

NMOCD CASE NO. 13399

February 17, 2005

Dugan Production Corp.

Exhibit No. 5

State of New Mexico  
Energy Minerals and Natural Resources

Oil Conservation Division

1220 South St. Francis Dr.

Santa Fe, NM 87505

District III

1000 Rio Brazos Road, Aztec, NM 87410

District IV

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

Submitted to appropriate District Office  
State of New Mexico  
Form C-101  
March 2004  
RECEIVED  
SEP 21 2004  
12345678910111213141516171819202122232425262728293031

AMENDED REPORT

## APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Dugan Production Corp. 709 East Murray Drive Farmington, New Mexico 87401		OGRIID Number 006515
Property Code 34306		API Number 30-045-32587
Property Name Federal I Com		Well No. 103

## Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	12	29N	14W		1775	North	10	West	San Juan

## Proposed 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
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Proposed Pool 1

Basin Fruitland Coal

Proposed Pool 2

## Drilling Pit Location and Other Information

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	12	29N	14W		1775	North	10	West	San Juan
Depth to ground water 1,100'			Distance from nearest fresh water well 1-mile			Distance from nearest surface water 0.75 miles			
Work Type Code N		Well Type Code G		Cable/Rotary R		Lease Type Code FEE		Ground Level Elevation 5473'	
Multiple No		Proposed Depth 1,265'		Formation Fruitland Coal		Contractor W. Smith		Spud Date ASAP	

## Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
11"	8-5/8"	24#	120'	70-cf.	Surface
7"	5-1/2"	14#	1,265'	210-cf.	Surface

Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

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. Drilling pits will be lined with an impervious liner and closed as per NMOCD and City of Farmington guidelines.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

Signature:

Kurt Fagrelus

Printed name: Kurt Fagrelus

Title: Geologist

E-mail Address: kfagrelus@duganproduction.com

Date: Sept. 21, 2004

Phone: 505-325-1821

## OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date: SEP 21 2004

Expiration Date: SEP 21 2005

Conditions of Approval:

Attached ☐

HOLD C104 FOR NSL

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

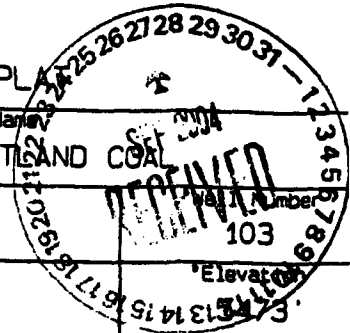
OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C  
Revised February 21,  
Instructions on  
Submit to Appropriate District Office  
State Lease - 4 Cc  
Fee Lease - 3 Cc

☐ AMENDED REPC

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-045-32587</b>		Pool Code <b>71629</b>	Pool Name <b>BASIN FRUITLAND COAL</b>
Property Code <b>34306</b>	Property Name <b>FEDERAL I COM</b>		
OGRIID No. <b>006515</b>	Operator Name <b>DUGAN PRODUCTION CORPORATION</b>		



<sup>10</sup> Surface Location

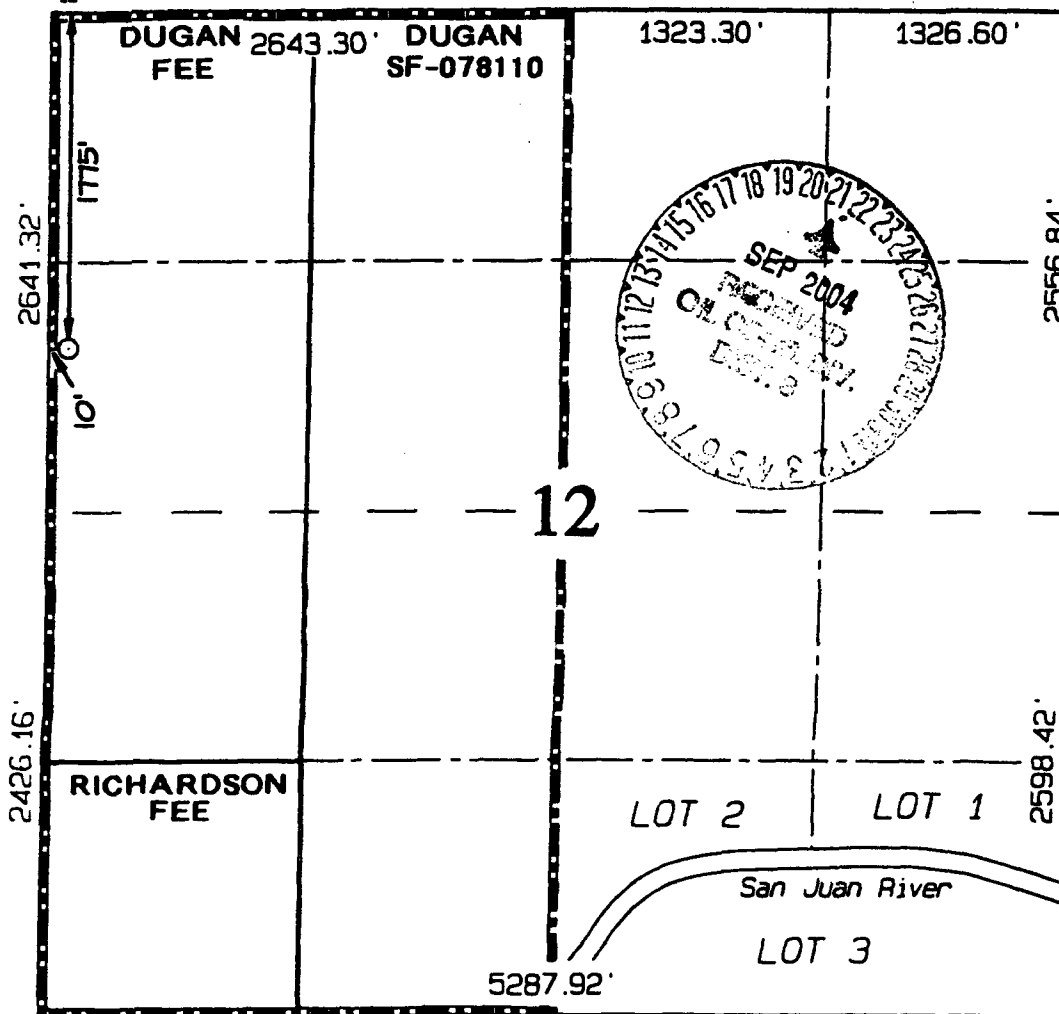
UL or lot no.	Section	Township	Range	Lot 1st	Feet from the	North/South line	Feet from the	East/West line	County
E	12	29N	14W		1775	NORTH	10	WEST	SAN JUAN

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

UL or lot no.	Section	Township	Range	Lot 1st	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres <b>320.0 Acres - (W/2)</b>	<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



<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 Fagrelus*  
Signature

Kurt Fagrelus  
Printed Name

Geologist  
Title

August 6, 2004  
Date

<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 16, 2004  
Date of Survey

Signature and Seal of Professional Surveyor

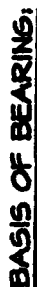


*Jason C. Edwards*  
Certificate Number 15269

**FOUND  
2-1/2" PIPE  
W/OUT CAP**

**BASIS OF BEARING:**

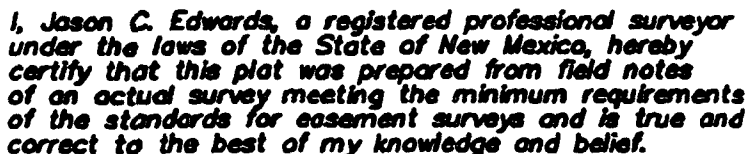
**REAL-TIME KINEMATIC GPS SURVEY  
COLLUTION OBTAINED FROM SATELLITES  
TRACKED ON JULY 12, 2004 FROM  
A REFERENCE STATION POSITIONED IN  
N.W. CORNER**



**REAL-TIME KINEMATIC GPS SURVEY SOLUTION OBTAINED FROM SATELLITES TRACKED ON JULY 12, 2004 FROM A REFERENCE STATION POSITIONED IN NW4 NE/4 OF SECTION 11, T29N R1...**


**PLAT NOTE:**

**BEFORE ANY CONSTRUCTION BEGINS, CONTRACTOR IS ADVISED TO CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED PIPELINES OR CABLES IN THE AREA OF THIS PROJECT**



JASON C. EDWARDS Date: AUGUST 3, 2004  
Jason C. Edwards  
New Mexico LS #15269

SURFACE OWNERSHIP		
Fee Land ~ Joe Kozlner ~	0+00 TO 20+34.9	2034.9 FT / 123.33 RODS
~ City of Farmington ~	20+34.9 TO 21+00.4	65.5 FT / 3.71 RODS
Fee Land ~ Dugan Production Corp. ~	21+00.4 TO 22+68.7	168.3 FT / 10.02 RODS

Prepared for: DUSAN PRODUCTION P.O. BOX #420 FARMINGTON, NM 87401		<b>Land Surveyor:</b> Jean C. Edwards  <b>Mailing Address:</b> Post Office Box 6812 Farmington, NM 87409	CHECKED, JCE DRAWN BY, KER
	<b>Business Address:</b> 111 Post Plaza Street Farmington, NM 87401 (505) 225-2634 (Office) (505) 226-9698 (Fax)	SHEET 3 OF 4 FLEWING, DOUGL.	

## LOT LINE

# AERIAL<sup>P</sup> POWERLINE

**"SURFACE OWNER"  
Fee  
Dugan Production Co.**

**ACCESS  
101**

**SOUTH  
LAYDOWN**  
Wellhead to front

## Wellhead to back

**Wellhead to front**

**Spies of Deception**

**LATITUDE: 36°44'35"**  
**LONGITUDE: 108°16'10"**  
**PATIM. MAGNET**

C-C'						
5483'						
5473'						
5463'						

**Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction**



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

## **APPROVAL OF STATE/FEE APPLICATIONS**

The attached application has been approved with the following conditions:

1. Trash is to be taken to a sanitary landfill, not buried at the wellsite, unless approved by the landowner.
2. Wells which produce oil during cleanups and testing will be flowed through a separator and the oil recovered in a tank.
3. Cement quantities will be reported in cubic feet on all reports, with a description of cement type, additives, different slurries used and calculated yields.
4. Casing and cementing reports must show a water shutoff test, as required by Rule #106(C).
5. Reports of commencement of drilling operations must be filed within 10 days of spud, as required by Rule #1103.
6. It is the responsibility of the operator to make the appropriate contracts and arrangements with surface owners before commencing activities.
7. Notify the OCD 24 hours before spud.





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Director

**Oil Conservation Division**

## SAN JUAN BASIN OCD CASING CEMENTING PROCEDURE

1. Cement must be circulated around surface pipe. If cement cannot be circulated, the top of the cement column shall be determined by temperature survey or other method approved by the Aztec OCD Office.
2. All subsequent casing strings shall be cemented a minimum of 100' into the next shallower string. If cement is not circulated on any string, the cement top shall be determined by temperature survey, CBL, or other method approved by the Aztec OCD Office.
3. Minimum surface pipe requirements:

### Well Depth

0-3000  
3001-5000  
5001-8000  
8001 +

### Surface Pipe

120'  
200'  
320'  
consult with District Office

Wells drilled in valley fill areas must have surface pipe set at least 50' below the fill.

Minimum requirements may be modified as necessary to comply with Rule 106 and Rule 107. Special pool rules may apply.

Proposed casing plans may be modified by the Aztec district Office to address special conditions.

No C-104 will be approved for a well until all pressure tests and cement tops are reported in compliance with Rule 1103B.(2)

## DRILL CUTTINGS SAMPLES

A representative of the US Geological Survey has informed the Aztec OCD Office that they have enough samples from the Fruitland formation to establish a basin-wide map for vitrinite reflectance. However, they do not have enough from the Menefee Coal interval of the Mesaverde formation.

As a condition of approval to drill, you are required to submit four 4" X 6" sample bags of drill cuttings from the Menefee Coal interval if it is penetrated and drilling conditions permit. If a geologist is used, a copy of that recording from 50' above to 50' below the coal intervals will be submitted. The following information will be included: Operator Name, Well Name and Number, Footage Location, Section, Township and Range, Date Taken, Name & Address of your Company Recipient of the Analysis Copy.

Submit samples, information and geologist to the following address:

Mr. Vito Nuccio  
US Geological Survey  
PO Box 25046 MS 939 DFC  
Lakewood CO 80225

These samples will be analyzed for vitrinite reflectance values and added to a data base available from the USGS in periodic reports.

This information will be used to evaluate coals and coal gas potentials in the San Juan Basin.

## THE FLARING OF OIL & GAS DURING WELL CLEANUP AND BEFORE PRODUCTION

Recent field inspections by the Aztec OCD Office reveal that many new wells are being flared directly to pits, resulting in the loss of a substantial amount of oil and, sometimes, spraying out of the pit onto the ground and vegetation.

To prevent waste and protect the environment, all flowback of new wells capable of producing liquid hydrocarbons will be restricted to the use of separation equipment and the flowback of oil to storage tanks where reasonably possible. After initial flowback has been achieved and the well has cleaned up sufficiently, the use of separators and tanks will be required.

On the initial flowback, swirls, diverters or other acceptable devices will be required on all blowdown lines to assure that oil does not splash out of the pit.

