

RECEIVED

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT MAY 31 2009

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NO-G-0905-1759
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	3b. Phone No. (Include area code) 505-325-1821	8. Lease Name and Well No. Martinez Begay Com #1
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 1200' FSL & 1000' FEL Lat. 36.26631 N At proposed prod. zone Same as above Long. 107.887816 W		9. API Well No. 30-045-34983
14. Distance in miles and direction from nearest town or post office* Approx. 35-miles SE of Bloomfield, New Mexico		10. Field and Pool, or Exploratory Basin Fruitland Coal
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1000-Feet	16. No. of acres in lease 160.0 Acres	11. Sec., T. R. M. or Blk. and Survey or Area Sec. 34, T24N, R10W NMPM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N.A.	19. Proposed Depth 1310-Feet	12. County or Parish San Juan
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6721'	22. Approximate date work will start* ASAP	13. State NM
17. Spacing Unit dedicated to this well 320.0 Acres - (S/2)		20. BLM/BIA Bond No. On File
23. Estimated duration 5-Days		

RCUD DEC 28 '09
OIL CONS. DIV.

DENIED

The following, completed in accordance with the following form:
1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on SUPO shall be filed with the appropriate FO

ions unless covered by an existing bond on file (see information and/or plans as may be required by the

25. Signature <i>Kurt Fagrelus</i>	Name (Printed/Typed) Kurt Fagrelus	Date 5-21-2009
Title Geologist		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) AFM	Date 2/16/09
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 21,000 psi BOP will be used to drill production hole. The Fruitland Coal will be completed from approximately 1130' to 1160'. The interval will be fracture stimulated.

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

DENIED

By Karen Sharp

Date 12/29/09 (505) 334-6178 x 12
Rule 5.9 Compliance

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

NMOC

APPROVED ARE SUBJECT TO COMPLIANCE WITH ATTACHED *GENERAL REQUIREMENTS*.

anch Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

W. Grand Avenue, Artesia, NM 88210

Submit to: Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

District III
1000 Rio Brazos Rd., Aztec, NM 87410

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

MAY 21 2009

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

AMENDED REPORT
Fertigation Field Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 71629		3 Pool Name BASIN FRUITLAND COAL	
4 Property Code 37952		5 Property Name MARTINEZ BEGA			6 Well Number 1
7 OGRID No 006515		8 Operator Name DUGAN PRODUCTION CORPORATION			9 Elevation 6721'

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
P	34	24N	10W		1200	SOUTH	1000	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.
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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	5232.48'		17 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. Kurt Fagrelis 5/20/2009 Signature Date Kurt Fagrelis Printed Name
	34		
5206.08'		Dugan NO-G-0902-1754	
5299.14'		Dugan NO-G-0905-1759	
5245.68'		LAT: 36.26631°N LONG: 107.87816°W DATUM: NAD1983	
		1000'	
		1200'	