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UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

2003 AUG 25 AM 9:56

070 Farmington, NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. USNM - 8007
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Dugan Production Corp., Attn: David M. Poagh		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 420, Farmington, NM 87499	3b. Phone No. (include area code) 505-325-1821	8. Lease Name and Well No. Grigsby Federal #1-7E
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1335 FNL & 2420 FWL At proposed prod. zone 1335 FNL & 2630 FEL		9. API Well No. 3004531879
14. Distance in miles and direction from nearest town or post office* 17.5 miles South of Bloomfield, NM		10. Field and Pool, or Exploratory Basin Dakota
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1335'		11. Sec., T., R., M., or Bik. and Survey or Area Sec 7-25N-10W
16. No. of Acres in lease 1197.84		12. County or Parish San Juan
17. Spacing Unit dedicated to this well N/2 (318.97 acres)		13. State NM
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 1610'		19. Proposed Depth MD: 6108 TVD: 6099.99
20. BLM/BIA Bond No. on file		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6443 GL
22. Approximate date work will start* October 1, 2003		23. Estimated duration 45 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>David M. Poagh</i>	Name (Printed/Typed) DAVID M. POAGH	Date 8-25-03
Title LANDMAN	Name (Printed/Typed)	Date
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

Application approval does not warrant or certify the 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 reverse)

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

OPERATOR

8 2/27/07