

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

2006 JUL 27 PM 3 15

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

5. Lease Serial No.
NM-15654

6. If Indian, Allottee or Tribe Name

1a. Type of work: ☒ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.

1b. Type of Well: ☐ Oil Well ☐ Gas Well ☒ Other SWD ☒ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
Frazzle SWD #1

2. Name of Operator
Dugan Production Corp.

9. API Well No.
30-045-33865

3a. Address 709 East Murray Drive, Farmington, NM 87401

3b. Phone No. (include area code)
505-325-1821

10. Field and Pool, or Exploratory
Entrada SWD

4. Location of Well (Report location clearly and in accordance with any State requirements)
At surface 795' FNL & 2180' FWL, Lat. 36.28936 N.
At proposed prod. zone Same as above Long. 107.93836 W.

11. Sec., T. R. M. or Blk. and Survey or Area
Sec. 30, T24N, R10W
NMMPM

14. Distance in miles and direction from nearest town or post office
Approx. 40-miles SE of Farmington, New Mexico 87401

12. County or Parish
San Juan

13. State
NM

15. Distance from proposed location to nearest property or lease line, ft.
795 Feet
(Also to nearest drig. unit line, if any)

16. No. of acres in lease
1398.22 Acres

17. Spacing Unit dedicated to this well
N.A.

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.
Approx. 850'

19. Proposed Depth
6875'

20. BLM/BIA Bond No. on file
On File

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
G.L. - 6499'

22. Approximate date work will start
ASAP

23. Estimated duration
18-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 *Kurt Fagrelus* Name (Printed/Typed) Kurt Fagrelius Date July 27, 2006

Title Geology

Approved by *[Signature]* Name (Printed/Typed) Date 8/28/06

Title AFM Office FFO

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)

HOLD C104 FOR SWD order

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 Entrada Sandstone will be completed from approximately 6625' - 6825'. The interval will be stimulated with acid.

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

NMOC

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

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

District II
PO Drawer DD, 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 30-045-33865		*Pool Code 96436		*Pool Name ENTRADA SWD	
*Property Code 35969		*Property Name FRAZZLE SWD			*Well Number 1
*GRID No. 006515		*Operator Name DUGAN PRODUCTION CORPORATION			*Elevation 6499'

¹⁰ Surface Location

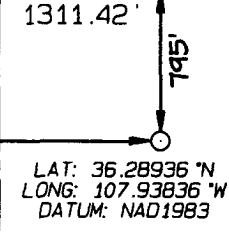
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	30	24N	10W		795	NORTH	2180	WEST	SAN JUAN

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	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

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

¹⁶ 1255.32'		1311.42'		2622.18'	
LOT 1					
2180'					
LOT 2					
LOT 3					
LOT 4					
1259.28'		1310.76'		2621.52'	

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Kurt Fagrelis
Signature
Kurt Fagrelis

Printed Name
Geology

Title
July 27, 2006


Date

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

Date of Survey: MAY 12, 2006

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

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
May 27, 2004

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

WELL API NO.	30-045-
5. Indicate Type of Lease	Federal <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	Federal NM-15654
7. Lease Name or Unit Agreement Name	Frazzle SWD
8. Well Number	#1
9. OGRID Number	006515
10. Pool name or Wildcat	Entrada SWD

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6499'

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drilling Depth to Groundwater +100' Distance from nearest fresh water well +1000' Distance from nearest surface water +200'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume _____ bbls; Construction Material Synthetic

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 Salt Water Disposal

2. Name of Operator Dugan Production Corp.

3. Address of Operator 709 East Murray Drive, Farmington, NM

4. Well Location
Unit Letter C : 795' feet from the north line and 2180 feet from the west line
Section 30 Township 24N Range 10W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6499'

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drilling Depth to Groundwater +100' Distance from nearest fresh water well +1000' Distance from nearest surface water +200'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume _____ bbls; Construction Material Synthetic

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 COMPL ☐

OTHER: Reserve pit for drilling (lined) ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/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. The Entrada Sandstone will be completed from approximately 6625' - 6825'. The interval will be stimulated with acid.

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 Fagrelius TITLE Geology DATE July 27, 2006
Kurt Fagrelius kfgagrelius@duganproduction.com 505-325-1821

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

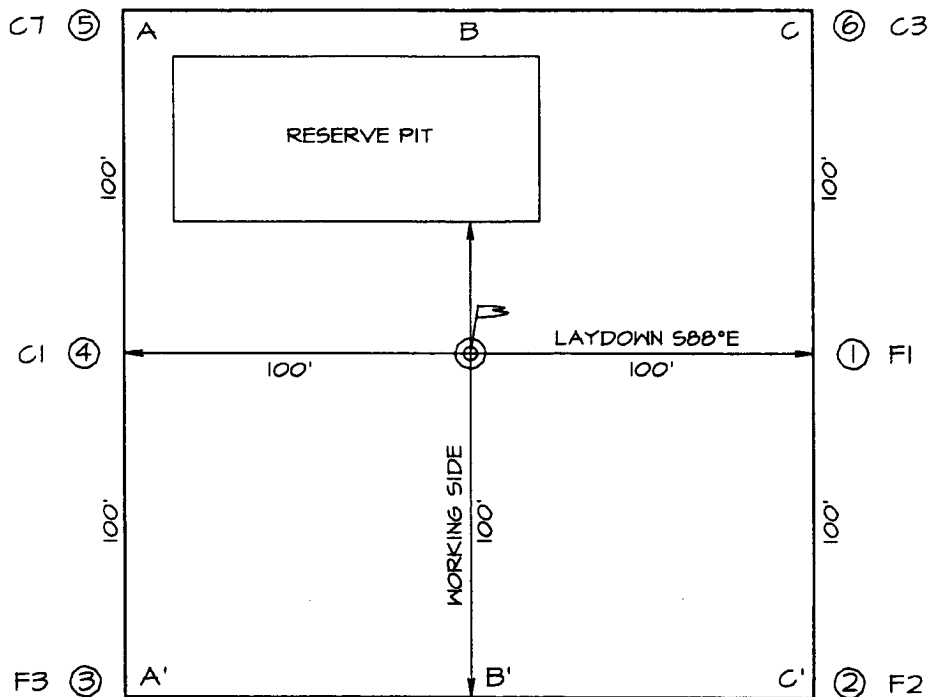
For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 4 DATE AUG 30 2006
Conditions of Approval (if any):

DUGAN PRODUCTION CORPORATION FRAZZLE SWD #1
795' FNL, 2180' FWL, SECTION 30, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6499'

PLAT 3.

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management



LATITUDE: 36.28936° N
LONGITUDE: 107.93836° W
 DATUM: NAD1983

F3 (3)

(2) F2

DUGAN FRAZZLE #905
 PRELIM P/L SURVEY

ACCESS
 (NO NEW)

DUGAN FRAZZLE #905
 PROPOSED ACCESS

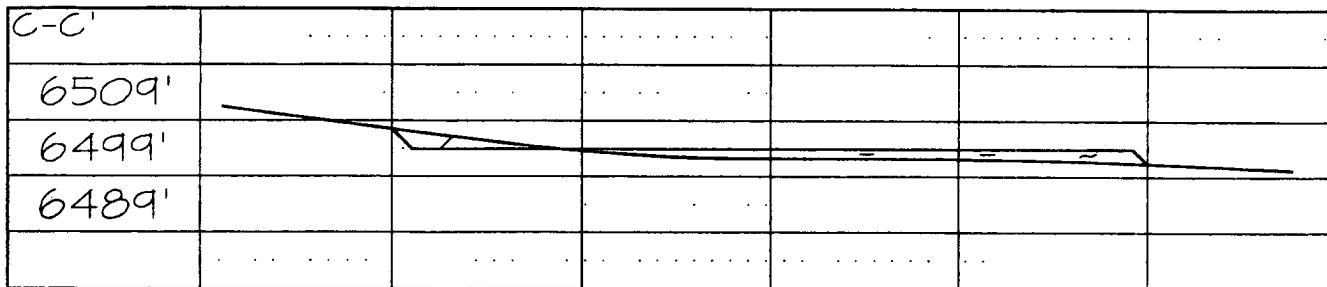
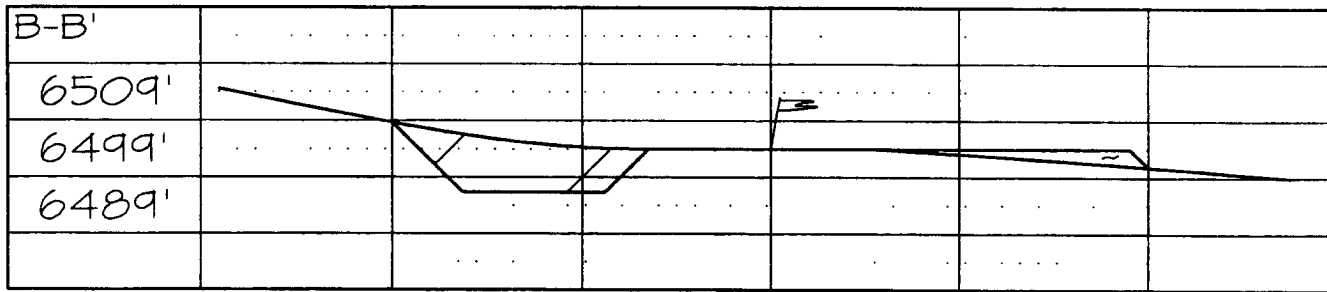
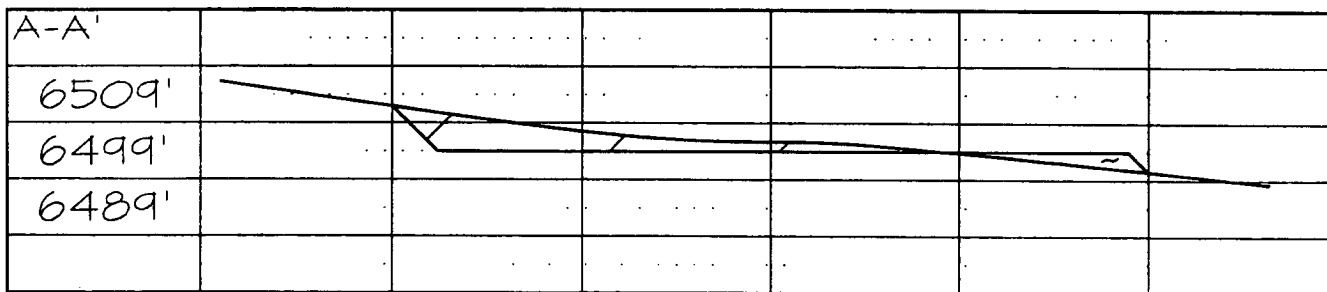


EXHIBIT B
OPERATIONS PLAN
Frazzle SWD #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	50'	Gallup	4425'
Kirtland	165'	Skelly	4546'
Fruitland	690'	Greenhorn	5325'
Pictured Cliffs	990'	Graneros	5380'
Lewis	1095'	Dakota	5405'
Cliff House	1740'	Morrison	5685'
Menefee	2270'	Bluff	6239'
Point Lookout	3450'	Todilto	6609'
Mancos	3590'	Entrada	6625'
		Total Depth	6875'

LOGGING PROGRAM:

Run IES from total depth to surface and CDL over selected intervals.

CASING PROGRAM:

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	360'	J-55
7-7/8"	5-1/2"	15.5#	6500'	K-55
7-7/8"	5-1/2"	17#	6875'	K-55

Plan to drill a 12-1/4" hole and set 360' 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. Open hole IES and CDL logs will be run. 5-1/2", 15.5# (surface to 6500') and 5-1/2", 17# (6500' to 6875') K-55 production casing will be run and cemented in two stages with DV tool set at 3620'. Injection zone will be perforated and acidized. After completion, the well will be cleaned out and injection equipment will be installed.

CEMENTING PROGRAM:

Surface: Cement to surface with 250 cf Class B + 2% CaCl₂.
Circulate to surface.

1st Stage Cement with 300 sks Premium Lite High Strength BJ cement with additives. Total cement slurry for 1st stage is 630 cf. Projected top for 1st stage is 3620'.
Circulate to surface.

2nd Stage Cement with 315 sks Premium Lite cement with additives followed with 75 sks Neat type 3 BJ cement with additives. Total cement slurry for 2nd stage is

800 cf. Projected top for 2nd stage is surface.
Circulate to surface.

Total cement for both stages is 1430 cf.

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 8-5/8"x5-1/2" casing head, 2000# WP, tested to 4000#.
Huber 5-1/2"x2-7/8" tubing head, 2000# WP, tested to 4000#.

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)

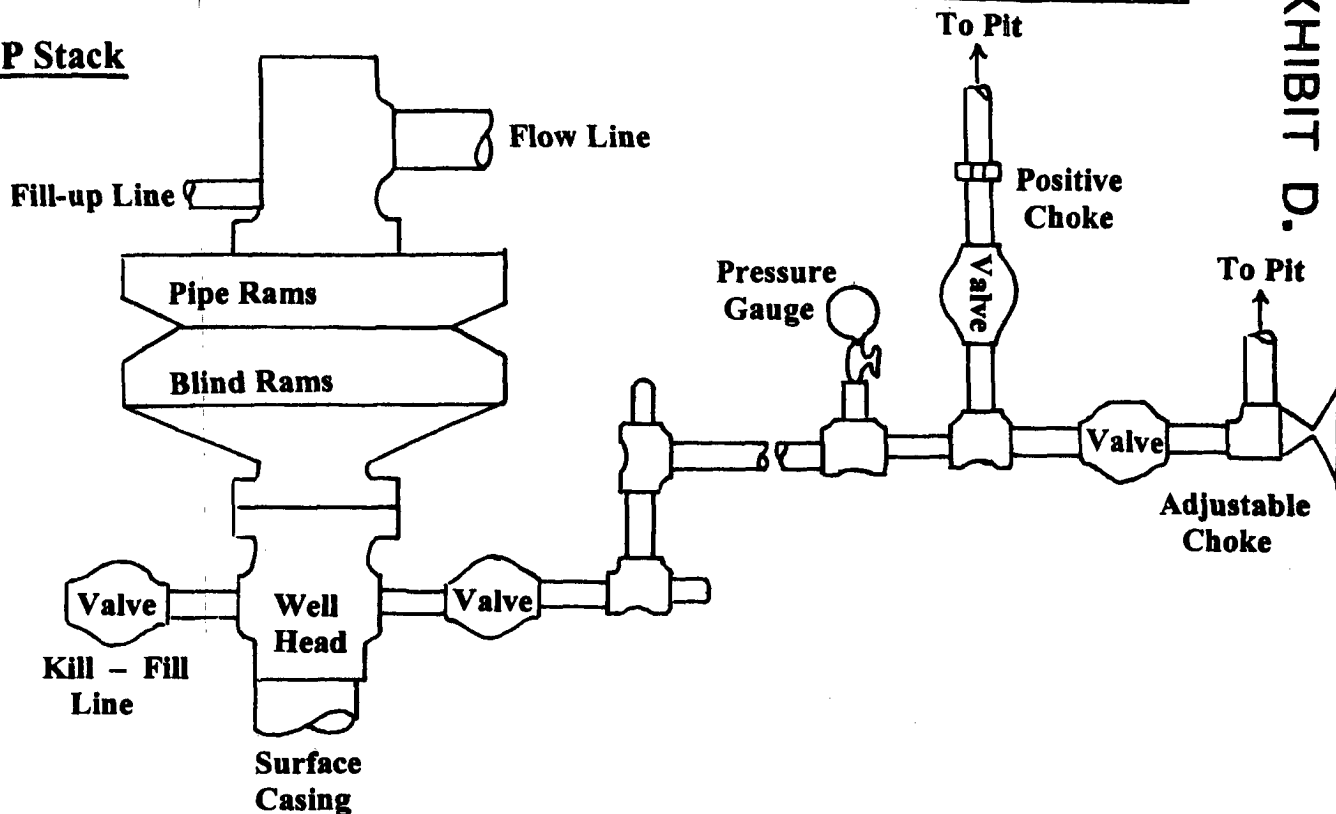
Kurt Fagrelus 325-4327 (H)
320-8248 (M)

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

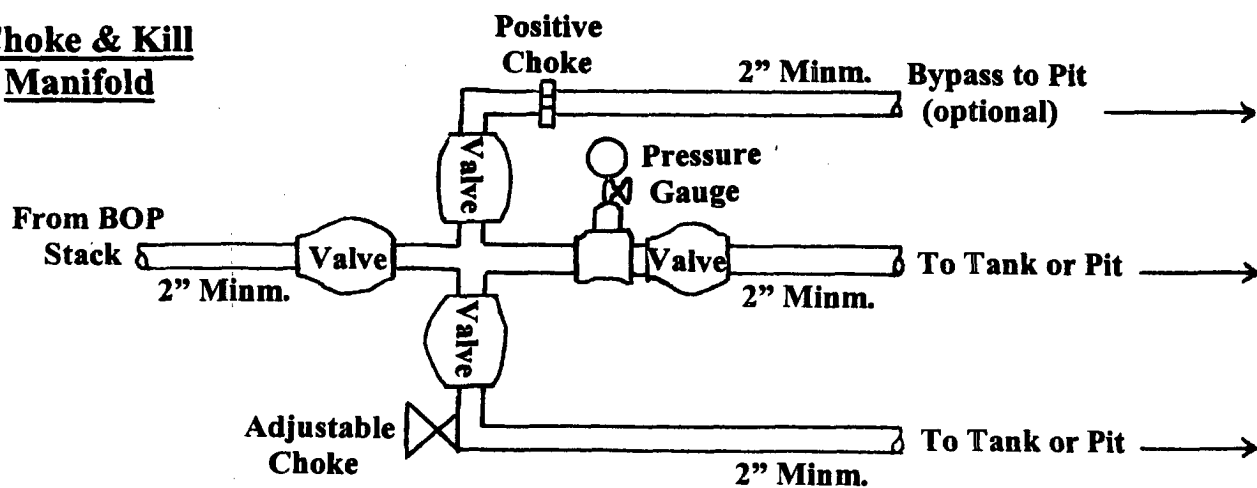
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
FRAZZLE SWD #1