

RCVD AUG 30 '07

OIL CONS. DIV.

DIST. 3

Form 3160-3
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JUN 27 PM 3 06

APPLICATION FOR PERMIT TO DRILL OR REENTER

070 FARMINGTON NM

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 20075. Lease Serial No.
NM-33022

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
West Fork #909. API Well No.
30-045-3382510. Field and Pool, or Exploratory
Basin Fruitland Coal11. Sec., T. R. M. or Blk. and Survey or Area
D Sec. 29, T27N, R12W
NMPM1a. Type of work: ☒ DRILL ☐ REENTER1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone2. Name of Operator
Dugan Production Corp.3a. Address 709 East Murray Drive, Farmington, NM
874013b. Phone No. (include area code)
505-325-18214. Location of Well (Report location clearly and in accordance with any State requirements.)*
At surface 1105' FNL & 660' FWL, Lat. 36.55046 N.,
At proposed prod. zone Same as above Long. 108.14169 W.14. Distance in miles and direction from nearest town or post office*
Approx. 15-miles SE of Farmington, New Mexico12. County or Parish
San Juan13. State
NM15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)
660 Feet16. No. of acres in lease
520-Acres17. Spacing Unit dedicated to this well
N/2-320.0 Acres18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. Approx. 3700'19. Proposed Depth
1375'20. BLM/BIA Bond No. on file
NM014021. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL-5835'22. Approximate date work will start*
ASAP23. 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:

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 SUPO 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 June 23, 2006Title
GeologyApproved by (Signature) *[Signature]* Name (Printed/Typed) Date 8/29/07Title *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)

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 1100' - 1200'. The interval will be fracture stimulated.

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT
NMOC

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

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

RCVD AUG 30 '07

☐ AMENDED REPORT
OIL CONS. DIV.

WELL LOCATION AND ACREAGE DEDICATION PLAT

DIST. 3

| | | | |
|-----------------------------|--|---------------------|------------------------------------|
| *API Number 30-045-33825 | | *Pool Code 71629 | *Pool Name BASIN FRUITLAND COAL |
| *Property Code 36697 | *Property Name WEST FORK | | *Well Number 90 |
| *OGRID No 006515 | *Operator Name DUGAN PRODUCTION CORPORATION | | *Elevation 5835' |

¹⁰ Surface Location

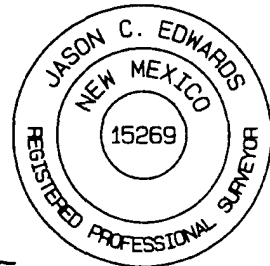
| UL or lot no | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|--------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| D | 29 | 27N | 12W | | 1105 | NORTH | 660 | 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 - (N/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

| | |
|--|--|
| <div><p>16</p><p>5281.32'</p><p>1105'</p><p>660'</p><p>LAT: 36.55046°N LONG: 108.14169°W DATUM: NAD1983</p><p>DUGAN NM-33022</p><p>29</p><p>5280.00'</p><p>5280.00'</p><p>5280.00'</p></div> | <div><p>¹⁷ OPERATOR CERTIFICATION</p><p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p><p><i>Kurt Fagrelus</i> Signature Kurt Fagrelus</p><p>Printed Name Geology</p><p>Title June 23, 2006</p><p>Date</p><p>¹⁸ SURVEYOR CERTIFICATION</p><p>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</p><p>Date of Survey: MAY 30, 2006</p><p>Signature and Seal of Professional Surveyor</p><p></p><p><i>JASON C. EDWARDS</i> Certificate Number 15269</p></div> |
|--|--|

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. | 30-045-33825 |
| 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-33022 |
| 7. Lease Name or Unit Agreement Name | West Fork |
| 8. Well Number | 90 |
| 9. OGRID Number | 006515 |
| 10. Pool name or Wildcat Basin | Fruitland Coal |

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 ☐ 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 D : 1105' feet from the north line and 660 feet from the west line
Section 29 Township 27N Range 12W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
GL-5835'

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 from approximately 1100' - 1200'. The interval will be fracture stimulated.

RCVD AUG 30 '07

OIL CONS. DIV.

DIST. 3

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 Fagrelis TITLE Geology DATE June 23, 2006
Kurt Fagrelis kfagrelis@duganproduction.com 505-325-1821

Type or print name E-mail address: Telephone No.

For State Use Only

Deputy Oil & Gas Inspector,
District #3

APPROVED BY: [Signature] TITLE _____ DATE SEP 04 2007
Conditions of Approval (if any): _____

EXHIBIT B
OPERATIONS PLAN
West Fork #90

APPROXIMATE FORMATION TOPS:

| | | | |
|-----------|---------|-----------------|-------|
| Ojo Alamo | Surface | | |
| Kirtland | 70' | Pictured Cliffs | 1225' |
| Fruitland | 740' | Total Depth | 1375' |

Catch samples every 10 feet from 900 feet to 1375 feet.

LOGGING PROGRAM:

Run cased-hole GR-CCL-CNL from total depth to surface.

CASING PROGRAM:

| Hole Size | Casing Size | Wt./ft. | Setting Depth | Grade and Condition |
|--------------|----------------|---------|------------------|------------------------|
| 12-1/4" | 8-5/8" | 24# | 120' | J-55 |
| 7" | 5-1/2" | 14# | 1375' | 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 110 cf 2% Lodense with
1/4# celloflake/sx followed by 90 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) |

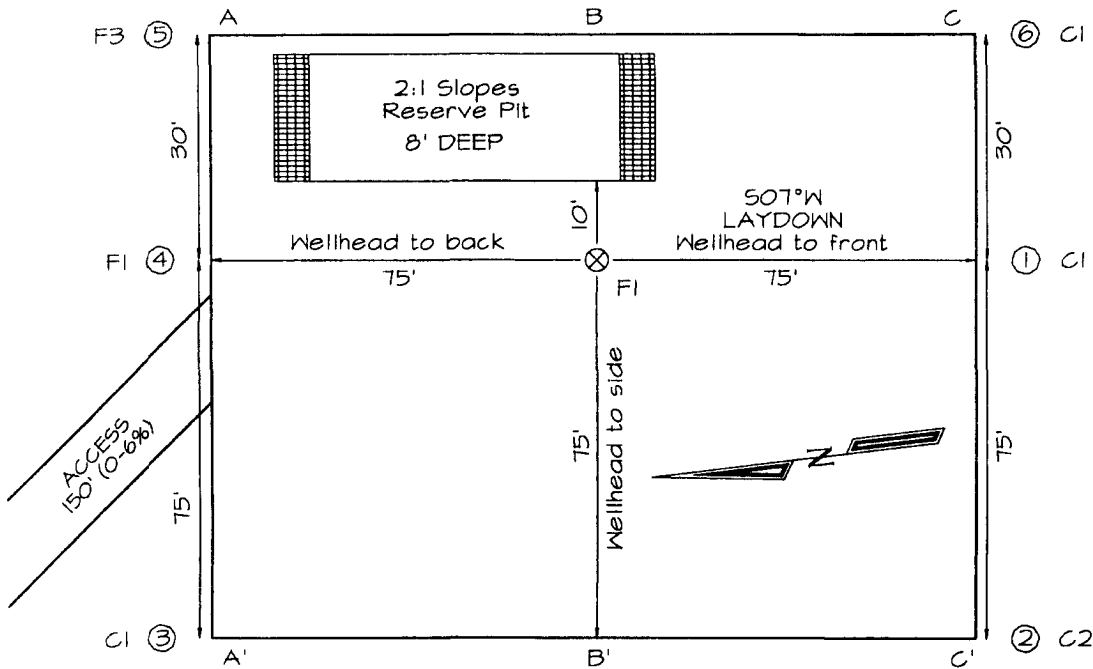
| | |
|---------------|--------------|
| Kurt Fagrelus | 325-4327 (H) |
| | 320-8248 (M) |

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

DUGAN PRODUCTION CORPORATION WEST FORK #90
1105' FNL & 660' FWL, SECTION 29, T27N, R12W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5835'

PLAT 3.

LATITUDE: 36.55046° N
LONGITUDE: 108.14169° W
 DATUM NAD1983



PLAT NOTE:
 SURFACE OWNER
 Navajo Tribal Trust

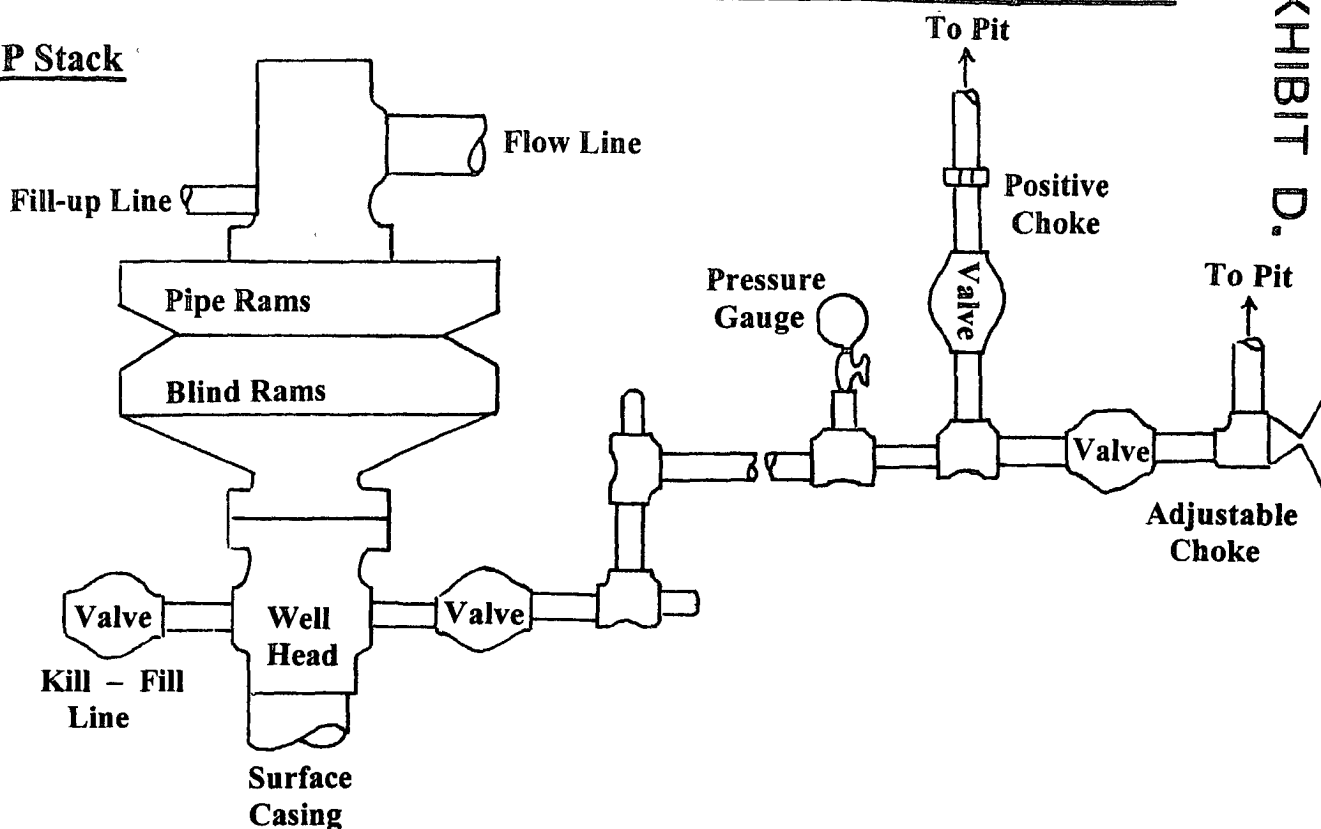
| | | | | | | |
|-------|--|--|--|--|--|--|
| A-A' | | | | | | |
| 5846' | | | | | | |
| 5836' | | | | | | |
| 5826' | | | | | | |
| | | | | | | |
| B-B' | | | | | | |
| 5846' | | | | | | |
| 5836' | | | | | | |
| 5826' | | | | | | |
| | | | | | | |
| C-C' | | | | | | |
| 5846' | | | | | | |
| 5836' | | | | | | |
| 5826' | | | | | | |
| | | | | | | |

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

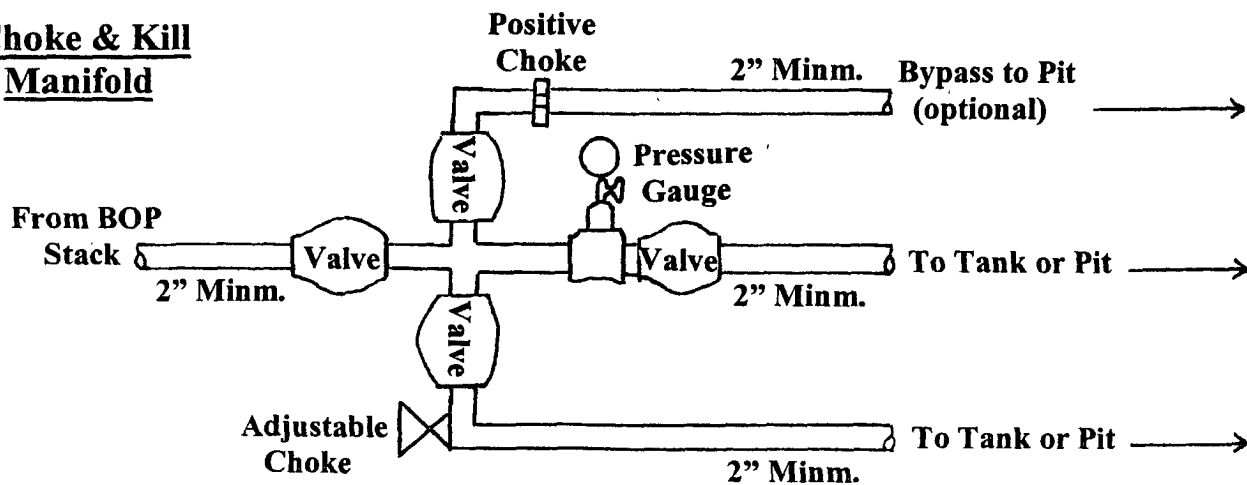
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

DUGAN PRODUCTION CORP.
WEST FORK #90