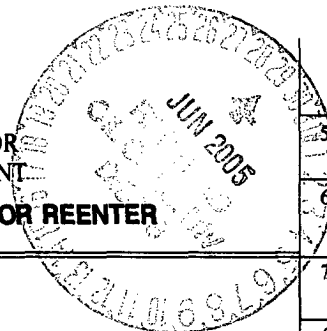


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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-39017
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
2. Name of Operator Dugan Production Corp.		7. If Unit or CA Agreement, Name and No.
3a. Address P. O. Box 420, Farmington, NM 87499-0420		8. Lease Name and Well No. Bert Com #90
3b. Phone No. (include area code) (505)325-1821		9. API Well No. 30-045-32714
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1250' FSL & 1900' FEL (SW/4 SE/4) Lat. 36.2020 Long. 107.5809 At proposed prod. zone		10. Field and Pool, or Exploratory Basin Fruitland Coal
14. Distance in miles and direction from nearest town or post office* 8 miles west of Blanco Trading Post, NM		11. Sec., T. R. M. or Blk. and Survey or Area Unit O, Sec. 2, T24N, R11W NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1250'	16. No. of acres in lease 2005.5	17. Spacing Unit dedicated to this well 321.22 200E/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 3200'	19. Proposed Depth 1510'	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6713' GL	22. Approximate date work will start* 04/15/2005	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 Fagrelus</i>	Name (Printed/Typed) Kurt Fagrelus	Date 02/25/2005
---------------------------------------	---------------------------------------	--------------------

Title Geologist

Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 6-27-05
---	----------------------	-----------------

Title AFM Office FFD

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)



NMOC D

RECEIVED
 FEB 25 PM 12 39
 070 FARMINGTON NM

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
PO Box 2088
Santa Fe, NM 87504-2088

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

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30045-32714		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 34927	*Property Name BERT COM		*Well Number 90
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6713'

¹⁰ Surface Location

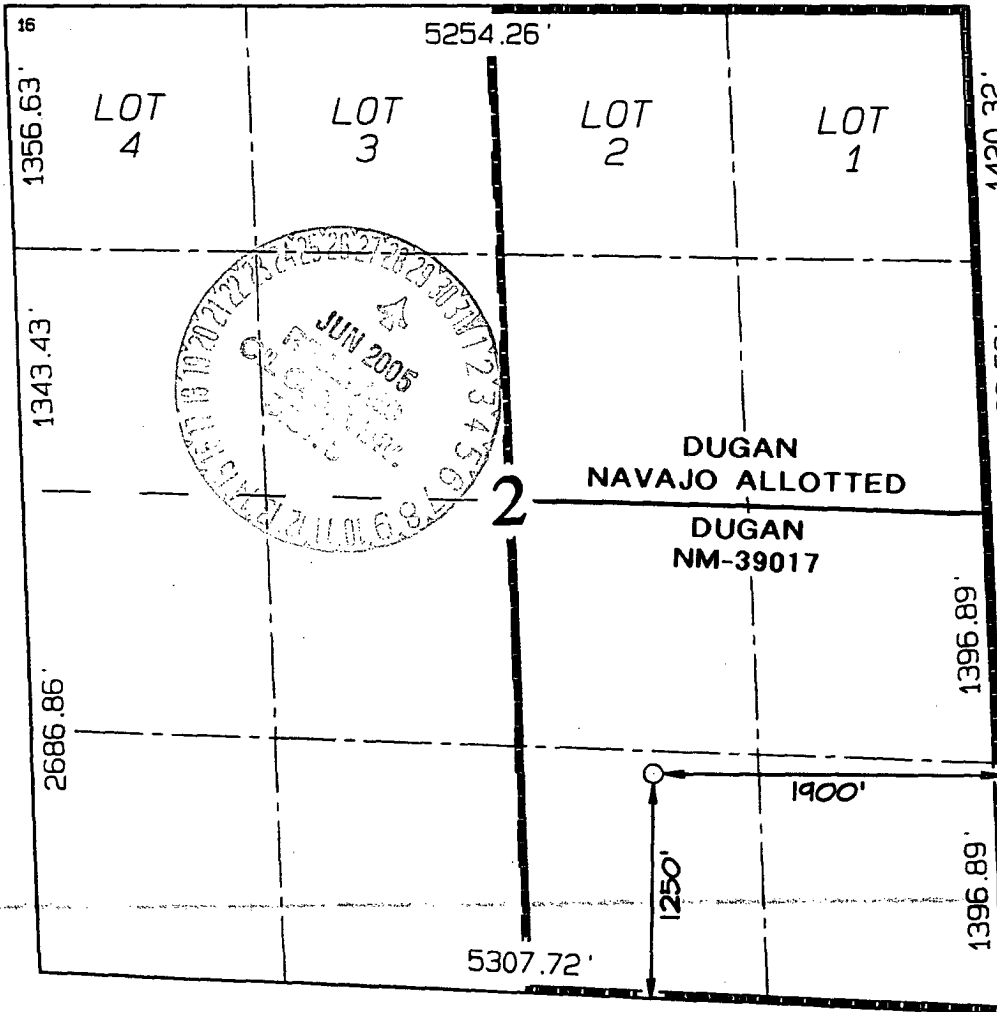
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	2	24N	11W		1250	SOUTH	1900	EAST	SAN JUAN

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 321.22 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



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Kurt Fagrelius
Signature

Kurt Fagrelius
Printed Name

Geologist
Title

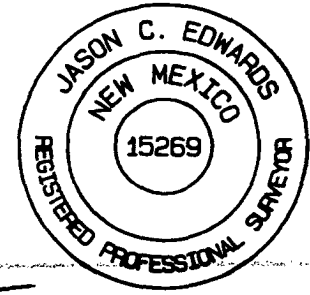
12/01/04
Date

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: NOVEMBER 23, 2004

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

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
 March 4, 2004

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

WELL API NO.
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> FED <input checked="" type="checkbox"/> XX
6. State Oil & Gas Lease No. Federal NM-39017
7. Lease Name or Unit Agreement Name Bert Com
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 87401

4. Well Location
 Unit Letter 0 : 1250 feet from the South line and 1900 feet from the East line
 Section 2 Township 24N Range 11W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 6713' G.L.

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
 Pit Location: UL 0 Sect 2 Twp 24N Rng 11W Pit type Drig. Depth to Groundwater +100' Distance from nearest fresh water well +1000'
 Distance from nearest surface water +1000' Below-grade Tank Location UL _____ Sect _____ Twp _____ Rng _____ ;
 feet from the _____ line and _____ feet from the _____ line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

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.

Water based gel-mud will be used to drill surface and production casing hole.
 Earthen pit will be lined with an impervious material. Pits will be constructed and abandoned as per BLM stipulations.

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 .
 Federal lease, pits constructed and abandoned as per BLM guidelines.

SIGNATURE Kurt Fagrelius TITLE Geologist DATE 12/01/04
 Type or print name Kurt Fagrelius E-mail address: kfagrelius@duganproduction.com
 Telephone No. 325-1821

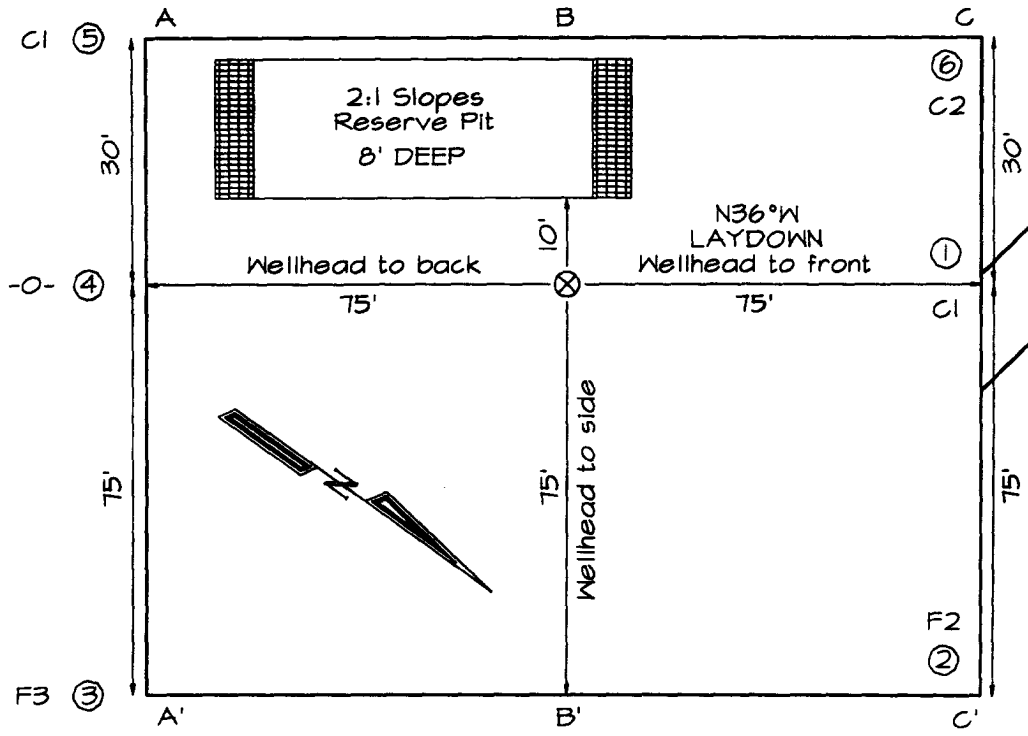
(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 200 DATE JUN 29 2005
 Conditions of approval, if any:

**DUGAN PRODUCTION CORPORATION BERT COM #90
 1250' FSL & 1900' FEL, SECTION 2, T24N, R11W, NMPM
 SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6713'**

PLATE 3.

**LATITUDE: 36°20'20"
 LONGITUDE: 107°58'09"
 DATUM: NAD1927**



**PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management**

TWO-TRACK ROADWAY

A-A'					
6723'					
6713'					
6703'					

B-B'					
6723'					
6713'					
6703'					

C-C'					
6723'					
6713'					
6703'					

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
Bert Com #90

APPROXIMATE FORMATION TOPS:

Ojo Alamo	460'
Kirtland	540'
Fruitland	1070'
Pictured Cliffs	1360'
Total Depth	1510'

Catch samples every 10 feet from 1300 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>
11"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	1510'	J-55

Plan to drill a 11" 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 150 cf 2% lodense with
1/4# celloflake/sx followed by 80 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 230 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)

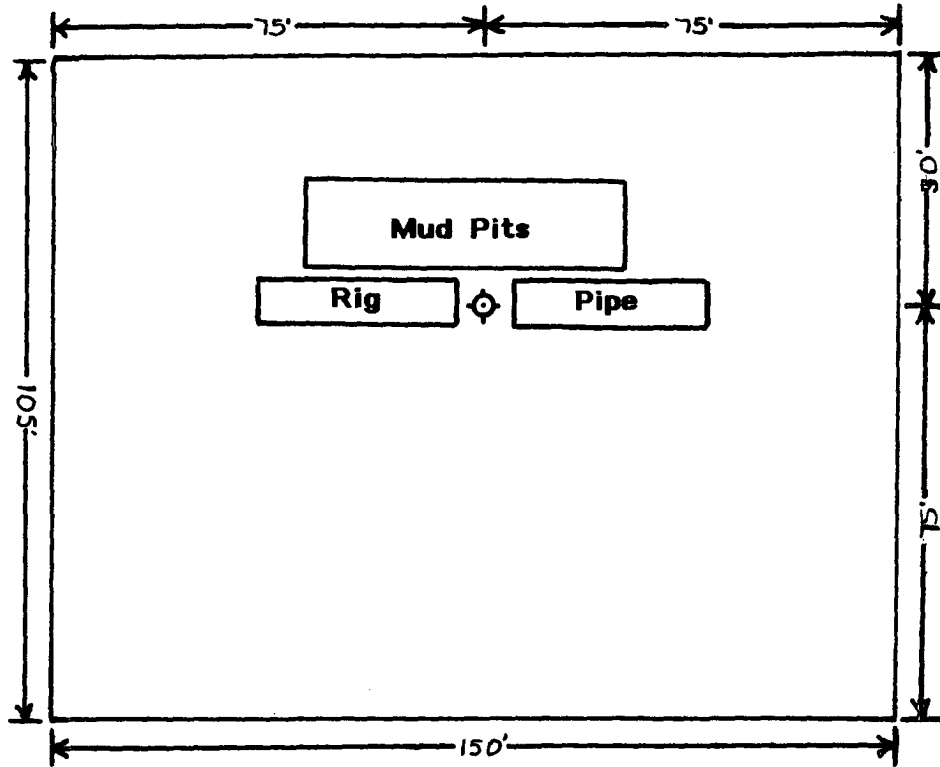
Kurt Fagrelus 325-4327 (H)

320-8248 (M)

John Alexander 325-6927 (H)

320-1935 (M)

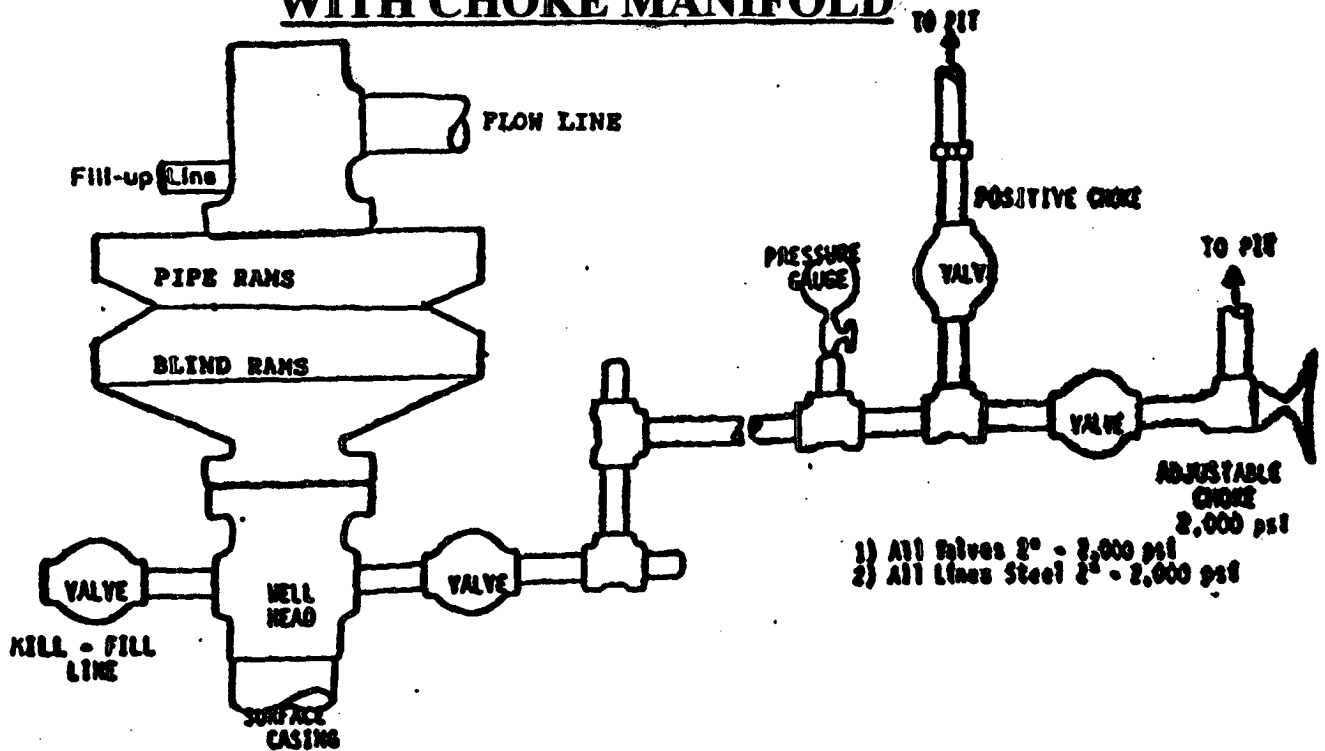
**Typical Location
For a Fruitland Coal Well**



**DUGAN PRODUCTION CORP.
BERT COM #90**

BOP DIAGRAM WITH CHOKE MANIFOLD

EXHIBIT D.

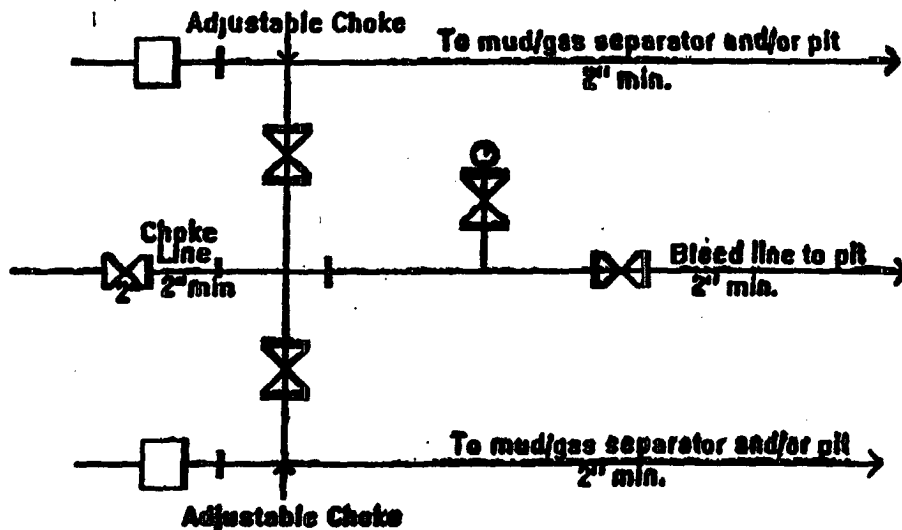


BOP and Related Equipment will include for a 2000 psi system:

2000 PSI DOUBLE RAM BLOWOUT PREVENTER

- Kill line (3" minimum)
- 1 kill line valve (3" 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 above the uppermost preventer

BOP equipment will be tested as required in Section III A.1 of Onshore Order 2, plus a 30% safety factor.



2M Choke Manifold Equipment - Configuration May Vary

DUGAN PRODUCTION CORP.
BERT COM #90