

2005 MAY 3 6 04 8 04

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
070 FARMING

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-80498

6. If Indian, Allottee or Tribe Name

1a. Type of work: DRILL REENTER

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

1b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

8. Lease Name and Well No. Pierre Com #90

2. Name of Operator Dugan Production Corp.

9. API Well No. 80-045-33056

3a. Address 709 East Murray Drive, Farmington, NM 87401

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 790' FSL & 1050' FWL
At proposed prod. zone Same as above

11. Sec., T. R. M. or Bk. and Survey or Area M Sec. 23, T23N, R11W

14. Distance in miles and direction from nearest town or post office* Approx. 13-miles SW of Blanco Trading Post, NM

12. County or Parish San Juan 13. State NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 790'

16. No. of acres in lease 1200-Ac.

17. Spacing Unit dedicated to this well W/2-320

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 2150'

19. Proposed Depth 600'

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL-6314'

22. Approximate date work will start* 6/16/2005

23. Estimated duration 3-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 *Kurt Fagrelius* Name (Printed/Typed) Kurt Fagrelius Date 4/28/2005

Title Geology

Approved by (Signature) *Wayne Townsend* Name (Printed/Typed) Wayne Townsend Date 9/6/05

Title *Acting 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.

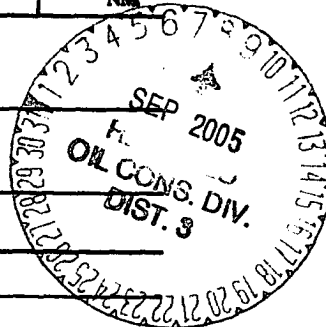
*(Instructions on page 2)

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 380' - 450'. 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

NMOCOD

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



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 DD, Artesia, NM 88211-0719

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

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

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 35093	*Property Name PIERRE COM		*Well Number 90
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6314'

¹⁰ Surface Location

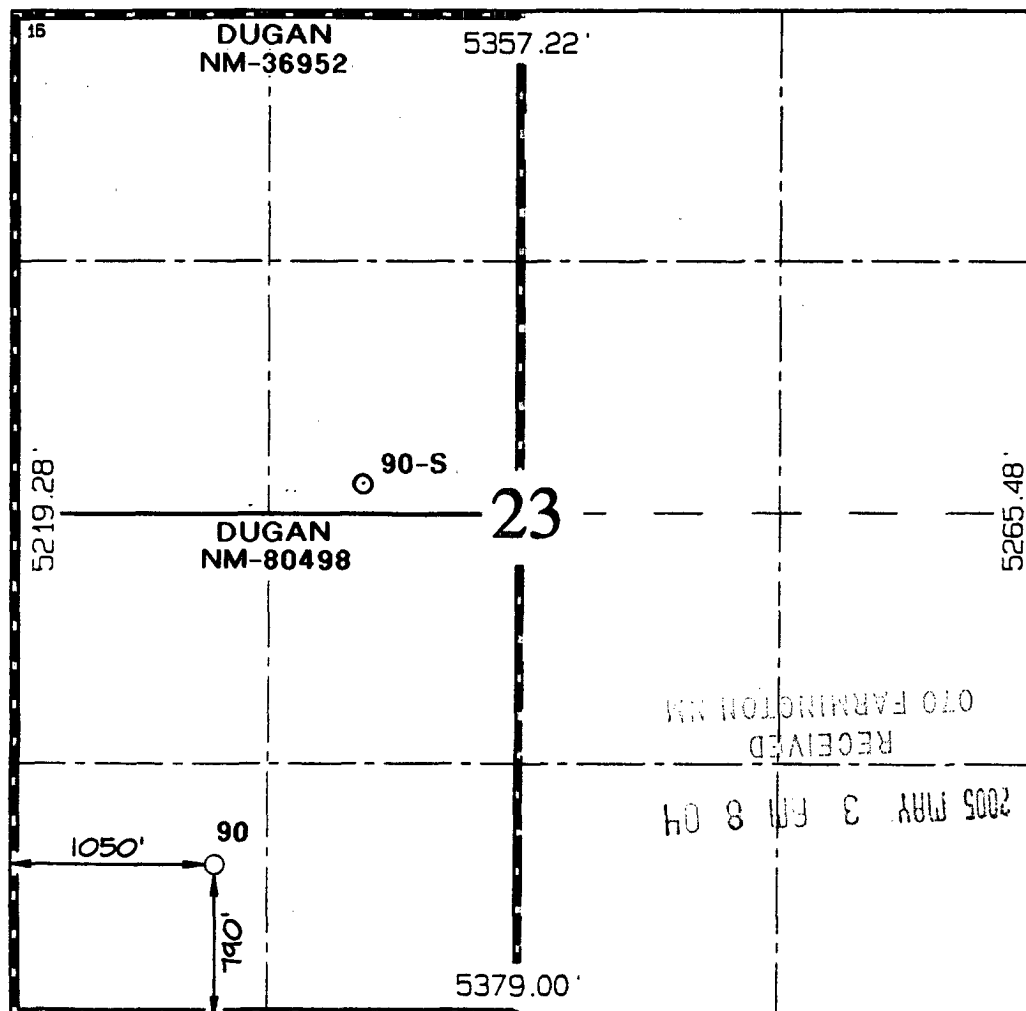
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	23	23N	11W		790	SOUTH	1050	WEST	SAN JUAN

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 - (W/2)	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



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

4/26/2005

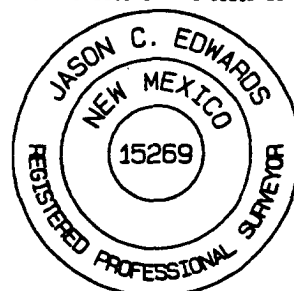
Date

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: DECEMBER 27, 2004

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

RECEIVED
MAY 3 8 04
MAY 3 8 04

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"/>	
6. State Oil & Gas Lease No. Federal NM-80498	
7. Lease Name or Unit Agreement Name Pierre 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, New Mexico 87401

4. Well Location
 Unit Letter M : 790' feet from the south line and 1050' feet from the west line
 Section 23 Township 23N Range 11W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 GL-6314'

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
 Pit Location: UL M Sect 23 Twp 23N Rng 11W Pit type Drilling Depth to Groundwater 700' Distance from nearest fresh water well >1000'
 Distance from nearest surface water 650' 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: Reserve pit for drilling, lined <input checked="" 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. 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 reserve pit will be lined with an impervious material and be abandoned as per BLM conditions of approval, following completion of the well.

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 will be constructed and abandoned as per BLM conditions of approval and NMOCD guidelines.

SIGNATURE Kurt Fagrelius TITLE Geologist DATE 4/26/2005
 Type or print name Kurt Fagrelius E-mail address: kfagrelius@duganproduction.com Telephone No. 505-325-1821

(This space for State use)

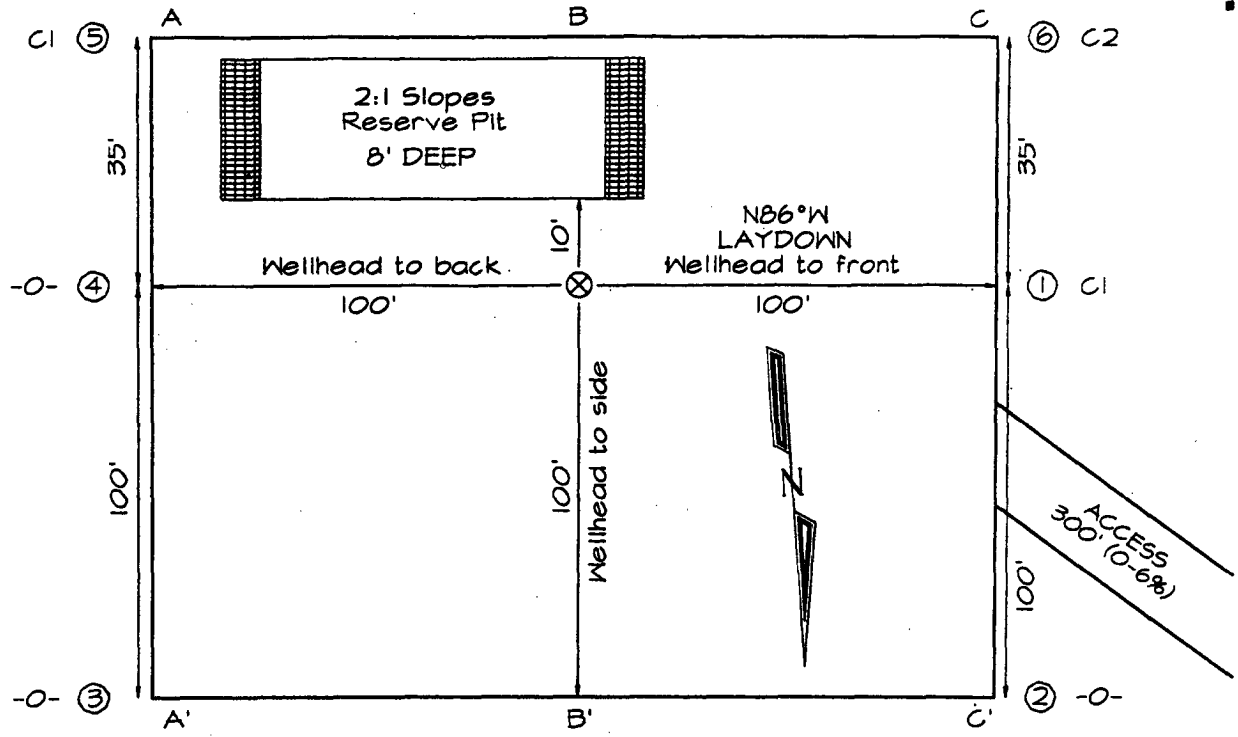
APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. IV DATE SEP 08 2005
 Conditions of approval, if any:

**DUGAN PRODUCTION CORPORATION PIERRE COM #90
790' FSL & 1050' FWL, SECTION 23, T23N, R11W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6314'**

PLAT 3.

**LATITUDE: 36°12'26"
LONGITUDE: 107°58'46"
DATUM: NAD1927**

PLAT NOTE:
SURFACE OWNER
Bureau of Land
Management



A-A'					
6324'					
6314'					
6304'					

B-B'					
6324'					
6314'					
6304'					

C-C'					
6324'					
6314'					
6304'					

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
Pierre Com #90

APPROXIMATE FORMATION TOPS:

Kirtland	Surface	Pictured Cliffs	450'
Fruitland	185'	Total Depth	600'

Catch samples every 10 feet from 350 feet to 600 feet.

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#	600'	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.

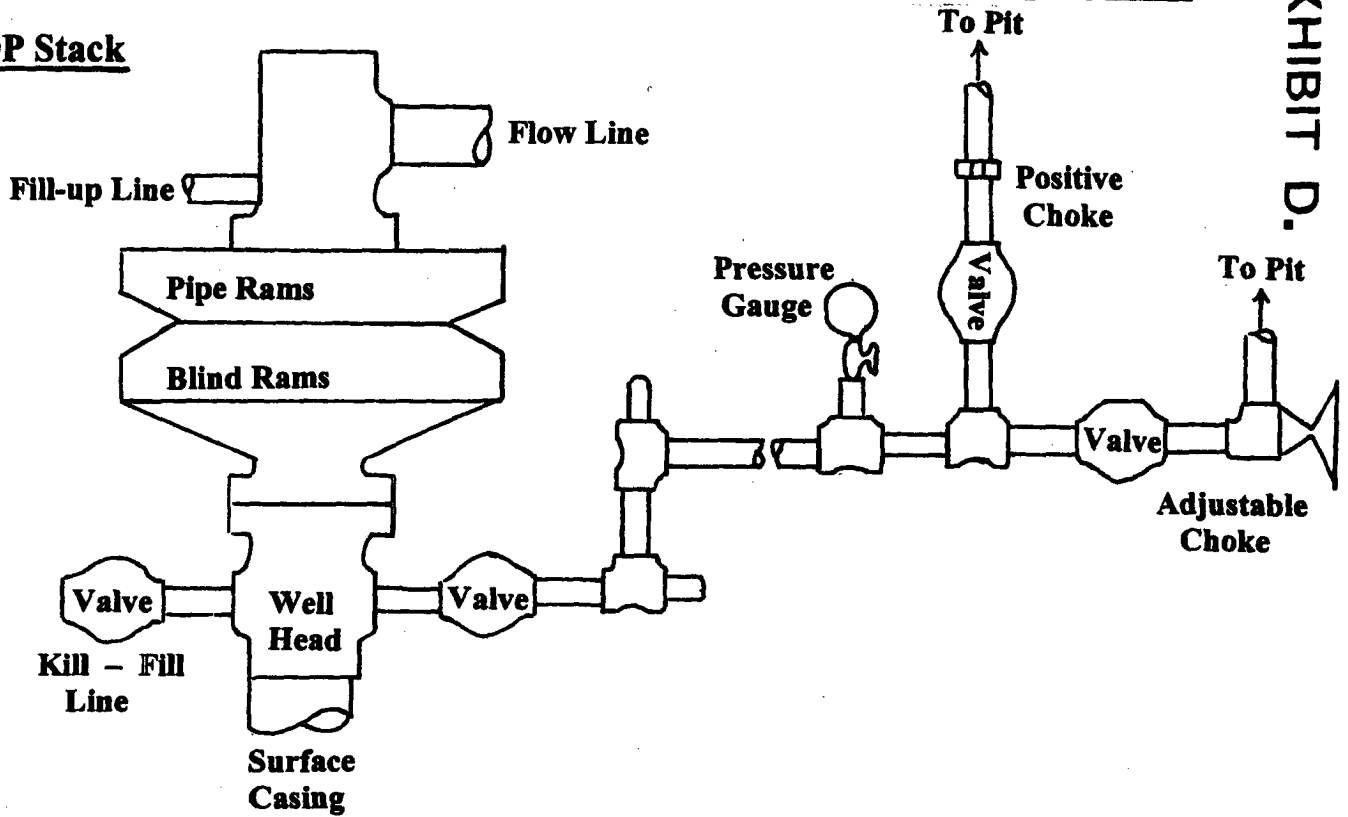
Production Stage-Cement with 60 cf 2%Lodense with
1/4# celloflake/sx followed by 40 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 100 cf.
Circulate cement to surface.

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

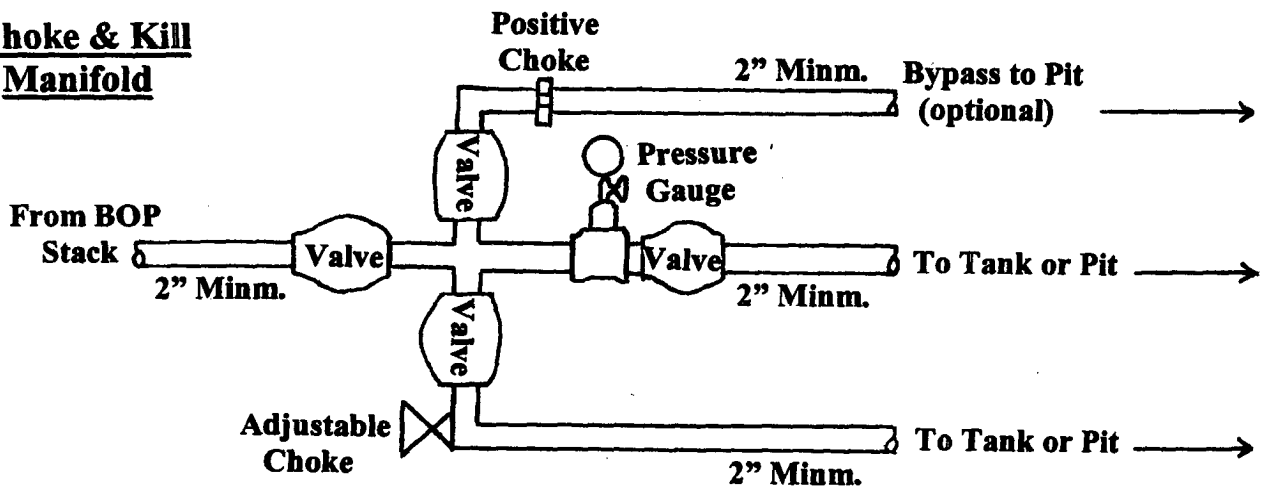
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



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

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