

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 OCT 19 PM 3 00

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|---|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NM-21742 |
| 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 |
| 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. Clementine Com #90 |
| 3b. Phone No. (include area code) 505-325-1821 | | 9. API Well No. 30-045-34015 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 1285' FSL & 1185' FWL, Lat. 36.28083 N. At proposed prod. zone Same as above Long. 107.88853 W. | | 10. Field and Pool, or Exploratory Basin Fruitland Coal |
| 11. Sec., T. R. M. or Blk. and Survey or Area M Sec. 27, T24N, R10W NMPM | | 12. County or Parish San Juan |
| 13. State NM | | 14. Distance in miles and direction from nearest town or post office* Approx. 35-miles SE of Bloomfield, NM |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1185 Feet | 16. No. of acres in lease 800 Acres | 17. Spacing Unit dedicated to this well S/2-320.0 Acres |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 2700' | 19. Proposed Depth 1290 Feet | 20. BLM/BIA Bond No. on file On File |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL- 6656' | 22. Approximate date work will start* ASAP | 23. Estimated duration 7-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 Fagrelus</i> | Name (Printed/Typed) Kurt Fagrelus | Date 10-19-2006 |
| Title Geology | | |
| Approved by (Signature) <i>[Signature]</i> | Name (Printed/Typed) | Date 4/9/07 |
| Title ASU | Office FRO | |

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)

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 1110' - 1130'. The interval will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

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

NMOCD

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

4/16/07

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-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

RCVD APR 12 '07
OIL CONS. DIV.

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|------------------------------------|--|------------------------------------|---------------------|
| *API Number 30-045-34015 | *Pool Code 71629 | *Pool Name BASIN FRUITLAND COAL | DIST. 3 |
| *Property Code 36452 | *Property Name CLEMENTINE COM | | *Well Number 90 |
| *OGRID No. 006515 | *Operator Name DUGAN PRODUCTION CORPORATION | | *Elevation 6656' |

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 |
|--------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| M | 27 | 24N | 10W | | 1285 | SOUTH | 1185 | WEST | 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 320.0 Acres - (S/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 | 5241.72' | | 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 10-19-2006 Date |
| 5206.08' | 27 DUGAN NM-21741 | XTO ENERGY NM-112956 | 5299.14' |
| LAT: 36.28083°N LONG: 107.88853°W DATUM: NAD1983 | 1185' | 5232.48' | 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 11, 2006 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269 |

Submit this form to the appropriate regulatory agency.
Oil and Gas Division
1110 North 1st Street, Suite 100
Albuquerque, NM 87102
Phone: (505) 771-1111
Fax: (505) 771-1111
Internet: www.oilgas.state.nm.us

Oil and Gas Division
1110 North 1st Street, Suite 100
Albuquerque, NM 87102
Phone: (505) 771-1111
Fax: (505) 771-1111
Internet: www.oilgas.state.nm.us

Form O-100

30-045-34015

Federal XX

Federal NM-21742

Field Name of Well (if different from

Clementine Com #90

8. Well Number #90

9. OGRID Number 006515

10. Pool name or Wildcat Basin Fruitland Coal

SUNDY NOTICES AND REPORTS OF WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE APPLICATION FOR PERMIT (OPALC-100) 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

4. Well Location
Unit Letter M : 1285 feet from the south line and 1185 feet from the west line
Section 27 Township 24N Range 10W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6656

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drilling Depth to Groundwater +100 Distance from nearest fresh water well +1000 Distance from nearest surface water 200'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls: Construction Material Synthetic

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 COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Reserve pit for drilling (lined) ☒

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. The Fruitland Coal will be completed. The interval will be fracture stimulated.

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 Kurt Fagrelius TITLE Geology DATE 10-19-2006

Type or print name Kurt Fagrelius E-mail address: kfagrelius@duganproduction.com Telephone No.

For State Use Only

APPROVED BY: DATE APR 16 2007

Conditions of Approval (if any):

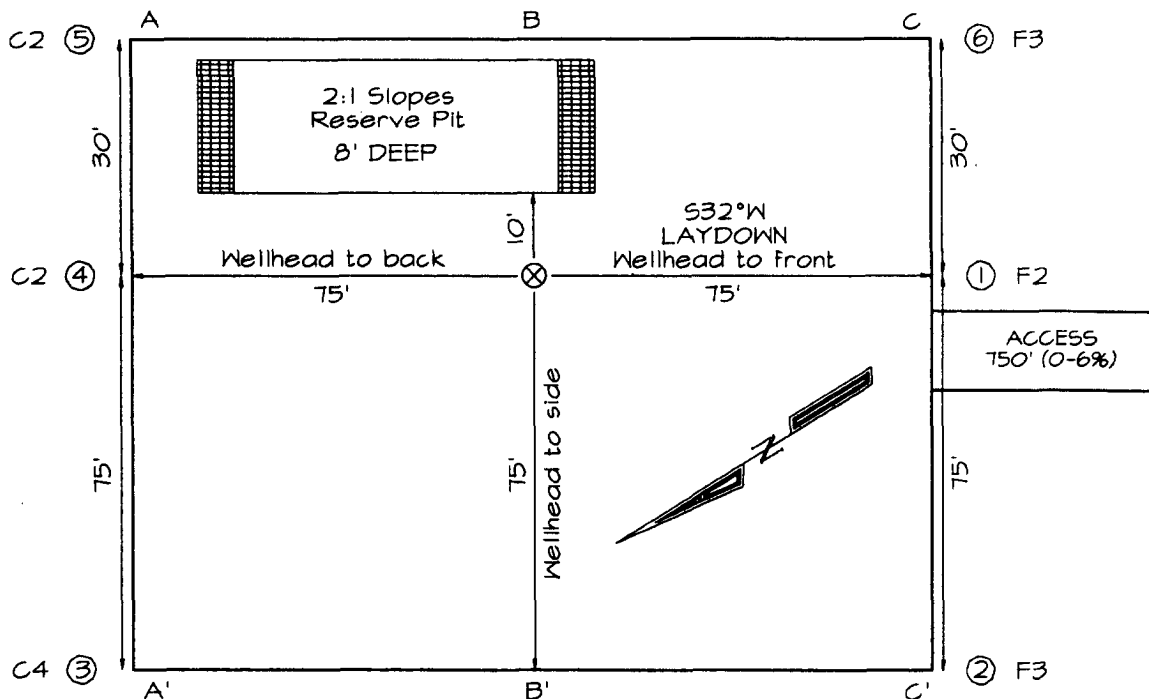
DEPUTY OIL & GAS INSPECTOR, DIST. #10

DUGAN PRODUCTION CORPORATION CLEMENTINE COM #90
1285' FSL & 1185' FWL, SECTION 27, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6656'

LATITUDE: 36.28083° N
LONGITUDE: 107.88853° W
 DATUM: NAD1983

PLAT NOTE:

SURFACE OWNER
 Bureau of Land
 Management



| A-A' | | | | | | |
|-------|--|--|--|--|--|--|
| 6666' | | | | | | |
| 6656' | | | | | | |
| 6646' | | | | | | |
| | | | | | | |

| B-B' | | | | | | |
|-------|--|--|--|--|--|--|
| 6666' | | | | | | |
| 6656' | | | | | | |
| 6646' | | | | | | |
| | | | | | | |

| C-C' | | | | | | |
|-------|--|--|--|--|--|--|
| 6666' | | | | | | |
| 6656' | | | | | | |
| 6646' | | | | | | |
| | | | | | | |

Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

EXHIBIT B
OPERATIONS PLAN
Clementine Com #90

APPROXIMATE FORMATION TOPS:

| | |
|--------------------|--------------|
| Ojo Alamo | 345' |
| Kirtland | 430' |
| Fruitland | 835' |
| Pictured Cliffs | 1135' |
| Total Depth | 1290' |

Catch samples every 10 feet from 1000 feet to total depth.

LOGGING PROGRAM:

Run cased hole 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> |
|----------------------------|------------------------------|----------------|--------------------------------|--------------------------------------|
| 12-1/4" | 8-5/8" | 24# | 120' | J-55 |
| 7" | 5-1/2" | 14# | 1290' | 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" 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 120 cf 2% lodense with
1/4# celloflake/sx followed by 80 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 200 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.

Contacts:

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

| | |
|------------|--------------|
| Mark Brown | 327-3632 (H) |
| | 320-8247 (M) |

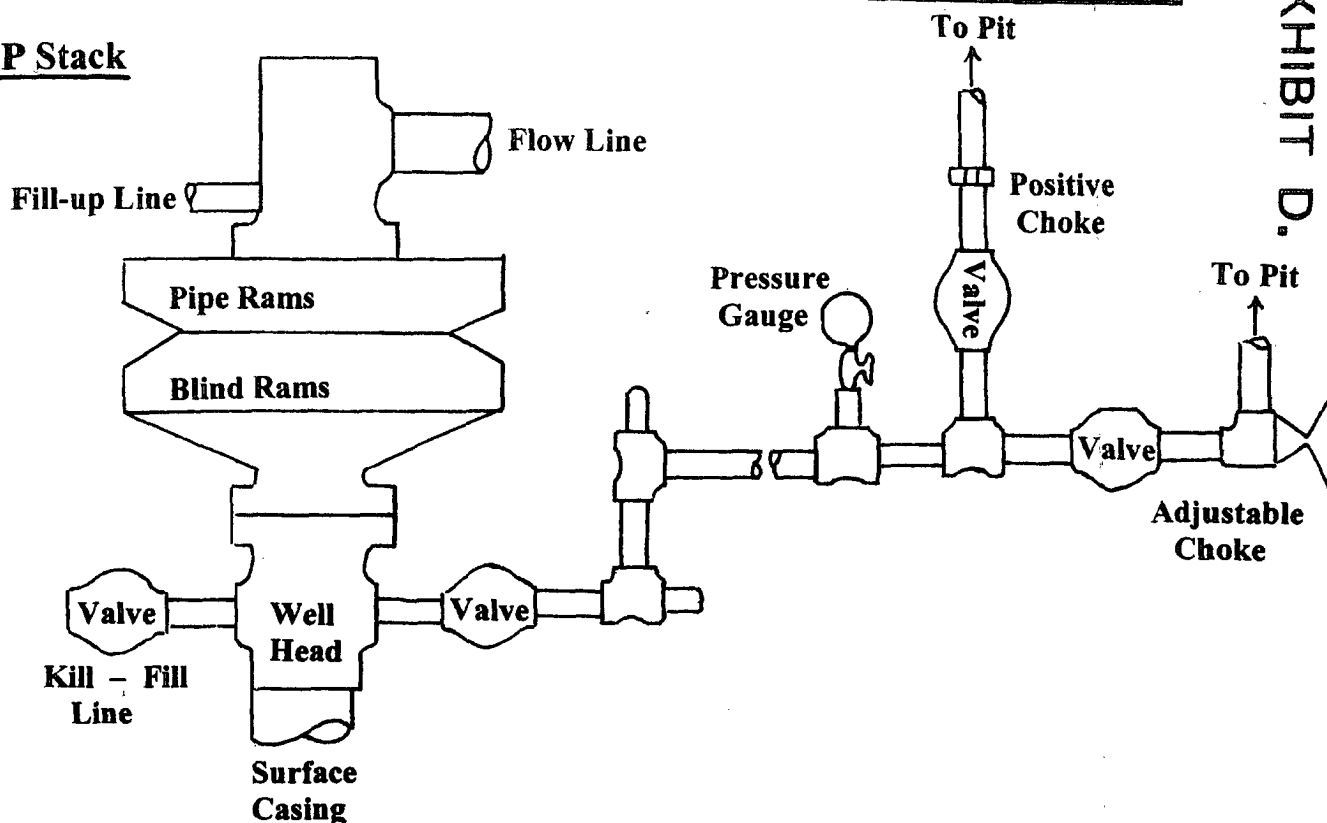
| | |
|---------------|--------------|
| Kurt Fagrelus | 325-4327 (H) |
| | 320-8248 (M) |

| | |
|----------------|--------------|
| John Alexander | 325-6927 (H) |
| | 320-1935 (M) |

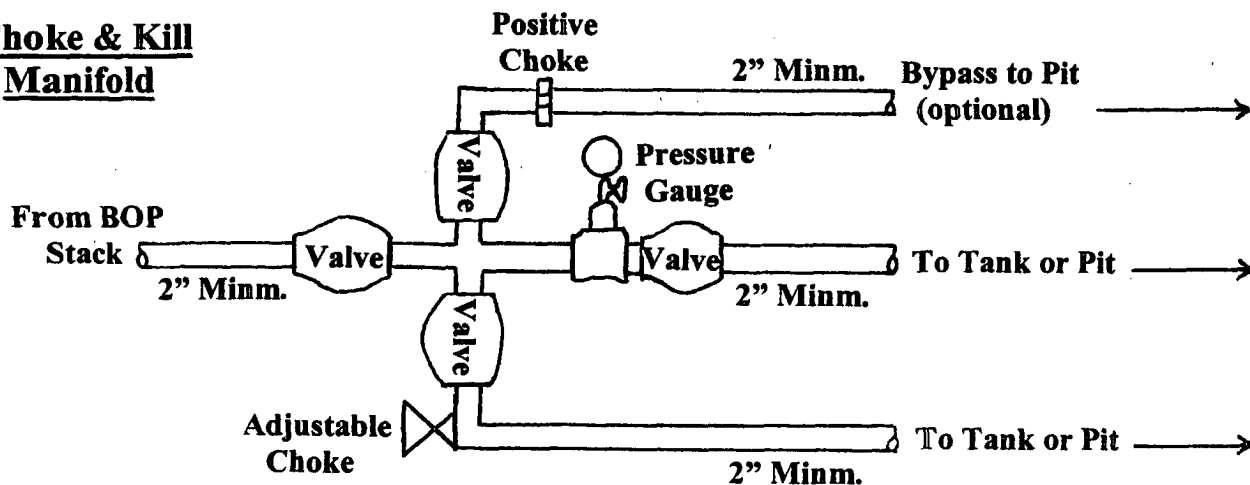
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
CLEMENTINE COM #90