

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

2005 DEC 14 AM 9 07
RECEIVED
070 FARMINGTON NM

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-78060
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 NM
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. Frazzle Com #91-S
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-045-33479
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 1865' FSL & 660' FEL, Lat. 36.1656, Long. 107.5547 At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T. R. M. or Blk. and Survey or Area J NMPM		12. County or Parish San Juan
13. State NM		
14. Distance in miles and direction from nearest town or post office* Approx. 10-miles SW of Blanco Trading Post, NM	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660 Feet	16. No. of acres in lease 760.00 Acres
17. Spacing Unit dedicated to this well E/2-320.0 Acres	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 2500'	19. Proposed Depth 1125 Feet
20. BLM/BIA Bond No. on file On File	21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6513'	22. Approximate date work will start* ASAP
23. Estimated duration 6-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 Fagrelis</i>	Name (Printed/Typed) Kurt Fagrelis	Date 12/12/2005
Title Geology		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) AFM	Date 6/21/07
Title AFM	Office FFO	

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)

DIST. 3

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 950' - 980'. The interval will be fractured.

NOTIFY AZTEC OCD 24 HRS.

6-29-07 BH

PRIOR TO CASING & CEMENT

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

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

NMOCD

8

District I
PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994

District II
PO Drawer 00, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

District III
1000 Rio Brazos Rd., Aztec, NM 87410

PO Box 2088
Santa Fe, NM 87504-2088

2005 DEC 14 PM 9 07

District IV
PO Box 2088, Santa Fe, NM 87504-2088

AMENDED REPORT

RECEIVED

070 FARMINGTON NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33479		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 35525	*Property Name FRAZZLE COM		*Well Number 91S
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6513'

¹⁰ Surface Location

UL or lot no. I	Section 30	Township 24N	Range 10W	Lot Idn	Feet from the 1865	North/South line SOUTH	Feet from the 660	East/West line EAST	County SAN JUAN
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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 320.00 Acres - (E/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 1255.32' LOT 1	1311.42'	2622.18'	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 12/12/2005 Date
LOT 2			
LOT 3			
LOT 4			
5268.12'		DUGAN NM-15654 DUGAN NM-78060	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. Survey Date: NOVEMBER 1, 2005 Signature and Seal of Professional Surveyor JASON C. EDWARDS NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 15269 Certificate Number 15269
		30	
		660'	
		1865'	
1259.28'	1310.76'	2621.52'	

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

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

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

WELL API NO.	30-045-33479
5. Indicate Type of Lease	Federal <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/> XX
6. State Oil & Gas Lease No.	Federal NM-78060
7. Lease Name or Unit Agreement Name	Frazzle Com
8. Well Number	91-S
9. OGRID Number	006515
10. Pool name or Wildcat	Basin Fruitland Coal
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GL-6513	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> for Closure <input type="checkbox"/>	
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 from approximately 950' - 980'. The interval will be fractured.

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 Fagrelus TITLE Geology DATE 12/12/2005

Kurt Fagrelus

kfagrelus@duganproduction.com

Type or print name

E-mail address:

Telephone No. 325-1821

For State Use Only

Deputy Oil & Gas Inspector,
District #3

APPROVED BY:

TITLE

DATE

Conditions of Approval (if any):

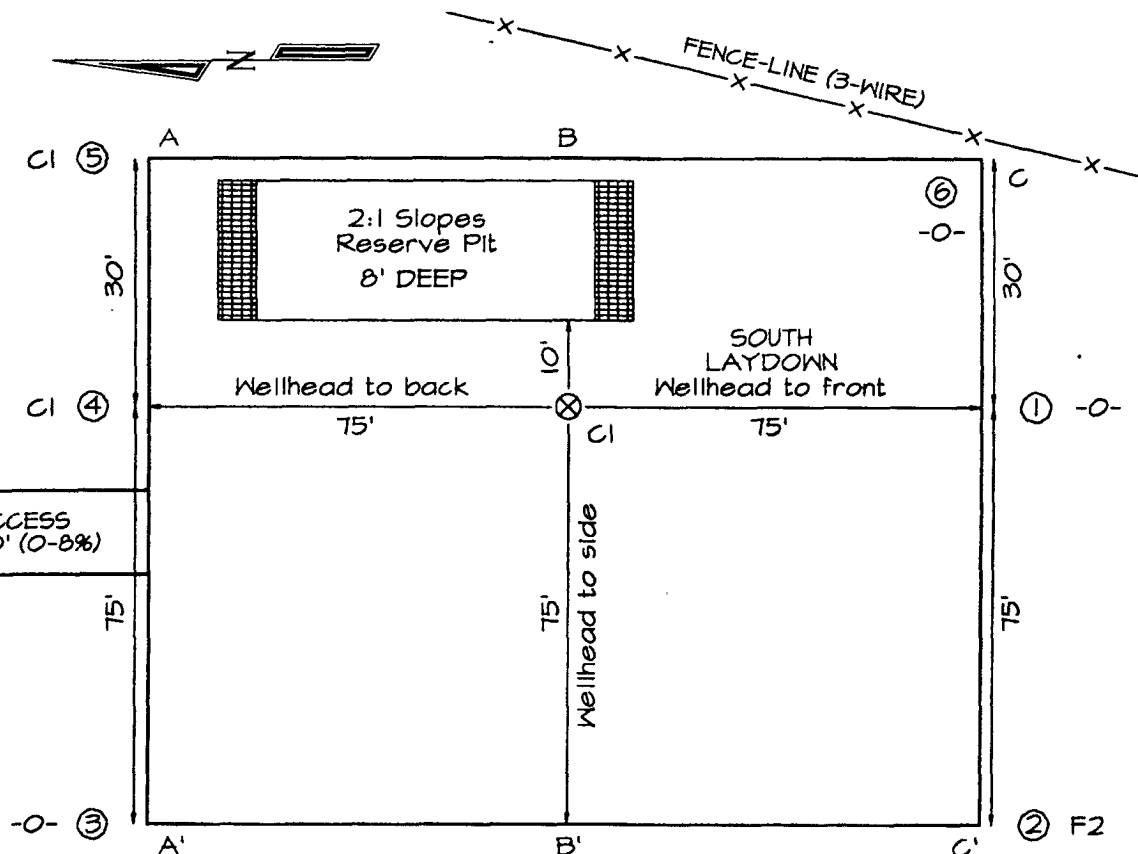
JUN 29 2007

DUGAN PRODUCTION CORPORATION FRAZZLE #91S
1865' FSL & 660' FEL, SECTION 30, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6513'

PLAT 3.

LATITUDE: 36°16'56"
LONGITUDE: 107°55'47"
DATUM: NAD1927

2300' TOTAL LENGTH OF ACCESS
1600' Bureau of Land Management
700' Navajo Tribal Trust Land



PLAT NOTE:

SURFACE OWNER
Navajo Tribal Trust

A-A'						
6522'						
6512'						
6502'						

B-B'						
6522'						
6512'						
6502'						

C-C'						
6522'						
6512'						
6502'						

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
Frazzle Com #91-S

APPROXIMATE FORMATION TOPS:

Ojo Alamo	105'
Kirtland	200'
Fruitland	630'
Pictured Cliffs	975'
Total Depth	1125'

Catch samples every 10 feet from 900 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>
11"	8-5/8"	24# 20#	120'	J-55
7"	5-1/2"	14#	1125'	J-55

Plan to drill a 11" hole and set 120' of 8-5/8" OD, 20#, 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 130 cf 2% lodense with
1/4# celloflake/sx followed by 70 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)

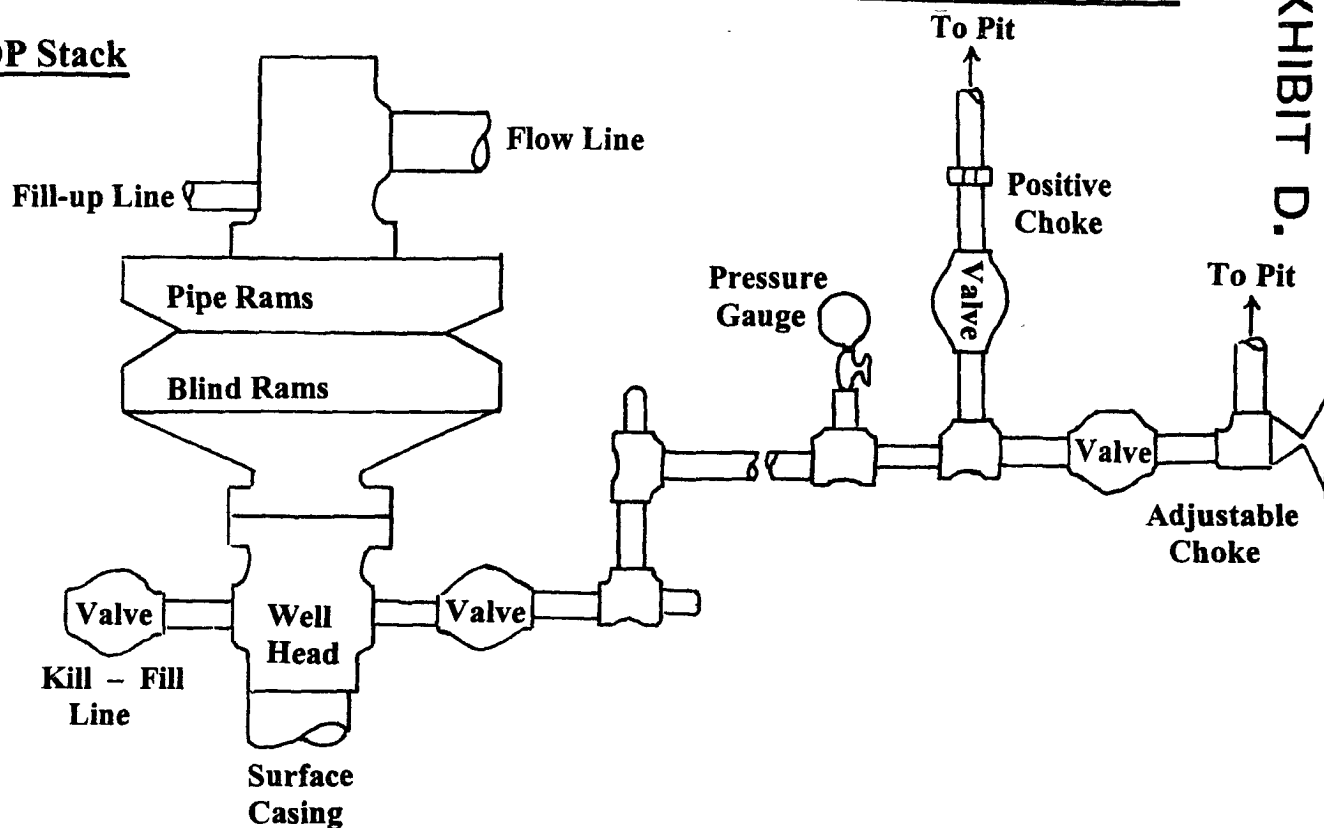
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

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

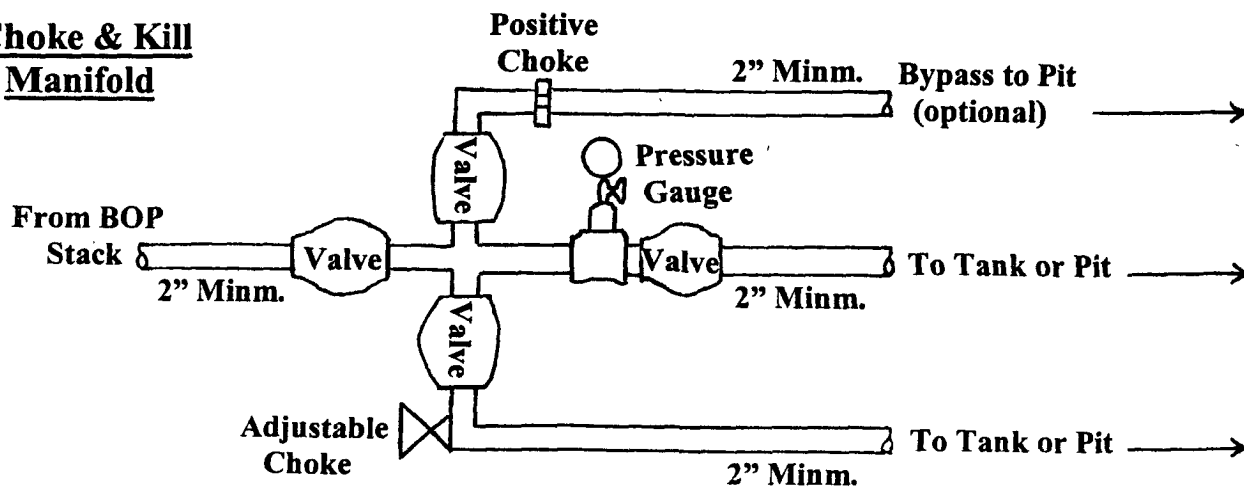
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
FRAZZLE COM #91-S