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RCVD OCT-19 '07
OIL CONS. DIV.
DIST. 3

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Bureau of Land Management
Farmington Field Office

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-90468
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		6. If Indian, Allottee or Tribe Name
2. Name of Operator Dugan Production Corp.		7. If Unit or CA Agreement, Name and No.
3a. Address 709 East Murray Drive Farmington, NM 87401		8. Lease Name and Well No. Satchmo Com #1
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-045-34429
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1250' FSL and 1600' FWL, Lat. 36.16493 N. At proposed prod. zone Same as above. Long. 107.67254 W.		10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T. R. M. or Blk. and Survey or Area N Sec. 3, T22N, R8W NMPM		12. County or Parish San Juan
14. Distance in miles and direction from nearest town or post office* Approx. 8-miles SE of Nageezi, New Mexico		13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1250 Feet	16. No. of acres in lease 1,041.34 acres	17. Spacing Unit dedicated to this well 320.0 Acres - (S/2)
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 3000'	19. Proposed Depth 1210 Feet	20. BLM/BIA Bond No. On File
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL- 6801'	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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature *Kurt Fagrelus* Name (Printed/Typed) Kurt Fagrelus Date 9/17/2007

Title Geologist

Approved by (Signature) *Wayne Townsend* Name (Printed/Typed) Wayne Townsend Date 10/17/07

Title Acting 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)

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 completed from approximately 1040' - 1055'. The interval will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

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

NMOCD

10/26

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

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

Form C-102
Revised October 12, 2005
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 30-045-34429		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 36792	*Property Name SATCHMO COM		*Well Number 1
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6801'


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
N	3	22N	8W		1250	SOUTH	1600	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 - (S/2)					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

1370.49'	16				5274.06'		1339.47'	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. <i>Kurt Fagrelus</i> 98/12/2007 Signature Date Kurt Fagrelus Printed Name	
	LOT 4				LOT 3				LOT 2
1320.99'							1326.27'	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: SEPTEMBER 11, 2007 Signature and Seal of Professional Surveyor  <i>JASON C. EDWARDS</i> Certificate Number 15269	
	NM-90468				NM-96798				NM-116056
2641.98'	1600'				1250'		2652.54'		
				LAT: 36.16493°N LONG: 107.67254°W DATUM: NAD1983		5269.44'			

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

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.)		WELL API NO. 30-045- 34429
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease Federal <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. Federal NM-90468
3. Address of Operator 709 East Murray Drive, Farmington, NM 87401		7. Lease Name or Unit Agreement Name Satchmo Com
4. Well Location Unit Letter <u>M</u> : <u>1250</u> feet from the <u>south</u> line and <u>1600</u> feet from the <u>west</u> line Section <u>3</u> Township <u>22N</u> Range <u>8W</u> NMPM County <u>San Juan</u>		8. Well Number <u>1</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GL-6801'		9. OGRID Number 006515
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>		
Pit type <u>Drilling</u> Depth to Groundwater <u>+100'</u> Distance from nearest fresh water well <u>+1000'</u> Distance from nearest surface water <u>+200'</u>		
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u> </u> bbls; Construction Material <u>Synthetic</u>		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Reserve pit for drilling (lined) <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

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.

See APD cover page.

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 ☐.
Modified only as per Federal Conditions of Approval.

SIGNATURE Kurt Fagrellius TITLE Geologist DATE 9/15/2007
Kurt Fagrellius kfagrellius@duganproduction.com 505-325-1821

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

For State Use Only

Deputy Oil & Gas Inspector,
District #3

OCT 26 2007

APPROVED BY: [Signature] TITLE _____ DATE _____
Conditions of Approval (if any):

EXHIBIT B
OPERATIONS PLAN
Satchmo Com #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	390'
Kirtland	490'
Fruitland	760'
Pictured Cliffs	1060'
Total Depth	1210'

Catch samples every 10 feet from 850 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"	5-1/2"	14#	1210'	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" hole to total depth with gel-water mud program to test the Fruitland Coal. 5-1/2", 14#, 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 70 cf Class B + 2% CaCl₂.
Circulate to surface.

Production Stage-Cement with 115 cf 2% lodense with
1/4# celloflake/sx followed by 70 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 185 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#.

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)

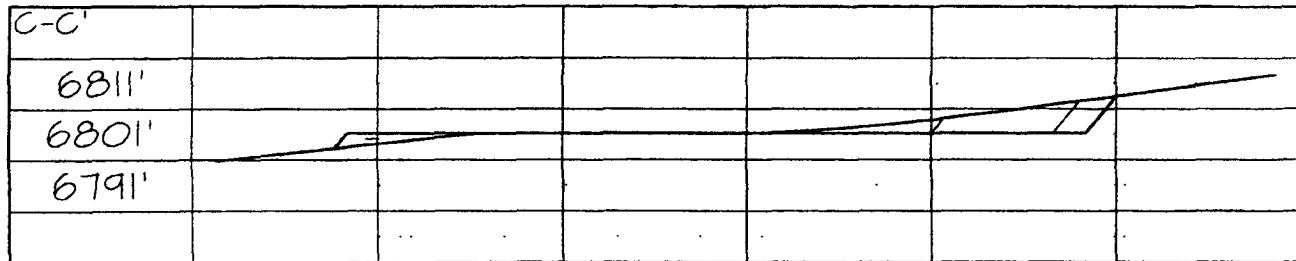
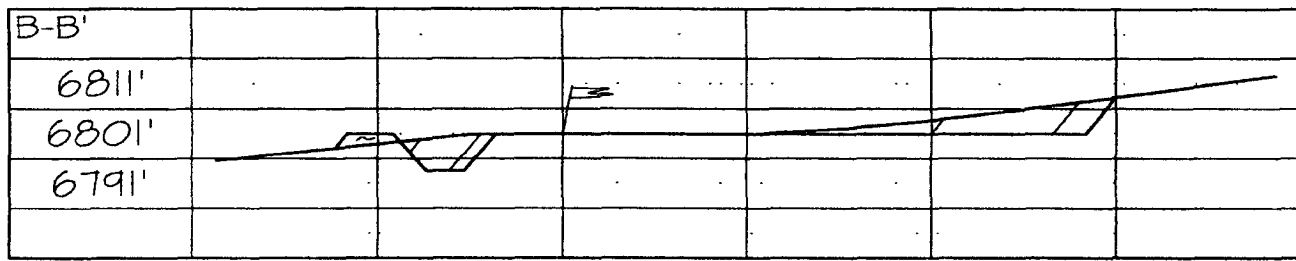
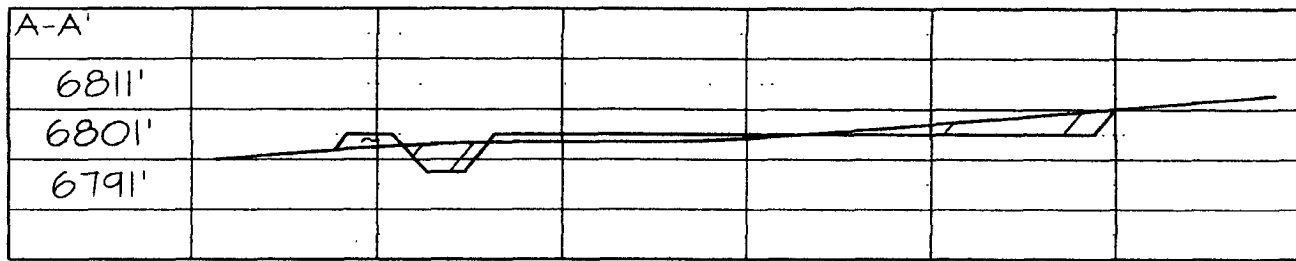
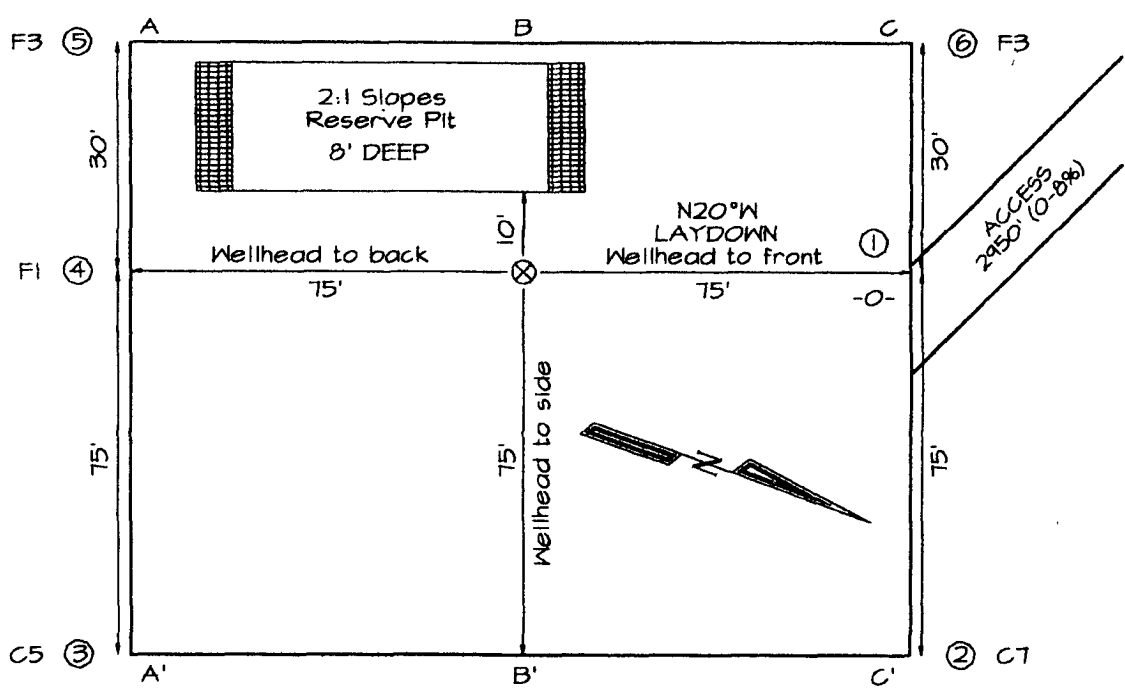
Kurt Fagrelus 325-4327 (H)
320-8248 (M)

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

DUGAN PRODUCTION CORPORATION SATCHMO COM #1
1250' FSL & 1600' FWL, SECTION 3, T22N, R8W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6801'

LATITUDE: 36.16493° N
LONGITUDE: 107.67234° W
 DATUM: NAD1983

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management

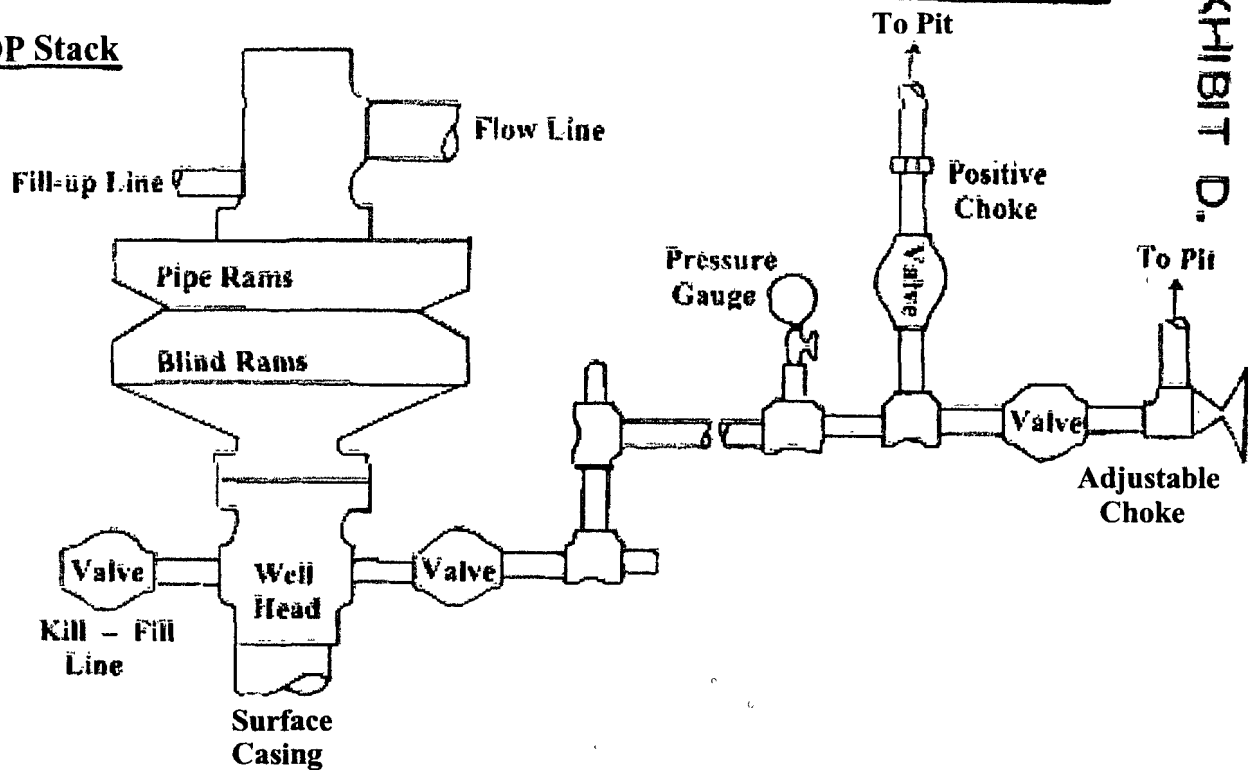


Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

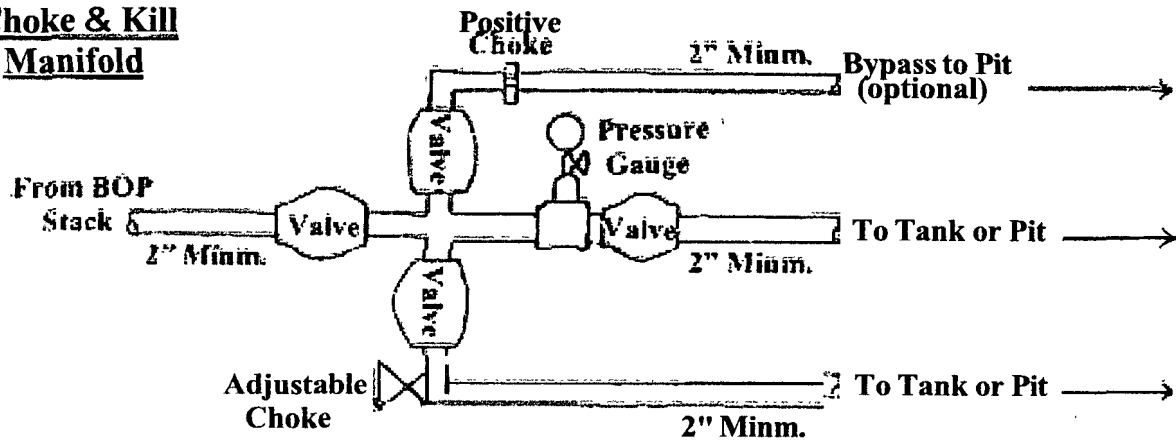
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.

Satchmo Com #1