1/4# celloflake/sk.

Total cement slurry for production stage is 370 cf. 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. 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:

Casinghead 7" X 4-1/2" 1000#WP, tested to 2000#.

Tubinghead 4-1/2" X 2-7/8" 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 (Home) 327-3632 or (Mobile) 320-8247

Kurt Fagrelus (Home) 325-4327 or (Mobile) 320-8248

John Alexander (Home) 325-6927 or (Mobile) 320-1935