

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

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-16765
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. 33161
Contact: KURT FAGRELIUS E-Mail: kfagrelus@duganproduction.com		8. Lease Name and Well No. Nice Nice Com #90
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401	3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613	9. API Well No. 3004531956
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSE 1150' FSL 1500' FEL 36.4928 N Lat, 108.2046 At proposed prod. zone Same As Above W. Lon		10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T., R., M., or Blk. and Survey or Area 0 Sec. 7, T30N, R14W		12. County or Parish SAN JUAN
13. State NM		14. Distance in miles and direction from nearest town or post office* Approx. 7-Miles North of Kirtland, NM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1150'	16. No. of Acres in Lease 600.00	17. Spacing Unit dedicated to this well 320-E/2
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 600'	19. Proposed Depth 1020'	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KB, RT, GL, etc.) 5460' GL	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:

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| 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 FAGRELIUS	Date 10/06/03
Title GEOLOGIST		
Approved by (Signature) <i>David J. Mantkiewicz</i>	Name (Printed/Typed)	Date NOV 12 2003
Title Office		

Application approval does not warrant or certify 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.

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 705' - 855'. The interval will be fractured.

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

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

NMOCD

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 June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-31956	² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL
⁴ Property Code 33/61	⁵ Property Name NIECE COM	
⁷ OGRID No. 006515	⁶ Operator Name DUGAN PRODUCTION CORP.	⁸ Well Number 90
		⁹ Elevation 5460

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
O	7	30 N	14 W		1150	SOUTH	1500	EAST	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 E/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

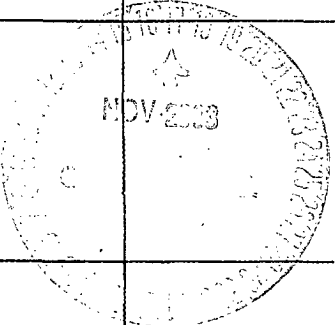
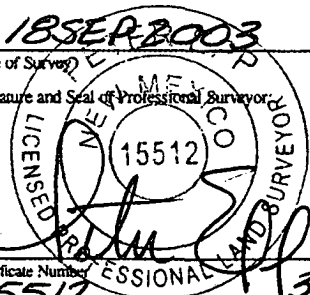
¹⁶  2630.01 2639.64	DUGAN FEE-10035	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Kurt Fagrelus</u> Printed Name Kurt Fagrelus Title and E-mail Address Geologist Date Oct. 6, 2003 ¹⁸ SURVEYOR 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. <u>18 SEP 2003</u> Date of Survey Signature and Seal of Professional Surveyor  Certificate Number 15512 <u>30 SEP 03</u>
	DUGAN NM-16765	
	NIECE COM # 90	
	1500' 1150' 2637.26	

EXHIBIT B
OPERATIONS PLAN
Nice Com #90

APPROXIMATE FORMATION TOPS:

Kirtland	Surface'	Pictured Cliffs	885'
Fruitland	520'	Total Depth	1020'

Catch samples every 10 feet from 700 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
9-7/8"	7"	20#	120'	J-55
6-1/4"	4-1/2"	10.5#	1020'	J-55

Plan to drill a 9-7/8" hole and set 250' of 7" OD, 20#, J-55 surface casing. Then plan to drill a 6-1/4" hole to total depth with gel-water mud program to test the Fruitland Coal. 4-1/2", 10.5#, 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 70 cf Class B + 2% CaCl₂.
Circulate to surface.

Production Stage-Cement with 120 cf 2% Lodense with
1/4# celloflake/sx followed by 60 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 180 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.

WELLHEAD EQUIPMENT:

Huber 7"x4-1/2" casing head, 1000# WP, tested to 2000#.

Huber 4-1/2"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)