

Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

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

LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

790' FNL & 1530' FWL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approx. 1.75 mi W of Twin Mound By-Pass & Hwy 170

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

790'

(Also to nearest drig. unit line, if any)

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,

OR APPLIED FOR, ON THIS LEASE, FT.

Approx 1450'
from DPC's
King Com 1

16. NO. OF ACRES IN LEASE

2,555.47

17. NO. OF ACRES ASSIGNED

TO THIS WELL

160

NW 4

19. PROPOSED DEPTH

1185'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

GL 5482' ✓

22. APPROX. DATE WORK WILL START*

ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADES, SIZES OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|-------------------------|-----------------|---------------|------------------------------------|
| 9-7/8" | 7" ✓ | 20# | 120' | 50 sx (59 cu.ft.) circ. to surf. |
| 6-1/4" | 4 1/2" ✓ | 10.5# | 1185' ✓ | 120 sx (194 cu.ft.) circ. to surf. |

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 the Fruitland Sand/Pictured Cliffs Formation. Plan to run IES and CDL logs. If determined productive, will run 4 1/2", 10.5#, J-55 casing, selectively perforate, frac, clean out after frac and complete well.

This action is subject to technical and
procedural review pursuant to 43 CFR 3135.3
and appeal pursuant to 43 CFR 3135.4.

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

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

Title Vice-President

Date 2/29/2000

(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 /s/ Charlie Beecham

Title Team Lead, Petroleum Management

Date 2/29/2000

*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.

OK

CP

NMDCD

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, 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 C-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

| | | | | | |
|------------------------------|--|---|--|--|----------------------|
| 1 APT Number 50-045-30178 | | 2 Pool Code 78160 | | 3 Pool Name Harper Hill Fruitland Sand/PC | |
| 4 Property Code 003682 | | 5 Property Name Federal 1 | | | 6 Well Number 8 |
| 7 OGRID No. 006515 | | 8 Operator Name Dugan Production Corporation | | | 9 Elevation 5482' |

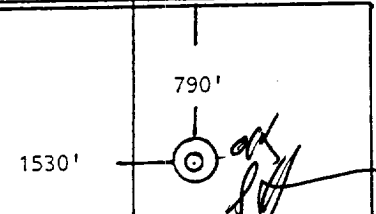
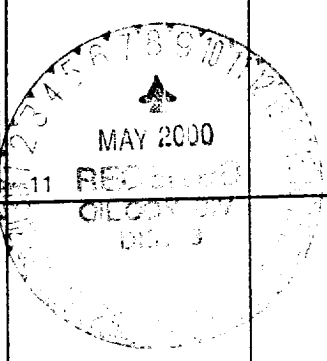
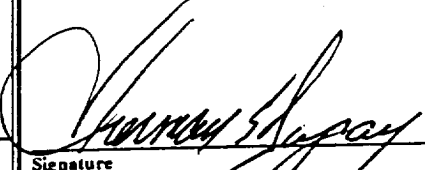

10 Surface Location

| | | | | | | | | | |
|--------------------|---------------|-----------------|--------------|--------------|----------------------|---------------------------|-----------------------|------------------------|--------------------|
| UL or lot no. C | Section 11 | Township 29N | Range 14W | Lot Ida C | Feet from the 790 | North/South line North | Feet from the 1530 | East/West line West | County San Juan |
|--------------------|---------------|-----------------|--------------|--------------|----------------------|---------------------------|-----------------------|------------------------|--------------------|

11 Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|----------------------------------|---------|----------|-------|---------|--------------------|------------------|-----------------------|----------------|--------------|
| UL or lot no. | Section | Township | Range | Lot Ida | Feet from the | North/South line | Feet from the | East/West line | County |
| 12 Dedicated Acres 160 NW 1/4 | | | | | 13 Joint or Infill | | 14 Consolidation Code | | 15 Order No. |

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  SF-078110 DPC-100% Section 11  | | | | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Sherman E. Dugan Printed Name Vice-President Title February 29, 2000 Date | | | |
| 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. February 7, 2000 Date of Survey  Signature and Seal of Professional Surveyor Edgar L. Risenhoover, R.S. #5979 Certificate Number | | | | | | | |

WELLHEAD EQUIPMENT:

Huber 7" x 4-1/2" casing head, 1000#WP, tested to 2000#

Huber 4-1/2" x 2-7/8" tubing head, 1000# WP, tested to 2000#

BOP and Related Equipment will include for a 2000 psi system:

No abnormal pressures or hazardous zones are anticipated.

Annual 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

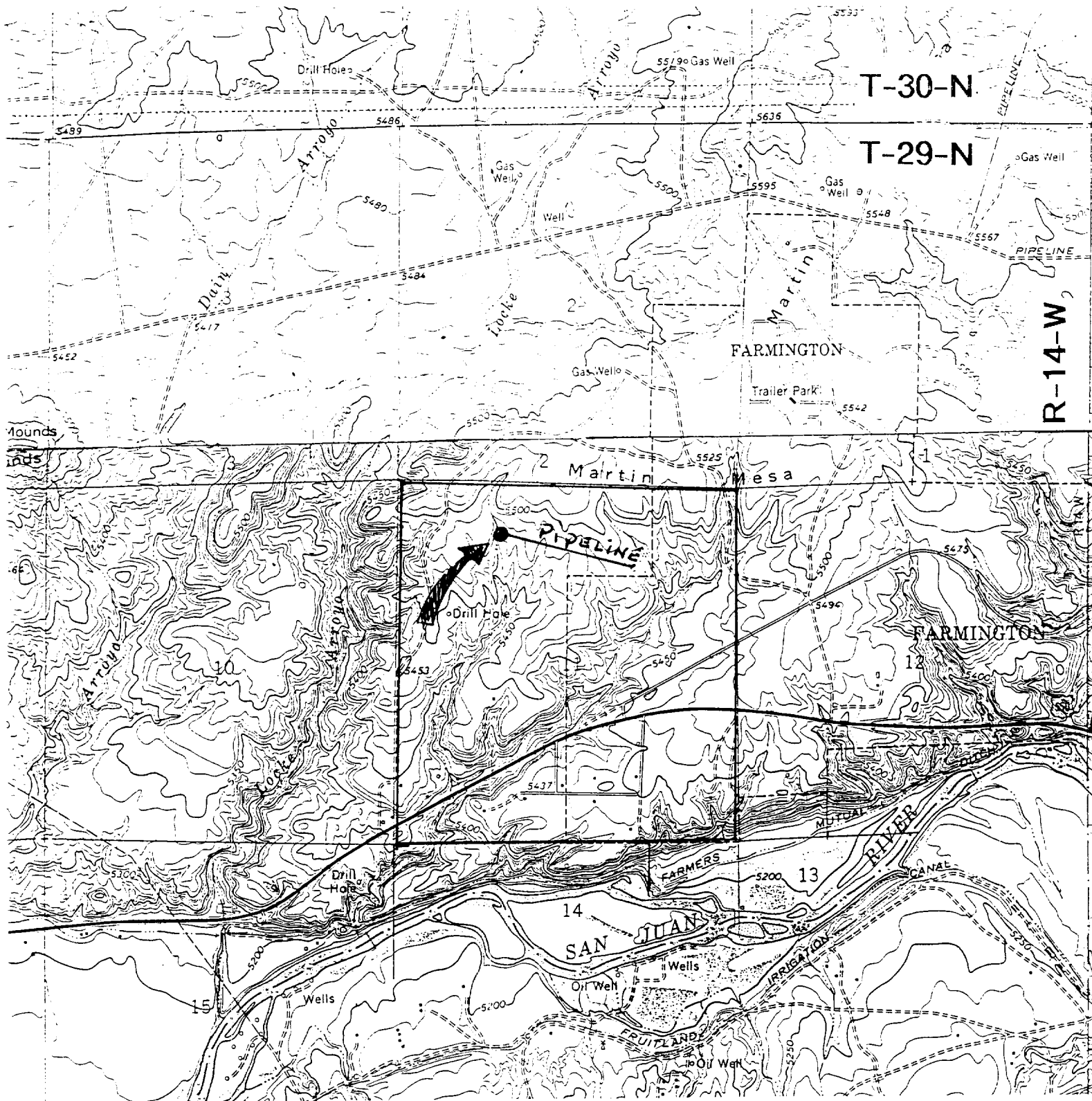
Fill-up line above the uppermost preventer

BOP equipment will be tested as required in Section III A.1 of Onshore Order 2, plus a 30% safety factor.

The anticipated bottom hole pressure for this well is estimated to be approximately 325 psi.

The average mud weight is anticipated to be in the range of 8.6 to 9.5 lb/gal.

| | |
|---|------------------------|
| Dugan Prod.Corp. Office & Radio Dispatch: | 325-1821 |
| | Kurt Fagrelus 325-4327 |
| John Alexander 325-6927 | Mark Brown 327-3632 |
| Sherman Dugan 327-3121 | John Roe 326-1034 |



Existing Roads Federal I #8 Exhibit E

DUGAN PRODUCTION CORP.

Vicinity of nearest town or reference pt.
Approx 3/4 mi West of Farmington, NM

Type of surface dirt

Conditions good

Other

Reference map: USGS map, Kirtland, NM
and Young's Lake, NM

Planned Access Road(s)

Exhibit E

Width Maximum grades

Drainage design as required

Cuts & Fills as required

Surfacing material none

Turnouts

Waterbars

Culverts

Gates

Cattleguards

Fence cuts

Access Road &
Pipeline

Access road(s) do/do not cross Fed/Ind land.
No new access required.