

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

5. LEASE DESIGNATION AND SERIAL NO.

NM-21465

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Centennial Com #90

9. API Well No.

30-045- 30720

10. FIELD AND POOL, OR WILDCAT

Basin Fruitland Coal

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREAUnit L

Sec. 24, T30N, R15W

12. COUNTY OR PARISH

San Juan

13. STATE

NM

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface 1850' FSL & 1850' FWL (NE/4 SW/4)

At proposed prod. zone

same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

4 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)

750'

16. NO. OF ACRES IN LEASE

1800

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320 S/2

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

1550'

19. PROPOSED DEPTH

812'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

5222' GL 6307

22. APPROX. DATE WORK WILL START*

ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADES, SIZES OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|-------------------------|-----------------|---------------|-----------------------------|
| 8-3/4" | 7" | 20# | 120' | 70 cu ft - circ to surface |
| 6 1/4" | 4 1/2" | 10.5# | 812' | 130 cu ft - circ to surface |

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 670'-685'. The interval will be fractured.

This proposal is subject to environmental and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4.

MINING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS"

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Kurt Fagrellius
Kurt FagrelliusTitle GeologistDate 7/5/2001

(This space for Federal or State office use)

PERMIT NO. _____

APPROVAL DATE _____

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:

Approved by

Wayne Wenzel

ACTING

Assistant Field Manager (Minerals)

Date

12/20/02

*See Instructions on Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

NMOCD

District I
PO Box 1990, Hobbs, NM 88241-1990

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 30-045-30720 | | *Pool Code 71629 | *Pool Name BASIN FRUITLAND COAL |
| *Property Code 30937 | *Property Name CENTENNIAL COM | | *Well Number 90 |
| *OSAD No. 006515 | *Operator Name DUGAN PRODUCTION CORPORATION | | *Elevation 5307' |

10 Surface Location

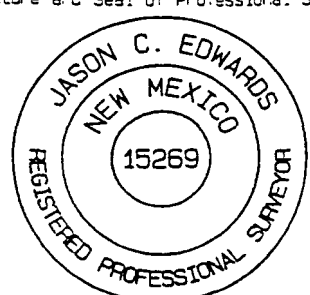
| UL or lot no | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|--------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| L | 24 | 30N | 15W | | 1850 | SOUTH | 1150 | 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 |
|--------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

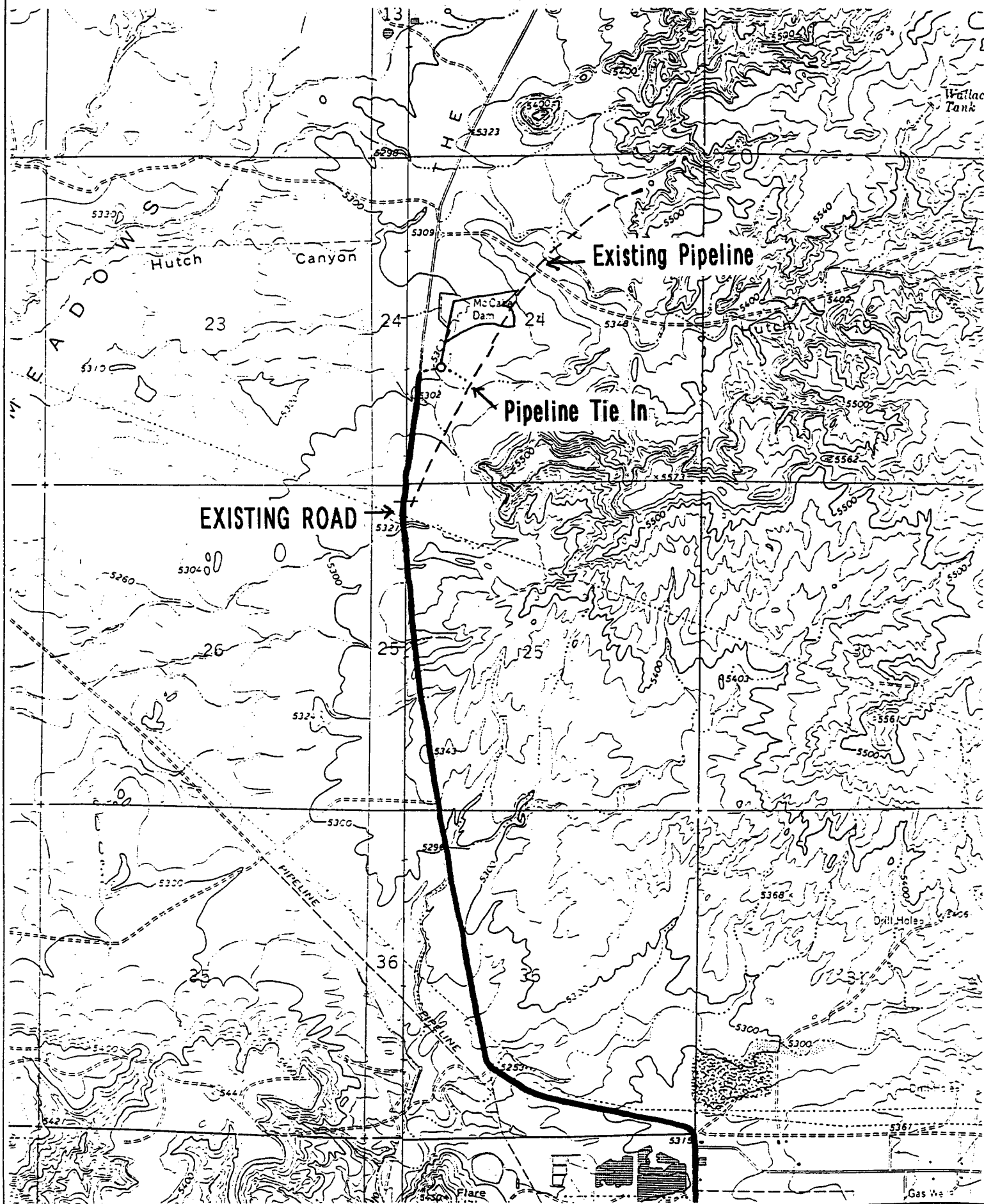
| | | | |
|--|------------------|---------------------|------------|
| *Dedicated Acres 320.0 ACRES - (S/2) | *Joint or Infill | *Consolidation Code | *Order No. |
|--|------------------|---------------------|------------|

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

| | |
|---|--|
| <div>15</div> <div>2633.40'</div> <div>2631.42'</div> <div>2639.34'</div> <div>2618.88'</div> <div>5272.08'</div> <div>5274.92'</div> <div>1150'</div> <div>1850'</div> <div>Dugan Prod. NM-21465</div> <div>Dugan Prod. NM-10034</div> <div>24</div> <div>RECEIVED 2002 JUN 12 PM 4:14 OIL CONSERVATION DIV.</div> <div>DEC 2002 OIL CONSERV. DIV. DIST. 3</div> | <div>17 OPERATOR CERTIFICATION</div> <div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</div> <div><u>Kurt Fagrelus</u> Signature</div> <div><u>Kurt Fagrelus</u> Printed Name</div> <div><u>Geologist</u> Title</div> <div><u>6/11/2002</u> Date</div> |
| | <div>18 SURVEYOR CERTIFICATION</div> <div>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.</div> <div>Date of Survey: <u>JUNE 4, 2002</u></div> <div>Signature and Seal of Professional Surveyor</div> <div></div> <div><u>JASON C. EDWARDS</u> Certificate Number 15269</div> |

DUGAN PROTECTION CORPORATION CENTRAL COM #90

1850' FSL & 1150' FWL, SECTION 24, T30N, R15W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993**SUNDRY NOTICES AND REPORTS ON WELLS**Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals**SUBMIT IN TRIPLICATE**

| | |
|---|--|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | 5. Lease Designation and Serial No. NM-21465 |
| 2. Name of Operator Dugan Production Corp. | 6. If Indian, Allotted or Tribe Name |
| 3. Address and Telephone No. P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821 | 7. If Unit or CA, Agreement Designation |
| Location of Well (Footage, Sec., T., R., M., or Survey Description) 1850' FSL & 1850' FWL (NE/4 SW/4) Unit K, Sec. 24, T30N, R15W, NMPM | 8. Well Name and No. Centennial Com #90 |
| | 9. API Well No. 30 045 30720 |
| | 10. Field and Pool, or Exploratory Area Basin Fruitland Coal |
| | 11. County or Parish, State San Juan, NM |

12. CHECK APPROPRIATE BOX(S) 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"/> Abandonment |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Recompletion |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Plugging Back |
| | <input type="checkbox"/> Casing Repair |
| | <input type="checkbox"/> Altering Casing |
| | <input checked="" type="checkbox"/> Other <u>Amend APD</u> |
| | <input type="checkbox"/> Change of Plans |
| | <input type="checkbox"/> New Construction |
| | <input type="checkbox"/> Non-Routine Fracturing |
| | <input type="checkbox"/> Water Shut-Off |
| | <input type="checkbox"/> Conversion to Injection |
| | <input type="checkbox"/> Dispose Water |

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Amend APD submitted 7/26/2001 by moving location at the request of the BLM by letter dated 9/28/2001.

Original location: 1850' FSL & 1850' FWL - Section 24, T30N, R15W

New Location: 1850' FSL & 1150' FWL - Section 24, T30N, R15W

2002 JUN 12 PM 4:14
OIL CONG. DIV.
FARMINGTON, NM

RECEIVED

14. I hereby certify that the foregoing is true and correct

Signed

Kurt Fagrellius

Kurt Fagrellius

Title

Geologist

Date

6/11/2002

(This space for Federal or State office use)

Approved by

Wayne Townsend

Title

ACTING Assistant Field Manager (Minerals)

Date

12/20/02

Conditions of approval, if any:

EXHIBIT B
OPERATIONS PLAN
Centennial Com #90

APPROXIMATE FORMATION TOPS:

| | |
|--------------------|-------------|
| Kirtland | surface |
| Fruitland | 350' |
| Pictured Cliffs | 687' |
| Total Depth | 812' |

LOGGING PROGRAM: Run cased hole CNL-CDL

Catch samples every 10 feet from 450 feet to total depth.

CASING PROGRAM:

| <u>Hole Size</u> | <u>Casing Size</u> | <u>Wt./ft.</u> | <u>Setting Depth</u> | <u>Grade and Condition</u> |
|------------------|--------------------|----------------|----------------------|----------------------------|
| 8-3/4" | 7" | 20# | ±120' | J-55-new |
| 6-1/4" | 4-1/2" | 10.5# | ±812' | J-55-new |

Plan to drill a 8-3/4" hole and set 120' 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 Fruitland Coal Formation. 4½", 10.5# J-55 casing will be run and cemented. Cased hole CNL-CDL 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: All volumes are contingent upon Caliper logs.

Surface: Cement with 70 cu.ft. Class "B" neat. Circulate to surface

Production Stage - Cement with 85 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 45 cu.ft. Class "B" with 1/4# celloflake/sx.
Total cement slurry for production stage is 130 cu.ft.
Circulate 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. If no Ojo Alamo is present, no centralizers will be run on surface casing. 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" x 4-1/2" casing head, 1000#WP, tested to 2000#

Huber 4-1/2" x 2-7/8" tubing head, 1000# WP, tested to 2000#

BOP and Related Equipment will include for a 2000 psi system:

Annual 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

| | |
|---|---------------------|
| Dugan Prod.Corp. Office & Radio Dispatch: | 325-1821 |
| Kurt Fagrelus | 325-4327 |
| John Alexander 325-6927 | Mark Brown 327-3632 |
| Sherman Dugan 327-3121 | John Roe 326-1034 |