

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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2002 NOV -6 PM 4:15

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

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-90468
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 checked="" 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. 31935
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401		8. Lease Name and Well No. BELUSHI #1
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. API Well No. 30 045 31257
4. Location of Well (Report location clearly and in accordance with any State requirements:*) At surface NWSE 1680FSL 1970FEL 36.09580 N Lat. 107.42070 W Lon. At proposed prod. zone		10. Field and Pool, or Exploratory BISTI CHACRA
14. Distance in miles and direction from nearest town or post office* APPROX 6-MILES SW OF 44 STORE		11. Sec., T., R., M., or Blk. and Survey or Area J Sec 5 T22N R8W Mer NMP
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1680	16. No. of Acres in Lease 1000.00	12. County or Parish SAN JUAN
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 1900	19. Proposed Depth 1600 MD	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) 6798 GL	22. Approximate date work will start	17. Spacing Unit dedicated to this well 160.00 SE4
23. Estimated duration		20. BLM/BIA Bond No. on file

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 Kurt Fagrelus	Name (Printed/Typed) KURT FAGRELIUS	Date 11/05/2002
Title GEOLOGIST		
Approved by (Signature) David J. Mankiewicz	Name (Printed/Typed)	Date JAN 30 2003
Title Office		

Application approval does not warrant or certify 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.

Additional Operator Remarks:

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 Chacra will be completed from approximately 1350' - 1500'. The interval will be fractured.

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

NMOCD

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

District II
PO Drawer 00, 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, 1991

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30045-31257	*Pool Code 96166	*Pool Name BISTI-CHACRA (GAS)
*Property Code 31935	*Property Name BELUSHI	*Well Number 1
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION	*Elevation 6798'

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
J	5	22N	8W		1680	SOUTH	1970	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 160.0 ACRES - (SE/4)	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

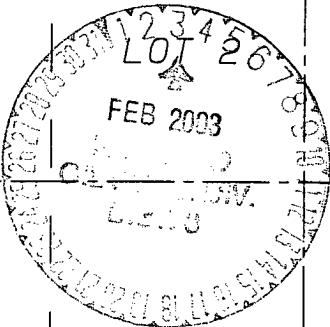
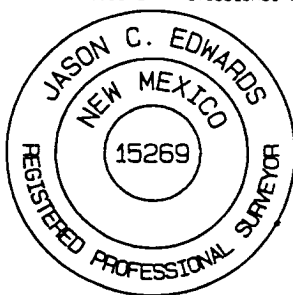
¹⁶ 2649.90' 1387.19' LOT 4 1321.12' 2642.31'	<div></div> <div>5 NM-90468 Dugan Prod. 100% 1970' 1680' 2630.10' 2642.64'</div> <div>070 Farmington, NM 2002 NOV - 6 PM 4:16 RECEIVED 2644.62'</div>	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief <u>Kurt Fagrelins</u> Signature <u>Kurt Fagrelins</u> Printed Name <u>Geologist</u> Title <u>Nov. 5, 2002</u> 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. Survey Date: OCTOBER 3, 2002 Signature and Seal of Professional Surveyor <div> <u>JASON C. EDWARDS</u> Certificate Number 15269</div>
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EXHIBIT B
OPERATIONS PLAN
Belushi #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	340'	Lewis	1193'
Kirtland	442'	Chacra	1343'
Fruitland	655'	Total Depth	1600'
Pictured Cliffs	985'		

Catch samples every 10 feet from 900'-1000' and from 1300' to total depth.

LOGGING PROGRAM: Run cased hole CNL-CCL.

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>
8-3/4"	7"	20#	120	J-55
6-1/4"	4-1/2"	10.5#	1,600	J-55

Plan to drill a 8-3/4" hole and set 120' of 7" OD, 20#, J-55 surface casing. Then plan to drill a 6-1/4" hole to total depth with gel-water mud program to test Chacra Formation. 4-1/2", 10.5#, J-55 production casing will be run and cemented. Cased hole CNL-CCL 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" neat.

Production Stage Cement with 132 cf. 2% Lodense w/ 1/4# celloflake/sk.
followed by 113 cf. of Class "B" w/ 1/4# celloflake/sk.

Total cement slurry for production stage is 245 cf. Circulate 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:

Casinghead 7" X 4-1/2" 1000#WP, tested to 2000#.

Tubinghead 4-1/2" X 2-7/8" 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 (Home) 327-3632 or (Mobile) 320-8247

Kurt Fagrelus (Home) 325-4327 or (Mobile) 320-8248

John Alexander (Home) 325-6927 or (Mobile) 320-1935