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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT 2004 MAR -5 PM 4:00

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-03561
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other: CBM <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.
Contact: KURT FAGRELIUS E-Mail: kfagrellius@duganproduction.com		8. Lease Name and Well No. SULLIVAN COM 90
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401	3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613	9. API Well No. 3004532200
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSW 660FSL 695FWL 36.41300 N Lat, 107.56570 W Lon 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* APPROX. 1-MILE SOUTHEAST OF BLOOMFIELD, NM		11. Sec., T., R., M., or Blk. and Survey or Area Sec 25 T29N R11W Mer NMP SME: BLM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of Acres in Lease 915.29	12. County or Parish SAN JUAN
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. APPROX. 400'	19. Proposed Depth 1910 MD	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) 5594 GL	22. Approximate date work will start 05/01/2004	17. Spacing Unit dedicated to this well 320.00
		20. BLM/BIA Bond No. on file
		23. Estimated duration 7-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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Kurt Fagrellius	Name (Printed/Typed) KURT FAGRELIUS	Date 03/05/2004
Title GEOLOGIST		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

Application approval does not warrant or certify 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.

Additional Operator Remarks:

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 1600' - 1750'. The interval will be fractured.

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

OPERATOR

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

2/21/07