

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No. NMNM-023047	
6. If Indian, Allottee or Tribe Name N/A	
7. If Unit or CA Agreement, Name and No. N/A	
8. Lease Name and Well No. DUGAN 1 T	
9. API Well No. 30-039-29961	
10. Field and Pool, or Exploratory BASIN FRUITLAND COAL	
11. Sec., T. R. M. or Blk. and Survey or Area C 3-29N-5W NMPM	
12. County or Parish RIO ARriba	
13. State NM	
14. Distance in miles and direction from nearest town or post office* 6 AIR MILES NE OF GOBERNADOR	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 980'	
16. No. of acres in lease 326.24	
17. Spacing Unit dedicated to this well LOTS 1-4 & S2N2 326.24 N/2	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2,515' (DUGAN 1)	
19. Proposed Depth 4,100'	
20. BLM/BIA Bond No. on file BLM NM2125	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,808' GL	
22. Approximate date work will start* 08/01/2006	
23. Estimated duration 3 WEEKS	

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Brian Wood</i>	Name (Printed/Typed) BRIAN WOOD	Date 06/09/2006
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Title **CONSULTANT** PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature) <i>D. Mankiewicz</i>	Name (Printed/Typed) D. Mankiewicz	Date 9/14/06
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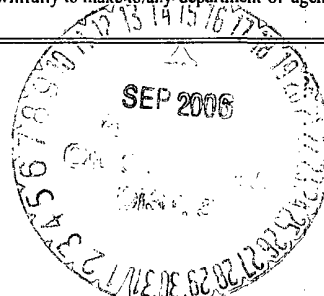
Title <i>AFM</i>	Office <i>PFO</i>
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Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of 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.

*(Instructions on page 2)

NMOC



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

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

State of New Mexico
Energy, Minerals & Mining Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C. - 102

☐ AMENDED REPORT

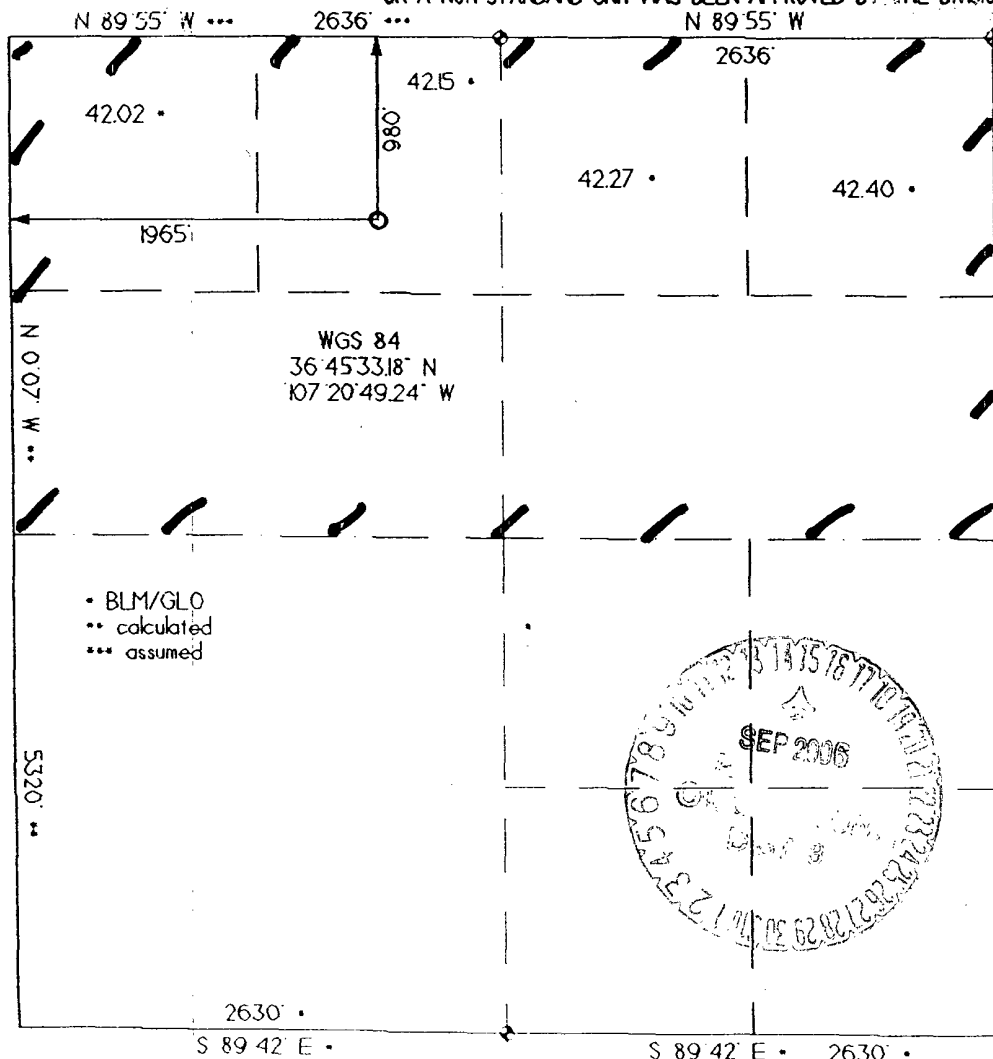
WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number 30-039-29961	Pool Code 71629	Pool Name BASIN FRUITLAND COAL
Property Code 301359	Property Name DUGAN	Well Number 1 T
OGRIID No. 233194	Operator Name POGO PRODUCING (SAN JUAN) CO.	Elevation 6808'

Surface Location									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from	North/South	Feet from	East/West	County
C	3	29 N.	5 W.	(3)	980'	NORTH	1965'	WEST	RIO ARriba

Bottom Hole Location if Different From Surface									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from	North/South	Feet from	East/West	County
Dedication 326.24 N12	Joint ?	Consolidation	Order No.						

NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <i>Brian Wood</i>	
Printed Name	BRIAN WOOD
Title	CONSULTANT
Date	MAY 12, 2006
SURVEYOR CERTIFICATION I hereby certify that the well location 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 05/07/04	
Signature and Professional Seal 	

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

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

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

WELL API NO. 30-039-
5. Indicate Type of Lease. STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMNM-023047
7. Lease Name or Unit Agreement Name DUGAN
8. Well Number 1 T
9. OGRID Number 233194
10. Pool name or Wildcat BASIN FRUITLAND COAL GAS

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 <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/>	
2. Name of Operator POGO PRODUCING (SAN JUAN) COMPANY	
3. Address of Operator P. O. BOX 10340, MIDLAND, TX 79702-7340	
4. Well Location Unit Letter: C 980' FNL & 1965' FWL Section 3 Township 29 North Range 5 West NMPM RIO ARRIBA County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6,808' GL	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type: <u>DRILLING</u> Depth to Groundwater: <u>100'</u> Distance from nearest fresh water well: <u>>5,000'</u> Distance from nearest surface water: <u>>500'</u>	
Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>
OTHER: DRILLING PIT <input checked="" type="checkbox"/>	OTHER: <input type="checkbox"/>

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.

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 ☐.

SIGNATURE

TITLE: CONSULTANT

DATE: JUNE 9, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

APPROVED BY:

TITLE

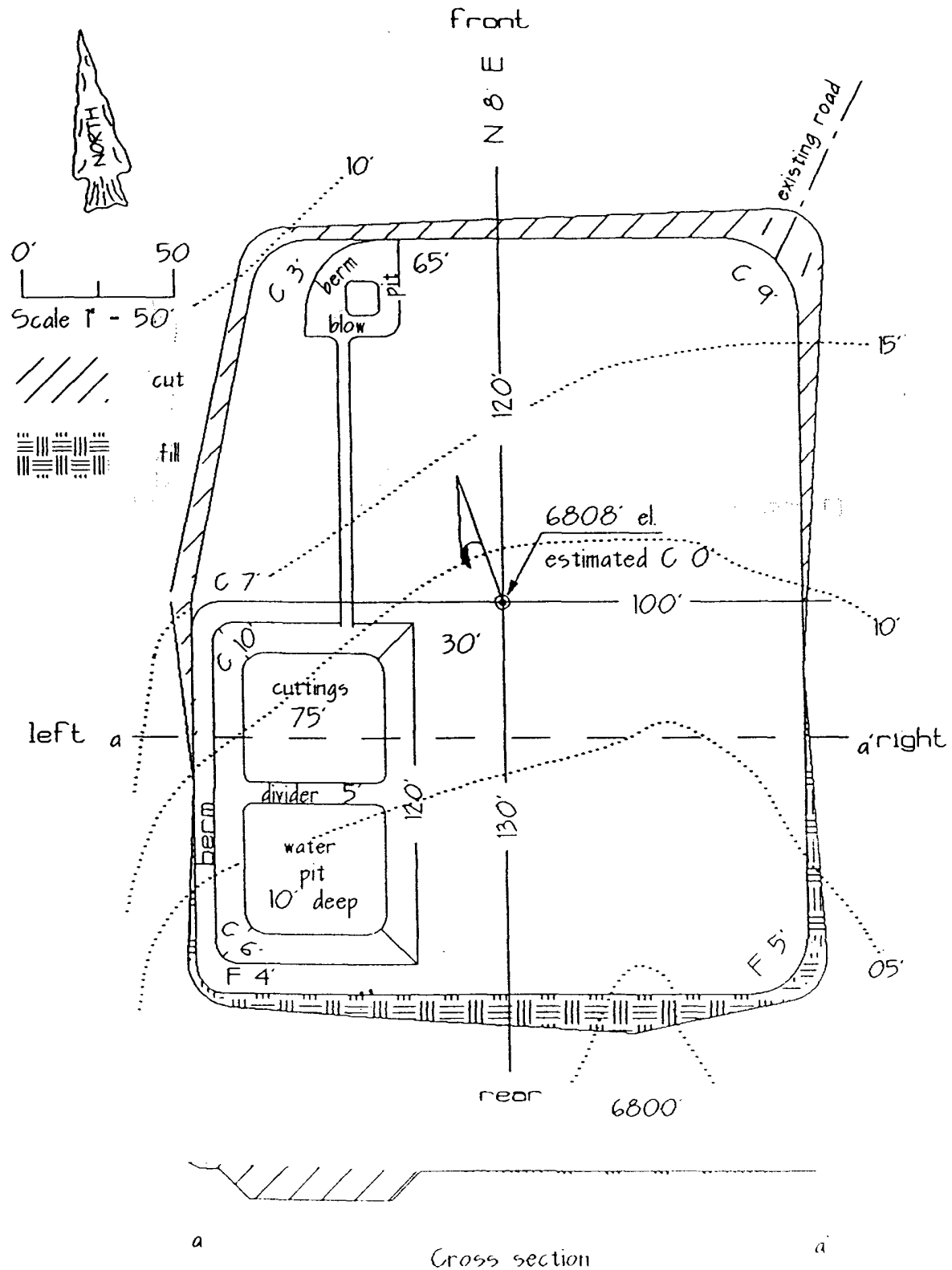
DEPUTY OIL & GAS INSPECTOR, DIST. ☒

DATE

SEP 15 2006

Conditions of Approval (if any):

DUGAN # 1 T
well pad & section



Pogo Producing (San Juan) Company
Dugan 1 T
980' FNL & 1965' FWL
Sec. 3, T. 29 N., R. 5 W.
Rio Arriba County, New Mexico

PAGE 1

Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
San Jose	0'	10'	+6,808'
Ojo Alamo sandstone	3,008'	3,018'	+3,800'
Fruitland coal	3,558'	3,568'	+3,250'
Pictured Cliffs sandstone	3,783'	3,793'	+3,025'
Lewis shale	4,008'	4,018'	+2,800'
Total Depth (TD)	4,100'	4,110'	+2,708'

2. NOTABLE ZONES

<u>Gas Zones</u>	<u>Water Zones</u>	<u>Coal Zones</u>
Fruitland	Ojo Alamo	Fruitland
Pictured Cliffs	Fruitland	

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. PRESSURE CONTROL

The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. (A typical 2,000 psi model is on PAGE 3.) Double ram or annular 2,000 psi system with a rotating head will be used. All ram preventers and related equipment will be hydraulically tested at nipple up and after any use under pressure to 1,000 psi.

Pogo Producing (San Juan) Company
Dugan 1 T
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Blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. BOP equipment will include a kelly cock, floor safety valve, and choke manifold all rated to 2,000 psi. Maximum expected bottom hole pressure will be $\approx 1,775$ psi.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Depth Set</u>
8-3/4"	7"	20	K-55	New	200'
6-1/4"	4-1/2"	10.5	K-55	New	4,100'

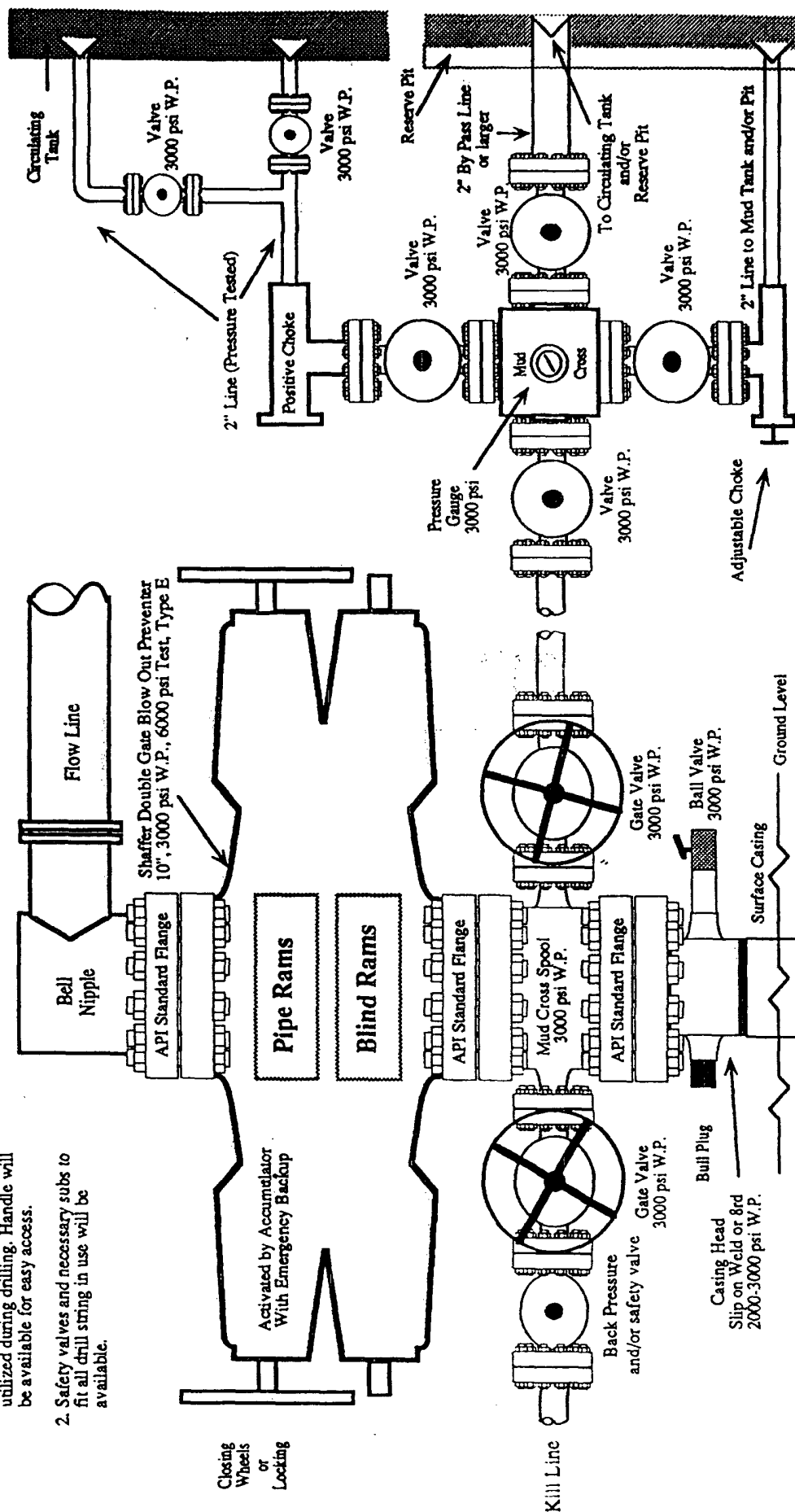
Surface casing will be cemented to surface with ≈ 61 cubic feet (≈ 52 sacks) Class B + 2% CaCl_2 . Volume is based on 100% excess, yield of 1.18 cubic feet per sack, and slurry weight of 15.6 pounds per gallon. W. O. C. = 12 hours. Pressure test surface casing to ≈ 600 psi for 30 minutes.

Production casing hole will be cleaned of rock chips by circulating $\geq 150\%$ of hole volume with mud. Seventy-five barrels of fresh water will next be circulated. Lead with ≈ 783 cubic feet (≈ 380 sacks) of Class B with 2% metasilicate (yield = 2.06 cubic feet per sack, slurry weight = 12.5 pounds per gallon). Tail with ≈ 59 cubic feet (≈ 50 sacks) of Class B with 2% CaCl_2 (yield = 1.18 cubic feet per sack, slurry weight = 15.6 pounds per gallon). Total cement volume = 842 cubic feet @ 100% excess and circulating to surface.

Production casing will have 4-1/2" cement guide shoe and self fill float collar. Float will be placed one joint above the shoe. Centralizers will be spaced as needed.

2,000 PSI BOP SYSTEM

- Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.
2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

Pogo Producing (San Juan) Company
Dugan 1 T
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5. MUD PROGRAM

Surface casing hole will be drilled with fresh water. Production casing hole will be drilled with a fresh water polymer mud. Weighting material will be drill solids or, if needed, barite. Maximum expected mud weight will be 8.5 pounds per gallon.

6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned.

Spectral Density/Dual Spaced Neutron and Dual Induction/Guard with GR, SP, and Caliper and logs will be run from TD to at least the base of the surface casing.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take one week to drill the well and two weeks to complete the well.