

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

RECEIVED

5. Lease Serial No. **NM-112956**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
Clementine Com #90-S

9. API Well No.
30-045-34017

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T. R. M. or Bk. and Survey or Area
**P Sec. 27, T24N, R10W
NMPM**

12. County or Parish
San Juan

13. State
NM

1a. Type of work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator
Dugan Production Corp.

3a. Address **709 East Murray Drive, Farmington, NM
87401**

3b. Phone No. (include area code)
505-325-1821

4. Location of Well (Report location clearly and in accordance with any State requirements)
At surface **900' FSL & 1290' FEL, Lat. 36.27996 N.
At proposed prod. zone Same as above Long. 107.87917 W.**

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 drg. unit line, if any)
900 Feet

16. No. of acres in lease
720.0 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. 3,000'

19. Proposed Depth
1340'

20. BLM/BIA Bond No. on file
On File

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL-6708'

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:

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 SLPO 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 **Kurt Fagrelis** Name (Printed/Typed) **Kurt Fagrelis** Date **10-19-2006**

Title **Geology**

Approved by (Signature) **[Signature]**
Title **AFM**

Name (Printed/Typed)

Office **KFO**

Date **5/1/07**

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 1170' - 1190'. The interval will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

NMOCD

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

5/9/07

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
RCUD MAY3'07

RECEIVED

070 EARTHINGTON UNIT

OIL CONS. DIV.

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-34017		Pool Code 71629	Pool Name BASIN FRUITLAND COAL	DIST. 3
Property Code 36452	Property Name CLEMENTINE COM			Well Number 90S
GRID No 006515	Operator Name DUGAN PRODUCTION CORPORATION			Elevation 6708'

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	27	24N	10W		900	SOUTH	1290	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 320.0 Acres - (S/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

5206.08'	5241.72'	27	5299.14'	5232.48'	1290'	900'	LAT: 36.27996°N LONG: 107.87917°W DATUM: NAD1983	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
								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 9, 2006 Signature and Seal of Professional Surveyor  <i>JASON C. EDWARDS</i> Certificate Number 15269

Form 11-2006 (Rev. 10-2005)
NMOCD
Oil & Gas Division
1200 S. 1st St., Suite 100
Farmington, NM 87401
(505) 845-1234
www.nmoed.state.nm.us

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30-045-34017
Federal XX
STATE ☐ FEDERAL ☒

Federal NM-112956

(Owner) Name of Well Applicant Name

Clementine Com

8. Well Number #90-S

9. OGRID Number 006515

10. Pool name or Wildcat Basin Fruitland Coal

SUMMARY NOTICES AND REPORTS OF WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DECEASE OR PLUG BACK TO DIFFERENT RESERVOIR. USE TABLE WITH A FOR PERMIT PROPOSALS AND FOR SHOWN 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 P : 900 feet from the south line and 1290 feet from the east line
Section 27 Township 24N Range 10W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-6708'

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: kfagrel@eduganproduction.com Telephone No.

For State Use Only

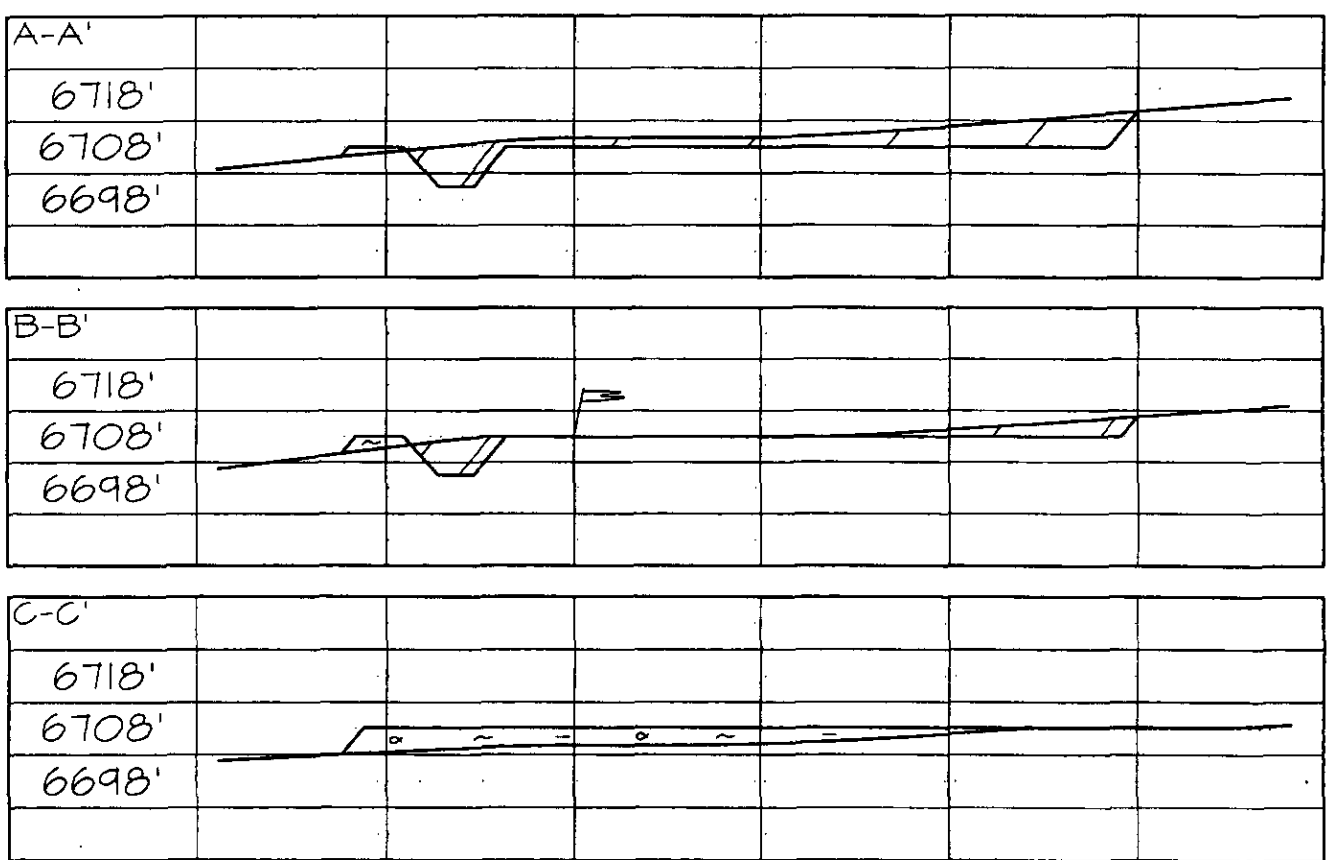
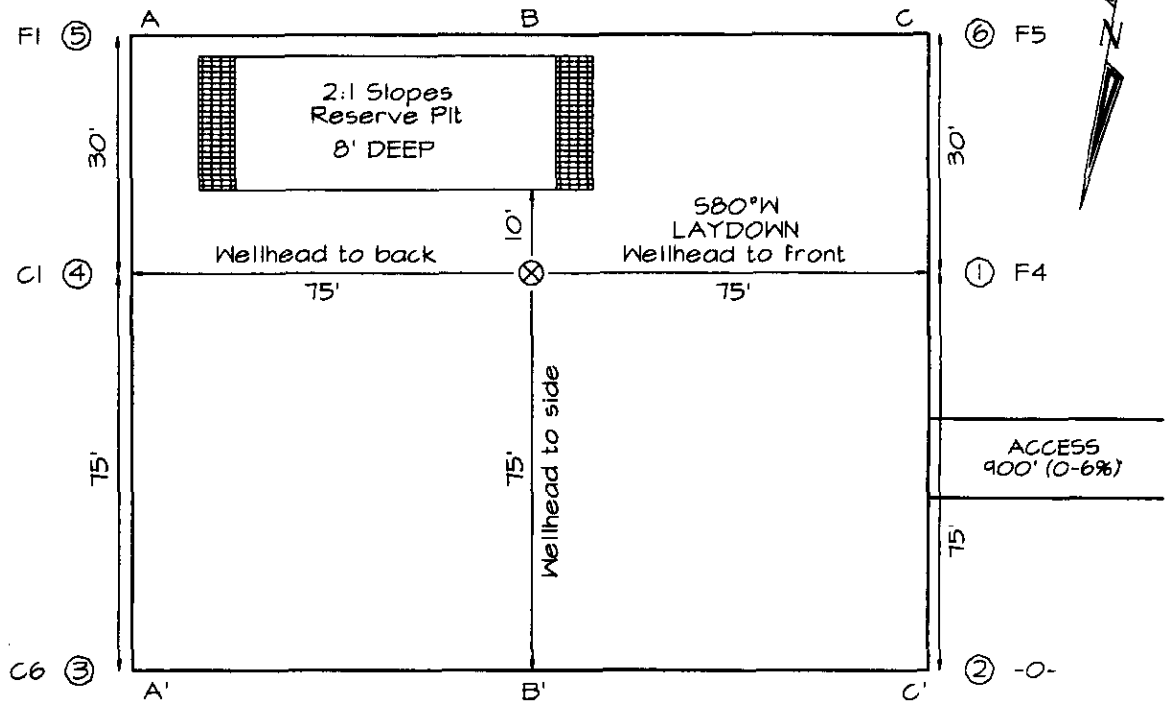
APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE MAY 09 2007

Conditions of Approval (if any):

DUGAN PRODUCTION CORPORATION CLEMENTINE COM #90S
900' FSL & 1290' FEL, SECTION 27, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6708'

LATITUDE: 36.27996°N
LONGITUDE: 107.87917°W
 DATUM: NAD1983

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management



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-S

APPROXIMATE FORMATION TOPS:

Ojo Alamo	400'
Kirtland	485'
Fruitland	890'
Pictured Cliffs	1190'
Total Depth	1340'

Catch samples every 10 feet from 1050 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#	1340'	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 135 cf 2% lodense with
1/4# celloflake/sx followed by 85 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 220 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)

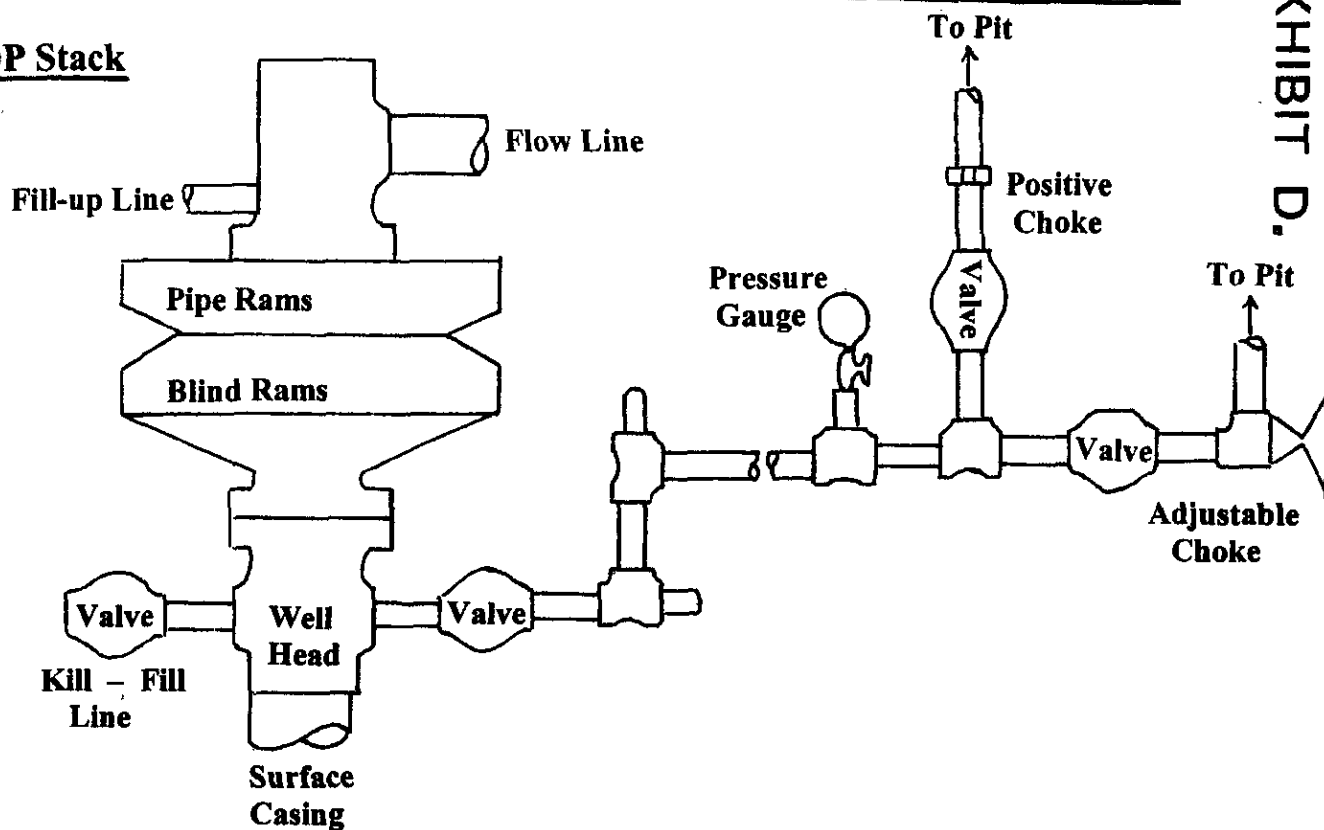
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

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

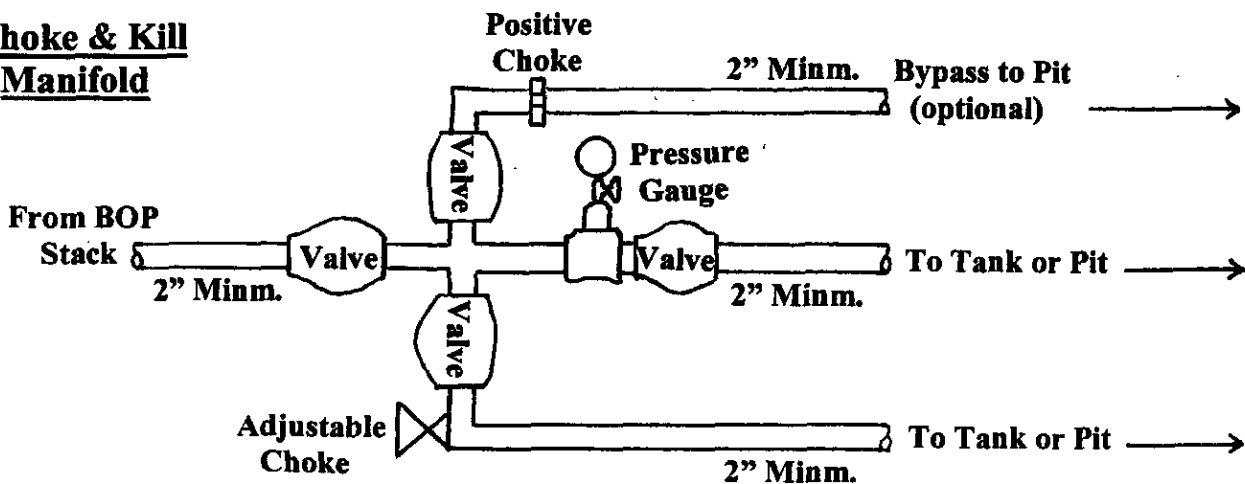
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
CLEMENTINE COM #90-S