

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Well: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-113973
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator DUGAN PRODUCTION CORP. Contact: KURT FAGRELIUS E-Mail: kfagrelus@duganproduction.com		7. If Unit or CA Agreement, Name and No.
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401		8. Lease Name and Well No. High Finance #1
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. API Well No. 30-045-33172
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 650' FNL and 950' FWL, Lat. 36.5054, Long. 108.1805 At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Greek Gallup
14. Distance in miles and direction from nearest town or post office* Approx. 6-miles north of Kirtland, NM		11. Sec., T., R., M., or Blk. and Survey or Area D Sec. 3, T30N, R14W
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 650 feet	16. No. of Acres in Lease 40.0 acres	12. County or Parish SAN JUAN
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 5455 feet	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) GL-5671'	22. Approximate date work will start ASAP	17. Spacing Unit dedicated to this well NW/4 NW/4 (40.0 acres)
23. Estimated duration 7-days		20. BLM/BIA Bond No. on file On file

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 6/13/05
Title GEOLOGIST		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 10/6/05
Title AFM	Office PFO	

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.

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. Intermediate casing will be set above the Gallup producing interval. The producing interval will be drilled with a water based gel-mist. Open hole logs will be run, if determined productive, a long string will be set through the productive interval, cemented, perforated and fracture stimulated.

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

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

NMOC

RECEIVED
FARMINGTON NM
JUN 7 40

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

District II
PO Drawer 00, 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

*API Number 30-045-33172	*Pool Code 96219	*Pool Name GreeK Gallup
*Property Code 35174	*Property Name HIGH FINANCE	*Well Number 1
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION	*Elevation 5671'

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
0	3	30N	14W		650	NORTH	950	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 40.0 Acres - (NW/4 NW/4)	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

<div><p>¹⁶</p><p>DUGAN NM-113973</p></div>	<div><p>5280.00'</p><p>5280.00'</p><p>5278.02'</p><p>3</p><p>RECEIVED JUN 16 9 16 AM '05</p></div>	<div><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 Printed Name Geology Title June 13, 2005 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>June 13, 2005 Date of Survey Signature and Seal of Professional Surveyor</p><div><p>JASON C. EDWARDS Certificate Number 15269</p></div></div>
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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. 30-045-33172
5. Indicate Type of Lease Federal XX STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Federal NM-113973
7. Lease Name or Unit Agreement Name High Finance
8. Well Number #1
9. OGRID Number 006515
10. Pool name or Wildcat Greek Gallup

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, Farmington, NM 87401 505-325-1821

4. Well Location
Unit Letter **D** : **650** feet from the **north** line and **950** feet from the **west** line
Section **3** Township **30N** Range **14W** NMPM County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-5671'

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

Pit Location: UL **D** Sect **3** Twp **30N** Rng **14W** Pit type **Drilling** Depth to Groundwater **1150'** Distance from nearest fresh water well **> 1000'**

Distance from nearest surface water **300'** 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. Standard 2,000 psi BOP will be used to drill production hole. Open hole logs will be run, the Gallup interval will be evaluated, if deemed productive, casing will be set. The Gallup interval will be perforated and fracture stimulated. Pits will be lined with an impervious material and abandoned as per NMOC requirements.

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 NMOC guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Kurt Fegelin TITLE Geology DATE 6-13-2005

Type or print name _____ E-mail address: _____ Telephone No. _____

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 3 DATE OCT 13 2005
Conditions of approval, if any: _____

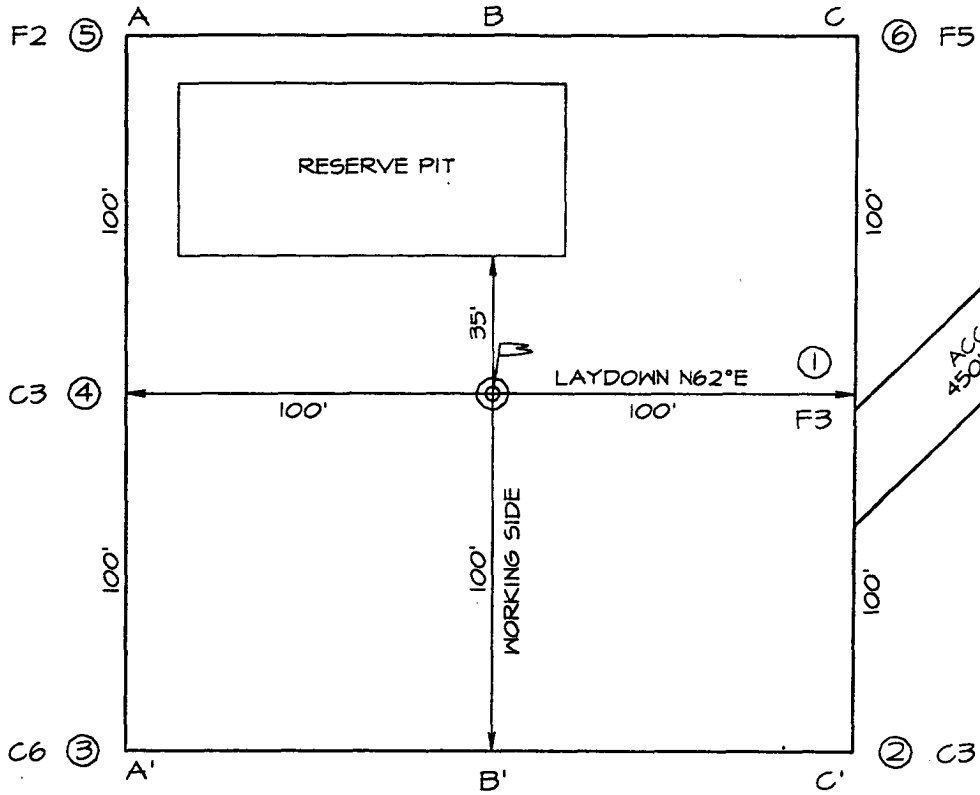
DUGAN PRODUCTION CORPORATION HIGH FINANCE #1
650' FNL, 950' FWL, SECTION 3, T30N, R14W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 5671'

PLAT 3.

LATITUDE: 36°50'54"
 LONGITUDE: 108°18'05"
 DATUM: NAD1927

PLAT NOTE:

SURFACE OWNER
 Fee Land: Stanley
 & Leona McCabe



A-A'						
5681'						
5671'						
5661'						

B-B'						
5681'						
5671'						
5661'						

C-C'						
5681'						
5671'						
5661'						

EXHIBIT B
OPERATIONS PLAN
 High Finance #1

APPROXIMATE FORMATION TOPS:

Kirtland	Surface	Menefee	2870'
Fruitland	760'	Point Lookout	3605'
Pictured Cliffs	1160'	Mancos	4000'
Lewis	1250'	Gallup	4955'
Cliff House	2725'	Skelly	5205'
		Total Depth	5455'

Catch samples every 10 feet from 4800 feet to total depth.

LOGGING PROGRAM:

Run cased hole GR-CNL from TD to intermediate casing point.

CASING PROGRAM:

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	9-5/8"	36#	200'	J-55
8-3/4"	7"	20#	4700'	K-55
6-1/4"	4-1/2"	17# 10.5#	5455'	K-55

per John Alexander 4/23/05

Fresh water based gel-mud will be used to drill surface and intermediate casing holes. Air or water based Air/Mist will be used to drill hole for liner.

CEMENTING PROGRAM:

Surface: Cement to surface with 100 cf Class B + 2% CaCl₂. Circulate to surface.

Intermediate: Cement 7" to surface with 700 cf 65/35 Pozmix + 6% gel + 2% CaCl₂, followed by 120 cf Class B + 2% CaCl₂. Circulate cement to surface.

Liner: Set liner hanger 150' inside 7" intermediate casing. Cement from TD to top of liner hanger with 150 cf Class B + 2% 50/50 Pozmix + 2% gel = fluid loss additive + lost circulation material as determined at time of cementing.

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)
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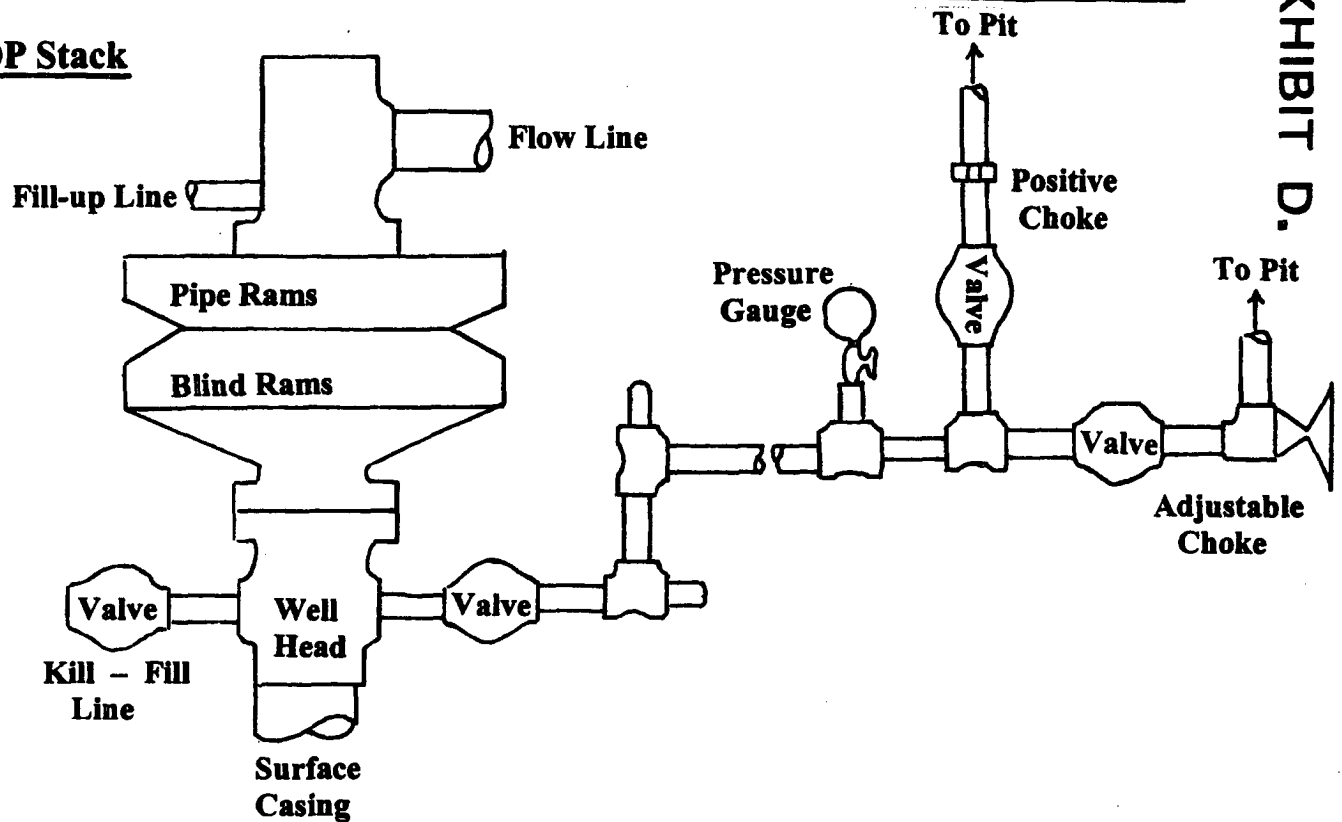
Kurt Fagrelus	325-4327 (H) 320-8248 (M)
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John Alexander	325-6927 (H) 320-1935 (M)
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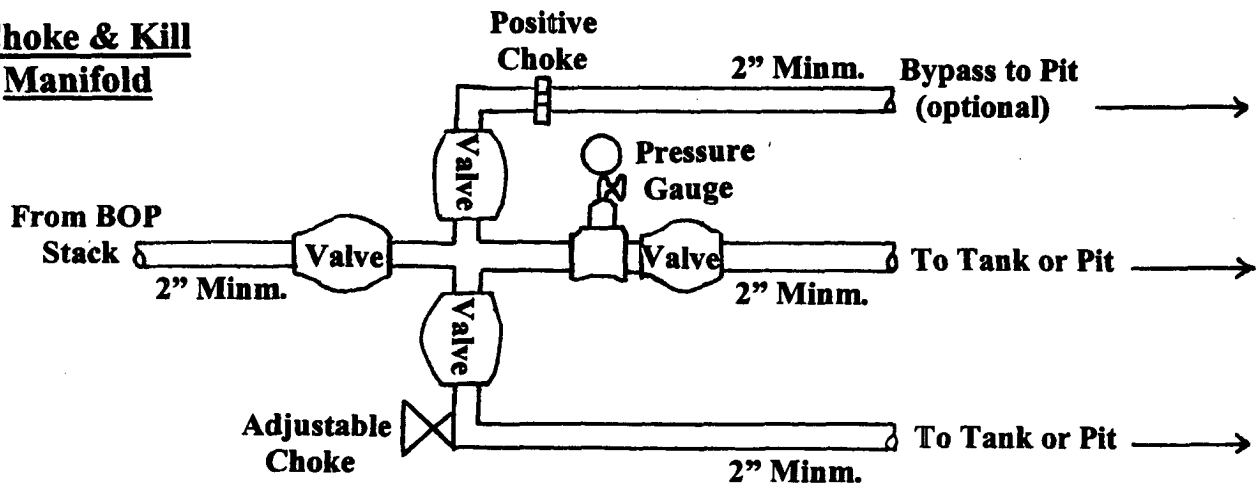
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



Working Pressure for all equipment is 2,000 psi or greater

DUGAN PRODUCTION CORP.
HIGH FINANCE #1