

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1 a TYPE OF WORK

DRILL ☒DEEPEN ☐

b TYPE OF WELL

Oil ☐Gas ☐Well ☐Well ☒Other ☐SINGLE ☐MULTIPLE ☐ZONE ☒ZONE ☐

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 (Report location clearly and in accordance with any State requirements.)

At surface 1050' FNL & 1005' FWL (SW/4 NW/4)

At proposed prod. zone same

5 LEASE DESIGNATION AND SERIAL NO

NM-71716

6 IF INDIAN ALLOTTED OR TRIBE NAME

7 UNIT AGREEMENT NAME

29714

8 FARM OR LEASE NAME, WELL NO

Lisbon #2

9 API Well No

30-045-30924

10 FIELD AND POOL OR WILDCAT

Harper Hill FR Sand PC

11 SEC. T. R. M. OR BLK
AND SURVEY OR AREA

Unit E

Sec. 11, T30N, R14W

12 COUNTY OR PARISH

San Juan

13 STATE

NM

14 DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

5 miles north of Farmington, NM

15 DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT

(Also to nearest drg. unit line, if any)

1005'

16 NO. OF ACRES IN LEASE

356.52

17 NO. OF ACRES ASSIGNED
TO THIS WELL

156.52 (NW/4)

18 DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,

OR APPLIED FOR, ON THIS LEASE, FT.

2500'

19. PROPOSED DEPTH

1935'

20. ROTARY OR CABLE TOOLS

Rotary

21 ELEVATIONS (Show whether DF, RT, GR, etc.)

6113' GL

22 APPROX. DATE WORK WILL START*

ASAP

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADES, SIZES OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
8-3/4"	7"	20#	120'	70 cu.ft. circ. to surf.
6 1/4"	4 1/2"	10.5#	1935'	300 cu.ft. circ. to surf.

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 Pictured Cliffs Sandstone will be completed from approximately 1808'-1818'. The interval will be fractured.

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

THIS ACTION IS SUBJECT TO TECHNICAL AND PROCEDURAL REVIEW PURSUANT TO 43 CFR 3165.3 AND APPEAL PURSUANT TO 43 CFR 3165.4.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: if proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24

SIGNED

Kurt Fagrellius
Kurt Fagrellius

Title Geologist

Date 11/7/2001

(This space for Federal or State office use)

PERMIT NO

APPROVAL DATE

4/22/02

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:

Approved by

David J. Mankiewicz

Title

AFM

Date

APR 22 2002

*See Instructions on Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

NMOCB

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM 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

☐ 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)

1850' FNL & 1005' FWL (SW/4 NW/4)
Unit E, Sec. 11, T30N, R14W, NMPM

5. Lease Designation and Serial No.

NM-71716

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Lisbon #2

9. API Well No.

30 045

30924

10. Field and Pool, or Exploratory Area

Harper Hill FR Sand PC

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

TYPE OF ACTION

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

- ☐ Abandonment
- ☐ Recompletion
- ☐ Plugging Back
- ☐ Casing Repair
- ☐ Altering Casing
- ☒ Other

Move location

- ☐ 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.)*

Request to move well location to:

1590' FNL & 660' FWL (SW/4 NW/4)
Unit E, Section 11, T30N, R14W, NMPM

(See attached C-102, Cut and Fill Diagram & Topo Map)

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

Signed

Kurt Fagrelus
Kurt Fagrelus

Title

Geologist

Date

12/17/2001

(This space for Federal or State office use)

Approved by

En. Bot. Spec.

Title

En. Bot. Spec.

Date

04/19/02

Conditions of approval, if any:

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

District II
PO Drawer CD, 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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-30924		*Pool Code 78160	*Pool Name HARPER HILL FRUITLAND SAND PICTURED CLIFFS
*Property Code 29714	*Property Name LISBON		*Well Number 2
*CGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5103'

¹⁰ Surface Location

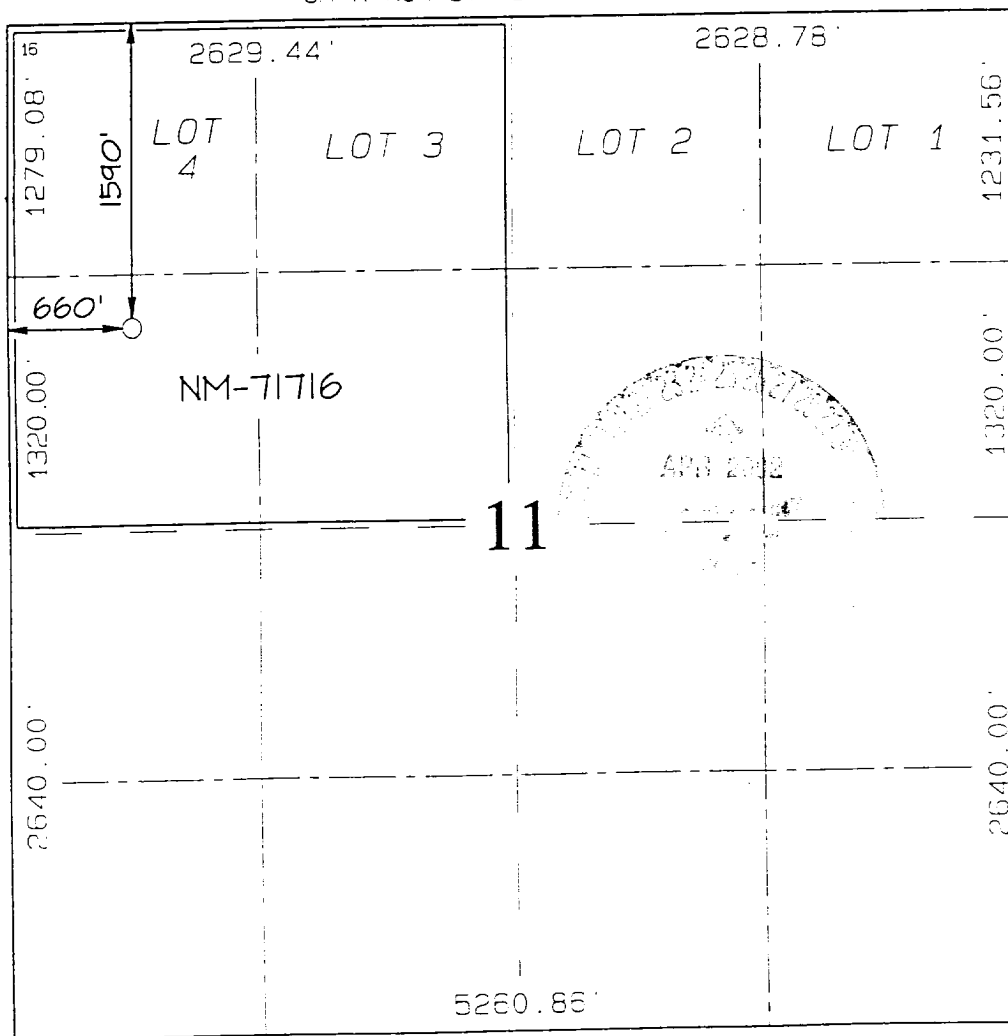
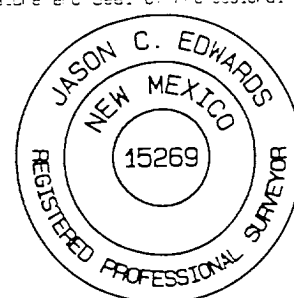
UL or lot no.	Section	Township	Range	Lot 10	Feet from the	North/South line	Feet from the	East/West line	County
E	11	30N	14W		1590	NORTH	660	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 10	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 156.52 Acres (NW/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

				<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 Printed Name Geologist Title December 17, 2001 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>Survey Date: DECEMBER 8, 2001</p> <p>Signature and Seal of Professional Surveyor</p> <p> JASON C. EDWARDS Certificate Number 15269</p>					

DUGAN PRODUCTION CORPORATION LISBON #2

1590' FNL & 660' FWL, SECTION II, T30N, R14W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO

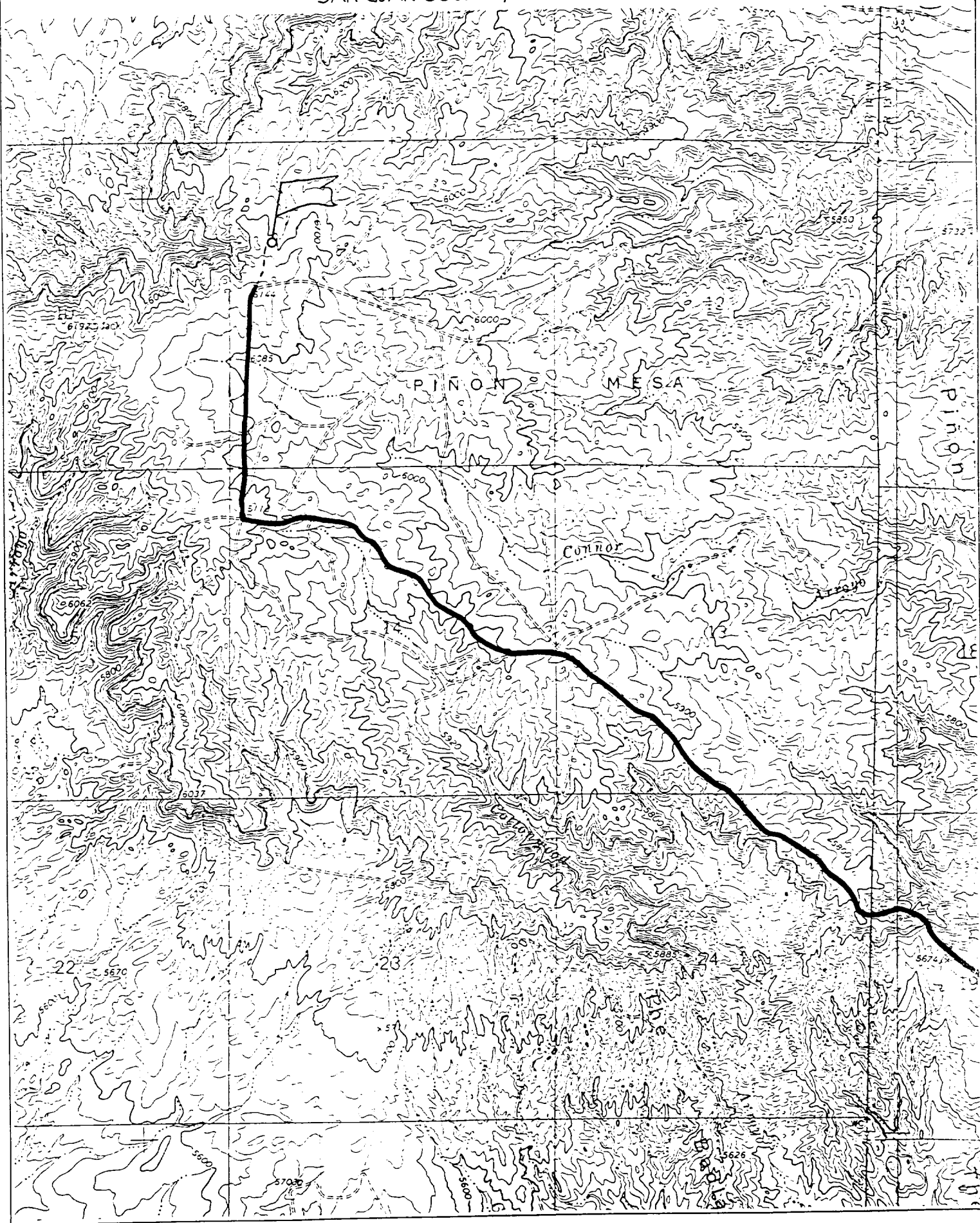


EXHIBIT B
OPERATIONS PLAN

Lisbon #2

APPROXIMATE FORMATION TOPS:

Ojo Alamo/McDermott	- surface
Kirtland	- <200'
Fruitland	- 1500'
Pictured Cliffs	- 1808'

Total Depth - 1935'

LOGGING PROGRAM: Run cased hole CNL-CDL

Catch samples every 10 feet from 1500 feet to total depth.

CASING PROGRAM:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
8-3/4"	7"	20#	±120'	J-55
6-1/4"	4-1/2"	10.5#	±1935'	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 Fruitland Sand/PC Formation. 4½", 10.5# J-55 casing will be run and cemented. Cased hole CNL-CDL 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: All volumes are contingent upon Caliper logs.

Surface: Cement with 70 cu.ft. Class "B" neat. Circulate to surface

Production Stage - Cement with 190 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 110 cu.ft. Class "B" with 1/4# celloflake/sx.
Total cement slurry for production stage is 300 cu.ft.
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:

Huber 7" x 4-1/2" casing head, 1000#WP, tested to 2000#

Huber 4-1/2" x 2-7/8" tubing head, 1000# WP, tested to 2000#

BOP and Related Equipment will include for a 2000 psi system:

Annual 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

Dugan Prod.Corp. Office & Radio Dispatch:	325-1821
Kurt Fagrelus 325-4327	Mark Brown 327-3632
John Alexander 325-6927	John Roe 326-1034