

**District I**  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

**District II**  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720

**District III**  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170

**District IV**  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico

Form C-101  
Revised July 18, 2013

Energy Minerals and Natural Resources

Oil Conservation Division

AMENDED REPORT

1220 South St. Francis Dr.

Santa Fe, NM 87505

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

<sup>1</sup> Operator Name and Address Dugan Production Corp. 709 East Murray Drive Farmington, New Mexico 87401		<sup>2</sup> OGRID Number 006515
<sup>3</sup> Property Code 317435		<sup>3</sup> Property Name PGA 2 Unit 2
		<sup>5</sup> API Number 30-045-35852
		<sup>6</sup> Well No. 4R

<sup>7</sup> Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
I	2	23N	11W		1903	South	664	East	San Juan

<sup>8</sup> Proposed Bottom Hole Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County

<sup>9</sup> Pool Information

Pool Name Basin Fruitland Coal	Pool Code 71629
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Additional Well Information

<sup>11</sup> Work Type N	<sup>12</sup> Well Type G	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type S	<sup>15</sup> Ground Level Elevation 6,609'
<sup>16</sup> Multiple N	<sup>17</sup> Proposed Depth 1,150-ft.	<sup>18</sup> Formation Pictured Cliffs	<sup>19</sup> Contractor TBD	<sup>20</sup> Spud Date ASAP
Depth to Ground water >100'	Distance from nearest fresh water well >500'		Distance to nearest surface water >1-mile	

We will be using a closed-loop system in lieu of lined pits

<sup>21</sup> Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surface Csg	12-1/4"	8-5/8"	24# J-55 STC	120-ft.	99-cf	Surface
Production Csg	7-7/8"	5-1/2"	14# J-55 STC	1,150-ft.	360-cf	Surface

Casing/Cement Program: Additional Comments

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<sup>22</sup> Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	2,000 psi	Low Press. 250 psig High Press. 2,000 psig	Schafer 9" 2000 Series

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that I have complied with 19.15.14.9 (A) NMAC <input type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input type="checkbox"/> , if applicable.		OIL CONSERVATION DIVISION	
Signature: <i>Kurt Fagrelius</i>		Approved By: <i>Charles...</i>	
Printed name: Kurt Fagrelius		Title:	
Title: Vice President Land & Exploration		Approved Date: 9.28.17	Expiration Date: 9.28.19
E-mail Address: kfagrelius@duganproduction.com			
Date: September 18, 2017	Phone: 505-325-1821	Conditions of Approval Attached	

AV

SEE ATTACHED NMOCD  
CONDITIONS OF APPROVAL

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State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to  
Appropriate District Office

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30.045-35852		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 317435	*Property Name PGA UNIT 2		*Well Number 4R
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6609'

<sup>10</sup> Surface Location

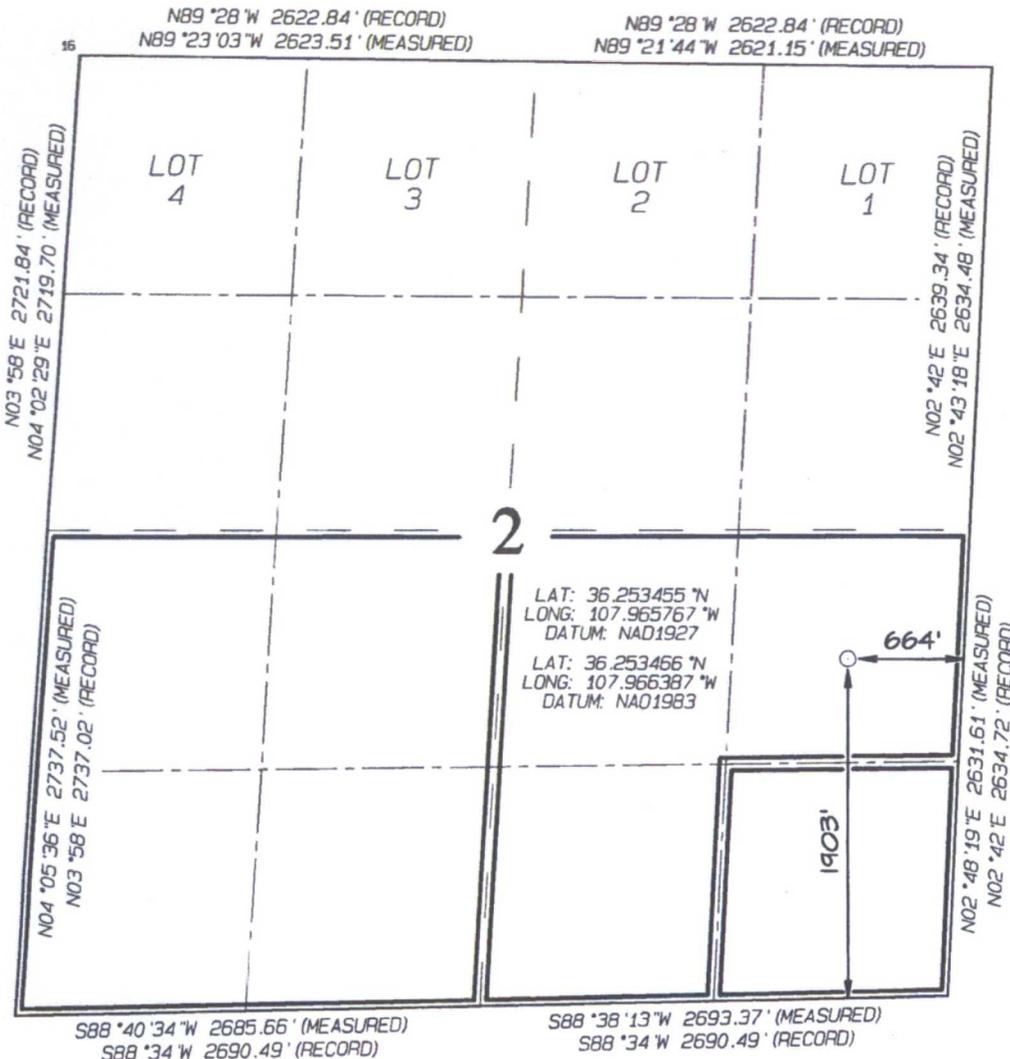
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	1669	East/West line	County
I	2	23N	11W		1903	SOUTH	664	EAST	SAN JUAN

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres 320.0 Acres - S/2	<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, 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.

Signature: *Kurt Fagrelis* Date: 9/18/2017  
 Printed Name: Kurt Fagrelis  
 E-mail Address: kfagrelis@duganproduction.com

<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.

Date Revised: SEPTEMBER 12, 2017  
 Survey Date: SEPTEMBER 2, 2017

Signature and Seal of Professional Surveyor



JASON C. EDWARDS  
 Certificate Number 15269

Federal Survey

**Directions from the Intersection of US Hwy 550 & US Hwy 64**  
**in Bloomfield, NM to Dugan Production Corporation PGA Unit 2 #4R**  
**1903' FSL & 664' FEL, Section 2, T23N, R11W, N.M.P.M., San Juan County, NM**

**Latitude: 36.253466°N Longitude: 107.966387°W Datum: NAD1983**

From the intersection of US Hwy 550 & US Hwy 64 in Bloomfield, NM, travel Southerly on US Hwy 550 for 27.9 miles to State Hwy #57 @ Mile Marker 123.4;

Go Right (South-westerly) on State Hwy #57 for 3.2 miles to fork in roadway;

Go Left (South-westerly) remaining on State Hwy #57 for 2.6 miles to fork in roadway;

Go Right (Westerly) exiting State Hwy #57 onto County Road #7635 for 0.9 miles to fork in roadway;

Go Left (Southerly) remaining on County Road #7635 for 1.4 miles to fork in roadway;

Go Right (Westerly) exiting County Road #7635 onto County Road #7515 for 0.7 miles to fork in roadway;

Go Left (South-westerly) exiting County Road #7515 onto existing roadway for 1.4 miles to fork in roadway;

Go Right (Westerly) for 2.0 miles to fork in roadway;

Go Left (Westerly) which is straight for 0.2 miles to fork in roadway;

Go Right (Westerly) which is straight for 0.5 miles to fork in roadway;

Go Left (Southerly) for 0.7 miles to existing Dugan PGA Unit 2 #4 location, on which is also staked Dugan PGA Unit 2 #4R location.

## Pickford, Katherine, EMNRD

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**From:** Kurt Fagrelus <kfagrelus@duganproduction.com>  
**Sent:** Friday, September 22, 2017 11:43 AM  
**To:** Pickford, Katherine, EMNRD  
**Subject:** RE: PGA Unit 2@ #4R

Hello Kate, Dugan Production intends to plug and abandon the PGA 2 #4 well. The PGA 2 #4R well is a replacement well for the PGA 2 #4 and is located on the same pad. The PGA 2 #4 was acidized and will not be fracture stimulated. Our intent is to P&A the PGA 2 #4 prior to drilling and fracture stimulating the PGA 2 #4R.

Thank you,

Kurt Fagrelus  
Dugan Production Corp.  
505-325-1821 Office  
505-320-8248 Cell

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**From:** Pickford, Katherine, EMNRD [mailto:Katherine.Pickford@state.nm.us]  
**Sent:** Friday, September 22, 2017 11:35 AM  
**To:** Kurt Fagrelus  
**Subject:** PGA Unit 2@ #4R

Hi Kurt,

In reading the special pool rules for the Basin Fruitland Coal, it appears to me that an infill well in a spacing unit must be located in the quarter section not occupied by the initial well.

The PGA Unit 2 #004 is located in the same quarter section as that proposed for the PGA Unit 2 #4R.

Additionally, the #004 still shows up in our system as "new" even though it has been drilled.

I am not clear as to Dugan's intention for the #004 and under the special pools rules for the BFC, the proposal for the #4R does not appear to comply with the rules.

Please let me know if you have more information for these wells.

Thanks,

Kate Pickford  
Geoscientist  
OCD District III  
1000 Rio Brazos Rd  
Aztec, NM 87410  
505-334-6178 Ext 114  
505-334-6170 (fax)



State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martinez  
Governor

Ken McQueen  
Cabinet Secretary

Matthias Sayer  
Deputy Cabinet Secretary

David R. Catanach, Division Director  
Oil Conservation Division



New Mexico Oil Conservation Division Conditions of Approval  
C-101 Application for Permit to Drill

Operator Signature Date: 9-18-17

Well information;

Operator Dugan, Well Name and Number PGA Unit 2 #4R

API# 30-045-35852, Section 2, Township 23 N/S, Range 11 E/W

Conditions of Approval: (See the below checked and handwritten conditions)

- Notify Aztec OCD 24hrs prior to casing & cement.
- Hold C-104 for directional survey & "As Drilled" Plat
- Hold C-104 for NSL, NSP, DHC status change on well 30-045-35468  
PGA Unit 2 #4
- Spacing rule violation. Operator must follow up with change of status notification on other well to be shut in or abandoned
- Regarding the use of a pit, closed loop system or below grade tank, the operator must comply with the following as applicable:
  - A pit requires a complete C-144 be submitted and approved prior to the construction or use of the pit, pursuant to 19.15.17.8.A
  - A closed loop system requires notification prior to use, pursuant to 19.15.17.9.A
  - A below grade tank requires a registration be filed prior to the construction or use of the below grade tank, pursuant to 19.15.17.8.C
- Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string
- Submit Gas Capture Plan form prior to spudding or initiating recompletion operations
- Regarding Hydraulic Fracturing, review EPA Underground Injection Control Guidance 84
- Oil base muds are not to be used until fresh water zones are cased and cemented providing isolation from the oil or diesel. This includes synthetic oils. Oil based mud, drilling fluids and solids must be contained in a steel closed loop system.
- Well-bore communication is regulated under 19.15.29 NMAC. This requires well-bore Communication to be reported in accordance with 19.15.29.8.

Charles Hernandez  
NMOCD Approved by Signature

9-28-2017  
Date