

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. NO-G-05020-1715	
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 Navajo Allotted	
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. Big Yazzie #1	
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. API Well No. 30-045-33149	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 660' FNL and 1980' FEL, Lat. 36.1541, Long. 107.4938 At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Bisti Gallup South (o)	
14. Distance in miles and direction from nearest town or post office* Approx. 6 miles east of Nageezi Trading Post, NM		11. Sec., T., R., M., or Blk. and Survey or Area B Sec. 6, T23N, R9W	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660 feet	16. No. of Acres in Lease 161.09-acres	12. County or Parish SAN JUAN	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 4950'	13. State NM	
21. Elevations (Show whether DF, KB, RT, GL, etc.) GL-6727'	22. Approximate date work will start ASAP	17. Spacing Unit dedicated to this well W/2 NW/4 80.45 AC	
23. Estimated duration 8-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 6-18-05
Title GEOLOGIST		
Approved by (Signature) <i>Roland Adams</i>	Name (Printed/Typed) ROLAND ADAMS	Date 08/12/05
Title ACTING AEM	Office FARMINGTON DISTRICT 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. Open hole logs will be run to determine potential of Gallup interval. If productive, casing will be set, the Gallup interval will be perforated from approximately 4550' - 4850'. The interval will be fracture stimulated.

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

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

NMOC

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

2005 JUN 17 PM 2:44

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33149		*Pool Code 5860	*Well Name BISTI, S-GALLUP (O)
*Property Code 35005	*Property Name BIG YAZZIE		*Well Number 1
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6727'

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
B	6	23N	9W		660	NORTH	1980	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 80.45 ACRES - W/2 NE/4	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

<div><p>¹⁶ 1335.84' 1308.78' 1322.64' 1321.98' 2645.28' 1331.88' 1320.66' 2641.32' 1314.72' 1339.14' 2653.20' 1980' 660' 6</p><p>LOT 4 LOT 3 LOT 2 LOT 1 LOT 6 LOT 7</p><p>DUGAN NO-G-05020-1715</p><p>RUG 2005 RECEIVED OIL CONSERVATION DIV.</p></div>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Kurt Fagrelus</i></p> <p>Signature Kurt Fagrelus</p> <p>Printed Name Geology</p> <p>Title June 18, 2005</p> <p>Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey: MAY 9, 2005</p> <p>Signature and Seal of Professional Surveyor</p> <p></p> <p><i>JASON C. EDWARDS</i></p> <p>Certificate Number 15269</p>

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
March 4, 2004

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

WELL API NO.	30-045-
5. Indicate Type of Lease	STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> Navajo Allott.
6. State Oil & Gas Lease No.	Navajo Allotted NOG-05020-1715
7. Lease Name or Unit Agreement Name	Big Yazzie
8. Well Number	#1
9. OGRID Number	006515
10. Pool name or Wildcat	Bisti Gallup South (0)

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 ☐

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
709 East Murray Drive, Farmington, NM 87401 505-325-1821

4. Well Location
Unit Letter B : 660 feet from the north line and 1980 feet from the east line
Section 6 Township 23N Range 9W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6727

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL B Sect 6 Twp 23N Rng 9W Pit type Drilling Depth to Groundwater 430' Distance from nearest fresh water well 2200' < 1000'
Distance from nearest surface water 1150' Below-grade Tank Location UL Sect Twp Rng ;
feet from the line and feet from the line

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 COMPLETION ☐
OTHER: Reserve pit for drilling (unlined) ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND 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. Open hole logs will be run and potential evaluated. If determined productive, casing will be set, the Gallup interval perforated and fracture stimulated.

Navajo Allotted lease, pits will be constructed (unlined) and abandoned as per BLM Conditions of Approval.

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 NMOC guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐

Navajo Allotted lease pits will be constructed and abandoned as per BLM regulations and NMOC guidelines
SIGNATURE Kurt Fagrelus TITLE Geology DATE June 18, 2005
Type or print name Kurt Fagrelus E-mail address: kfagrelus@duganproduction.com Telephone No. 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 5 DATE AUG 15 2005
Conditions of approval, if any: Follow NM OCD Rule 50 and guidelines for pit construction and abandonment

DUGAN PRODUCTION CORPORATION BIG YAZZIE #1
660' FNL, 1980' FEL, SECTION 6, T23N, R9W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6727'

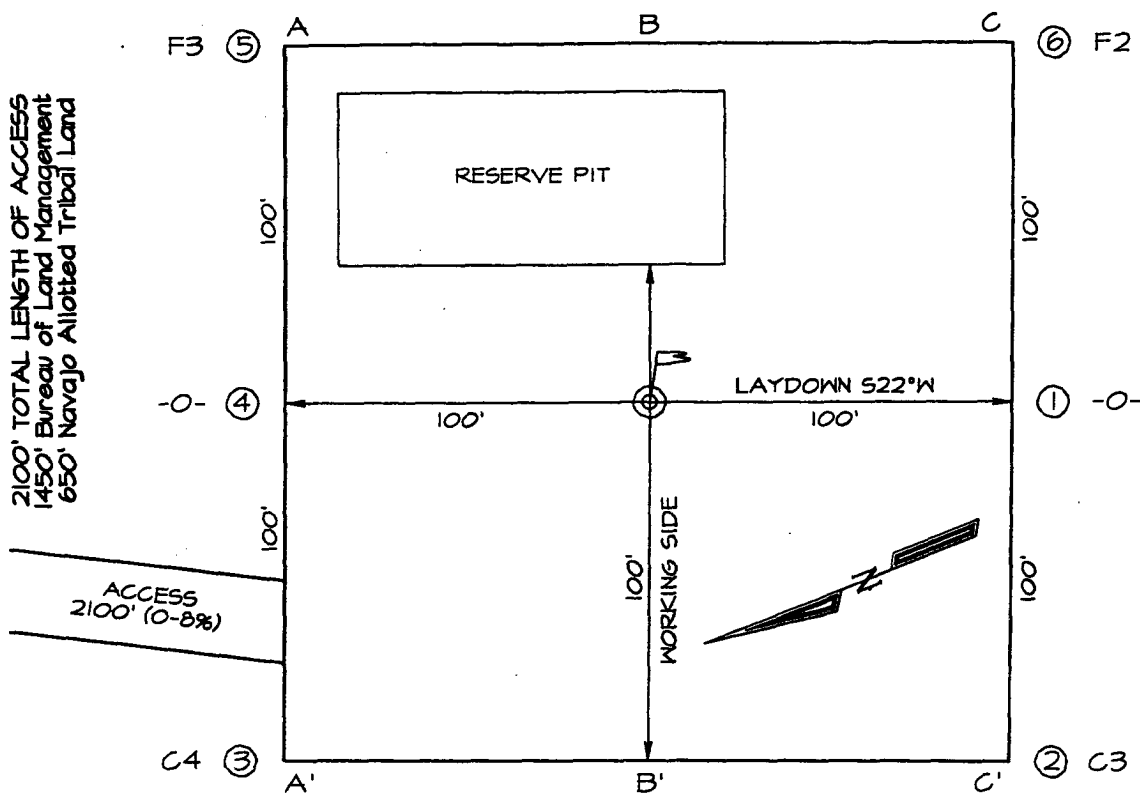
PLAT 3.

LATITUDE: 36°15'41"
LONGITUDE: 107°49'38"
 DATUM: NAD1927

PLAT NOTE:

SURFACE OWNER
 Navajo Allotted Land

2100' TOTAL LENGTH OF ACCESS
 1450' Bureau of Land Management
 650' Navajo Allotted Tribal Land



A-A'						
6737'						
6727'						
6717'						

B-B'						
6737'						
6727'						
6717'						

C-C'						
6737'						
6727'						
6717'						

EXHIBIT B
OPERATIONS PLAN
Big Yazzie #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	430'	Cliff House	1900'
Kirtland	515'	Menefee	2450'
Fruitland	855'	Point Lookout	3575'
Pictured Cliffs	1150'	Mancos	3720'
Lewis	1310'	Gallup	4410'
		Total Depth	4950'

Catch samples every 10 feet from 1600 feet to total depth.

LOGGING PROGRAM:

Run open-hole logs from total depth to surface.

CASING PROGRAM:

<u>Hole</u> <u>Size</u>	<u>Casing</u> <u>Size</u>	<u>Wt./ft.</u>	<u>Setting</u> <u>Depth</u>	<u>Grade and</u> <u>Condition</u>
11"	8-5/8"	24#	120'	J-55
7"	4-1/2"	10.5#	4950'	J-55

Plan to drill a 11" 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 Gallup interval. Plan to run open hole logs. 4-1/2", 10.5#, J-55 production casing will be run and cemented. 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 800 cf 2% lodense with
1/4# celloflake/sx followed by 350 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 1150 cf
Circulate cement to surface.

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, 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)

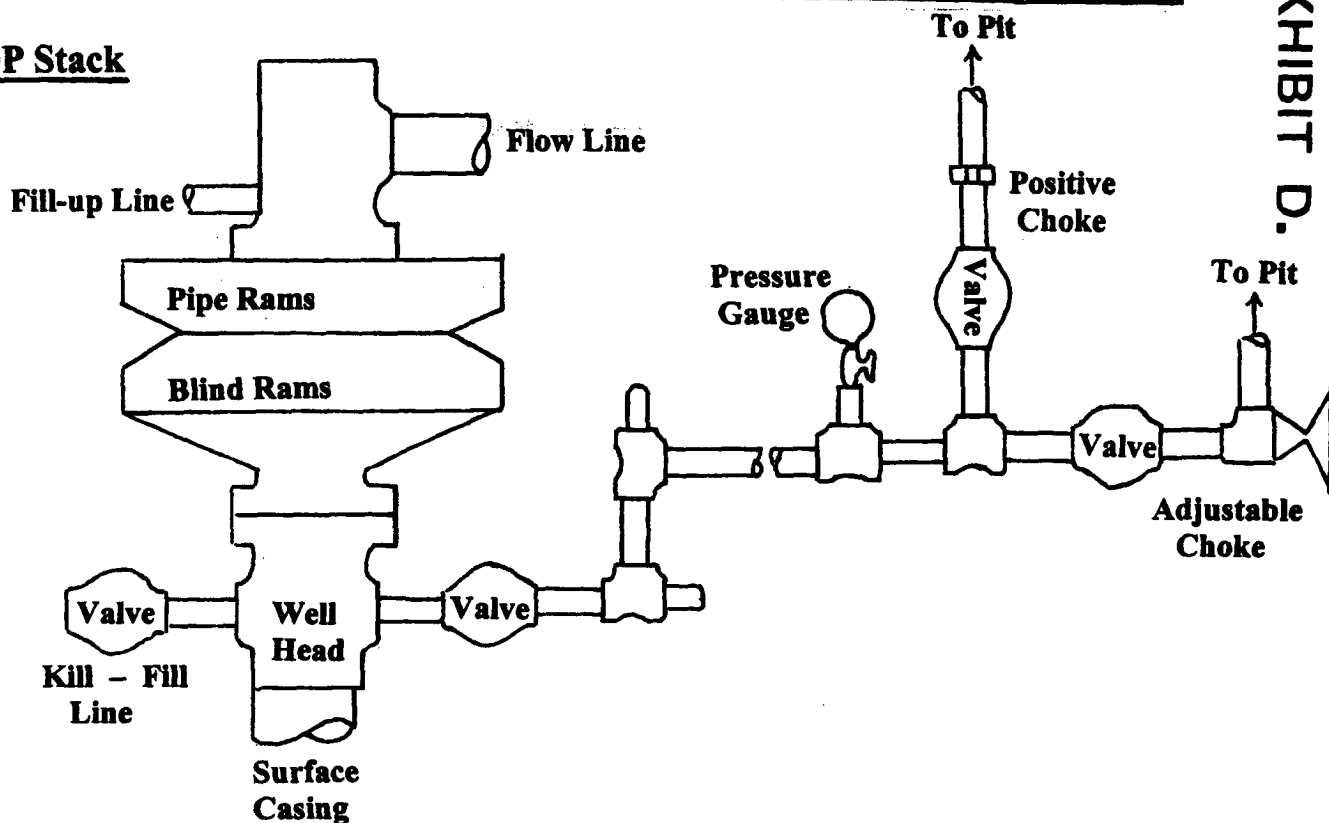
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

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

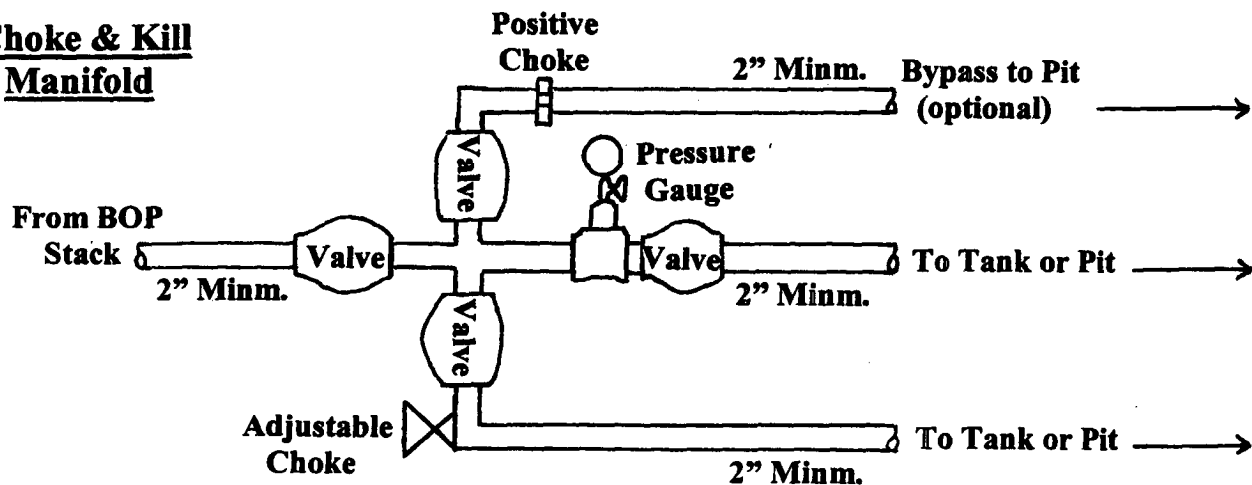
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
BIG YAZZIE #1