

Form 3160-3  
(August 1999)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTFORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

2004 JUL 15 AM 10:30

## APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMA-70299
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other: CBM <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zones		6. If Indian, Allottee or Tribe Name
2. Name of Operator DUGAN PRODUCTION CORP.		7. Unit or CA Agreement, Name and No.
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401		8. Lease Name and Well No. NICE COM 92
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. APT Well No. 30045 32464
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SESW 1200FSL 1800FWL 36.50210 N Lat, 108.19000 W Lon At proposed prod. zone		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
14. Distance in miles and direction from nearest town or post office* APPROX. 8-MILES NORTH OF KIRTLAND, NEW MEXICO		11. Sec., T., R., M., or Blk. and Survey or Area Sec 4 T30N R14W Mer NMP SME: BLM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1200 FEET	16. No. of Acres in Lease 240.00	12. County or Parish SAN JUAN ✓
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. APPROX. 2100 FEET	19. Proposed Depth 1265 MD	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) 5658 GL	22. Approximate date work will start 08/11/2004	17. Spacing Unit dedicated to this well 320.00
23. Estimated duration 5-DAYS		20. BLM/BIA Bond No. on file

## 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 <i>Kurt Fagrelus</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 07/06/2004
Title GEOLOGIST		
Approved by (Signature) <i>Jim Habel</i>	Name (Printed/Typed)	Date 10/20/04
Title Acting Field Manager - Minerals		

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.

## Additional Operator Remarks:

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 950' - 1100'. The interval will be fractured.

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

OPERATOR

This action is subject to technical and  
procedural review pursuant to 43 CFR 3185.3  
and appeal pursuant to 43 CFR 3185.4

Act I  
Box 1980, Hobbs, NM 88241-1980

District II  
Box 1980, 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, 1993  
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		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 33161	*Property Name NICE COM		*Well Number 92
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5656'


#### <sup>10</sup> Surface Location

U. or lot no.	Section	Township	Range	Lot 1st	Feet from the	North/South line	Feet from the	East/West line	County
N	4	30N	14W		1200	SOUTH	1800	WEST	SAN JUAN

#### <sup>11</sup> Bottom Hole Location If Different From Surface

U. or lot no.	Section	Township	Range	Lot 1st	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 320.0 Acres - (W/2)					*Joint or Infill	*Consolidation Code	*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

<sup>15</sup> DUGAN NM-9788 DUGAN NM-12086 5280.00'		<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 <i>Kurt Fagrelus</i> Signature Kurt Fagrelus Printed Name Geologist Title July 7, 2004 Date	
<sup>16</sup> DUGAN NM-70299 5280.00' 4 5280.00' 1800' 1200' 5306.40'		<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 of Survey: JUNE 3, 2004 Signature and Seal of Professional Surveyor  <i>JASON C. EDWARDS</i> Certificate Number 15269	

Form 3160-5  
(August 1999)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTFORM APPROVED  
OMB NO. 1004-0135  
Expires: November 30, 2000**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.***SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM70299
2. Name of Operator DUGAN PRODUCTION CORPORATION		6. If Indian, Allottee or Tribe Name
Contact: KURT FAGRELIUS E-Mail: kfagrelus@duganproduction.com		7. If Unit or CA/Agreement, Name and/or No.
3a. Address P. O. BOX 420 FARMINGTON, NM 874990420	3b. Phone No. (include area code) Ph: 505.325.1821 Ext: 43 Fx: 505.327.4613	8. Well Name and No. NICE COM 92
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 4 T30N R14W SESW 1200FSL 1800FWL		9. API Well No. 30-045-32464-00-X1
		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
		11. County or Parish, and State SAN JUAN COUNTY, NM

**12. CHECK 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"/> Fracture Treat	<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	Change to Original A
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	PD

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

Casing sizes are changed as follows (Setting depths will remain the same):

Surface-Hole size 11", Casing Size 8-5/8", 24#, Cmmt. 70 cu.ft circ. to surface.


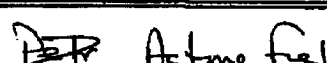
J-55

Production-Hole size 7", Casing size 5-1/2", 14#, Cmmt. 200 cu.ft circ. to surface.

J-55

14. I hereby certify that the foregoing is true and correct. Electronic Submission #36717 verified by the BLM Well Information System For DUGAN PRODUCTION CORPORATION, sent to the Farmington Committed to AFMSS for processing by ADRIENNE BRUMLEY on 10/05/2004 (05AXB0013SE)	
Name (Printed/Typed) KURT FAGRELIUS	Title GEOLOGIST
Signature (Electronic Submission)	Date 09/27/2004

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved By 	Title  Acting Field	Date 10/20/04
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 Manager - Minerals

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.

**\*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\*****OPERATOR?**