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Form 3160-3
(April 2004)

DEC 14 2012

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Farmington Field Office
Bureau of Land Management

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NO-G-1003-1769	
6. If Indian, Allottee or Tribe Name Navajo Allotted	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. Charger Com #1	
9. API Well No. 30-045-35444	
10. Field and Pool, or Exploratory Basin Fruitland Coal	11. Sec., T. R. M. or Blk. and Survey or Area Sec. 7, T25N, R10W NMPM
12. County or Parish San Juan	13. State NM
14. Distance in miles and direction from nearest town or post office* Approximately 25-miles SE of Bloomfield, New Mexico	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 683-Feet
16. No. of acres in lease 160-Ac.	17. Spacing Unit dedicated to this well S/2 319 72 -Ac. 22
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N.A.	19. Proposed Depth 1650-Feet
20. BLM/BIA Bond No. On File	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,445-Ft. GL
22. Approximate date work will start* ASAP	23. Estimated duration 5-Days

RCVD FEB 20 '13
OIL CONS. DIV.

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.

25. Signature <i>Kurt Fagrelis</i>	Name (Printed/Typed) Kurt Fagrelis	Date 12-12-12
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Title VP Exploration & Land

Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) AFM	Date 2/20/13
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Title AFM Office FEO

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, 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.



H₂S POTENTIAL EXIST

*(Instructions on page 2)

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 1505' - 1515'. The interval will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

NMOCD
AV

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

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

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

FEB 21 2013 Ca

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

DEC 14 2012
Farmingington Field Office
Bureau of Land Management

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-35444		² Pool Code 71629		³ Pool Name Basin Fruitland Coal	
⁴ Property Code 39739		⁵ Property Name CHARGER			⁶ Well Number 1
⁷ OGRID No. 006515		⁸ Operator Name DUGAN PRODUCTION CORPORATION			⁹ Elevation 6445

¹⁰ Surface Location

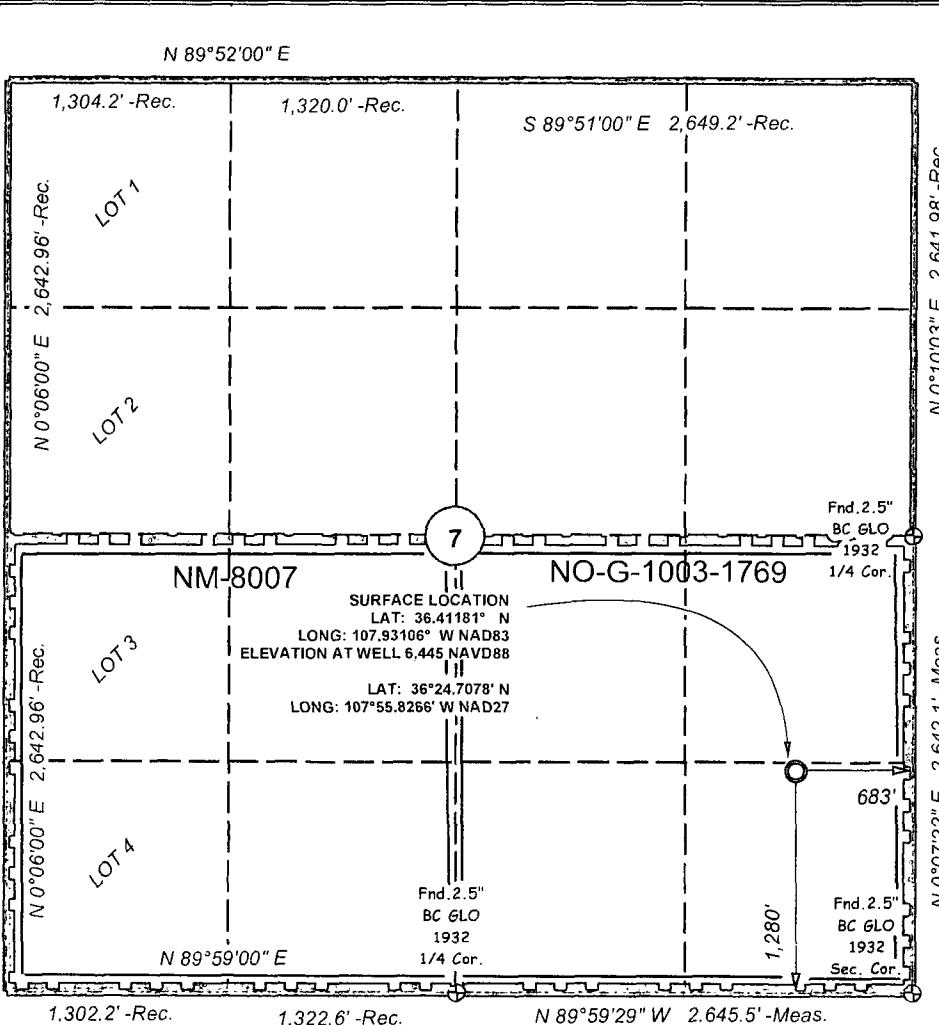
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	7	25 N	10 W		1280	SOUTH	683	EAST	SAN JUAN

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 319.72 S/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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318.87
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.



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or released mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division

Kurt Fagrelus 12-12-12
Signature Date

Kurt Fagrelus
Printed Name

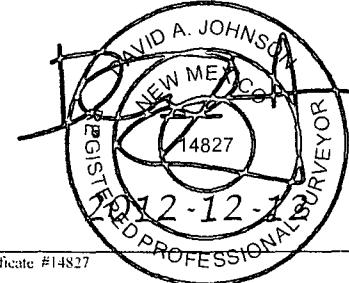
kfagrelus@duganproduction.com
E-mail Address

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.

Dec 10, 2012
Date of Survey

Signature and Seal of Professional Surveyor:



Certificate #14827

EXHIBIT B
OPERATIONS PLAN
Charger Com #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	615'
Kirtland	715'
Fruitland	1190'
Pictured Cliffs	1520'
Total Depth	1650'

Catch samples every 10 feet from 1350-feet to total depth.

LOGGING PROGRAM:

Run cased hole GR-CCL-CNL 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#	120'	J-55
7-7/8"	5-1/2"	15.5#	1650'	J-55

Plan to drill a 12-1/4" hole and set 120' 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 the Fruitland Coal. 5-1/2", 15.5#, 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 75-cf Class B + 2% CaCl₂.
Circulate to surface.

Production Stage- Cement w/175-sx Premium Lite FM 3% BWOC Calcium Chloride + 0.25 lbs/sx Celloflake + 5 lbs/sk LCM-1 + 0.4% BWOC FL-52 + 8% BWOC Bentonite + 0.4% BWOC Sodium Metasilicate + 112.3% fresh water (12.1 lb/gal, 2.13 cu ft/sx - 373-cu ft slurry). Tail w/75-sx Type III cement + 1 lb/sk Calcium Chloride + 0.25 lb/sx Celloflake + 0.2% BWOC FL-52 + 59% fresh water (14.6 lb/gal, 1.38 cu ft/sx-103-cu ft slurry).

Total cement slurry for production stage is 475-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 useable 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, pressure, slurry density, and slurry volume for the cement job. The log will be sent to the BLM after completion of the job.

Maximum Anticipated Bottom Hole Pressure - 300 psi.

Drilling Fluid - will be fresh water with bentonite 8.9#/gal.

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#.

Blow-Out Preventer Equipment (BOPE): 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 adjustable 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.

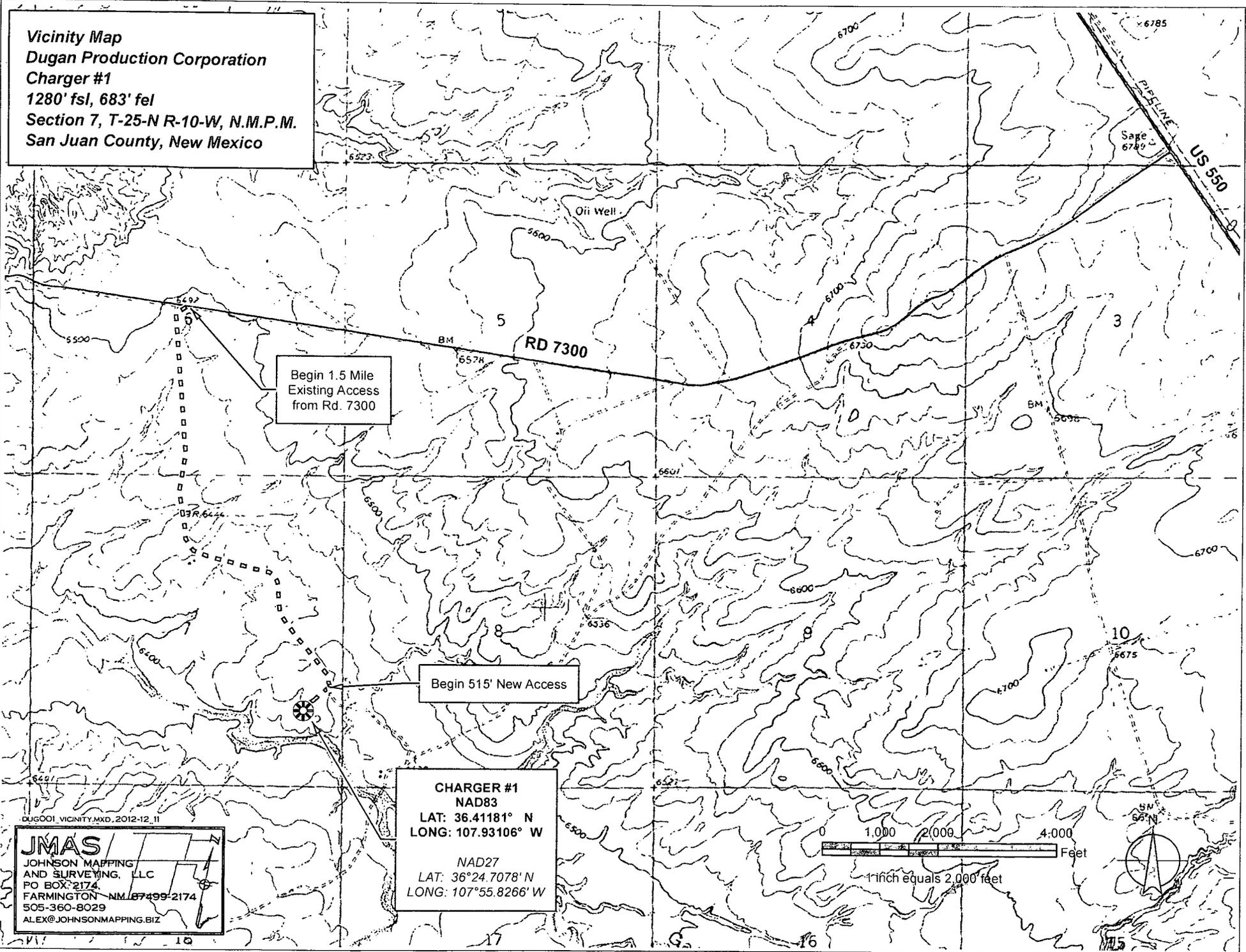
Working pressure for all BOPE will be 2,000 psi or greater.

Will test BOPE (blind rams, pipe rams, choke manifold and surface casing) separately. Each test will include a low pressure test to 250-psig held for five minutes and a high pressure test to 800-psig held for thirty minutes (with no more than a 10-percent pressure drop during the duration of the tests). If a 10-percent or greater pressure drop occurs; a packer will be run to isolate the surface casing and BOPE to locate the source of the leak.

Contacts: Dugan Prod. Corp. Office & Radio Dispatch: 325-1821
Gerald Wright Kurt Fagrelus John Alexander
632-5150 (H) 325-4327 (H) 325-6927 (H)
330-9585 (M) 320-8248 (M) 320-1935 (M)

EXHIBIT E.

Vicinity Map
Dugan Production Corporation
Charger #1
1280' fsl, 683' fel
Section 7, T-25-N R-10-W, N.M.P.M.
San Juan County, New Mexico



Begin 1.5 Mile Existing Access from Rd. 7300

Begin 515' New Access

CHARGER #1
NAD83
LAT: 36.41181° N
LONG: 107.93106° W

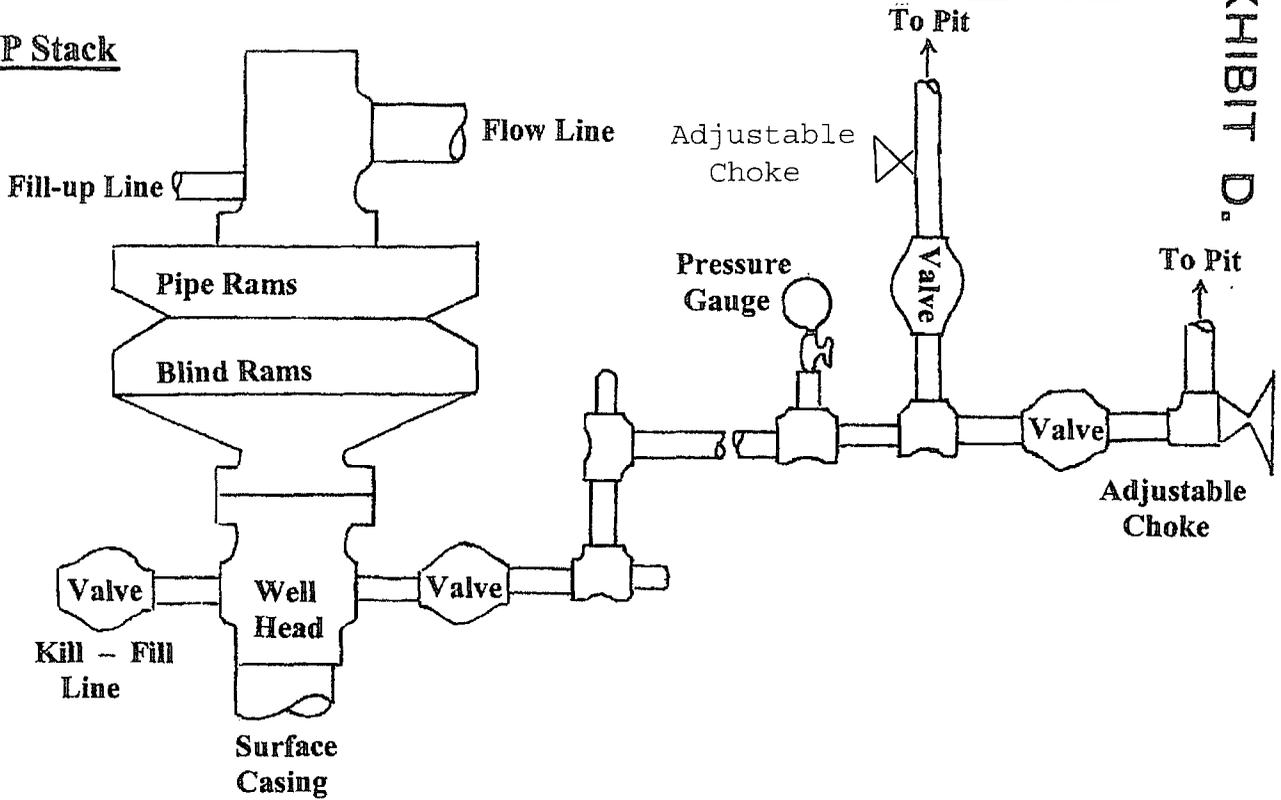
NAD27
LAT: 36°24.7078' N
LONG: 107°55.8266' W

DUG001 VICINITY.MXD, 2012-12_11
JMAS
JOHNSON MAPPING AND SURVEYING, LLC
PO BOX 2174
FARMINGTON, NM 87499-2174
505-360-8029
ALEX@JOHNSONMAPPING.BIZ

Well Control Equipment Schematic for 2,000 psi BOP

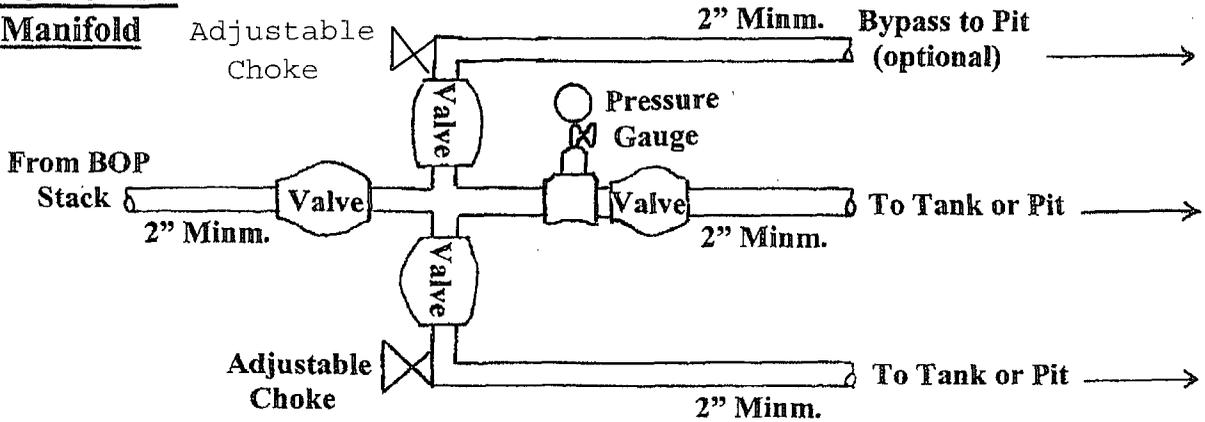
EXHIBIT D.

BOP Stack



Choke & Kill

Manifold



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

DUGAN PRODUCTION CORP.
Charger Com #1