



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Farmington Field Office
6251 College Blvd. - Suite A
Farmington, New Mexico 87402
www.blm.gov/nm

In Reply Refer To:
NMNM10089
3162.3-1 (211)

May 18, 2016

Dugan Production Corporation
709 East Murray Drive
Farmington, NM 87401

Dear Mr. Fagrelus,

Reference is made to the following Application for Permit to Drill (APD):

Mary Anne No. 4, located 815'FSL and 1140'FWL, Section 9, T24N, R9W, San Juan County, New Mexico on Federal Lease No. 10089, API No. 30-045-35034.

This APD originally submitted on October 2, 2009. Per my conversation with Mr. Alexander, Dugan does not intend to drill this well at this time. The BLM is returning your APD effective December 2, 2011 with no further action taken. If you wish to drill this well at a later date you will need to file a new APD.

If you have, any questions regarding the above contact Cynthia Marquez at (505) 564-7741.

Sincerely,

Cynthia Marquez
Land Law Examiner
Petroleum Management Team

Enclosures-1
Distribution: NMOCD-1

AV

APD - entered in NMOCD - cancelled APD never reviewed or approved by NMOCD.

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCT 02 2009

FORM APPROVED MAY 20 2016
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-10089	
6. If Indian, Allottee or Tribe Name BLM Navajo Surface	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. Mary Anne #4	
9. API Well No. 30-045-35034	
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	10. Field and Pool, or Exploratory Basin Fruitland Coal
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone	11. Sec., T. R. M. or Blk. and Survey or Area Sec. 9, T24N, R9W NMPM
2. Name of Operator Dugan Production Corp.	12. County or Parish San Juan
3a. Address 709 East Murray Drive Farmington, NM 87401	13. State NM
3b. Phone No. (Include area code) 505-325-1821	14. Distance in miles and direction from nearest town or post office* Approx. 40-miles SE of Bloomfield, New Mexico
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 815' FSL & 1140' FWL At proposed prod. zone Same as above	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 815-Feet
Lat: 36.32355 N Long: 107.79966 W	16. No. of acres in lease 640-Acres
17. Spacing Unit dedicated to this well 320.0 Acres - (W/2)	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 835-Feet
19. Proposed Depth 1800-Feet	20. BLM/BIA Bond No. On File
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6706-Feet	22. Approximate date work will start* ASAP
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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 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 Fagrelus	Date 11-2-2009
Title Geologist		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

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, 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.

*(Instructions on page 2)

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 perforated from approximately 1630-1640 feet.
The interval will be fracture stimulated.

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATION ON FEDERAL AND INDIAN LANDS

NMOCD

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".

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & Natural Resources Department

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

OCT 02 2009

OIL CONSERVATION DIVISION
AMENDED DIST. 3

Bureau of Land Management
Fossil Fuel Division

MAY 20 2016

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 71629		3 Pool Name BASIN FRUITLAND COAL	
4 Property Code		5 Property Name MARY ANNE			6 Well Number 4
7 GRID No. 006515		8 Operator Name DUGAN PRODUCTION CORPORATION			9 Elevation 6706'

10 Surface Location

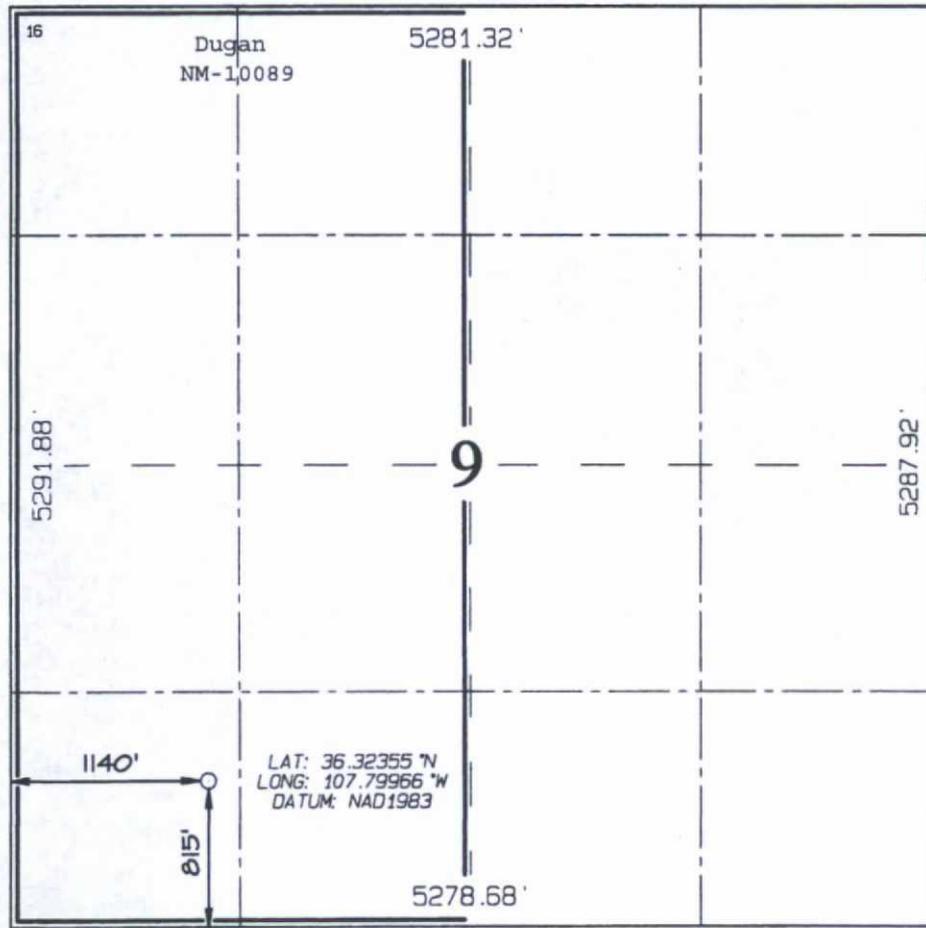
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	9	24N	9W		815	SOUTH	1140	WEST	SAN JUAN

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



17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Kurt Fagrelus 10-1-2009
Signature Date
Kurt Fagrelus
Printed Name

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: AUGUST 24, 2009
Signature and Seal of Professional Surveyor

JASON C. EDWARDS
Certificate Number 15269

EXHIBIT A
DEVELOPMENTAL PLAN

Mary Anne #4
Lease #NM-10089
Township 24 North, Range 9 West, NMPM
Section 9, 815' FSL - 1140' FWL
San Juan County, New Mexico

1. Existing roads are shown on Exhibit E.
Plan to improve and maintain existing roads as required.
2. Planned access road(s) are shown on Exhibit E.
 - A. New or reconstructed road(s), if any, were centerline flagged at the time of location staking.
No new road construction is needed.
3. Location of existing wells is shown on Exhibit F.
4. Location of Existing and/or Proposed Facilities:
 - A. Existing facilities owned or controlled by Lessee/Operator are shown on Exhibit F.
 - B. New facilities, in the event of production, are shown on Exhibit F. Construction materials and methods: Materials obtained on site; anticipated new production facilities are shown on Plat #1. Protective measures and devices to protect livestock and wildlife: As required.
 - C. Plan for rehabilitation of disturbed areas no longer needed for operations after construction completed:
As required.
 - D. Pipeline will follow existing road and will be 2916.2 feet in length (Plat 2). The well pad (105' X 150') and 1460.6' of pipeline will be on Navajo Tribal Trust Land, 139.7' of the pipeline will be on State of New Mexico Land and 1315.6' of the pipeline will be on Bureau of Land Management Land. A 2" water and 4" gas pipeline will be constructed.
5. Location and Type of Water Supply:
 - A. Location and type of water supply: Produced water.
 - B. Method of transporting water: Water truck.
 - C. Water well is not to be drilled on lease.
6. Source of Construction Materials:
 - A. Materials are to be obtained on site.
 - B. These materials are to be used as follows: Level location, build pits (Plat 3).

7. Methods for Handling Waste Disposal:
- A. Waste materials will be contained/disposed of as follows:
- 1) Cuttings: Reserve pit.
 - 2) Drilling fluids: Reserve pit.
 - 3) Produced fluids (oil, water): Test tank and/or reserve pit.
 - 4) Sewage: Drilling Contractor will provide facilities.
 - 5) Trash: Facilities will be provided as required.
 - 6) Operator will be responsible for proper cleanup when the rig is moved.
 - 7) Reserve pits will be fenced on three sides during the drilling operations and on four sides when the rig is moved from location.
8. Ancillary Facilities: No permanent camp is planned; temporary trailer house may be utilized while drilling. No airstrip is planned.
9. Well Site Layout is shown on Exhibit C. Pits are to be lined.
10. Plans for restoration of surface upon completion of operations:
- A. Location will be leveled, re-contoured, and restored as needed.
 - B. Re-vegetation and rehabilitation, including abandoned access roads, will be completed per instructions from the surface management agency.
 - C. Pits will be fenced as required and so maintained until cleanup.
 - D. Rehabilitation operations will be commenced as soon as practically possible and completed soon thereafter.
11. Other Information:
- A. Other surface use activities and surface ownership of all involved lands: Navajo, Federal and State surface grazing.
12. Lessee's or Operator's Representative:

Kurt Fagrelus
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

13. Certification: The following statement must be signed by the Lessee's or Operator's Field Representative who is identified in Item #12 of this Developmental Plan.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this Plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Operator and its Contractors and Subcontractors in conformity with the Plan and the terms and conditions under which it is approved.

By: Kurt Fagrelius Date: September 2, 2009

Kurt Fagrelius

EXHIBIT B
OPERATIONS PLAN

Mary Anne #4

APPROXIMATE FORMATION TOPS:

Nacimiento	Surface
Ojo Alamo	810'
Kirtland	930'
Fruitland	1295'
Pictured Cliffs	1675'
Total Depth	1800'

Catch samples every 10 feet from 1600-feet to total depth.

LOGGING PROGRAM:

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

CASING PROGRAM:

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	120'	J-55
7-7/8"	5-1/2"	15.5#	1800'	J-55

Plan to drill a 12-1/4" hole and set 120' of 8-5/8" OD, 24#, J-55 surface casing. Then plan to drill a 7-7/8" hole to total depth with gel-water mud program to test the Fruitland Coal. 5-1/2", 15.5#, 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 75-cf Class B + 2% CaCl₂. Circulate to surface.

Production Stage- Cement w/150-sx Premium Lite FM 3% BWO
Calcium Chloride + 0.25 lbs/sx Celloflake + 5 lbs/sk LCM-1 + 0.4% BWO FL-52 + 8% BWO Bentonite + 0.4% BWO Sodium Metasilicate + 112.3% fresh water (12.1 lb/gal, 2.13 cu ft/sx - 320-cu ft slurry). Tail w/152-sx Type III cement + 1 lb/sk Calcium Chloride + 0.25 lb/sx Celloflake + 0.2% BWO FL-52 + 59% fresh water (14.6 lb/gal, 1.38 cu ft/sx - 210-cu ft slurry).

Total cement slurry for production stage is 530-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.

Maximum Anticipated Bottom Hole Pressure - 300-psi.

Drilling Fluid - will be fresh water with bentonite (8.9#/gal).

WELLHEAD EQUIPMENT:

Huber 8-5/8"x5-1/2" casing head, 1000# WP, tested to 2000#.
Huber 5-1/2"x2-7/8" tubing head, 1000# WP, tested to 2000#.

Blow-Out Preventer Equipment (BOPE): Exhibit D.

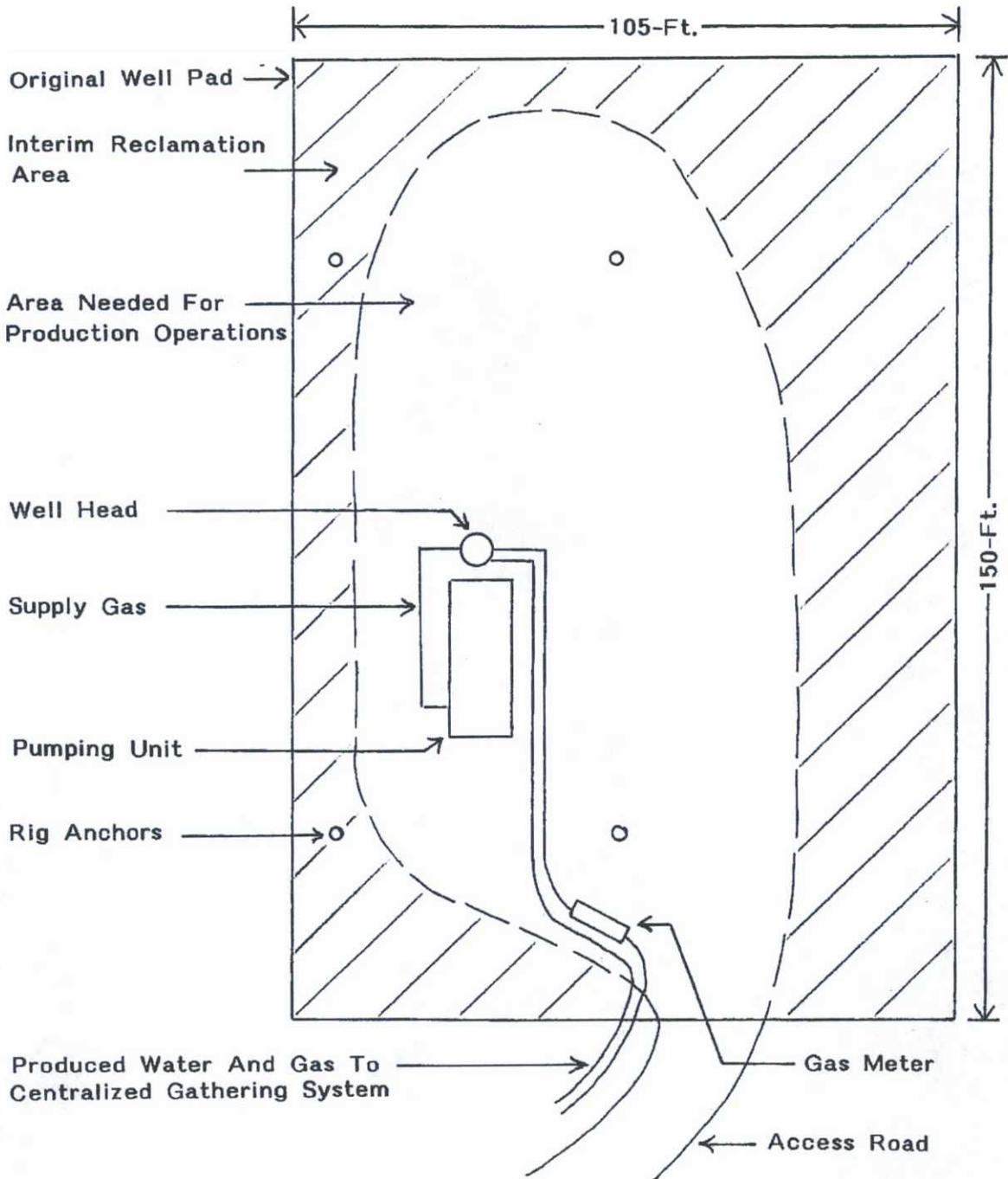
Annular preventer, double ram, or 2 rams with one being blind and one being a pipe ram.
Kill line (2" minimum)
1 kill line valve (2" minimum)
1 choke line valve
2 adjustable chokes
Upper kelly cock valve with handle available.
Safety valve and subs to fit all drill string connections in use.
Pressure gauge on choke manifold.
2" minimum choke line.
Fill-up line.

Working pressure for all BOPE will be 2,000 psi or greater.

Will test BOPE (blind rams, pipe rams, choke manifold and surface casing) separately. Each test will include a low pressure test to 250-psig held for five minutes and a high pressure test to 800-psig held for thirty minutes (with no more than a 10-percent pressure drop during the duration of the tests). If a 10-percent or greater pressure drop occurs; a packer will be run to isolate the surface casing and BOPE to locate the source of the leak.

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

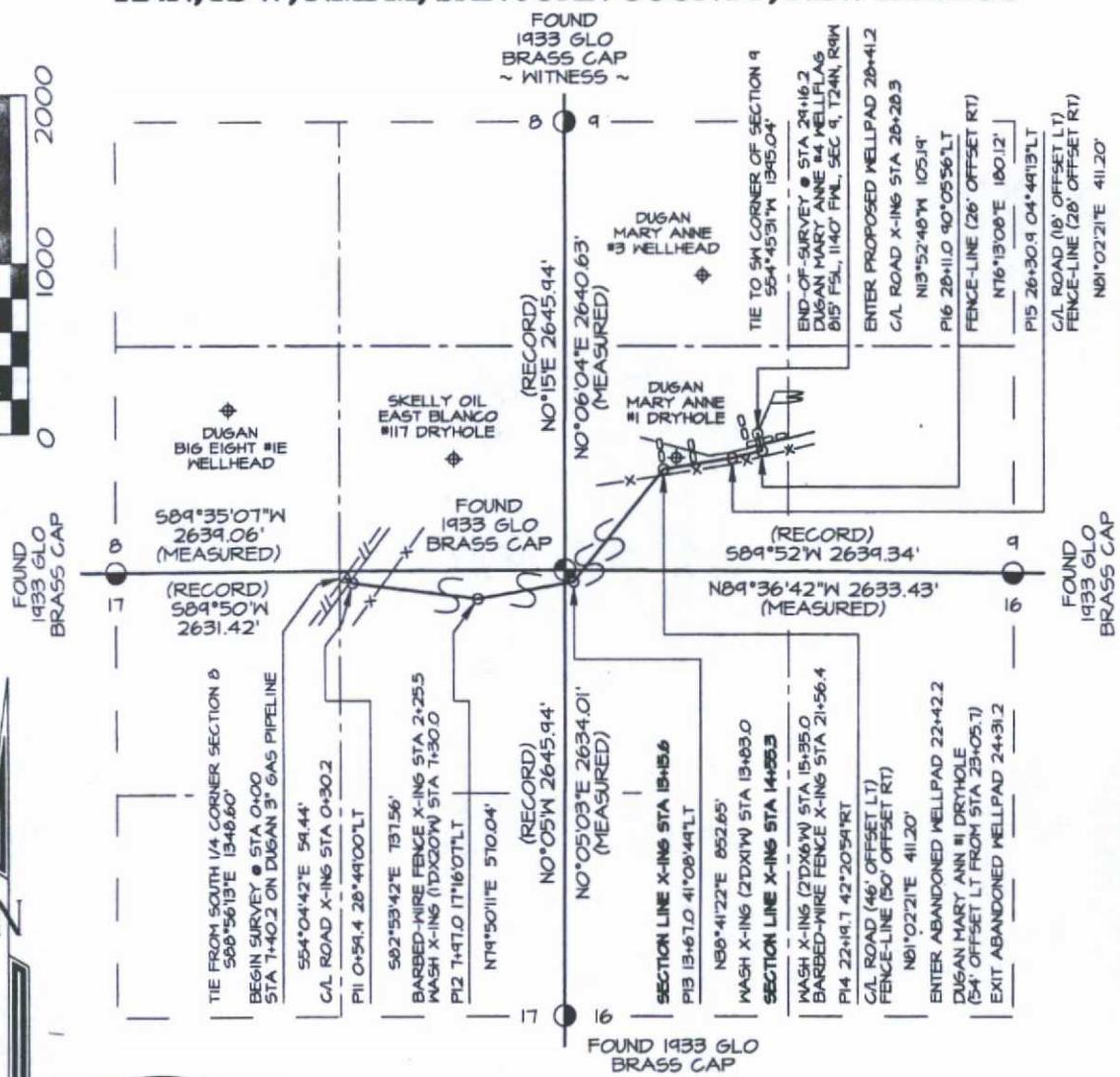
<u>Mark Brown</u>	<u>Kurt Fagrelus</u>	<u>John Alexander</u>
327-3632 (H)	325-4327 (H)	325-6927 (H)
320-8247 (M)	320-8248 (M)	320-1935 (M)



Anticipated Production Facilities

Dugan Production Corp.
Mary Anne #4

**DUGAN PRODUCTION CORPORATION MARY ANNE #4
PROPOSED PIPELINE SURVEY LOCATED IN THE
NE/4 SECTION 17, NW/4 SECTION 16 & SW/4 SECTION 9
T24N, R9W, NMPM, SAN JUAN COUNTY, NEW MEXICO**



BASIS OF BEARING:

REAL-TIME KINEMATIC GPS SURVEY SOLUTION OBTAINED FROM SATELLITES TRACKED ON SEPTEMBER 8, 2004 FROM A REFERENCE STATION POSITIONED IN SW/4 SE/4 OF SECTION 9, T24N, R9W

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

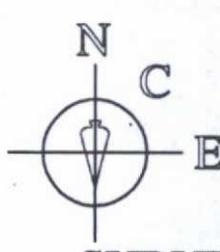


~ SURFACE OWNERSHIP ~		
Bureau of Land Management	0+00 TO 13+15.6	1315.6 FT / 79.7 RODS
State of New Mexico Land	13+15.6 TO 14+55.3	139.7 FT / 8.5 RODS
Navajo Tribal Trust Land	14+55.3 TO 24+16.2	1460.9 FT / 88.5 RODS

I, Jason C. Edwards, a registered professional surveyor under the laws of the State of New Mexico, hereby certify that this plat was prepared from field notes of an actual survey meeting the minimum requirements of the standards for easement surveys and is true and correct to the best of my knowledge and belief.

JASON C. EDWARDS Date: September 13, 2009
Jason C. Edwards
New Mexico LS #15269

Prepared for:
DUGAN PRODUCTION
P.O. BOX #420
FARMINGTON, NM 87499



SURVEYS, INC.

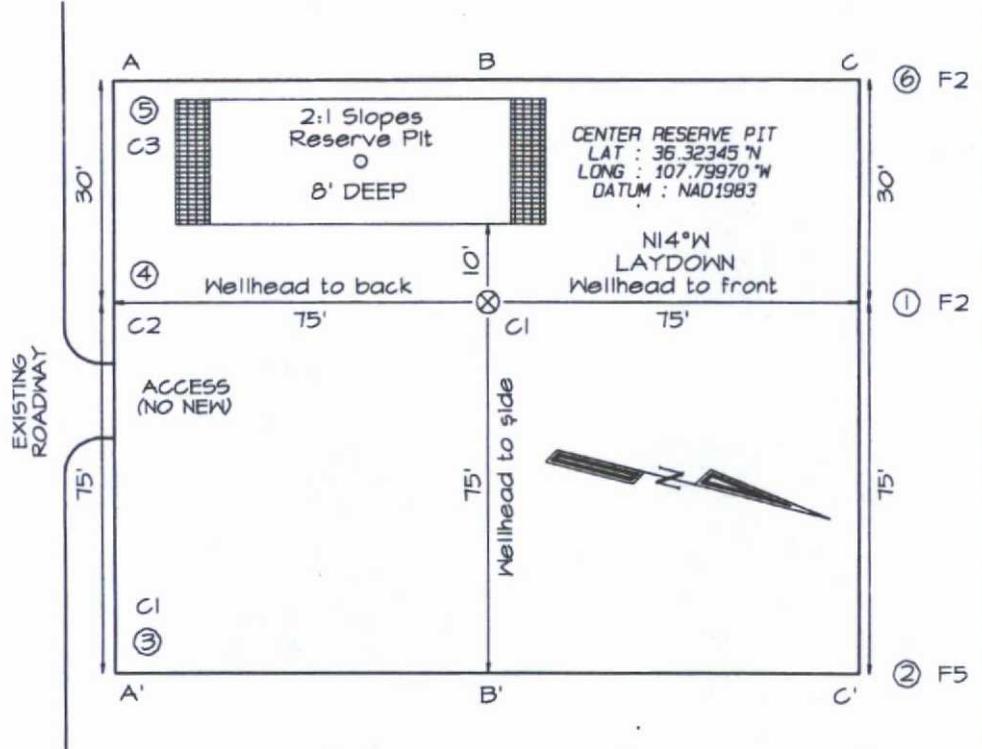
Land Surveyor:
Jason C. Edwards
Mailing Address:
Post Office Box 6612
Farmington, NM 87499
Business Address:
111 East Pinon Street
Farmington, NM 87402
(505) 325-2634 (Office)
(505) 326-5650 (Fax)

CHECKED: JCE
DRAWN BY: SLE
SHEET 3 OF 4
FILENAME: 2449196

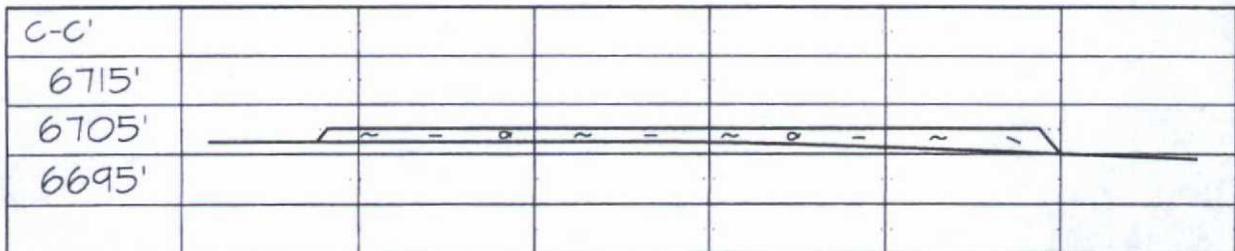
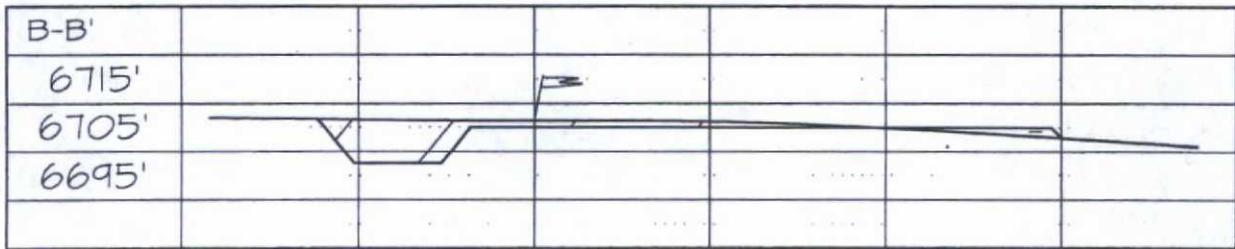
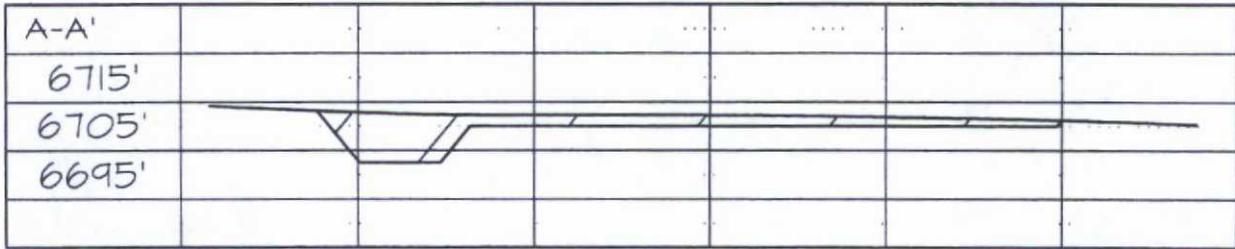
**DUGAN PRODUCTION CORPORATION MARY ANNE #4
815' FSL & 1140' FWL, SECTION 9, T24N, R9W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6706'**

PLAT NOTE:
 SURFACE OWNER
 Navajo Tribal Trust

LATITUDE: 36.32355°N
 LONGITUDE: 107.79966°W
 DATUM: NAD1983

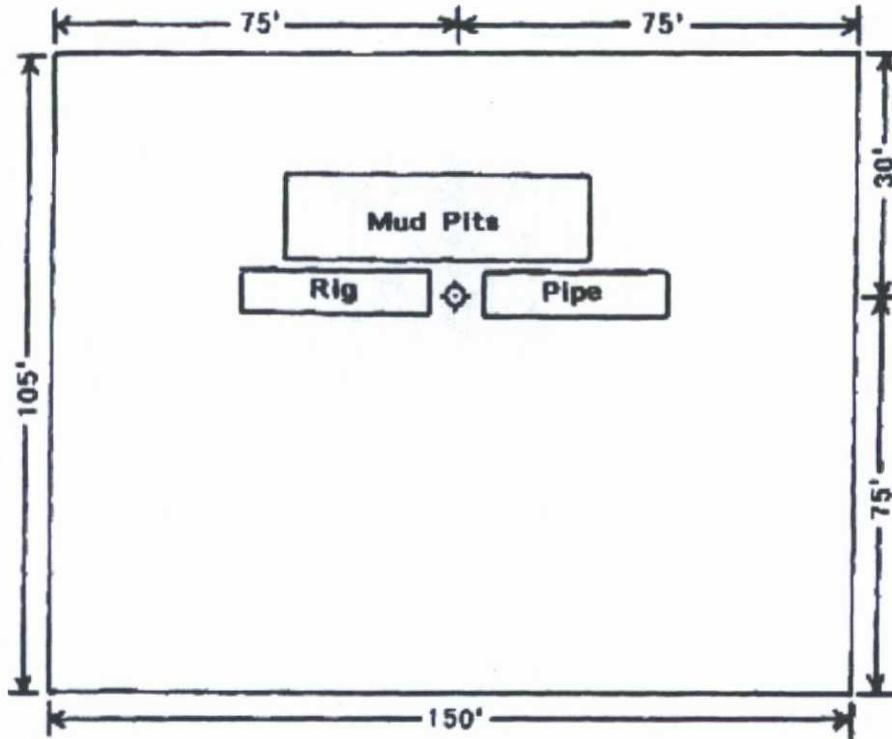


Steel T-Posts have been set to define the Edge of Disturbance limits which are 50' offset from the edge of the staked wellpad.



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

Typical Location
For a Fruitland Coal Well

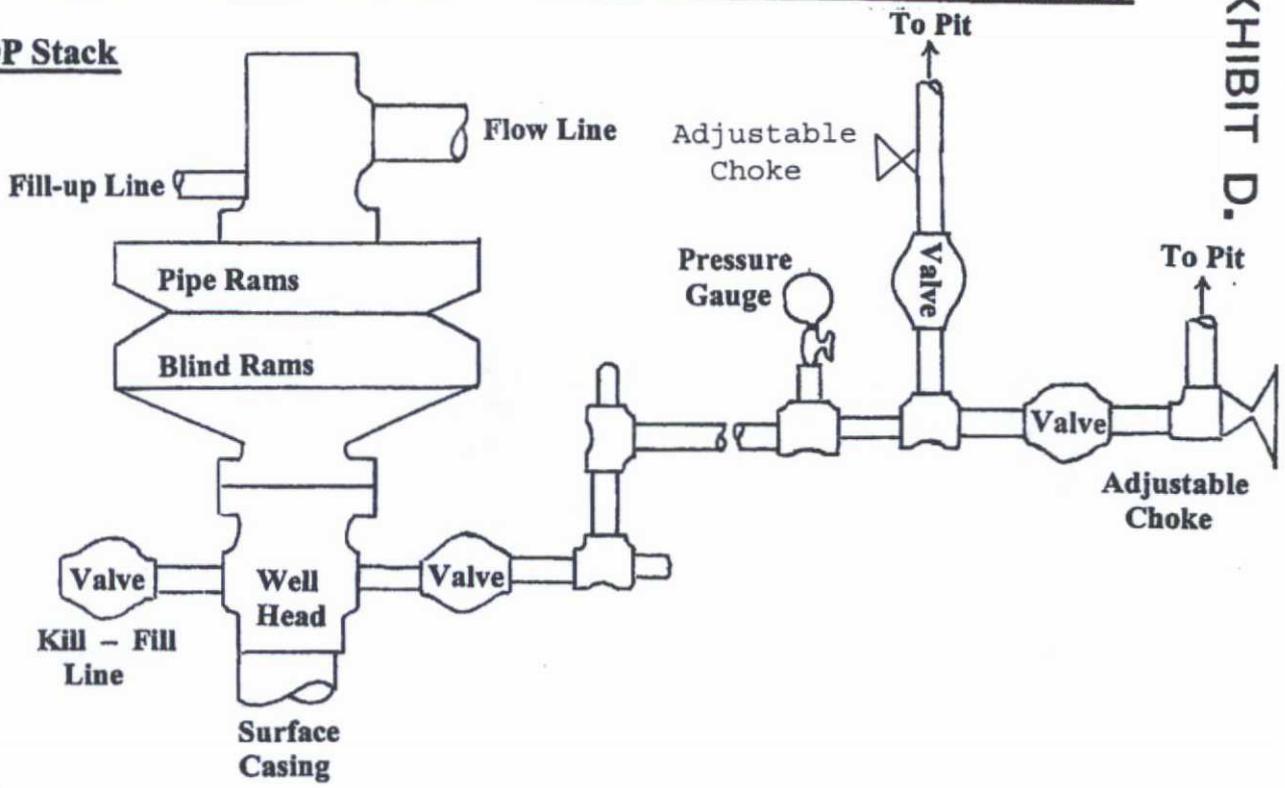


DUGAN PRODUCTION CORP.
MARY ANNE #4

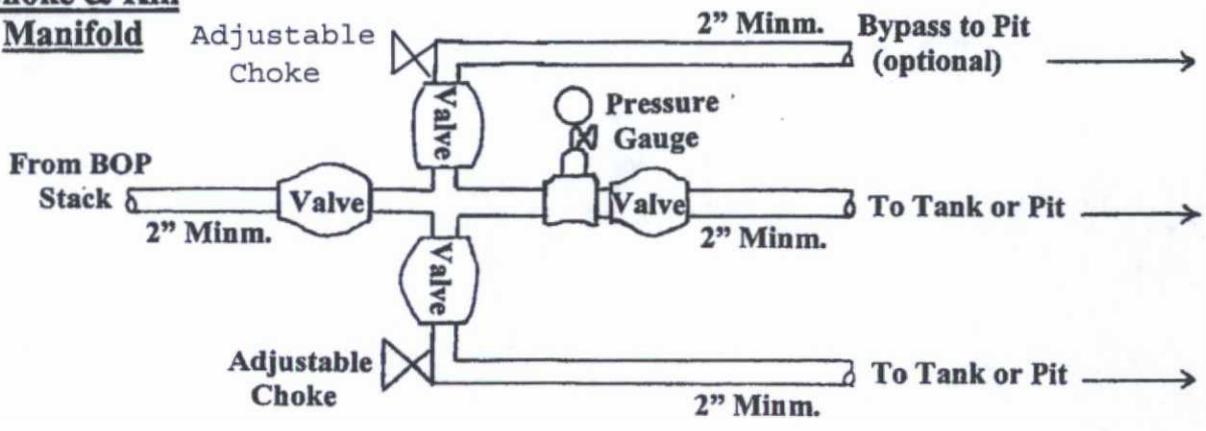
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
MARY ANNE #4

DUGAN PRODUCTION CORPORATION MARY ANNE #4
815' FSL & 1140' FWL, SECTION 9, T24N, R9W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO

EXHIBIT E

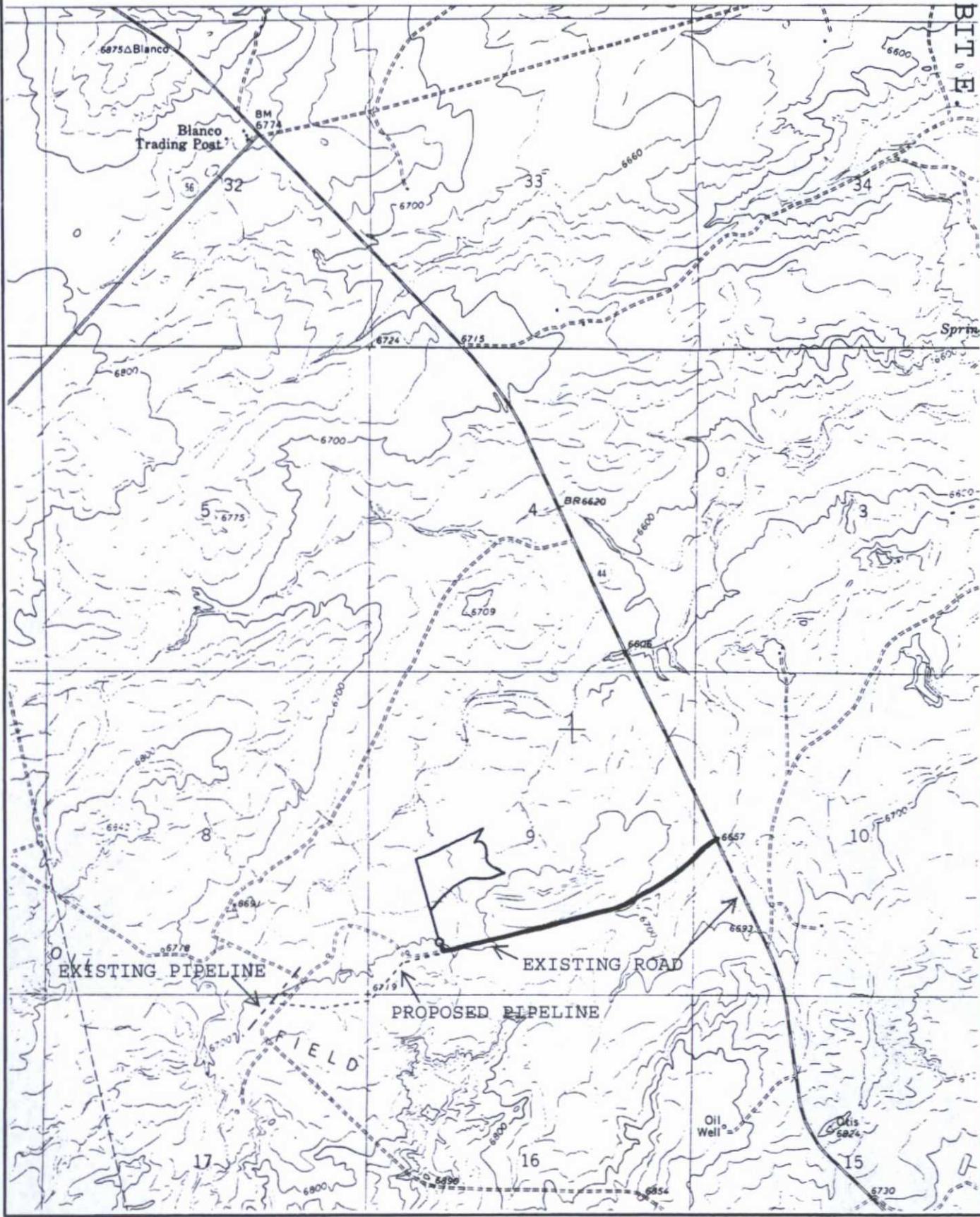
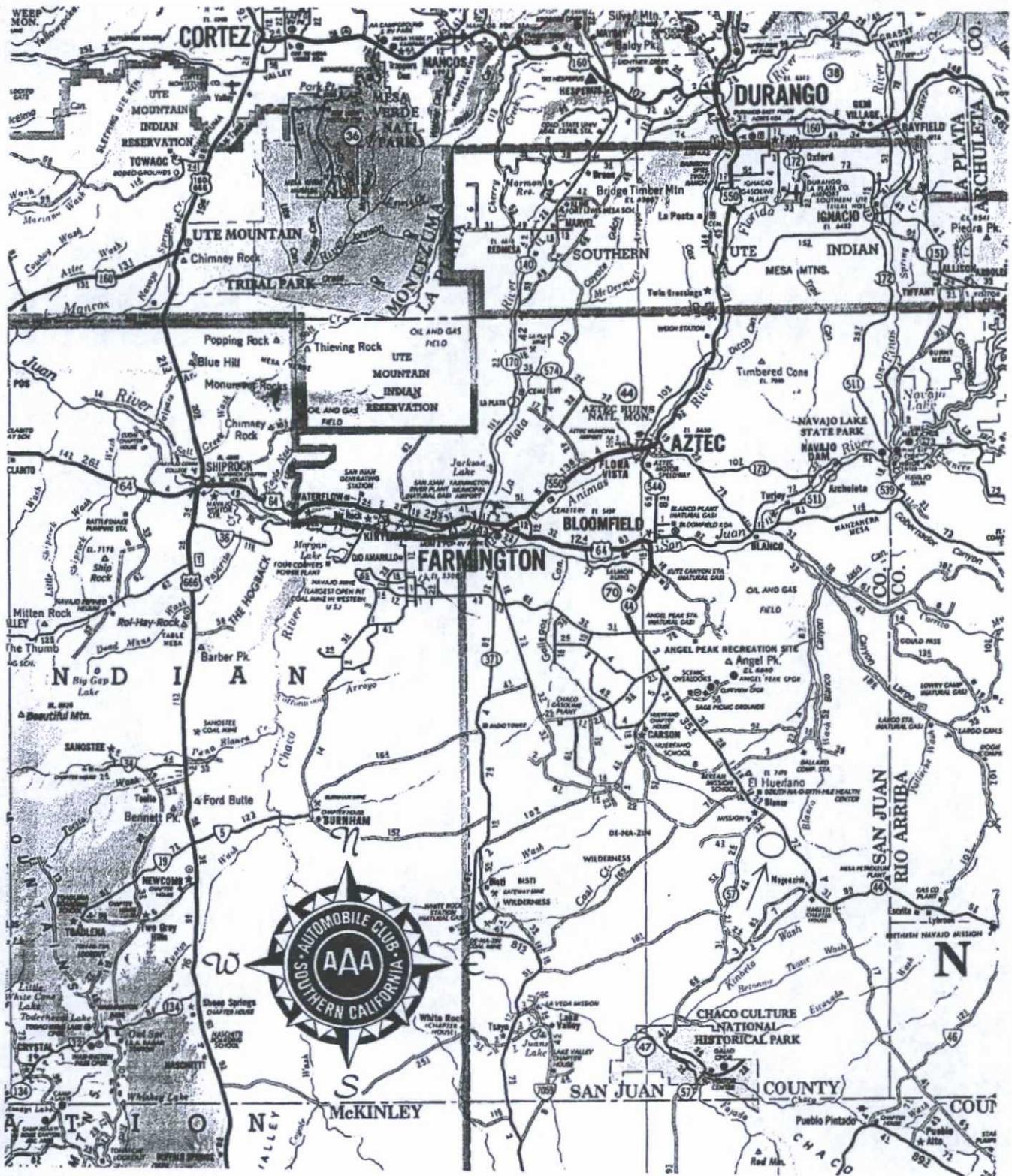


EXHIBIT V.



DUGAN PRODUCTION CORP.
MARY ANNE #4