

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-0103-1462	
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. Bitsili #1	
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. API Well No. 30-045- 33186	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1470' FNL and 1780' FEL, Lat. 361810, Long. 107.4936 At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Basin Dakota	
14. Distance in miles and direction from nearest town or post office* Approx. 4-miles south of Blanco Trading Post, NM		11. Sec., T., R., M., or Blk. and Survey or Area G Sec. 19, T24N, R9W	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1470'	16. No. of Acres in Lease 160.00 acres	12. County or Parish SAN JUAN	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 500'	19. Proposed Depth 6450'	13. State NM	
21. Elevations (Show whether DF, KB, RT, GL, etc.) GL-6882'	22. Approximate date work will start ASAP	17. Spacing Unit dedicated to this well 1/2-320 acres	
20. BLM/BIA Bond No. on file		23. Estimated duration 8-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 <i>Kurt Fagrelis</i>	Name (Printed/Typed) KURT FAGRELIUS	Date June 18, 05
Title GEOLOGIST		
Approved by (Signature) <i>Roland Adams</i>	Name (Printed/Typed) ROLAND ADAMS	Date 08/12/05
Title ACTING AFM	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. The Dakota interval will be completed from approximately 6120' - 6250'. 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 00, 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		Pool Code 71599	Pool Name BASIN DAKOTA
Property Code 35064	Property Name BITSILI		Well Number 1
GRID No. 006515	Operator Name DUGAN PRODUCTION CORPORATION		Elevation 6882'

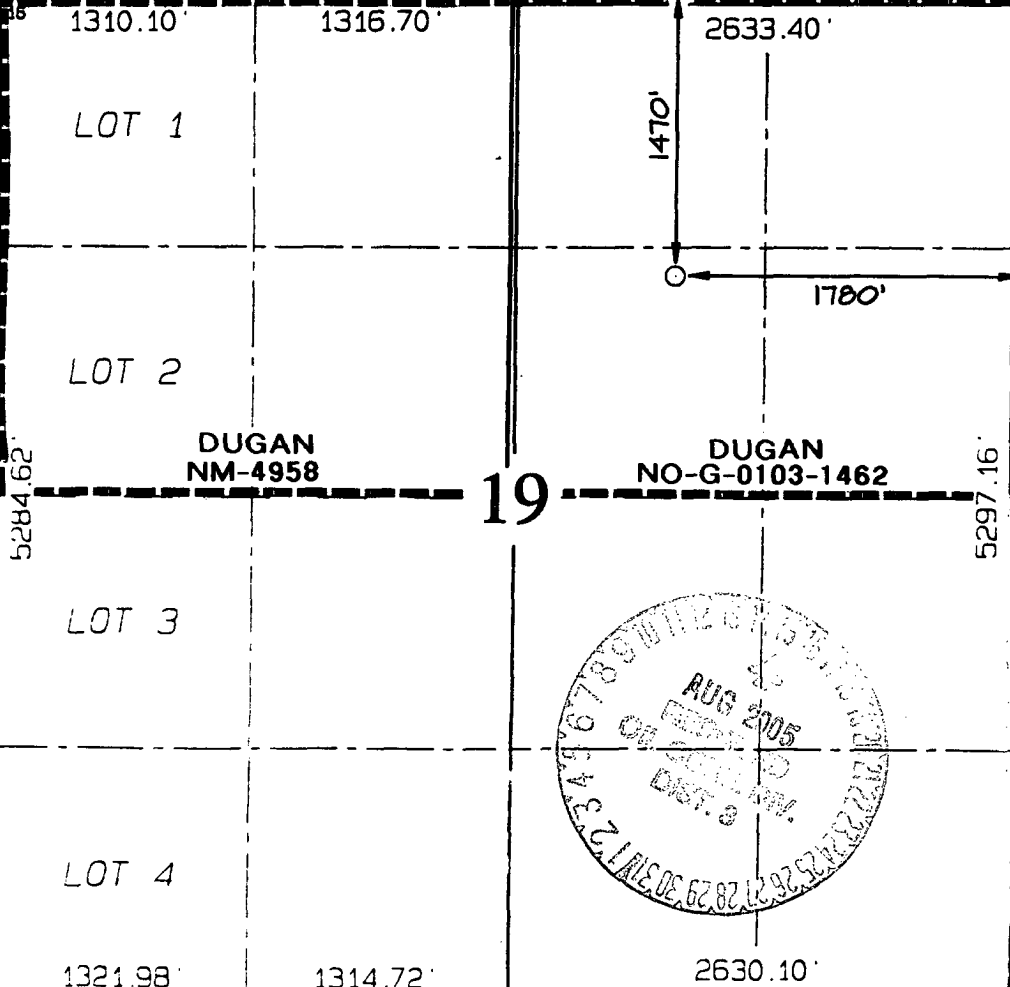

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	19	24N	9W		1470	NORTH	1780	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 N/2 319.8 Acres					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

	<p>¹⁷ 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 Geology Title July 7, 2005 Date</p>
	<p>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. Date of Survey: MAY 9, 2005 Signature and Seal of Professional Surveyor</p>
	
	<p><i>JASON C. EDWARDS</i> Certificate Number 15269</p>

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM 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

5. Lease Designation and Serial No.

NO-G-0103-1462

6. If Indian, Allotted or Tribe Name

Navajo Allotted

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Bitsili #1

9. API Well No.

30 045 33186

10. Field and Pool, or Exploratory Area

Basin Dakota

11. County or Parish, State

San Juan, NM

1. Type of Well

☐

Oil
Well

☒

Gas
Well

☐

Other

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 (Footage, Sec., T., R., M., or Survey Description)

1470' FNL & 1780' FEL (SW/4 NE/4)

Unit G, Sec. 19, T24N, R9W

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

☒

Notice of Intent

☐

Subsequent Report

☐

Final Abandonment Notice

TYPE OF ACTION

☐

Abandonment

☐

Recompletion

☐

Plugging Back

☐

Casing Repair

☐

Altering Casing

☒

Other

Change spacing/proration
unit

☐

Change of Plans

☐

New Construction

☐

Non-Routine Fracturing

☐

Water Shut-Off

☐

Conversion to Injection

☐

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.)

The spacing/proration unit for this well is being changed from an E/2 spacing unit to a N/2 spacing unit. A corrected C-102 reflecting this change is attached.



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

Signed

Kurt Fagrellius
Kurt Fagrellius

Title

Geologist

Date

07/07/2005

(This space for Federal or State office use)

Approved by

Robert Adams

Title

Acting AFM

Date

08/12/05

Conditions of approval, if any:

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

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.
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease Navajo Allot. STATE <input type="checkbox"/> FEE <input type="checkbox"/> XX <input type="checkbox"/>
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. Navajo Allotted NO-G-0103-1462
3. Address of Operator 709 East Murray Drive, Farmington, NM 87401		7. Lease Name or Unit Agreement Name Bitsili
4. Well Location Unit Letter <u>G</u> : <u>1470</u> feet from the <u>north</u> line and <u>1780</u> feet from the <u>east</u> line Section <u>19</u> Township <u>24N</u> Range <u>9W</u> NMPM County <u>San Juan</u>		8. Well Number #1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6882' G.L.		9. OGRID Number 06515
Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)		
Pit Location: UL <u>G</u> Sect <u>19</u> Twp <u>24N</u> Rng <u>9W</u> Pit type <u>Drilling</u> Depth to Groundwater <u>2000</u> Distance from nearest fresh water well <u>1000</u>		
Distance from nearest surface water <u>2000</u> 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 ☐

SUBSEQUENT REPORT OF:
REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐

OTHER: Reserve pit for drilling: Unlined ☒

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 to determine potential of Dakota and other zones. Prospective zones will be perforated and fracture stimulated.

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

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 ☐.
Pits unlined and constructed and abandoned as per BLM conditions of approval and NMOCD guidelines.

SIGNATURE Kurt Fagrelis TITLE Geology DATE 06/02/2005

Type or print name Kurt Fagrelis E-mail address kfagrelis@duganproduction.com Phone No. 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. IV DATE AUG 15 2005

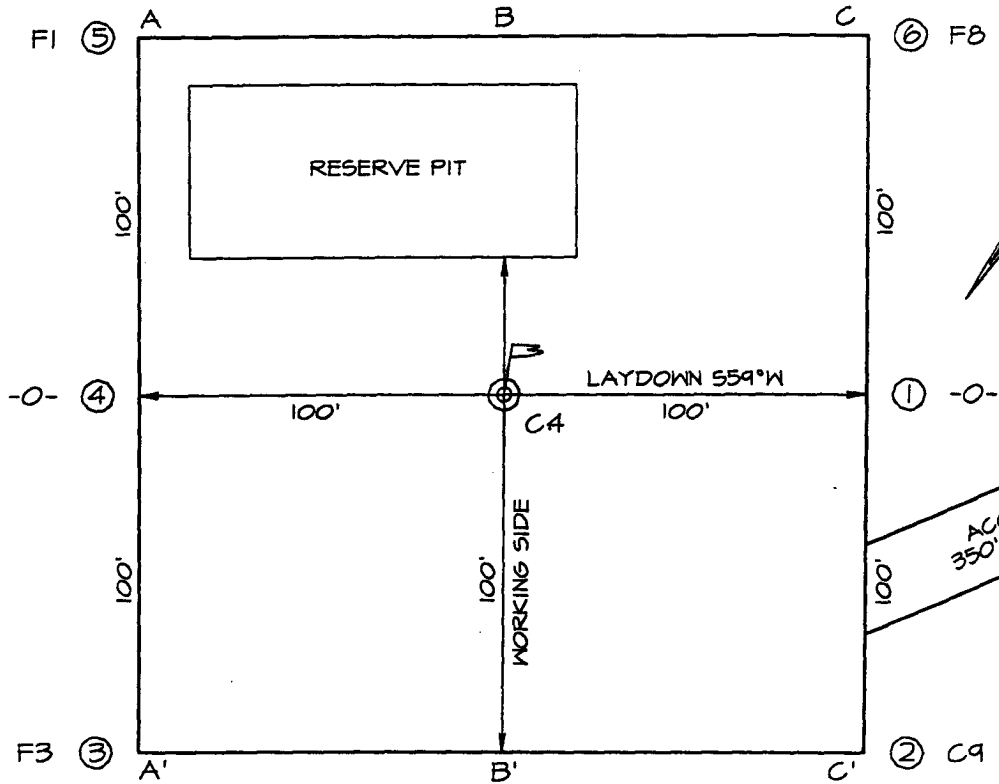
Conditions of approval, if any: Follow NM OCD Rule 60 and guidelines for pit construction and abandonment.

DUGAN PRODUCTION CORPORATION BITSILI #1
1470' FNL, 1780' FEL, SECTION 19, T24N, R9W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6882'

PLAT 3.

LATITUDE: 36°18'10"
LONGITUDE: 107°49'36"
 DATUM: NAD1927

PLAT NOTE:
 SURFACE OWNER
 Navajo Allotted Land



A-A'						
6888'						
6878'						
6868'						
B-B'						
6888'						
6878'						
6868'						
C-C'						
6888'						
6878'						
6868'						

EXHIBIT B
OPERATIONS PLAN
Bitsili #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	570'	Point Lookout	4090'
Kirtland	650'	Mancos	4270'
Fruitland	1210'	Gallup	4955'
Pictured Cliffs	1610'	Greenhorn	6020'
Lewis	1725'	Graneros	6075'
Cliff House	2380'	Dakota	6120'
Menefee	2835'	Total Depth	6450'

Catch samples every 10 feet from 5050'-5400' and 6000'-T.D.

LOGGING PROGRAM:

IES and CDL logs will be run 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#	200	J-55
7-7/8	4-1/2	10.5#	6,450	J-55

Plan to drill a 12-1/4" hole and set 200' of 8-5/8" OD, 24#, J-55 surface casing. Then plan to drill a 7-7/8" hole to total depth with gel-water mud program to test Dakota Formation. Plan to run IES and CDL logs. If determined productive, will run 4-1/2", 10.5#, J-55 production casing, selectively perforate, frac, clean out after frac and complete well.

CEMENTING PROGRAM:

Surface Cement to surface with 125 cf Class B + 2% CaCl₂.
Circulate to surface.

1st Stage Cement with 50/50 "B" Poz with 2% gel + 1/4# flocele/sk (730 cf).
Total cement slurry for 1st stage is 730 cf.
Projected top for 1st stage is 4300'.

2nd Stage Cement with 65/35 "B" Poz with 12% gel + 1/4# flocele/sk (1370 cf) followed by 50/50 "B" Poz with 2% gel + 1/4# flocele/sk (100 cf).
Circulate to surface.
Total cement slurry for 2nd stage is ~~1570~~ ¹⁴⁷⁰ cf.
Total cement for both stages is 2200 cf.

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:

Casinghead 8-5/8" X 4-1/2" 2000# WP-screwed wellhead.

Tubinghead 4-1/2" X 2-3/8" 2000#WP-screwed wellhead.

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:

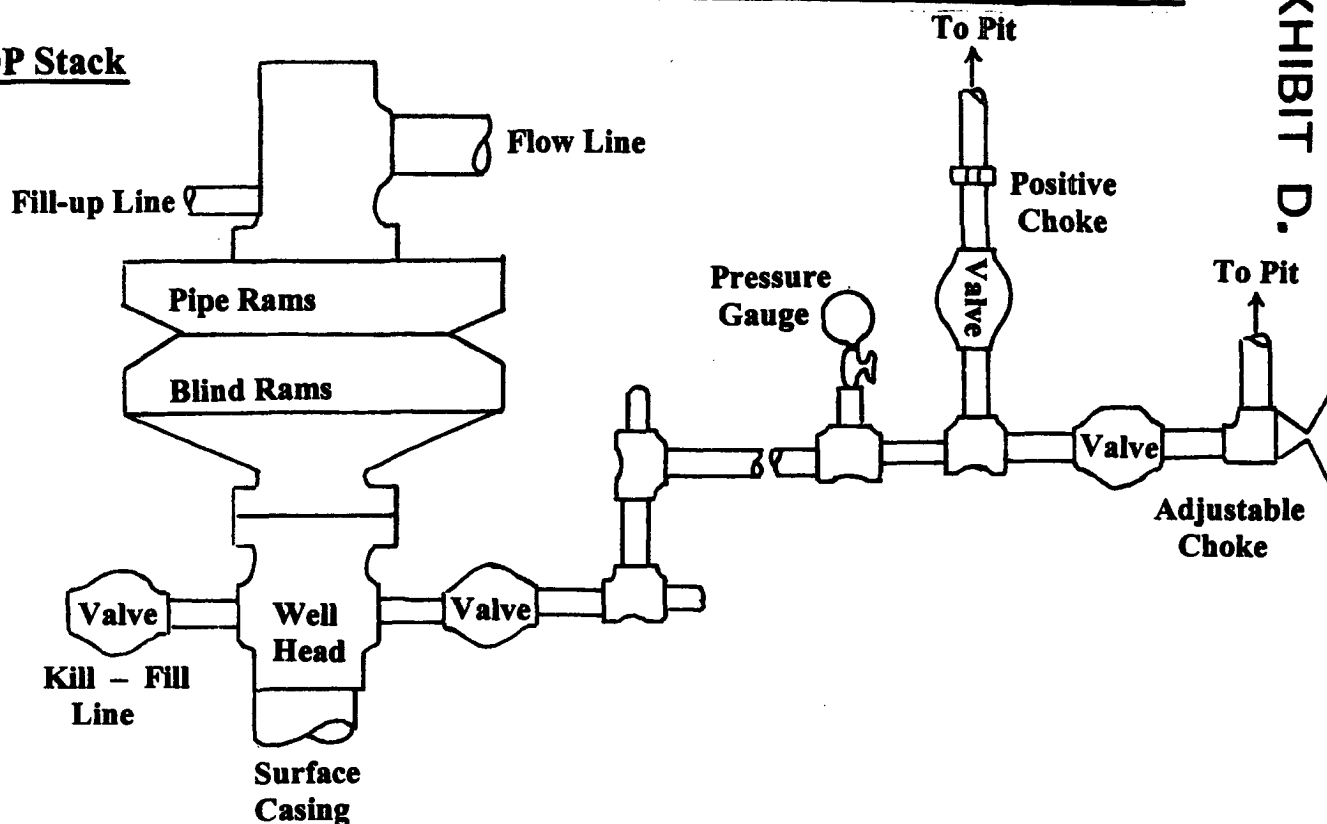
Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

Mark Brown	327-3632 (H)
	320-8247 (M)
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)
John Alexander	325-6927 (H)
	320-1935 (M)

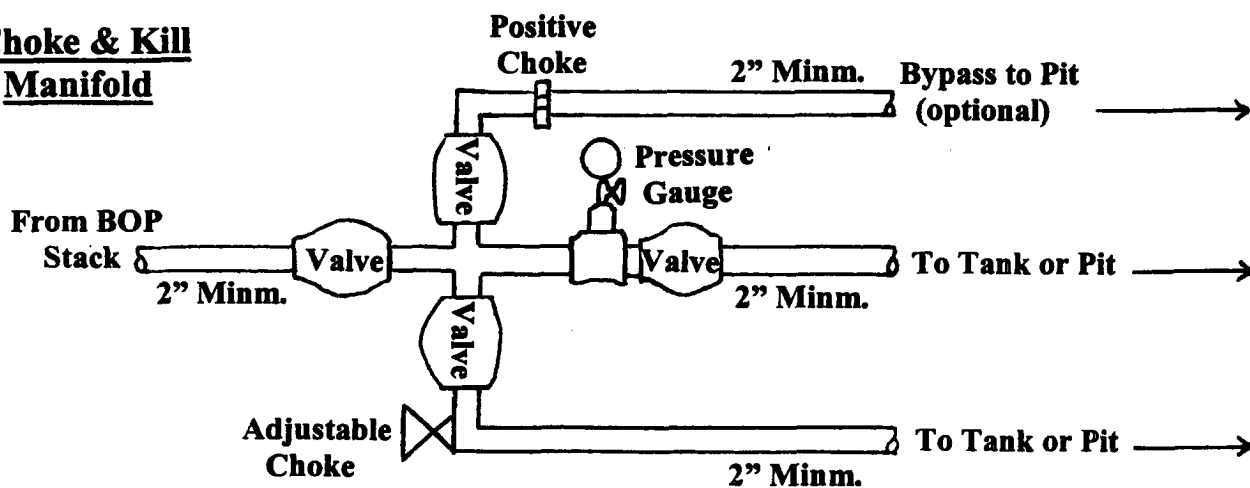
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
BITSILI #1