

RECEIVED

Form 3160-3  
(April 2004)

DEC 06 2007

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

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
Bureau of Land Management  
Farmington Field Office  
**APPLICATION FOR PERMIT TO DRILL OR REENTER**

Lease Serial No.  
NM-66800 **90482**

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			6. If Indian, Allocated or Tribe Name		
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			7. If Unit or CA Agreement, Name and No. <b>NMNM-108255</b>		
2. Name of Operator Dugan Production Corp.			8. Lease Name and Well No. Hoss Com #90-S		
3a. Address 709 East Murray Drive Farmington, NM 87401			9. API Well No. 30-045- <b>34521</b>		
3b. Phone No. (include area code) 505-325-1821			10. Field and Pool, or Exploratory Basin Fruitland Coal		
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1285' FSL and 1285' FEL, Lat. 36.23731 N At proposed prod. zone Same as above. Long. 107.96885 W			11. Sec., T. R. M. or Btk. and Survey or Area <b>p</b> Sec. 11, T23N, R11W NMPM		
14. Distance in miles and direction from nearest town or post office* Approx. 35-miles SE of Farmington, New Mexico			12. County or Parish San Juan		13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 1285 Feet		16. No. of acres in lease 1200.0 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. 1200'		19. Proposed Depth 800 Feet		20. BLM/BIA Bond No. On File <b>NM0140</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6375'		22. Approximate date work will start* ASAP		23. Estimated duration 5-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.  | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification  |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <b>Kurt Fagrelis</b>	Name (Printed/Typed) Kurt Fagrelis	Date 12/5/2007
Title Geologist		

Approved by (Signature) <b>Stephen Mason</b>	Name (Printed/Typed)	Date <b>JUL 16 2008</b>
Title		Office

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 600' - 643'. The interval will be fracture stimulated.

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

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW-GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

NMOCD

JUL 24 2008

DRILLING OPERATIONS AUTHORIZED AND 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

District I  
1625 N. French Dr., Hobbs, NM 88240

District II  
1301 W. Grand Avenue, 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 & Natural Resources Department

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

Form C-102  
Revised October 12, 2005  
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 <b>30-045-34521</b>		Pool Code <b>71629</b>	Pool Name <b>BASIN FRUITLAND COAL</b>
Property Code <b>31980</b>	Property Name <b>HOSS COM</b>		Well Number <b>905</b>
GRID No. <b>006515</b>	Operator Name <b>DUGAN PRODUCTION CORPORATION</b>		Elevation <b>6375'</b>


<sup>10</sup> 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	11	23N	11W		1285	SOUTH	1285	EAST	SAN JUAN

<sup>11</sup> 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
Dedicated Acres <b>320.0 Acres - (E/2)</b>					Joint or Infill	Consolidation Code	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

<sup>16</sup>	5380.98'		<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  <u>John D. Roe</u> 2/5/08 Signature Date <u>John D. Roe</u> Printed Name
	Dugan NM-96800		
	#90		
5216.64'	11		<sup>18</sup> 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: DECEMBER 4, 2007 Signature and Seal of Professional Surveyor   <u>JASON C. EDWARDS</u> Certificate Number 15269
	Dugan NM-90482		
	LAT: 36.23731° N LONG: 107.96885° W DATUM: NAD1983		
5318.28'		1285'	

**EXHIBIT B**  
**OPERATIONS PLAN**  
Hoss Com #90-S

**APPROXIMATE FORMATION TOPS:**

Kirtland	Surface
Fruitland	380'
Pictured Cliffs	645'
<b>Total Depth</b>	<b>800'</b>

Catch samples every 10 feet from 550 feet to total depth.

**LOGGING PROGRAM:**

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

**CASING PROGRAM:**

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
12-1/4"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	800'	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% CaCl<sub>2</sub>.  
Circulate to surface.

Production Stage: Cement with 90 cf 2% lodense with  
1/4# celloflake/sx followed by 50 cf Class "B" with  
1/4# celloflake/sx.  
Total cement slurry for production stage is 140 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.

**Maximum Anticipated Bottom Hole Pressure** - 300 psi.

**Drilling Fluid** - will be fresh water with bentonite (8.9#/gal).

**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)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

**SUBMIT IN TRIPLICATE**

1 Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5 Lease Designation and Serial No <b>NM-90482</b>
2 Name of Operator <b>Dugan Production Corp.</b>	6 If Indian, Allotted or Tribe Name
3 Address and Telephone No. <b>P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821</b>	7 If Unit or CA, Agreement Designation
Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>1285' FSL &amp; 1285' FEL (SE/4 SE/4) Unit P, Sec. 11, T23N, R11W, NMPM</b>	8 Well Name and No. <b>Hoss Com #90S</b>
	9 API Well No <b>30 045 - 34521</b>
	10 Field and Pool, or Exploratory Area <b>Basin Fruitland Coal</b>
	11 County or Parish, State <b>San Juan, NM</b>

**12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Correction to lease numbers</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note Report results of multiple completion on Well Completion or Recompletion Report and Log form )

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work )\*

APD dated 12-5-07 presented the well site lease to be Federal Lease NM-96800. The correct lease number is Federal Lease NM-90482. Attached is an amended C-102 presenting corrections to lease numbers within the E/2 spacing unit.

	Lease # Presented 12/5/2007	Corrected Lease #
NE/4	NM-80498	NM-96800
SE/4	NM-96800	NM-90482

No other changes.

4 I hereby certify that the foregoing is true and correct

Signed John D. Roe Title Engineering Manager Date 2/5/2008  
John D. Roe

(This space for Federal or State office use)

Approved by Original Signed: Stephen Mason Title \_\_\_\_\_ Date JUL 16 2009  
Conditions of approval, if any

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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MAY 09 2008  
Bureau of Land Management  
Farmington Field Office

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Budget Bureau No. 1004-0135  
Expires: March 31, 1993

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**SUBMIT IN TRIPLICATE**

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

1285' FSL & 1285' FEL (SE/4 SE/4)  
Unit P, Sec. 11, T23N, R11W, NMPM

5. Lease Designation and Serial No

NM-90482

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No

Hoss Com #90S

9. API Well No.

30 045 - 34521

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent  
☐ Subsequent Report  
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment  
☐ Recompletion  
☐ Plugging Back  
☐ Casing Repair  
☐ Altering Casing  
☒ Other Additional APD info  
☐ Change of Plans  
☐ New Construction  
☐ Non-Routine Fracturing  
☐ Water Shut-Off  
☐ Conversion to Injection  
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Blow-out Preventor Equipment (BOPE) tests will be performed without using a test plug.

Will test the BOPE and surface casing together. The test will include a low pressure test to 250 psig held for five minutes and a high pressure test to 800 psig held for thirty minutes (with no more than a 10 percent pressure drop during the duration of the tests). If a 10 percent or greater pressure drop occurs, a packer will be run to isolate the surface casing and BOPE to locate the source of the leak.

RCVD MAY 28 '08

OIL CONS. DIV.  
DIST. 3

14. I hereby certify that the foregoing is true and correct

Signed

Kurt Fagrelus  
Kurt Fagrelus

Title

Vice-President, Exploration

Date

5/6/2008

(This space for Federal or State office use)

Approved by

Math Piskop

Title

Engineering Tech

Date

5-27-08

Conditions of approval, if any

Dugan Production Corp. is asking for consent to pressure test the Blow-out Preventor Equipment (BOPE) without using a test plug because of the following reason:

Dugan uses a Gardner Denver 2000 drilling rig to drill shallow coal wells. The largest BOP that will fit under this rig is a Schafer 6" 2000 series that has an internal diameter of 7.0625". This BOP is screwed on to a Hercules LM85 casing head (1500 psi working pressure, 3000 psi test pressure, bottom thread 8-5/8" 8rd, cap thread 9-5/8" 8rd) that has an internal minimum bore of 7.920". The casing head is screwed onto 8-5/8" surface casing (24#, J-55 and 8rd thread) that has an internal diameter of 8.097".

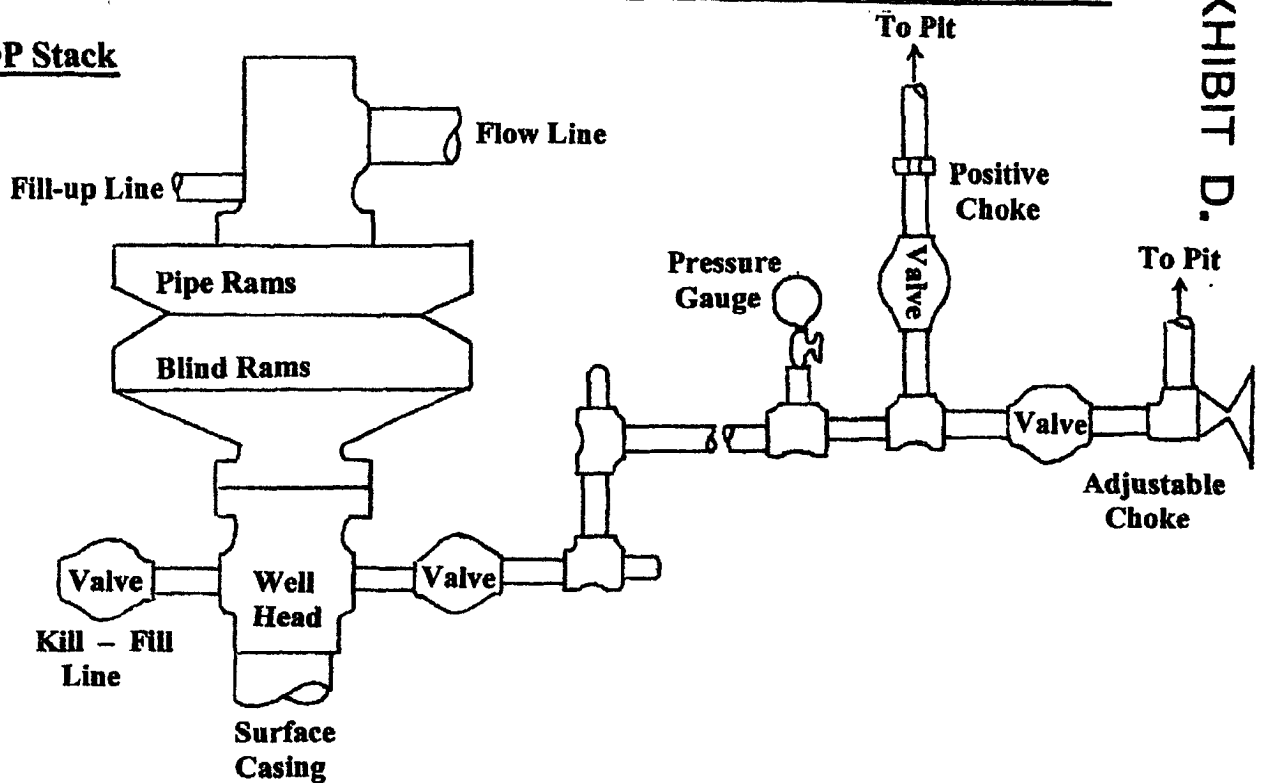
Currently Dugan is unable to get a test plug for the casing head (7.920" ID) or surface casing (8.097" ID) that will pass through the BOP (7.0625").

Dugan will test the BOPE and surface casing together. The test will include a low pressure test to 250 psig held for five minutes and a high pressure test to 800 psig held for thirty minutes (with no more than a 10 percent pressure drop during the duration of the tests). If a 10 percent or greater pressure drop occurs, a packer will be run to isolate the surface casing and BOPE to locate the source of the leak.

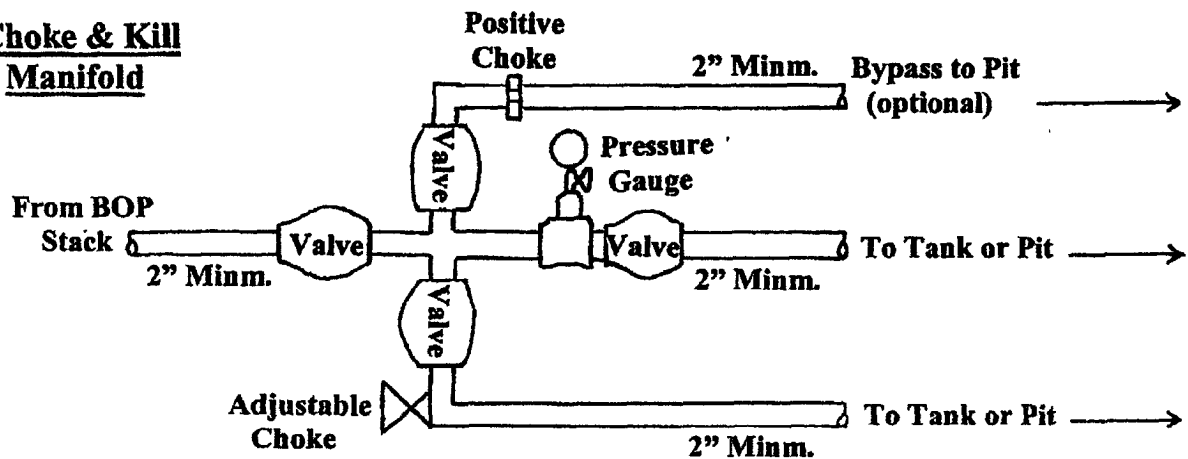
# Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

## BOP Stack



## Choke & Kill Manifold



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

**DUGAN PRODUCTION CORP.**

Hoss Com #90-S