

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.  
**NM-21465**

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.  
**Centennial #1**

9. API Well No.  
**30-045-30722**

10. FIELD AND POOL, OR WILDCAT  
**Twin Mounds FR Sand PC**

11. SEC., T., R., M., OR BLK.  
AND SURVEY OR AREA  
**Unit I  
Sec. 24, T30N, R15W**

12. COUNTY OR PARISH  
**San Juan**

13. STATE  
**NM**

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 **1730' FSL & 865' FEL (NE/4 SE/4)**  
 At proposed prod. zone **same**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
**4 miles north of Kirtland, NM**

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
<b>865'</b>	<b>1800</b>	<b>160 (SE/4)</b>

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	19. PROPOSED DEPTH	20. ROTARY OR CABLE TOOLS
<b>2600'</b>	<b>915'</b>	<b>Rotary</b>

21. ELEVATIONS (Show whether DF, RT, GR, etc.)  
**5380' GL**

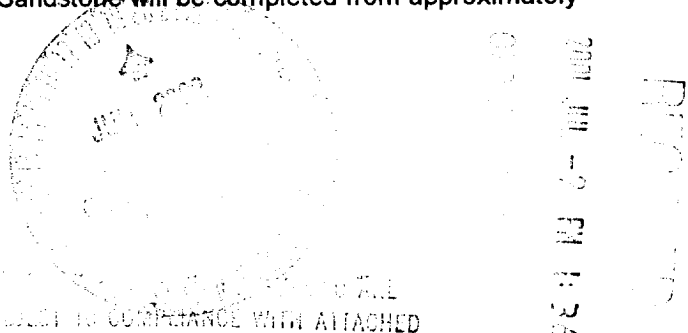
22. APPROX. DATE WORK WILL START\*  
**ASAP**

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADES, SIZES OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
8-3/4"	7"	20#	120'	70 cu ft - circ to surface
6-1/4"	4 1/2"	10.5#	915'	150 cu ft - circ to surface

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 hole. The Pictured Cliffs Sandstone will be completed from approximately 790'-800'. The interval will be fractured.

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



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 Kurt Fagrellius Title Geologist Date 7/6/2001  
 Kurt Fagrellius

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_

APPROVAL DATE 6/17/01

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 David J. Mankiewicz Title \_\_\_\_\_

Date JUN 17 2002

\*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.

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised February 21, 1994

District II  
PO Drawer 00, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

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

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

District IV  
PO Box 2088, Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30 045 <b>30722</b>		*Pool Code 86620	*Pool Name Twin Mounds Fruitland Sand Pictured Cliffs
*Property Code <b>29886</b>	*Property Name CENTENNIAL		*Well Number 1
*OGRIID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5380'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
I	24	30N	15W		1730	SOUTH	865	EAST	SAN JUAN

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres 160 ACRES (SE/4)	<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

24

Dugan Production  
NM-21465

<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

Kurt Fagrelius  
Signature

Kurt Fagrelius  
Printed Name

Geologist  
Title

July 6, 2001  
Date

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<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.

JUNE 8, 2001  
Date of Survey

NEALEG EDWARDS  
Signature and Seal of Professional Surveyor

Certificate No. 6857

**EXHIBIT B**  
**OPERATIONS PLAN**  
Centennial #1

**APPROXIMATE FORMATION TOPS:**

Kirtland	surface
Fruitland	458'
Pictured Cliffs	790'
<b>Total Depth</b>	<b>915'</b>

**LOGGING PROGRAM:** Run cased hole CNL-CDL

Catch samples every 10 feet from 450 feet to total depth.

**CASING PROGRAM:**

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
8-3/4"	7"	20#	±120'	J-55-new
6-1/4"	4-1/2"	10.5#	±915'	J-55-new

Plan to drill a 8-3/4" 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 Fruitland & Pictured Cliffs Sandstone Formation. 4½", 10.5# J-55 casing will be run and cemented. Cased hole CNL-CDL 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:** All volumes are contingent upon Caliper logs.

Surface: Cement with 70 cu.ft. Class "B" neat. Circulate to surface

Production Stage - Cement with 95 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 55 cu.ft. Class "B" with 1/4# celloflake/sx.  
Total cement slurry for production stage is 150 cu.ft.  
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. If no Ojo Alamo is present, no centralizers will be run on surface casing. 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:**

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:

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

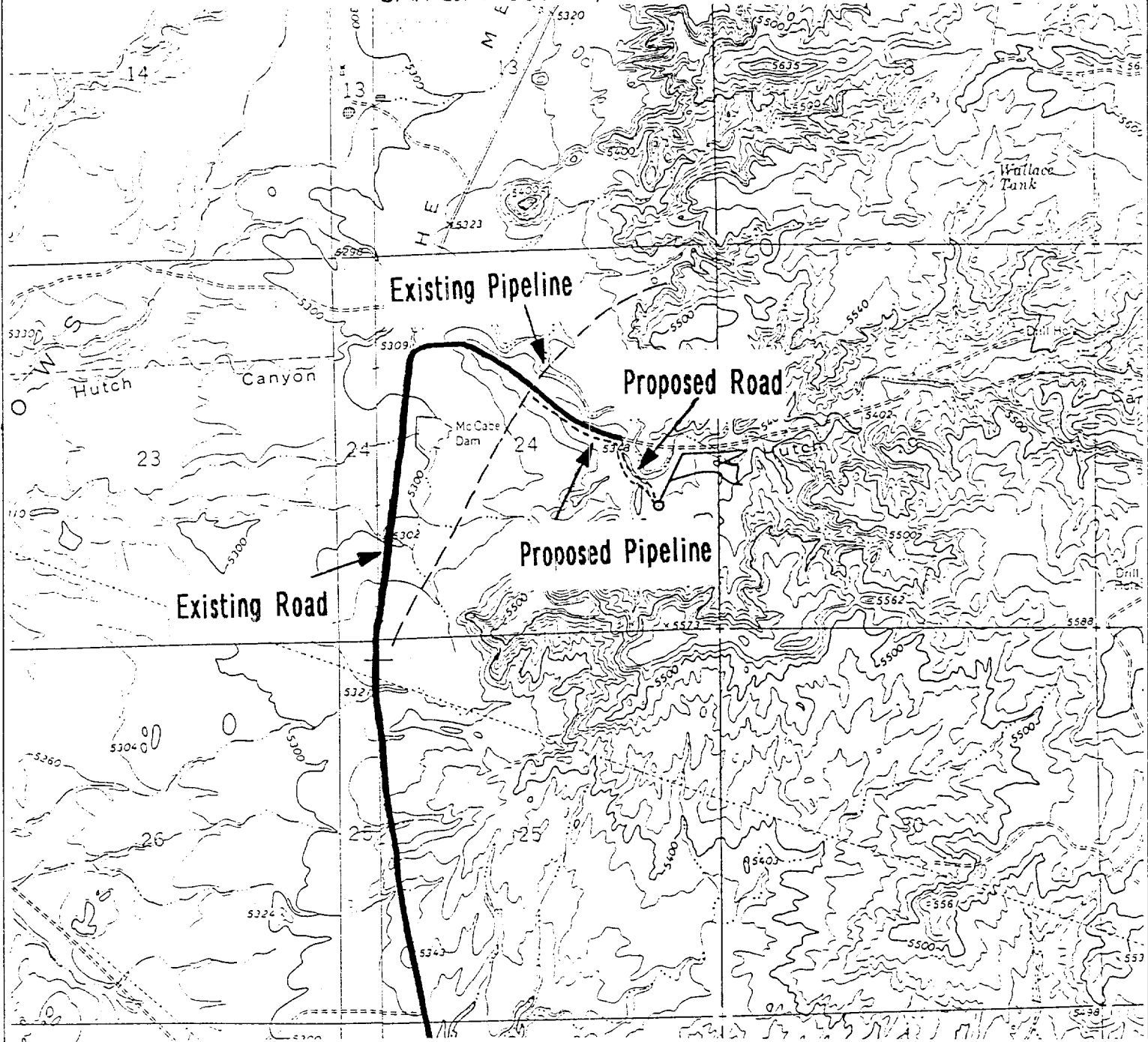
2" minimum choke line

Fill-up line

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

DUGAN PRODUCTION CORPORATION CENTENNIAL #1

1730' FSL & 865' FEL, SECTION 24, T30N, R15W, N.M.P.M.  
SAN JUAN COUNTY, NEW MEXICO



Existing Roads

Exhibit E

Planned Access Road(s)

Exhibit E

Vicinity of nearest town or reference pt.  
4 miles north of Kirtland, NM

Width 20' Maximum grades 1%

Drainage design as required

Cuts & Fills as required

Type of surface dirt

Surfacing material none

Conditions good

Turnouts

Waterbars

Culverts

Gates

Cattleguards

Fence cuts

Access Road & Pipeline

Other \_\_\_\_\_

Reference map: USGS map - Youngs Lake

DUGAN PRODUCTION CORP. - CENTENNIAL #1

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