

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1.a. 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 1465' FSL & 715' FWL (NW/4SW/4)

At proposed prod. zone

same

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

5 miles north of Farmington, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.

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

715'

16. NO. OF ACRES IN LEASE

320.00

17. NO. OF ACRES ASSIGNED
TO THIS WELL

311.8

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

475'

19. PROPOSED DEPTH

1790'

20. ROTARY OR CABLE TOOLS

Rotary

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

5924' 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 surf.
6-1/4"	4 1/2"	10.5#	1790'	275 cu.ft. circ. to surf.

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 Fruitland Coal will be completed from approximately 1645'-1655'. The interval will be fractured.

This action is subject to Bureau of Land Management procedural review pursuant to 43 CFR 3160.3 and appeal pursuant to 43 CFR 3160.6.

BLM
Bureau of Land Management
Fruitland Coal Field
Fruitland Coal Field

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
Kurt Fagrellius

Title Geologist

Date 11/7/2001

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

4/22/04

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. Markiewicz

Title

AFM

Date

APR 22 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.

State of New Mexico
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-111
Revised February 21, 1991
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

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 30919	Pool Code 71629	Pool Name BASIN FRUITLAND COAL
Property Code 29711	Property Name PINON COM	Well Number 90
CGRID No 006515	Operator Name DUGAN PRODUCTION CORPORATION	Elevation 5924'

10 Surface Location

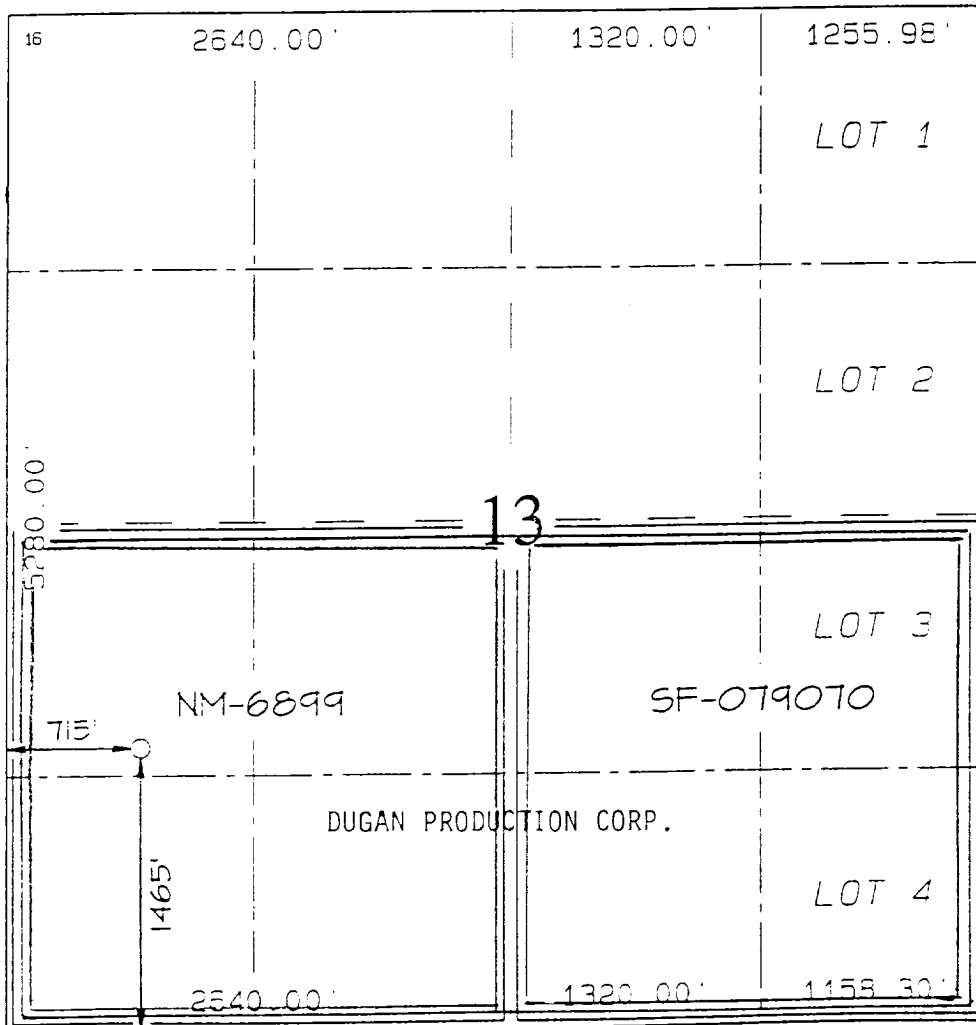
UL or Lot no	Section	Township	Range	Lot 10n	Feet from the	North/South line	Feet from the	East/West line	County
L	13	30N	14W		1465	SOUTH	715	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or Lot no	Section	Township	Range	Lot 10n	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 311.80 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



17 OPERATOR CERTIFICATION

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

Kurt Fagrellius
Signature

Kurt Fagrellius

Printed Name
Geologist

Title
November 7, 2001

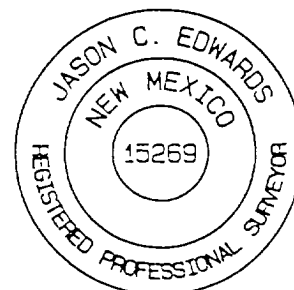
Date

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.

Survey Date: OCTOBER 17, 2001

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

85' Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form O-111
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

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

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

☐ AMENDED REPORT

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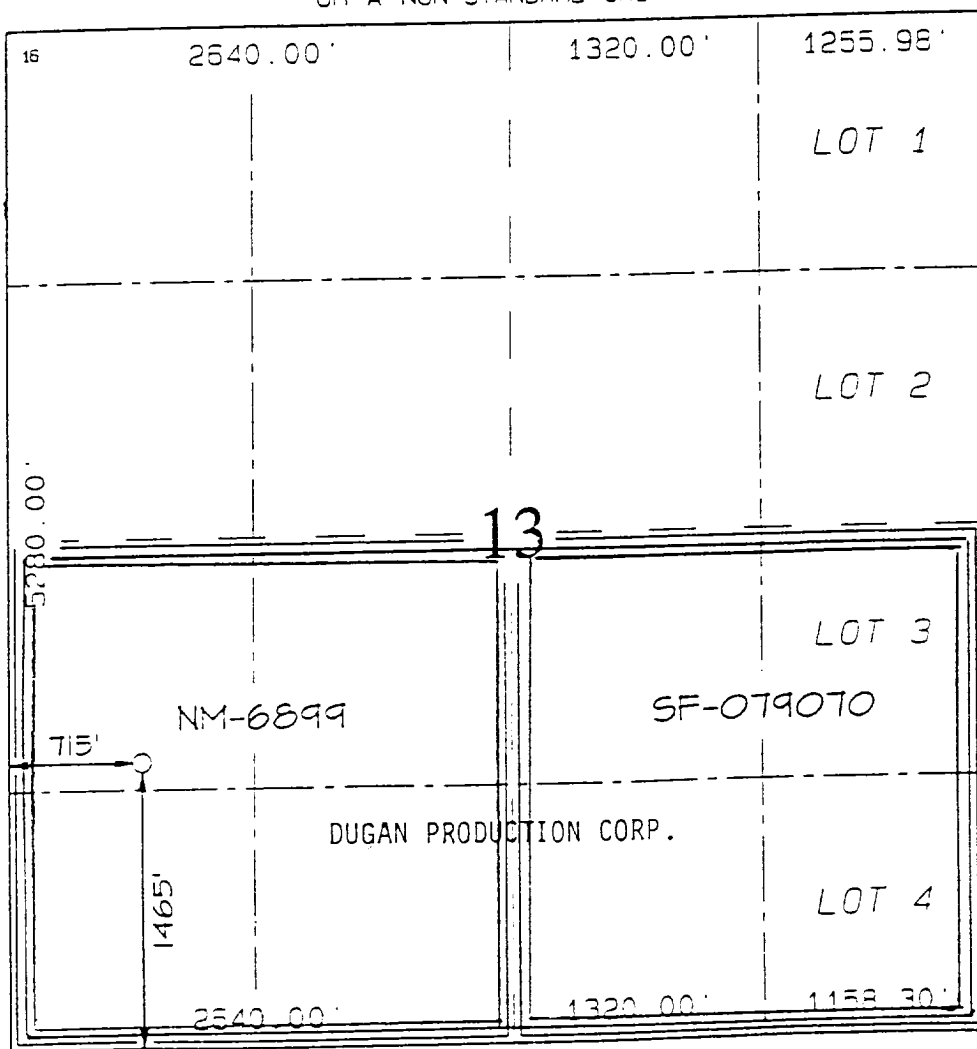
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contained herein is true and complete
to the best of my knowledge and belief

Kurt Fagrellius
Signature

Kurt Fagrellius

Printed Name
Geologist

Title
November 7, 2001

Date

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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 17, 2001

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15259

DUGAN PRODUCTION CORPORATION PINON COM #90

Exhibit E. 1465' FSL & 715' FWL, SECTION 13, T30N, R14W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO

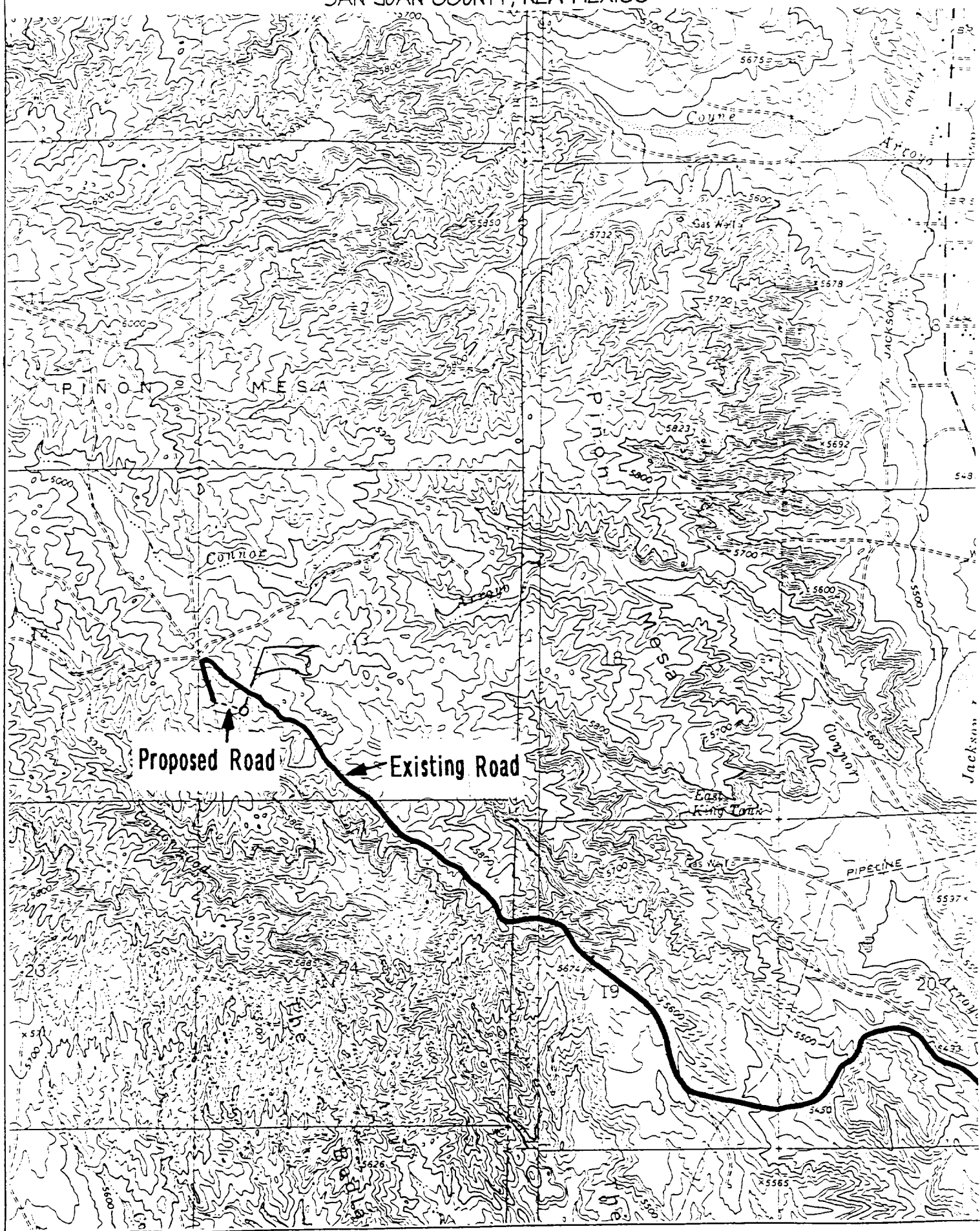


EXHIBIT B
OPERATIONS PLAN
Piñon Com #90

APPROXIMATE FORMATION TOPS:

Ojo Alamo/McDermott surface
Kirtland = 195'
Fruitland = 1385'
Pictured Cliffs = 1664'

Total Depth = 1790'

LOGGING PROGRAM: Run cased hole CNL-CDL

Catch samples every 10 feet from 1500 feet to total depth.

CASING PROGRAM:

Hole <u>Size</u>	Casing <u>Size</u>	<u>Wt./ft.</u>	Setting <u>Depth</u>	Grade and <u>Condition</u>
8-3/4"	7"	20#	±120'	J-55-new
6-1/4"	4-1/2"	10.5#	±1790'	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 Coal 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 170 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 100 cu.ft. Class "B" with 1/4# celloflake/sx.
Total cement slurry for production stage is 270 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. 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 Fagrelus 325-4327	Mark Brown 327-3632
John Alexander 325-6927	John Roe 326-1034