

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APR 13 2017

FORM APPROVED
OMB No. 1004-0137
Expires: January 31, 2018

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.

Farmington Field Office
Bureau of Land Management

5. Lease Serial No. NM-109404

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2

7. If Unit of CA/Agreement, Name and/or No.
PGA Unit - NMNM128992X

8. Well Name and No. PGA 3 #1

9. API Well No. 30-045-35410

10. Field and Pool or Exploratory Area
Basin Fruitland Coal

11. Country or Parish, State
San Juan County, New Mexico

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator Dugan Production Corp.

3a. Address 709 East Murray Drive, Farmington, NM 87401
3b. Phone No. (include area code)
(505) 325-1821

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec. 3, T23N, R11W 990' FNL & 1900' FEL

12. CHECK THE 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"/> Hydraulic Fracturing	<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	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

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 recomple 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Propose to construct gas and water pipelines to transport produced water and produced gas from the PGA 3 #1 to the Dugan operated Sesame Street Gathering system (NMNM-115114) located in the NW/4 of Sec. 15, T23N, R11W and the SW/4 of Sec. 36, T24N, R11W. Water line will transport produced water to centralized salt water disposal wells located in the NE/4 of Sec. 23, T23N, R11W and NE/4 of Sec. 30, T24N, R10W. Gas line will transport produced gas to centralized gas compressor stations located in the NE/4 of Sec. 23, T23N and R11W and the NE/4 of Sec. 6, T23N, R10W.

All construction is within the PGA Unit (considered "on-lease") and both pipelines will be buried in the same trench for a total length of 1,080.5-ft. Federal surface NM-109404. The pipelines will be parallel to and within the 30-ft wide right-of-way for the existing access road for 1,080.5-ft. Location of proposed pipelines is shown in Exhibits 1a, 1b and 1c.

Construction will begin as soon as all of the necessary permit approvals are received and should take 2-3 weeks to complete.

The "Plan of Development" for the pipelines is attached.

OIL CONS. DIV DIST. 3

MAY 04 2017

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Kurt Fagrelius	Vice President Land and Exploration Title
Signature <i>Kurt Fagrelius</i>	Date 04/13/2017

THE SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by <i>SARAH SUT</i>	Title <i>Sup NRS</i>	Date <i>4/25/17</i>
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 <i>FFO</i>	

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)

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NMOC D TV Accepted For Record

**PGA 3 #1 Water and Gas Pipelines
To the Proposed PGA Interconnect**

Plan of Development (POD)

A. PLAN OF DEVELOPMENT

1. Purpose and Need for the Pipeline:

- a) The purpose of the proposed PGA 3 #1 water and gas pipelines - is to provide Dugan Production Corp access to public lands managed by the BLM to construct produced water and gas pipelines and related facilities needed to access Dugan Production Corp Oil & Gas Minerals. The need for the proposed project is established by the BLM's responsibility under the Federal Land Policy and Management Act of 1976 to respond to a request for ROW grants over public lands.
- b) What will be constructed?
The proposed produced water pipeline and associated gas pipeline system will consist of two lines in the same trench. Line 1 will have a 4-inch poly gas line and Line 2 will be a 2-inch poly water pipeline. The trench will be located within the 30-foot-wide pipeline ROW that is 1,080.5-feet in total length and located in the SE/4 of Sect. 34, in T24N and R11W and the NE/4 of Sect. 3, T23N and R11W. The total length is "on-lease", on BLM surface within the PGA Unit (NM-128992X).
- c) Commodity to be transported and for what purpose:
Produced water and gas will be transported for the operation of Dugan Production's mineral lease.
- d) Is the pipeline for a gathering system, trunk line, or distribution line?
The pipelines will tie into Dugan Production's proposed PGA Interconnect which then ties into the existing "Sesame Street" gathering system.
- e) Will it be surface or subsurface?
The pipeline system will be subsurface.
- f) Length and width of the right-of-way and the area needed for related facilities:
Total length of the proposed pipeline is 1,080.5-feet in total length and 30-feet wide (See Exhibits 1a thru 1c). All of the total length; 1,080.5-feet is "on-lease" on Federal land and is within the PGA Fruitland Coal Unit. No related facilities are required.
- g) Is this ancillary to an existing right-of-way?
The proposed produced water and gas pipelines will tie in at the intersection of STA 0+00 on the PGA 3#1 pipeline survey and STA 97+51.3 on the proposed PGA Interconnect to the Sesame Street Gathering System preliminary pipeline survey. Other proposed projects that this will be ancillary to include a Gas Pipeline and Water

Pipeline. The proposed water and gas pipelines will be parallel to, and within the same 30-foot wide ROW as the existing access road for the PGA 3 #1.

h) List alternative routes or locations:

No reasonable alternatives to the proposed action have been developed that would result in significantly fewer impacts or any clear advantages over the proposed action. The proposed pipelines follows the most economic and direct route based on the location of existing Dugan Production Corp. infrastructure, existing disturbance, and surface resources.

i) Estimated start date and duration of pipeline construction activities:

Dugan Production Corp. plans to start construction immediately upon issuance of ROW grants and expects construction to last 1-week.

2. Right-of-way Location

a) Legal description:

Please see attached exhibits labeled Exhibit 1a, 1b and 1c.

SW/4 of the SE/4 of Sec. 34, T24N and R11W and the NW/4 of the NE/4 of Sec. 3, T23N and R11W (on-lease).

b) Driving Directions: From the intersection of US HWY 550 and US HWY 64 in

Bloomfield, NM; travel southerly on U.S. Highway 550 for 27.9-miles to State Highway #57 @ Mile Marker 123.4;

Go right (south-westerly) on State Hwy #57 for 3.1-miles to fork in road;

Go left (south-westerly) remaining on State Hwy #57 for 2.6-miles to fork in road;

Go right (westerly) remaining on State Highway #57 for 4.2-miles to fork in road;

Go right (westerly) exiting State Hwy #57 onto County Road #7635 for 3-miles to fork in road;

Go right (westerly), exiting County Road #7635 for 3.5-miles to PGA road sign. Continue on for approximately 2.2 miles to intersection on left with PGA 3 #1 access road and beginning of pipeline survey.

c) Centerline survey for complete project:

Please see attached map labeled Exhibits 1b and 1c.

d) Additional site specific engineering surveys for critical areas:

Any critical areas requiring engineered drawings for this authorization will be determined during the onsite inspection.

e) Maps and drawings showing river crossings:

Any necessary maps or drawings showing water drainage or erosion issues for this authorization will be determined during the onsite inspection.

f) Acre calculation of the right-of-way by land status and ownership:

The total length of 1,080.5-feet and width 30-feet includes existing access road.

Total length 1,080.5-feet is on Federal land, within the PGA Unit and is "on-lease"

Acreage calculation by land status and ownership is as follows:

BLM – 1,080.5-feet length and width of 30-feet; or 0.74 acres.

3. Government Agencies Involved

a) FERC, USFWS, USFS:

Separate Sundry Notices for produced gas and produced water pipeline have been submitted to the BLM.

b) Copy of FERC Sec. 7c Application, if applicable:

This is not a FERC regulated project.

c) State and local agencies that may be involved:

The BLM is the only agency involved in the proposed action.

4. Facility Design Factors-

a) Pipeline pressure standards:

1) Pipe wall thickness; Poly 4" (gas) and 2" (water) nominal = 1.21 in wt.

2) Pounds per square inch (psi) rating; Poly 4"& 2"= 150psi

b) Type and toxicity of pipeline product:

1) Natural gas- poly, non-toxic

2) Produced Water- poly, non-toxic

c) Anticipated operating temperatures:

Poly 6" = 180 degrees F

d) Depth of the pipeline:

1) Road crossing depth; minimum of 6-feet

2) Drainage crossing depth; minimum of 6-feet

3) Normal depth; 4-feet

e) Permanent ROW width or size:

30-foot permanent ROW width.

f) Location, purpose, dimensions, and acreage of any temporary use areas:

Vehicle, material and equipment staging and storage will be kept within the 30-foot wide ROW.

g) Required or proposed upgrades to existing access roads:

The existing and proposed lease roads will be improved and maintained to Gold Book Standards.

5. Additional Components of the Right-of-Way

- a) Facilities at each end of the pipeline (local road, well pad, etc.):
From the PGA 3 #1 well head, meter then well pad;
Pipeline follows existing access road (1,080.5 –ft.) to intersection with
Proposed STA 0+00 on the PGA 3 #1, preliminary pipeline survey.
Shut-off valve for gas and water pipelines will be installed within 30-foot wide ROW
at STA 0+00.
- b) Connection to an existing right-of-way:
1) Existing components on or off public land;
Pipeline is located “on-lease” on Federal land within the PGA Fruitland Coal Unit.

2) Possible future components:
None planned at this time.
- c) Need for sand and gravel and where will it be obtained:
If a need for sand and gravel arises then it will be obtained at any available source on
FFO BLM Public Lands within close proximity to project area, coordination for
source material will take place with the FFO BLM roads specialist.
- d) Within a pipeline corridor:
1) No. The water line will be buried in the same trench as the gas line.

2) Off-set requirements- Pipeline is parallel to, and off-sets by 15-feet
to the west, the centerline for existing PGA 3 #1 access road.
- e) Location of staging or equipment storage, and include areas that may need
remediation:
Vehicle, material, and equipment staging and storage will be kept within the 30-foot
width of the ROW or on the well pad. On-site refueling of heavy equipment will be
conducted within the R-O-W or on the well pad.
- f) Communication facilities needed to operate the facility:
No communication facilities are necessary for this authorization.
- g) Location of pumping and/or compressor stations:
Water line will transport produced water to centralized salt water disposal wells
located in the NE/4 of Sec. 23, T23N, R11W and the NE/4 of Sec. 30, T24N, R10W.
Gas line will transport produced gas to centralized gas compressor stations located in
the NE/4 of Sec. 23, T23N, R11W and the NE/4 of Sec. 6, T23N, R10W.

6. Construction of the Facilities

- a) Construction description:
1) Major facilities-No major facilities to be constructed.

2) Ancillary facilities-Well pad, access road and produced water and gas pipelines.

- 3) Methods of construction and types of equipment to be used on the pipeline ROW: Methods of construction will be in compliance with the FFO BLM requirements. Types of equipment to be used on ROW for pipeline construction will be a dozer, scraper, grader and backhoe, side booms and welding machines. Methods of construction is detailed in the description of construction process and facilities (6d & e) below.
- b) Work force:
Approximately 5-10 pipeline construction personnel will be onsite during construction. Approximately 5-10 standard size oilfield pickups will be used to transport construction personnel and 5 transport truck loads to deliver equipment to location. Workers will be on-site 10 hours a day, 7 days a week, for the duration of construction. The majority of the workers will commute to the construction ROW early in the morning (between 6:00 a.m. and 7:00 a.m.) and will return in the evening during non-peak traffic hours (between 5:30 p.m. and 6:30 p.m.). Heavy equipment will be transported to the site and left on the ROW until construction is complete.
- c) Flagging or staking the right-of-way:
ROW will be staked to ensure all activity is confined to authorized area. The centerline and edge of ROW for the pipeline will be staked at 100 to 200-foot intervals to delineate trench placement and limits of the pipeline construction corridor. All staking will be maintained for the duration of the pipeline construction.
- d) Clearing and grading:
Vegetation removed during construction, including trees that measure less than 3-inches in diameter (at ground level) and slash/brush will be chipped or mulched and incorporated into the top soil as additional organic matter. If trees are present, all trees 3-inches in diameter or greater will be cut to ground level and de-limbed. Tree trunks and cut limbs will be stacked within the permitted project area for public access. The subsurface portion of trees (tree stump/root ball) will be hauled to an approved disposal facility. The upper 6-inches of topsoil will be stripped following vegetation and site clearing. The topsoil will not be mixed with the underlying subsurface soil horizons and will be stockpiled as a berm along the outer edge, but within the pipeline ROW. Sub-surface soil from the trench will be stockpiled on the opposite, working side of the ROW from the surface top soil and will be used to backfill the trench after the pipeline has been constructed. Top soil will then be distributed evenly over the disturbed area.
- e) Description of construction process and facilities:
Construction methods will be in compliance with FFO BLM Gold Book Standards. After completion of clearing and grading, trenching activities will be conducted using a trencher or track hoe. The pipeline trench will be a minimum of 4-feet in depth. Under watercourses, the trench will be deep enough to allow for 6-feet of soil cover between the pipes and the wash. The trench will be a minimum of 16- inches in width. Soft plugs will be placed every quarter of a mile within the trench. No more than half a mile of open trench or the amount of trench that can be worked in a day will be

opened at a time unless a night watchman is utilized for open trench monitoring. After the pipe has been welded and coated, a side-boom tractor will be used to place the pipe into the trench. After trenching and pipe placement in the trench, the sub-surface soil excavated from the trench will be returned and compacted to prevent subsidence. The trench will be compacted after approximately two feet of fill is placed within the trench and after the ground surface has been leveled. Backfilling operations will be performed within a reasonable amount of time to ensure that the trench is not left open for more than 24-hours. If a trench is left open overnight, it will be fenced with a temporary fence or a night watchman will be utilized.

- f) Access to, and along, right-of-way during construction: Access to and along ROW will be utilizing existing roadways, two-tracks and approved ROW.
- g) Traffic control:
Traffic control signage will be utilized within the construction area during construction of pipeline when needed. Pipeline does not cross an existing roadway and thru traffic does not utilize the access road or existing unimproved road.
- h) Engineering drawings and specifications for site-specific problems relating to surface use or special mitigation:
Any specific problems requiring engineered drawings and specifications needed for this authorization, will be determined during the onsite inspection.
- i) Diagrams, drawings, and cross sections to help visualize the scope of the project:
Please see attached access road and pipeline centerline drawings labeled Exhibit 1a, 1b and 1c.
- j) Special equipment that will be utilized:
No special equipment will be utilized for this action.
- k) Contingency planning – Holder Contacts:
 - 1) Dugan Production Corporation
Kurt Fagrelus, VP – Land & Exploration
505-325-1821
 - 2) BLM contacts
Acting Officer
Realty Specialist
505-564-7600
- l) Safety requirements:
Signage for traffic control will be utilized if necessary. It is not anticipated to be necessary as this is project will be new construction to the proposed PGA 3 #1 gas well location that does not provide access for thru traffic. The NM One Call Notification System will be utilized prior to commencement of construction.

Dugan Production Corp. and their contractors will follow Company Best Management Practices and Policies.

- m) Industrial wastes and toxic substances:
No wastes will be stored and no toxic substances to be generated on ROW.
- n) Post-construction requirements and activities:
Post-Construction requirements and activities will be followed as stipulated in the ROW grant.

7. Resource Values and Environmental Concerns

- a) Address at level commensurate with anticipated impacts and location with regard to existing corridors: The anticipated impacts are minimal and temporary in nature during construction as all disturbances will be parallel to and within the disturbance area of the proposed access road. Also, all disturbances associated with this pipeline project will be reclaimed.
- b) Potential issues and/or conflicts regarding livestock grazing, public health and safety, and resources: **Air**, noise, geologic hazards, mineral and energy resources, paleontological resources, **cultural resources**, soils, water, **vegetation**, forest resources, wildlife, **migratory birds, threatened and endangered species**, visual resources, **noxious weeds, livestock grazing**, BLM projects, recreation activities, wilderness, etc. The above **highlighted** resources have the potential to be impacted by this project.
- c) Project design features to mitigate the above issues and/or conflicts:
The following design features and best management practices in addition to the stipulations in the ROW grant and FFO BLM Gold Book Standards will be followed to mitigate the above identified issues and/or conflicts. For additional detailed information on the below listed design features and best management practices please refer to Dugan Production Corporation's PGA 3 #1 Gas Well and Pipeline Project Bare Soils Reclamation Plan (**Appendix A**) that will be provided following consultation between Adkins Consulting the BLM and completion of the report.

- | | |
|-------------------------------------|----------------------------------|
| 1) Control of Waste | 5) Protection of Flora and Fauna |
| 2) Protection of Cultural Resources | 6) Protection of the Public |
| 3) Protection of Top Soil | 7) Protection of Air Resources |
| 4) Prevention and Control of Weeds | 8) Protection of Water Resources |

8. Operation and Maintenance

- a) Will new or expanded access be needed for operation and maintenance?
No new or expanded access will be needed for the operation or maintenance of this pipeline system once placed into service. If an event occurs that expanded access is needed a request to additional TUA will be submitted on a Sundry Notice to the FFO BLM.

- b) Will there be hydrostatic testing and subsequent release of water and what is the anticipated volume?
Yes, hydrostatic testing will occur on the new pipeline system. No, there will not be a subsequent release of water, as we will haul the water used for hydrostatic testing to our nearest drilling rig or storage tank for re-use.
- c) Will removal and/or addition of pipe and/or pumps be required as part of pipeline maintenance?
No, there will be no removal or installation of pipe or pumps as part of pipeline maintenance.
- d) Will all maintenance activities be confined within the right-of-way?
Yes, all maintenance activities will be confined within existing ROW.
- e) Safety:
All above ground equipment not subject to safety requirements will be painted the color stipulated in the ROW grant. A reflective material may be used to reduce hazards that may occur when structures are near a roadway.
- f) Will industrial wastes and toxic substances be generated or stored on right-of-way?
No industrial wastes or toxic substances will be generated or stored on ROW.
- g) Inspection and maintenance schedules:
1) Will these be conducted on-the-ground and/or by aircraft: Pipeline inspections will be conducted on the ground.

2) If by aircraft, will the aircraft require landing strips and/or heliports- Pipeline inspections will not be conducted by aircraft.
- h) Work schedules:
Monday thru Sunday
- i) Fire control:
In case of a fire emergency fire extinguishers are available in company vehicles.
- j) Contingency planning – Holder Contacts:
1) Dugan Production Corp
Kurt Fagrelus – VP Land and Exploration
505-325-1821

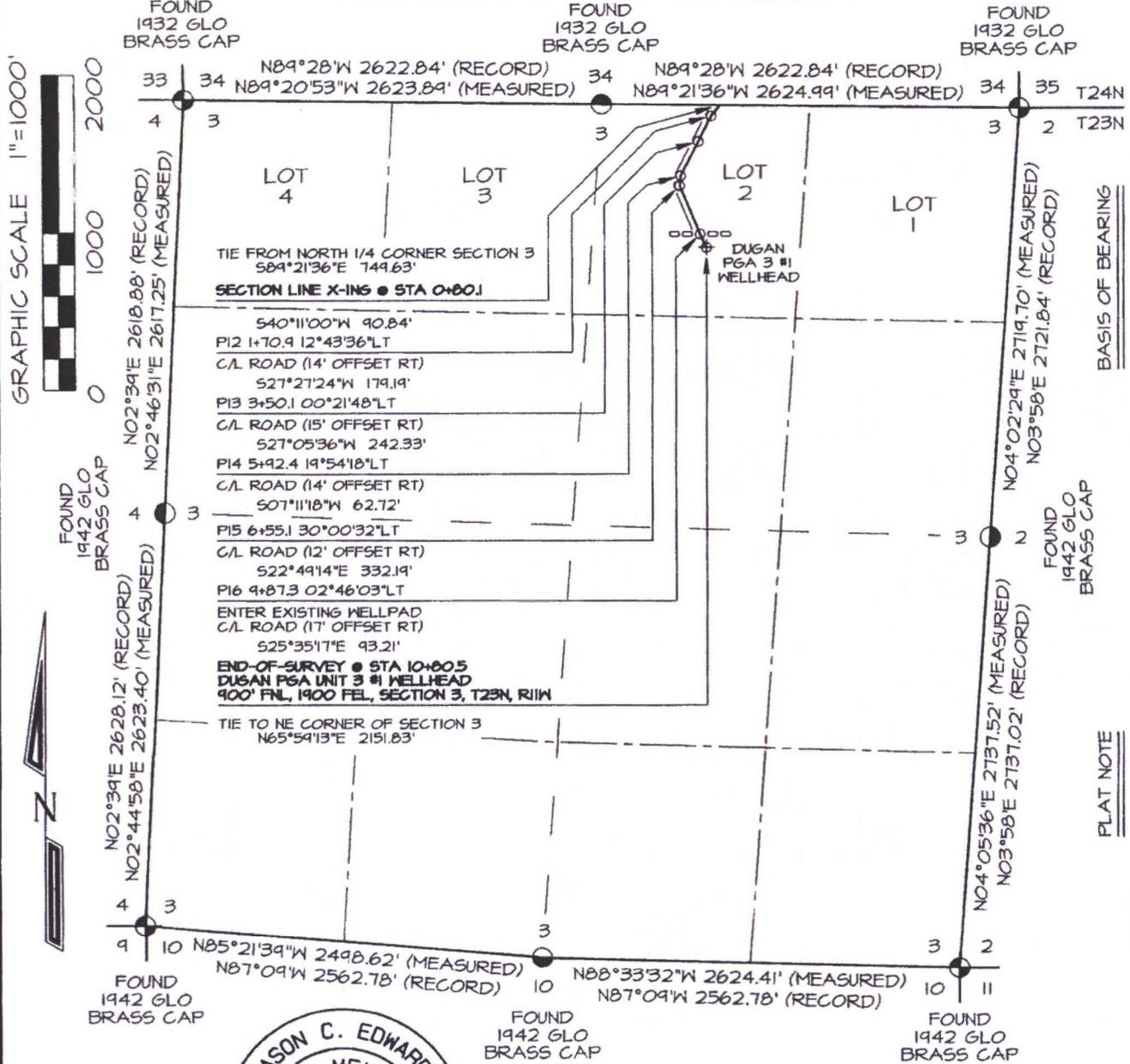
2) BLM contacts
Acting Officer
Realty Specialist – BLM FFO
505-564-7600

B. RECLAMATION PLAN- Will be completed following consultation and completion and

will then be attached and labeled as Appendix A.

**DUGAN PRODUCTION CORPORATION PGA UNIT 3 #1
PROPOSED PIPELINE SURVEY LOCATED IN THE
NW/4 NE/4 OF SECTION 3, T23N, R11W, NMPM
SAN JUAN COUNTY, NEW MEXICO**

EXHIBIT 1C.



REAL-TIME KINEMATIC GPS SURVEY SOLUTION OBTAINED FROM SATELLITES TRACKED ON FEBRUARY 19, 2017 FROM A REFERENCE STATION POSITIONED IN NW/4 NW/4 OF SECTION 2, T23N, R11W

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 THE PROJECT

BASIS OF BEARING

PLAT NOTE



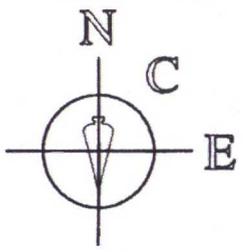
I, Jason C. Edwards, a registered Professional Surveyor under the laws of the State of New Mexico, hereby certify that this plat was prepared from field notes of an actual survey meeting the minimum requirements of the standards for easement surveys and is true and correct to the best of my knowledge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

JASON C. EDWARDS Date: March 24, 2017
Jason C. Edwards
New Mexico LS #15269

~ SURFACE OWNERSHIP ~
Bureau of Land Management

0+80.1 TO 10+80.5 1000.4 FT / 60.6 RODS

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



Land Surveyor:
Jason C. Edwards
Mailing Address:
Post Office Box 6612
Farmington, NM 87499
Business Address:
111 East Pinon Street
Farmington, NM 87402
(505) 486-1695 (Office)
nco@sveys.com

SURVEYS, INC.

CHECKED BY: JCE
DRAWN BY: SLE
SHEET 3 OF 3
FILENAME: 23136F2

PGA 3 #1 Water and Gas Pipelines To The
PGA Interconnect Water and Gas Pipelines

Bare Soils Reclamation Plan

NOTE:

The bare soils reclamation plan will be submitted following completion of the report by Adkins Consulting (1-505-793-1140).