

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Division Director
Oil Conservation Division



New Mexico Oil Conservation Division approval and conditions listed below are made in accordance with OCD Rule 19.15.7.11 and are in addition to the actions approved by BLM on the following 3160-4 or 3160-5 form.

Operator Signature Date: 12/12/2019
Well information:

30-043-20308 Chacra #001
DUGAN PRODUCTION CORP

Application Type:

- P&A Drilling/Casing Change Location Change
 Recomplete/DHC (For hydraulic fracturing operations review EPA Underground injection control Guidance #84; Submit Gas Capture Plan form prior to spudding or initiating recompletion operations)
 Other:

Conditions of Approval:

- Notify NMOCD 24 Hours prior to commencing activities
- In Addition to the proposed plugs, include the following:
- Extend the Chacra plug 1830'-1645'. OCD Chacra pick @ 1780'.


NMOCD Approved by Signature Date 3-24-20
FOR Brandon Powell

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

COPY

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on page 2

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 5. Lease Serial No. NMNM25821 |
| 2. Name of Operator DUGAN PRODUCTION CORPORATION Contact: ALIPH REENA Email: aliph.reena@duganproduction.com | | 6. If Indian, Allottee or Tribe Name |
| 3a. Address PO BOX 420 FARMINGTON, NM 87499-0420 | 3b. Phone No. (include area code) Ph: 505.325.1821 | 7. If Unit or CA/Agreement, Name and/or No. |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 10 T22N R7W NWNW 1070FNL 0880FWL 36.158340 N Lat, 107.568234 W Lon | | 8. Well Name and No. CHACRA 1 |
| | | 9. API Well No. 30-043-20308-00-S1 |
| | | 10. Field and Pool or Exploratory Area RUSTY |
| | | 11. County or Parish, State SANDOVAL COUNTY, NM |

12. CHECK THE APPROPRIATE BOX(ES) 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"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Hydraulic Fracturing | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input checked="" type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Dugan Production Corp plans to plug and abandon well as per the following procedure:

- 1) Run 4-1/2" casing scraper to 1790'. Set 4-1/2" CR @ 1745'. Chacra perforated @ 1795'-1902'. Load hole. Pressure test casing to 600 psi. No cement circulated to surface. Run CBL from 1745' to surface.
- 2) Spot inside Plug I above CR @ 1745' w/12 sks (13.4 cu ft) Class G neat cement to 1645' (15.6#/gal, 1.15 cu ft/sk). Chacra, Plug I: 1645'-1745'.
- 3) Spot inside Plug II from 1435' w/ 53 sks Class G neat cement (61 cu ft) to 805' (15.6#/gal, 1.15 cu ft/sk). PC, Kirtland, Ojo Alamo, Plug II: 805'-1435'.
- 4) Spot Plug III @ 135' w/15 sks (17.3 cu ft) Class G cement w/2% CaCl2 to surface (15.6#/gal, 1.15 cu ft/sk). Surface, Plug III: 0-135'.
- 5) Cut wellhead off. Fill casing w/cement in case needed.
- 6) Install dryhole marker. Clean location.

NMOC
MAR 12 2020
DISTRICT III

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 14. I hereby certify that the foregoing is true and correct. | |
| Electronic Submission #482608 verified by the BLM Well Information System For DUGAN PRODUCTION CORPORATION, sent to the Farmington Committed to AFMSS for processing by ALBERTA WETHINGTON on 09/11/2019 (19AMW0631SE) | |
| Name (Printed/Typed) ALIPH REENA | Title AGENT, ENGINEERING SUPERVISOR |
| Signature (Electronic Submission) | Date 09/10/2019 |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|
| Approved By (BLM Approver Not Specified) _____ | Title _____ | Date 03/04/2020 |
| Conditions of approval, if any, are attached. Approval of this notice 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. | | Office Farmington |

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.

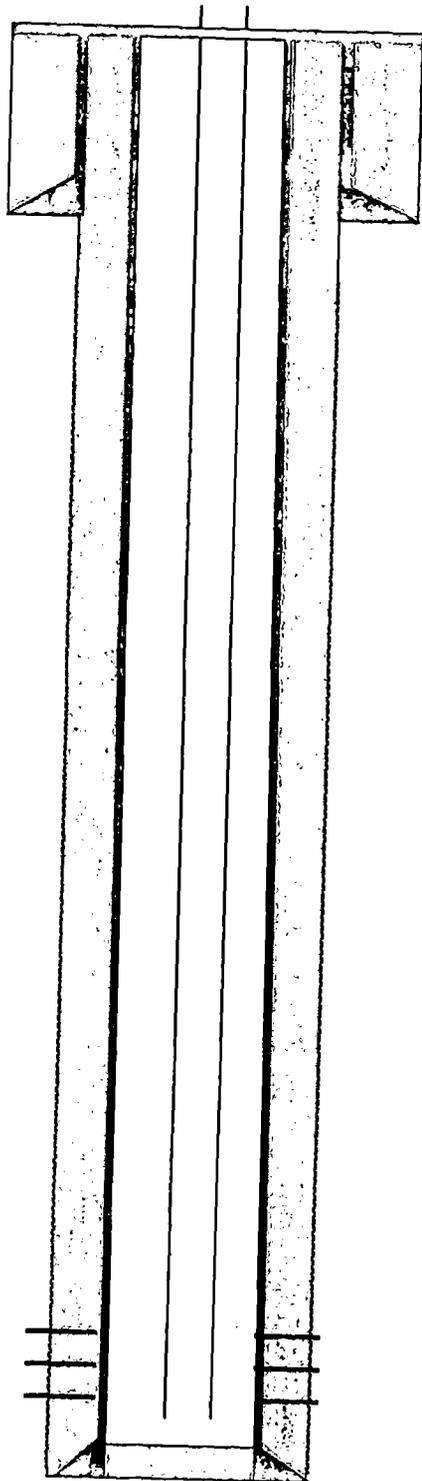
(Instructions on page 2)

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

AV

Current Wellbore Diagram

Chacra # 1
30-043-20308, Rusty Chacra
1070' FNL & 905 FWL,
NM-25821
S10 T22N R7W, Sandoval County



8-5/8" 24# casing @ 85'. Cemented with 75 sks Class B.
Hole size 12-1/4". No cement circulated to surface.

Cement production casing w/ 100 sks pozmix w/ 12% gel
followed by 80 sks Class B. Total No cement circulated to surface

4 1/2" 10.5 # casing @ 2080'. Hole size: 6-3/4"

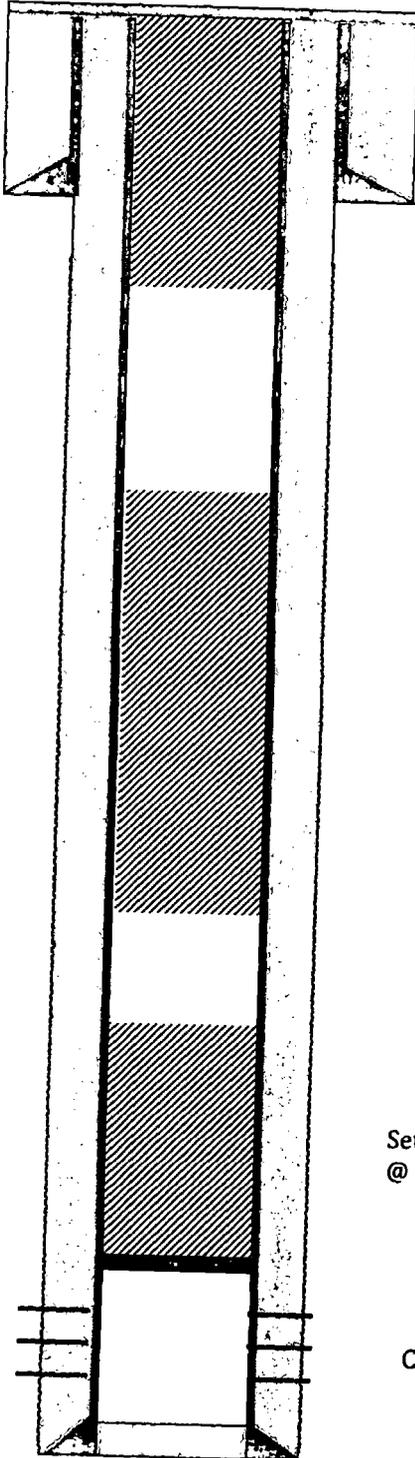
2-3/8" 4.7# tubing @ 1916'.

Chacra Perforated @ 1795' - 1902'

PBTD @ 2012', TD 2105'

Planned P & A Schematic

Chacra # 1
30-043-20308, Rusty Chacra
1070' FNL & 905 FWL,
NM-25821
S10 T22N R7W, Sandoval County



8-5/8" 24# casing @ 85'. Cemented with 75 sks Class B.
Hole size 12-1/4". No cement circulated to surface.

Spot plug III from 135' to surface w/ 15 sks Class G Cement (16.6 cu.ft) (Plug III, Surface, 0-135')

4 1/2" 10.5 # casing @ 2080'. Hole size: 6-3/4"

Cement production casing w/ 100 sks pozmix w/ 12% gel
followed by 80 sks Class B. Total No cement circulated to surface

Spot plug II from 1435' w/ 53 sks Class G Cement (60.9 cu.ft)
(Plug II, PC-Kirtland-Ojo Alamo, 805'-1435')

Set CR @ 1745'. Spot Inside Plug I with 12 sks (14 cu.ft)
@ 1645'-1745' w/ Class G cement.(1645'-1745') (Plug I, Chacra)

Chacra Perforated @ 1795' - 1902'

PBTD @ 2012', TD 2105'

P&A Reclamation Plan

PURPOSE AND SCOPE

The purpose of this Reclamation Plan is to ensure final reclamation of the Chacra #1 well pad site and associated access road based on the BLM/Operator on-site inspection conducted in accordance with Onshore Order #1 and the FFO Bare Soil Reclamation Procedures.

PROPOSED RECLAMATION PLAN

Operator will comply with the requirements in accordance with the approved Sundry Notice associated with this submittal.

- Contact BLM 48 hours prior to commencing earthwork.
- Reclamation to be completed within 1 year of plugging date.
- Remove all underground production piping.
- Remove all rig anchors on the location.
Strip available topsoil from areas that will be disturbed during the reclamation of this well site.
- Remove all gravel on well pad surface. Gravel may be used as fill material at the base of the cut slope to re-establish the natural topography.
- Use fill material on the location to reconstruct natural topography. If enough fill material is available, excess material will be used to build up the access road AFTER ripping the road base to eliminate surface compaction hard pan.
NOTE: NO disturbance will occur outside the areas currently disturbed by the well location access road boundaries.
- After location has been re-contoured, rip, disk and seed the location and access road with a disk type seed drill.
- Install a woven wire fence at and across the access road leading to the well site at the intersection of the main road and take off point(s) to discourage access on rehabilitated access road.
- Install a sign on fence, i.e. Seeded Area—Do Not Disturb.

Waste Material Handling and Disposal

All surface equipment and trash, if any, will be removed from the location and disposed of at an approved waste disposal facility.

Surface Reconstruction and Stabilization

The long term objective of final reclamation is to set the course for eventual ecosystem restoration including the restoration of natural vegetation. Operator will avoid disturbance to the mature vegetation that has become well established on the pad perimeter to the extent practicable, and will focus reclamation efforts toward de-compaction, removing sharp, angular features to more closely approximate the natural contours, re-establishing natural drainage patterns, and re-vegetating the abandoned well pad and access road.

Well Pad Reclamation

(Note: some steps may occur in a different sequence than listed below or may occur simultaneously as the case may be):

1. The following activities would take place before commencing with any dirt work to restore the pad surface:

- The BLM Authorized officers will be notified at least 48 hours prior to construction;
- Pre-construction conditions will be documented and pictures taken from the four cardinal directions for future reference;
- The P&A marker will remain as is. All pertinent well information is permanently imprinted onto the marker for future reference.
- Temporary and/or permanent stormwater and erosion control BMPs will be employed at appropriate locations around the pad as dictated by local drainage patterns and expected areas of disturbance and slopes AND across the access road. BMP selection will be determined by local factors and will be a combination of sediment and erosions controls that are deemed effective and low maintenance. Straw wattles, diversion ditches, mulch, soil blankets, and/or other suitable BMPs may be used in various combinations, as appropriate, during and after construction activities;
- Remove all gravel on well pad surface. Gravel may be used at the base of the cut slope underneath the fill material to re-establish the natural topography;
- Use fill material to reconstruct natural topography.
- If enough fill material is available, excess material will be used to build up the access road (which is lower in depth than the natural grade due to compaction and erosion) AFTER ripping the road base to eliminate surface compaction hard pan;
- Those areas where healthy, mature, and weed-free vegetation has established along the pad perimeter will remain undisturbed to the extent possible;
- Natural drainage patterns will be restored, as practical, as near as possible to pre-disturbance conditions;
- The pad surface will be ripped by Bulldozer or Grader to reduce compaction and to establish a suitable root zone in preparation for topsoil replacement;
- Topsoil will be redistributed across the pad surface and disked to prepare the soil for seeding;
- After location has been re-contoured, rip, disk and seed the location and access road with a disk type seed drill;
- All disturbed areas will be seeded in accordance with the FFO Bare Soil Reclamation Procedures.

Access Road Reclamation

Upon completion of all well pad reclamation activities, the associated access road will be reclaimed using much the same methods as described above. The road will be ripped and scarified to reduce compaction, and any sharp or angular cuts or fills would be restored as near as possible to pre-disturbance contours. Natural drainage patterns will be restored, to the extent practical, as near as possible to pre-disturbance conditions. **NO disturbance will occur outside the areas currently disturbed by the access road boundaries.**

Established vegetation along the roadsides will remain undisturbed where possible to encourage native plant growth onto the new disturbance and to maintain erosion and sediment control. Straw wattles and/or diversion ditches will be placed at appropriate locations along the road as needed to prevent sediment transport to local drainages. Other suitable BMPs may be used in various combinations, as appropriate, during and after construction activities.

All disturbed areas will be re-seeded in accordance with BLM FFO Bare Soil Reclamation Procedures.

To discourage future use of the road, a temporary fence consisting of woven wire fence at and across the access road leading to the well site at the intersection of the main road and take off point(s) to discourage access on rehabilitated access road and will serve as a barricade to discourage access to the newly reclaimed road and will be left in place until the road & well pad have been stabilized.

A sign will be installed on the fence, i.e. "Seeded Area -- Do Not Disturb" or equivalent

Re-establishing Surface Hydrology

Natural drainage patterns will be restored as near as possible to pre-construction conditions, except where restoring the natural drainage will cause excessive disturbance and disrupt the natural rehabilitation processes that have already established. In those areas, additional means for ensuring proper drainage, such as water bars or diversion ditches, may be employed.

Eroded areas will be filled in using fill material from the well location and Best Management Practices (BMP's) for Storm water pollution prevention such as silt traps, excelsior mats, wattles/sediment control logs and straw distributed on the surface and crimped or harrowed into the soil after drill seeding.

Given that the well pad will effectively be inaccessible following road reclamation and because the only potential pollution source will be runoff sediment; the temporary stormwater BMPs will be removed upon completion of construction activities. Drainage, sediment, and erosion controls will be managed through vegetative practices and/or biodegradable materials (i.e. soil blankets, straw wattles, crimped straw, mulch, brush and woody debris, pocking, etc..).

All drainage, sediment, and erosion controls will be implemented in accordance with Operator standard Stormwater Management Plan.

Site Preparation, Soil Management and Handling

Fill material will be pushed into cuts and over the back slope as necessary and any sharp, angular cuts and fills will be smoothed to conform as nearly as practical to the adjacent landform. The pad and road surfaces will then be ripped, scarified, and/or disked to a depth adequate for establishing a suitable root zone.

All salvaged topsoil material will be reused and spread evenly over the disturbed areas. Prior to seeding, all disturbed areas will be left with a rough surface to facilitate moisture and seed retention, and vegetative slash/brush will be placed at expected discharge areas to minimize sediment transport. The topsoil in the area is generally deep and no soil amendments are expected or proposed.

Revegetation

Following soil preparations, a range drill (disk type seed drill) will be used to apply the approved seed mix over the disturbed areas. The drill will be equipped with a depth regulator to ensure even planting depths appropriate to the plant species and soil types. Should broadcast seeding be deemed more appropriate in some areas, the seed application rates will be doubled and a rake or harrow used to incorporate the seed into the soil. Any steep slopes, greater than 2:1, will be blanketed for soil stabilization and seed retention.

The seed mixture and application rates for the Sage/Grassland Vegetative Community will be as follows:

| Species | Variety | Pound/Acre (PLS) |
|--------------------------|-------------------|------------------|
| Fourwing Saltbush | VNS | 2.0 |
| Antelope Bitterbrush | VNS | 2.0 |
| Western wheatgrass | Arriba | 4.0 |
| Bottlebrush Squirreltail | Unknown | 3.0 |
| Indian ricegrass | Paloma or Rimrock | 4.0 |
| Blue Grama | Alma or Hachita | 2.0 |
| Small Burnet | Delar | 2.0 |
| Blue Flax | Apar | .25 |

* Seed mix is available locally or from Southwest Seed in Dolores, CO.

Seed mixtures will be certified weed-free and the seeding records (bag labels) or other official documentation will be available to the Authorized Officer prior to seeding.

Seeding will be accomplished as soon as reasonably possible following completion of earthwork activities. The Authorized Officer will be notified forty-eight (48) hours prior to commencing with seed application.

Weed Management

Operator's objective is to implement an integrated weed management program to control weed populations and establish desirable vegetation utilizing the following strategies:

- Control the introduction and spread of weeds through early detection.
- Establish desirable native vegetation on disturbed areas through successful re-vegetation efforts.
- Treat and control known weed populations.

Among the measures that will be implemented to prevent the introduction or establishment of weeds in areas not already infested include:

- Identification and eradication of new infestations as quickly as practical.
- Implement successful re-seeding efforts as quickly as practical in areas that have been disturbed.

Local factors, such as soil type and stability; grade; associated vegetation; existing and proposed land use; proximity to water; weed type and stage of growth; and severity of infestation; will be considered in selecting the appropriate weed management method(s). The management method(s) selected will be the least environmentally damaging, yet practical and reasonable in achieving the desired results.

Operator will utilize chemical treatment as the preferred method of weed management and control. The proper use of herbicides at the optimum time can be an effective method for controlling persistent weeds. A Pesticide Use Proposal (PUP) will be pre-approved by the BLM prior to any chemical treatment. The use and handling of herbicides will be in accordance with all application rates, restrictions, and warnings listed on the label and MSDS. Preparation and application of all herbicides will be licensed by the State of Colorado Department of Agriculture, and a Daily Weed Pesticide Application Record will be completed and retained for all spraying activities.

Other methods to be used for weed control will include the following:

- Remove soil, seeds, and vegetative matter prior to entering or leaving the project site on all construction equipment and transport vehicles, trucks, pickups, and other vehicles ;
- Ensure that all seed mixes, straw, and/or mulch used in reclamation are certified weed-free;
- Promptly revegetating disturbed areas;
- Treating and/or removing weeds prior to ground-disturbing activities to limit seed production and dispersal;
- Treating noxious weeds that have escaped the project area onto adjacent areas to prevent further expansion into un-infested areas and re-infestation of the treated area;

Monitoring

After the earthwork and seeding is completed, Operator will submit a Sundry Notice informing the BLM that reclamation has been completed and which includes a request for an inspection of the earthwork and seeding.

A joint inspection will be conducted by Operator and the BLM. During the inspection, the BLM and Operator will establish a line point intercept transect.

After establishment of adequate vegetation, Operator will read the line point intercept transect and take photos of the site. Operator will submit a Sundry Notice (FAN) requesting approval of the remediated well location and access road. Data results from the line point intercept transect and photos of the location and access road will be submitted as supporting documentation for the FAN Sundry Notice.

Summary

Dugan production will perform the following actions as deemed necessary from a pre P&A inspection:

1. Remove all well site equipment.
2. Rip, disc and reseed the well pad and access road
3. Close and sample the BGT on location

END OF PLAN

P&A Field Inspection Sheet

Date 9-9-19

Specialist _____

Operator Dugan

Well Name & Number chacra #1

API Number 30-043-20308

Section 10 Township 22N Range 7W

Lease Number NM 25821

Footage 1070 FNL & 880 FWL

Surface: BLM BOR State

County Sandoval State _____

Twinned: Yes No

Well pad

Topography _____

Stockpile Topsoil Yes No

Soil Type _____

Vegetation Community sage/grass

- 1 _____
- 2 _____
- 3 _____
- 4 _____
- 5 _____
- 6 _____
- 7 _____

Vegetation Cages: Yes No

Facilities on Location: Tanks, Meter Runs, Separators, Compressor, Day tanks, Pipeline Riser Yes No

Gravel Present: Yes No Bury Yes No Main Road _____

Steel Pits: Above Grade / Below Grade Where on Location Separator

Cathodic Groundbed on Location: Yes No In Service Yes No Abandoned Yes No Plugged Yes No

Remove Wire Remove Rectifier

Trash on Location Yes No Power Poles Present Yes No Remove Power Poles Yes No

Construct Diversion Ditch Above Below Around

_____ side draining _____

Contaminated Soil Present: Yes No

_____ side draining _____

Remove: Yes Where on Location _____

Construct Silt Trap (s) _____

Re-contour Disturbed Areas to Natural Terrain: Yes No

Special Features _____

Location & Access Barricade Yes No How _____

Construction Comments/Concerns _____

Access Road

Access Length _____ Remediation Methods: RIP Disk Water Bars Re-establish Drainages,

Other _____

Access Condition Below grade Above grade Other _____

~~Gulverts: Yes No Cattle Guard: Yes No Reconstruct Fence: Yes No Surfacing Material: Yes No~~

What to do w/ Material _____

Road Comments/ Concerns _____