

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

2004 JUL 2 PM 3:58

5. Lease Serial No.
NM-16057

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.
NM8. Lease Name and Well No.
POLES PARADISE 90-S9. API Well No.
300453245010. Field and Pool, or Exploratory
BASIN FRUITLAND COAL

11. Sec., T., R., M., or Blk. and Survey or Area

E Sec 9 T30N R14W Mer NMP
SME: BLM12. County or Parish
SAN JUAN13. State
NM17. Spacing Unit dedicated to this well
320.00 W/P

20. BLM/BIA Bond No. on file

23. Estimated duration
5-DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Kurt Fagrelus</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 07/02/2004
Title GEOLOGIST		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 10-13-04
Title AEM		Office FFO

Application approval does not warrant or certify 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, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

Additional Operator Remarks:

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 900' - 1064'.
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

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

BUREAU OF LAND MANAGEMENT

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

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

District II
PO Drawer DD, 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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-005-32450		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 33162	*Property Name POLES PARADISE		*Well Number 90S
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5564'

¹⁰ 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	9	30N	14W		2075	NORTH	1235	WEST	SAN JUAN

¹¹ 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

¹² Dedicated Acres 320.0 Acres - (W/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

<p>16</p> <p>5306.40'</p> <p>1314.06'</p> <p>1320.00'</p> <p>2634.06'</p> <p>5280.00'</p> <p>1235'</p> <p>2075'</p> <p>90-S</p> <p>90</p> <p>DUGAN 100% NM-16057</p> <p>5280.00'</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kurt Fagrelis</i> Signature Kurt Fagrelis</p> <p>Printed Name Geologist</p> <p>Title July 2, 2004</p> <p>Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey: JUNE 25, 2004</p> <p>Signature and Seal of Professional Surveyor</p> <p> JASON C. EDWARDS Certificate Number 15269</p>

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
March 4, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

5. Indicate Type of Lease
STATE ☐ FEE ☐ Federal ☐

6. State Oil & Gas Lease No.
NM-16057

7. Lease Name or Unit Agreement Name
Poles Paradise

8. Well Number
90-S

9. OGRID Number

10. Pool name or Wildcat
Basin Fruitland Coal

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
709 East Murray Drive, Fmgt., NM, 87401

4. Well Location
Unit Letter E : 2075 feet from the North line and 1235 feet from the West line
Section 9 Township 30N Range 14W NMPM SJ County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5564' G.L.

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL E Sect 9 Twp 30N Rng 14W Pit type Drilling Depth to Groundwater 1065' Distance from nearest fresh water well N/A
Distance from nearest surface water 1-mile Below-grade Tank Location UL Sect Twp Rng ;
feet from the line and feet from the line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Reserve Pit for Drilling (Lined) ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

A water based gel-mud will be used to drill surface and production casing hole.
The drilling pit will be dug in the earth to a depth of 8-feet. The pit will be lined with an impervious material 8-mils. thick.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Kurt Fagrelus TITLE Geologist DATE 7/2/04

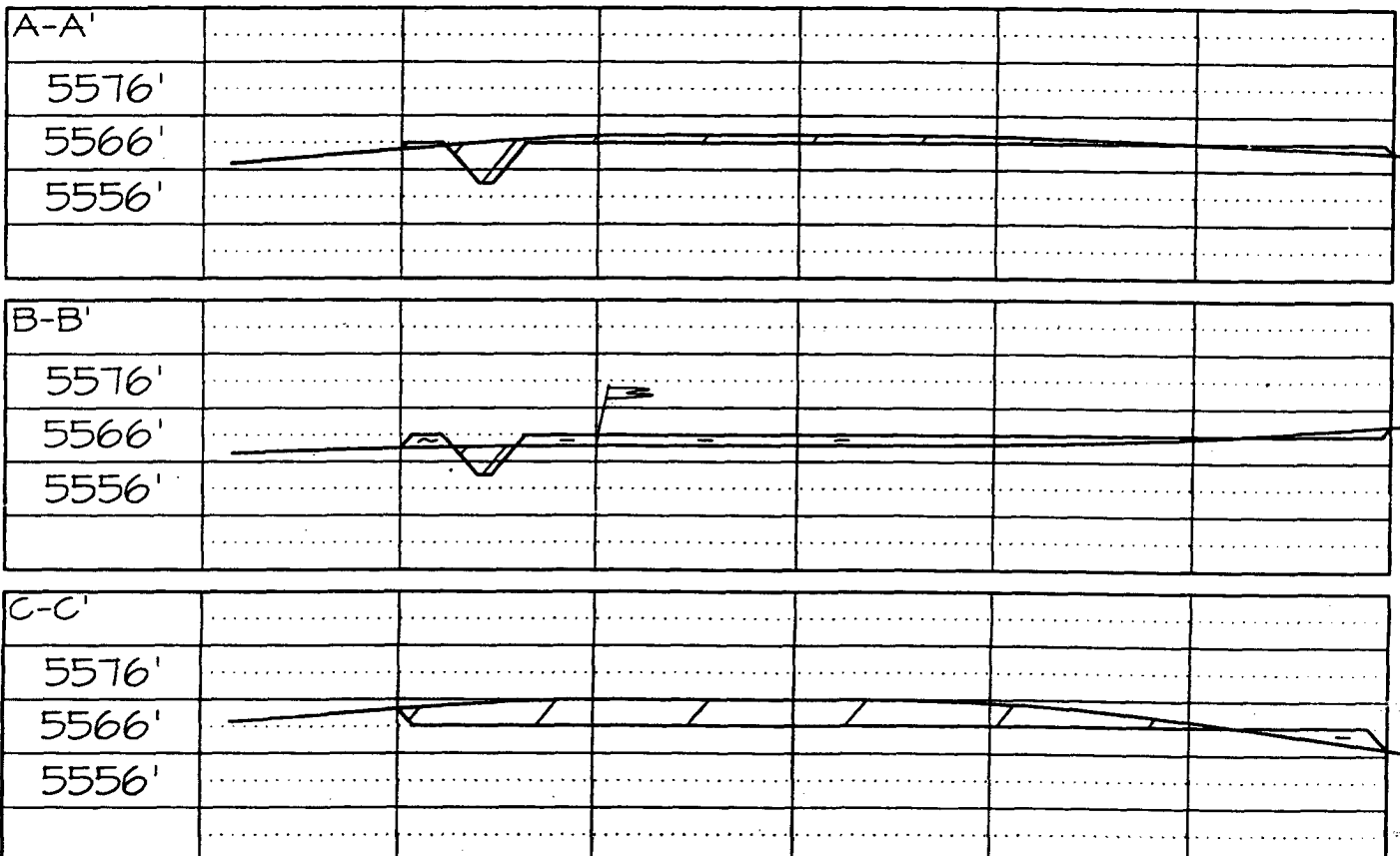
Type or print name Kurt Fagrelus E-mail address: kfagrelus@duganproduction.com Telephone No.

(This space for State use)

505-325-1821

APPROVED BY [Signature] TITLE OIL & GAS INSPECTOR, DIST. 2 DATE CT 15 2004
Conditions of approval, if any:

PLAT 3



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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.**SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM16057
2. Name of Operator DUGAN PRODUCTION CORPORATION		6. If Indian, Allottee or Tribe Name
Contact: KURT FAGRELIUS E-Mail: kfagrelus@duganproduction.com		7. If Unit or CA/Agreement, Name and/or No.
3a. Address P. O. BOX 420 FARMINGTON, NM 874990420	3b. Phone No. (include area code) Ph: 505.325.1821 Ext: 43 Fx: 505.327.4613	8. Well Name and No. POLES PARADISE 90S
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 9 T30N R14W SWNW 2075FNL 1235FWL		9. API Well No. 30-045-32450-00-X1
		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
		11. County or Parish, and State SAN JUAN COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change to Original A
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	PD

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Casing sizes are changed as follows (Setting depths will remain the same):

Surface-Hole size 11", Casing Size 8-5/8", 24#, Cmmt. 70 cu.ft circ. to surface. J-55

Production-Hole size 7", Casing size 5-1/2", 14#, Cmmt. 200 cu.ft circ. to surface. J-55



14. I hereby certify that the foregoing is true and correct.	
Electronic Submission #36719 verified by the BLM Well Information System For DUGAN PRODUCTION CORPORATION, sent to the Farmington Committed to AFMS for processing by ADRIENNE BRUMLEY on 10/05/2004 (05AXB0014SE)	
Name (Printed/Typed) KURT FAGRELIUS	Title GEOLOGIST
Signature (Electronic Submission)	Date 09/27/2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By	Title AFM	Date 10-13-04
Conditions of approval, if any, are attached. Approval of this notice 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.		Office FFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

NMOCU

EXHIBIT B
OPERATIONS PLAN
Poles Paradise #90-S

APPROXIMATE FORMATION TOPS:

Kirtland	Surface
Fruitland	640'
Pictured Cliffs	1065'
Total Depth	1215'

Catch samples every 10 feet from 850 feet to total depth.

LOGGING PROGRAM:

Run cased hole GR-CCL-CNL from total depth to surface.

CASING PROGRAM:

<u>Hole</u> <u>Size</u>	<u>Casing</u> <u>Size</u>	<u>Wt./ft.</u>	<u>Setting</u> <u>Depth</u>	<u>Grade and</u> <u>Condition</u>
9-7/8"	7"	20#	120'	J-55
6-1/4"	4-1/2"	10.5#	1215'	J-55

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 Coal. 4-1/2", 10.5#, J-55 production casing will be run and cemented. Cased hole GR-CCL-CNL 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:

Surface: Cement to surface with 70 cf Class B + 2% CaCl₂.
Circulate to surface.

Production Stage-Cement with 130 cf 2% lodense with
1/4# celloflake/sx followed by 70 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 200 cf
Circulate cement 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"x4-1/2" casing head, 1000# WP, tested to 2000#.

Huber 4-1/2"x2-7/8" tubing head, 1000# WP, tested to 2000#.

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

(Exhibit D)

Annular 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.

Contacts:

Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

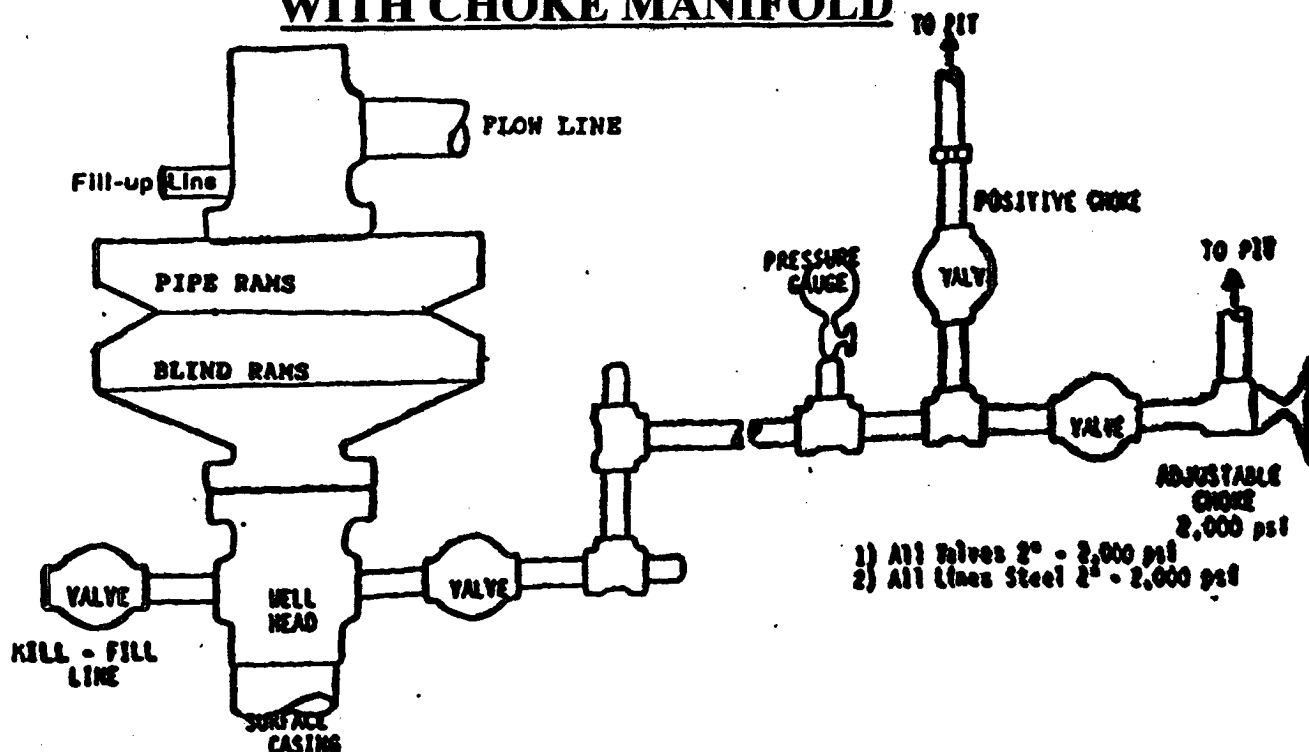
Mark Brown	327-3632 (H)
	320-8247 (M)

Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

John Alexander	325-6927 (H)
	320-1935 (M)

BOP DIAGRAM WITH CHOKE MANIFOLD

EXHIBIT D.



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

2000 PSI DOUBLE RAM BLOWOUT PREVENTER

Kill line (3" minimum)

1 kill line valve (3" minimum)

1 choke line valve

2 chokes

Upper kelly cock valve with handle available

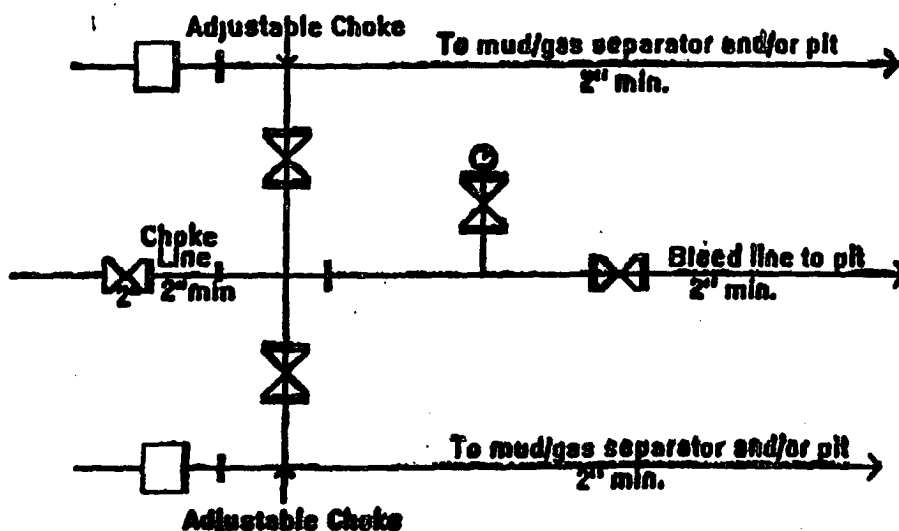
Safety valve and subs to fit all drill string connections in use

Pressure gauge on choke manifold

3" 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.



2M Choke Manifold Equipment - Configuration May Vary

**DUGAN PRODUCTION CORP.
POLES PARADISE #90-S**