

5 BLM
 1 File

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.
 NM 89023

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARMOR LEASE NAME, WELL NO.
 South Seas #2

9. API WELL NO.

10. FIELD AND POOL OR WILDCAT
30-043-20914
 Undes. Chacra EXT

11. SEC., T., R., M., OR BLM. AND SURVEY OR AREA
 Unit K,
 Sec. 6, T22N, R7W, NMPM

12. COUNTY OR PARISH 13. STATE
 Sandoval NM

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN *3:17*

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

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface
 1850' FSL & 1850' FWL (NE/4 SW/4)
 At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 approx. 4 miles SW of Escrito Trading Post, NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 1850'

16. NO. OF ACRES IN LEASE
 924.87

17. NO. OF ACRES ASSIGNED TO THIS WELL
160 161.49

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 approx. 3200' from South Seas #1

19. PROPOSED DEPTH
 1935'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 6870' (est) GL

22. APPROX. DATE WORK WILL START*
 ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
9-7/8"	7"	20#	120'	53 cu.ft. (45 sx) circ. to surface
6-1/4"	2-7/8"	6.5#	1935'	266 cu.ft. (225 sx) circ. to surface

Plan to drill a 9-7/8" 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 Chacra formation. Plan to run IES and CDL logs. If determined productive, will run 2-7/8", 6.5#, J-55 casing, selectively perforate, frac, clean out after frac and complete well.

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 DIST. 2

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 *Sherman E. Dugan* TITLE Vice-President DATE 11/19/93
 (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 *OK* TITLE _____ DATE DEC 13 1993

APPROVED AS AMENDED

DISTRICT MANAGER

*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.

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

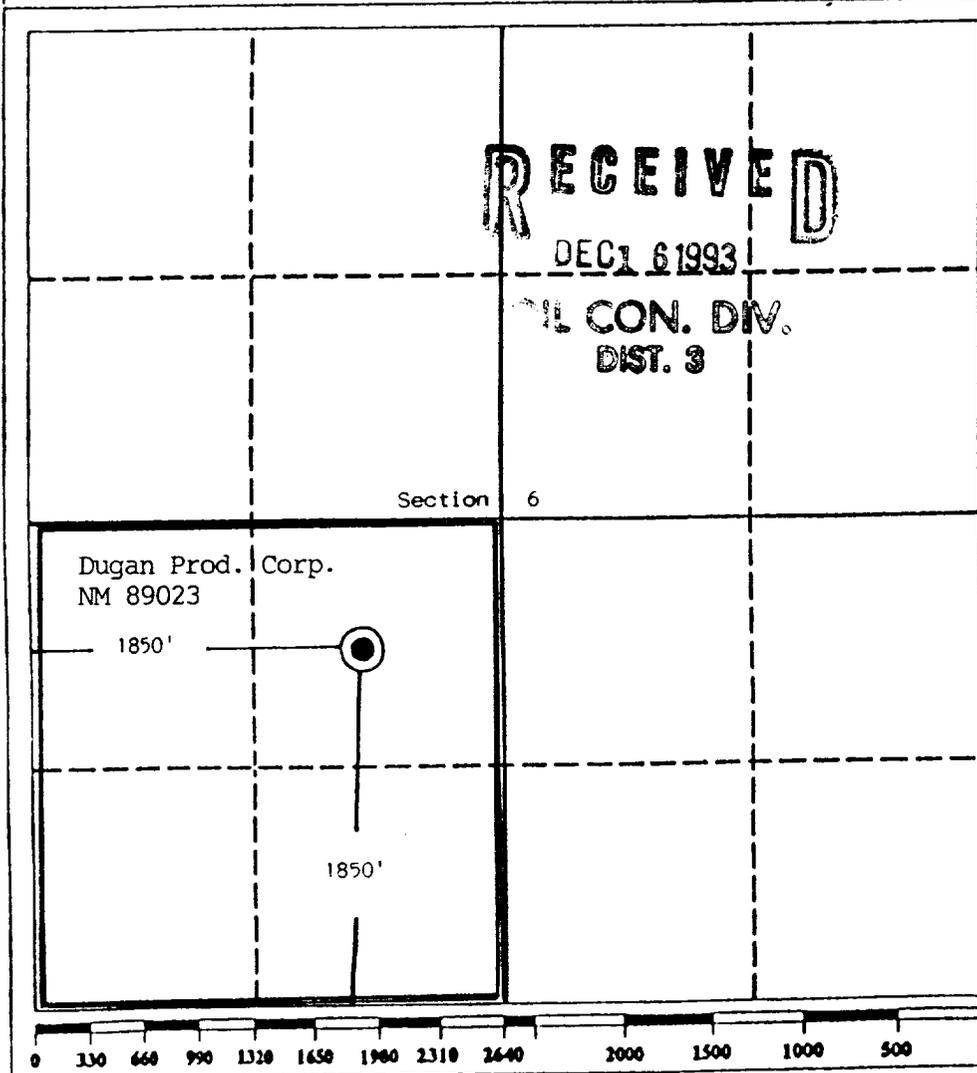
DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

Operator Dugan Production Corporation			Lease South Seas		Well No. 2
Unit Letter K	Section 6	Township 22 North	Range 7 West	County Sandoval	
Actual Footage Location of Well: 1850 feet from the South line and 1850 feet from the West line					
Ground level Elev. 6870' Est.	Producing Formation Chacra		Pool Undesignated Chacra EXT	Dedicated Acreage 161.49 Acres	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____</p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>					



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OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Printed Name
 Sherman E. Dugan

Position
 Vice-President

Company
 Dugan Production Corp.

Date
 11/19/93

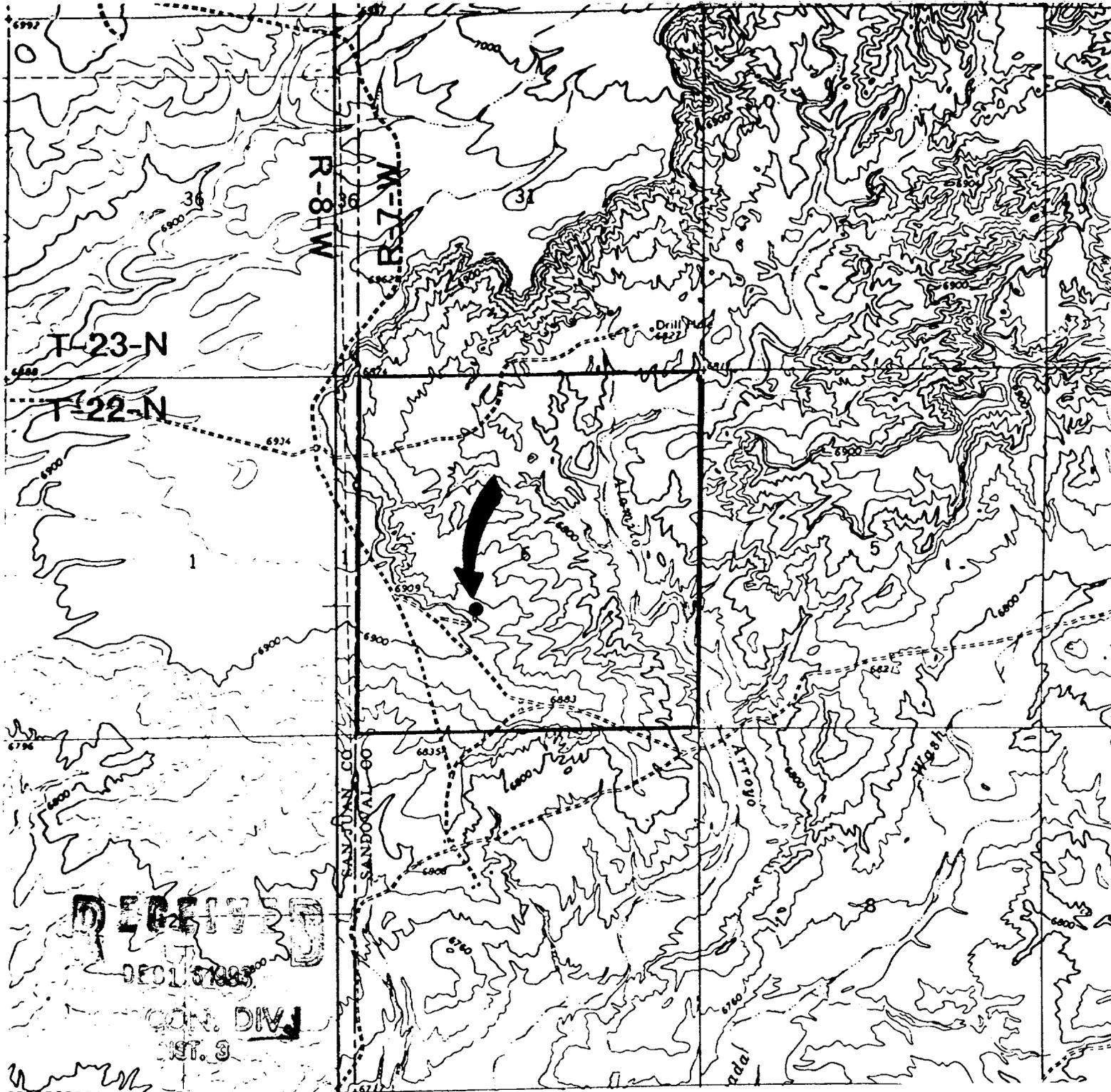
SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
 October 25, 1993

Signature & Seal of Professional Surveyor

 Edgar L. Risenhoover
 9929

Edgar L. Risenhoover, P.E.
 State of New Mexico
 Professional Surveyor No. 9929



Existing Roads

Exhibit E

Planned Access Road(s)

Exhibit E

Vicinity of nearest town or reference pt.
approx. 4 miles SW of Escrito Trading Post

Width 14' Maximum grades 6%

Drainage design as required

Cuts & Fills as required

Type of surface dirt

Surfacing material none

Conditions good

Turnouts Waterbars

Culverts

Gates

Other _____

Cattleguards

Fence cuts

Reference map: USGS map Lybrook, NM

Access road(s) do / do not cross Fed / Ind land.

Dugan Production Corp. - South Seas #2