

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-0103-1464	
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. Queen Nefertiti Com #90	
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. API Well No. 30-045- 33178	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1990' FSL and 690' FWL, Lat. 36.1753, Long. 107.4135 At proposed prod. zone Same as above.		10. Field and Pool, or Exploratory Basin Fruitland Coal	
14. Distance in miles and direction from nearest town or post office* Approx. 4 miles northeast of Nageezi Trading Post, NM		11. Sec., T., R., M., or Blk. and Survey or Area L Sec. 21, T24N, R8W	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 690'		12. County or Parish SAN JUAN	
16. No. of Acres in Lease 160.00 acres		13. State NM	
17. Spacing Unit dedicated to this well W 1/2 320 acres		18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.	
19. Proposed Depth 1900'		20. BLM/BIA Bond No. on file	
21. Elevations (Show whether DF, KB, RT, GL, etc.) GL- 6723'		22. Estimated duration 5-DAYS	
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:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
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).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

25. Signature <i>Kurt Fagrelus</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 6/18/2005
Title GEOLOGIST		
Approved by (Signature) <i>John Lovelace</i>	Name (Printed/Typed)	Date 6/16/05
Title Acting Field Manager - Minerals	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 1730' -1744'. The interval will be fracture stimulated.

This action is subject to technical and procedural review pursuant to 43 CFR 3165.9 and appeal pursuant to 43 CFR 3165.4

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

OPERATOR

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-10
Revised February 21, 1995
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

2005 JUN 17 PM 2:44 AMENDED REPORT

RECEIVED

070 EARMINGTON NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 35109	*Property Name QUEEN NEFERTITI COM		*Well Number 90
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6723'


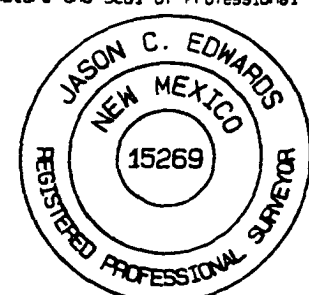
¹⁰ Surface Location

UL or lot no. L	Section 21	Township 24N	Range 8W	Lot Idn	Feet from the 1990	North/South line SOUTH	Feet from the 690	East/West line WEST	County SAN JUAN
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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 320.0 Acres - (W/2)					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

¹⁶ DUGAN NM-83507	DUGAN 5223.90' NM-40643		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 June 18, 2005 Date
DUGAN NOG-0103-1464			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: JUNE 13, 2005 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269

5219.28' 690' 1961' 2642.64' 2643.96' 5264.82'

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 Navajo Allot.
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
Navajo Allotted NOG-0103-1464

7. Lease Name or Unit Agreement Name
Queen Nefertiti Com

8. Well Number
#90

9. OGRID Number
006515

10. Pool name or Wildcat
Basin Fruitland Coal

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 L : 1990 feet from the south line and 690 feet from the west line
Section 21 Township 24N Range 8W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6723'

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

Pit Location: UL L Sect 21 Twp 24N Rng 8W Pit type Drilling Depth to Groundwater 1100 Distance from nearest fresh water well >1000
Distance from nearest surface water 2200' 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 (lined) ☒

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. Cased hole logs will be run, the Fruitland Coal interval will be perforated and fracture stimulated. *KF*
5' NMOCD

Navajo Allotted lease, pits will be constructed (lined) 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 NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

Navajo Allotted lease, pits will be constructed and abandoned as per BLM regulations.

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)

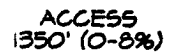
APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 2 DATE SEP 16 2005

Conditions of approval, if any: pits will be constructed and abandoned in compliance with NMOCD rules and guidelines -

PLA 2

DATUM: NADI927

SURFACE OWNER
Navajo Allotted Land



[illegible]

Year	United States (%)	Japan (%)	Soviet Union (%)
1950	10	5	10
1960	11	7	11
1970	13	15	11.5
1980	15	18	12

or cables on well pad and/or access road at least two (2) working days prior to the start of the work.

EXHIBIT B
OPERATIONS PLAN
Queen Nefertiti Com #90

APPROXIMATE FORMATION TOPS:

Ojo Alamo	1100'
Kirtland	1220'
Fruitland	1480'
Pictured Cliffs	1745'
Total Depth	1900'

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

LOGGING PROGRAM:

Run case-dhole GR-CCL-CNL 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"	5-1/2"	14#	1900'	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 Fruitland Coal. 5-1/2", 14#, 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 190 cf 2% lodense with
¼# celloflake/sx followed by 100 cf Class "B" with
¼# celloflake/sx.
Total cement slurry for production stage is 290 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 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.

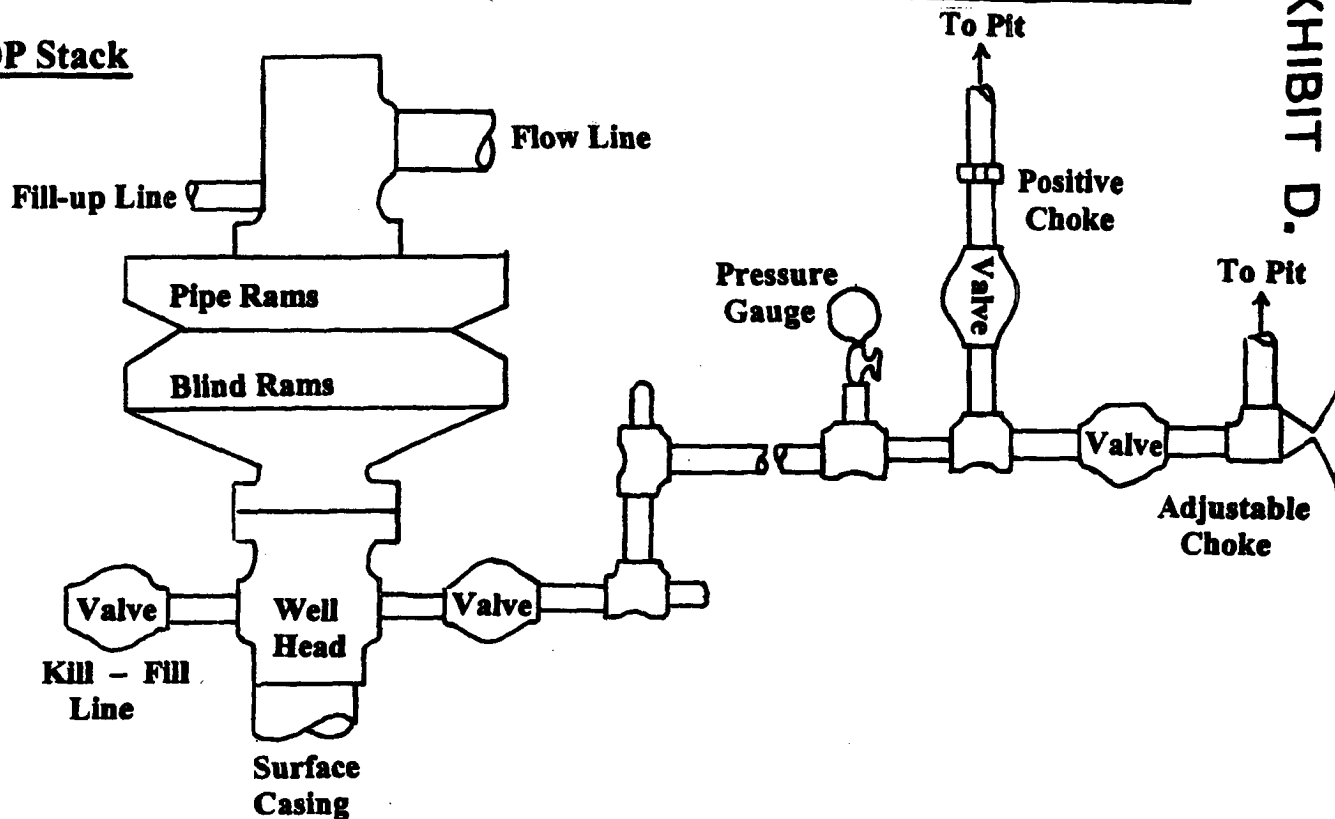
EFFECTIVE: JUNE 1, 2005

Blow-out Preventor Equipment (BOPE) tests must be performed using an appropriately sized test plug. The BOPE test must be performed and recorded using a test pump, calibrated test gauges and a properly calibrated strip or chart recorder. The test must be recorded in the driller's log and will include a low pressure test requirement of 250 psig held for five minutes and a high pressure test requirement held for ten minutes as described in Onshore Order No. 2 or otherwise authorized in the Application for Permit to Drill (APD). A successful BOPE test using a test plug is considered when no pressure drop occurs over the duration of the test. Test gauges and recorders must be of the proper range and resolution commensurate with the authorized test pressure. Where intermediate casing strings are used, only one BOPE test will be necessary contingent upon the test being conducted to the highest approved test pressure to which the BOPE will be exposed. Casing pressure tests must be held for 30 minutes with no more than 10 percent pressure drop during the duration of the test.

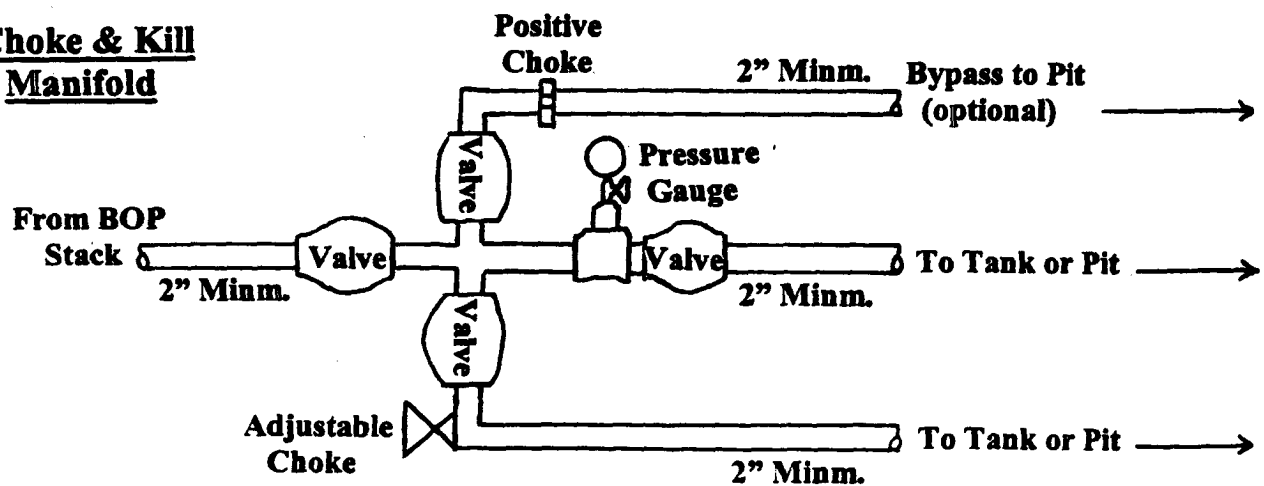
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
QUEEN NEFERTITI COM #90