

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.

NM-19163

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

3865

Turk's Toast #90

9. API Well No.

30-045-30723

10. FIELD AND POOL, OR WELDCAT

Basin Fruitland Coal

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

Unit K
Sec. 17, T30N, R14W

12. COUNTY OR PARISH

San Juan

13. STATE

NM

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL

DEEPEN

b. TYPE OF WELL

Oil
Well

Gas
Well

Other

SINGLE
ZONE

MULTIPLE
ZONE

2. Name of Operator

Dugan Production Corp.

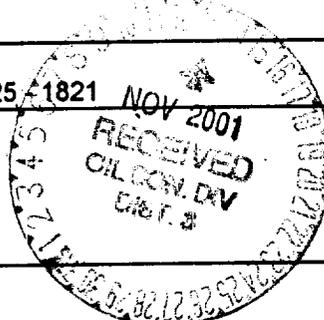
3. Address and Telephone No.

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 1850' FSL & 1850' FWL (NE/4 SW/4)

At proposed prod. zone same



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

5 miles north of Kirtland, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

1850'

16. NO. OF ACRES IN LEASE

1840

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320 W/2

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

1000'

19. PROPOSED DEPTH

1245'

20. ROTARY OR CABLE TOOLS

Rotary

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

5609' GL

22. APPROX. DATE WORK WILL START*

ASAP

23. 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 surface
6 1/4"	4 1/2"	10.5#	1245'	190 cu ft - circ to surface

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 1100'-1115'. The interval will be fractured.

This action is subject to technical and procedural review pursuant to 43 CFR 3165.8 and appeal pursuant to 43 CFR 3165.4.

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

2001 JUN -9 PM 11:31
RECEIVED

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 Title Geologist Date 7/5/2001
Kurt Fagrellius

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE 7/19/01

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 /s/ Jim Lovato Title _____ Date _____

*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.

NMOCD

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 O-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 30723		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 3865	*Property Name TURKS TOAST		*Well Number 90
*OGAID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5609

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
K	17	30N	14W		1850	SOUTH	1850	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

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

*Dedicated Acres 320 ACRES (W/2)	*Joint or Infill	*Consolidation Code	*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

July 6, 2001
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.

JUNE 15, 2001
Date of Survey

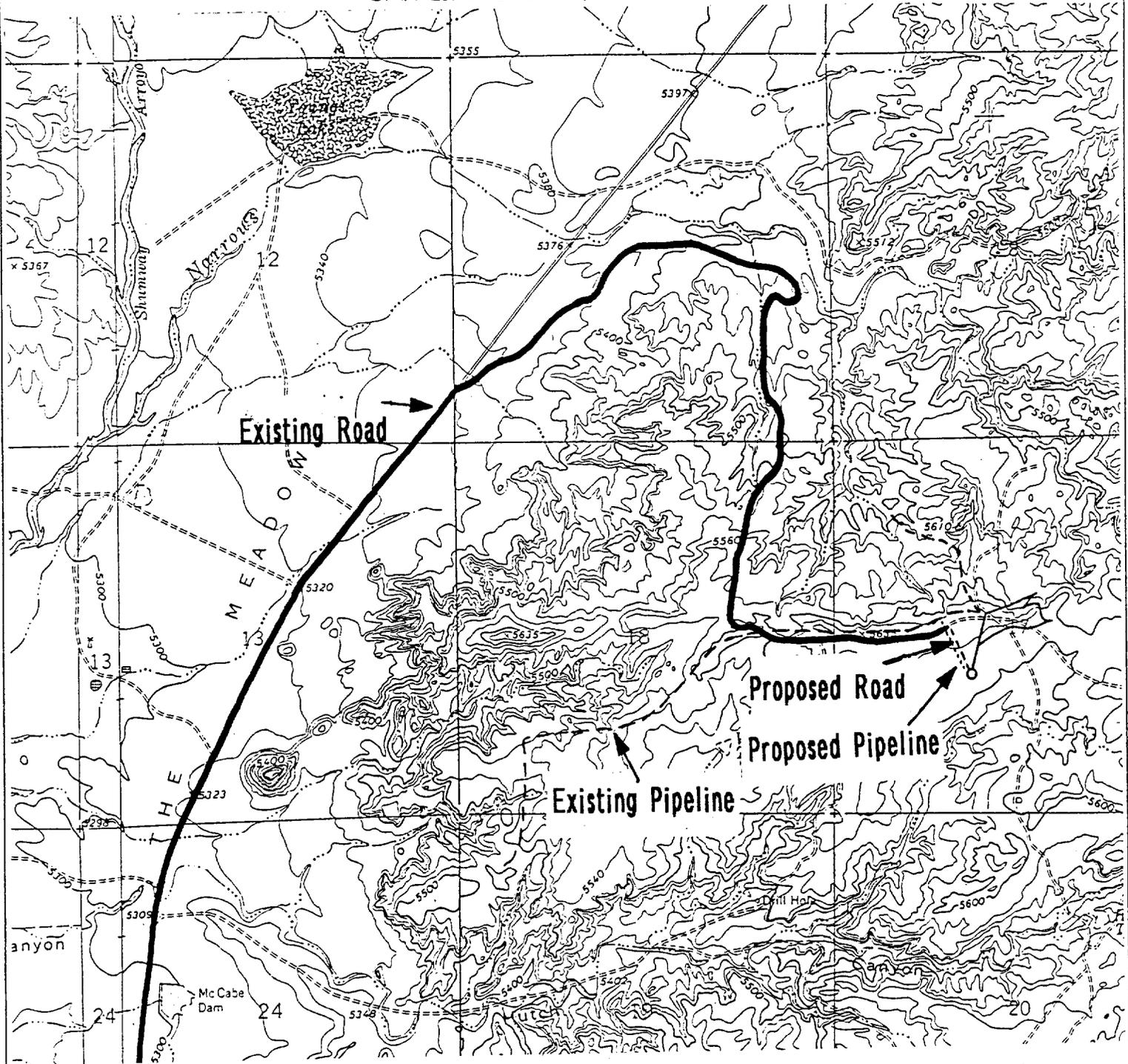
Signature and Seal of Registered Surveyor
Neale G. Edwards

NEALE G. EDWARDS
NEW MEXICO
6857
PROFESSIONAL SURVEYOR

Certificate No. 6857

DUGAN PRODUCTION CORPORATION TURKS TOAST #90

1850' FSL & 1850' FWL, SECTION 17, T30N, R14W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO



Existing Roads Exhibit E

Vicinity of nearest town or reference pt.
5 miles north of Kirtland, NM

Type of surface dirt

Conditions good

Other _____

Reference map: USGS map Youngs Lake

DUGAN PRODUCTION CORP. - TURK'S TOAST #90

Planned Access Road(s) Exhibit E

Width 20' Maximum grades 1%

Drainage design as required

Cuts & Fills as required

Surfacing material none

Turnouts Waterbars

Culverts

Gates

Cattleguards Access Road & Pipeline

Fence cuts

Access road(s) do/do not cross Fed/Ind land.

EXHIBIT B
OPERATIONS PLAN
Turk's Toast #90

APPROXIMATE FORMATION TOPS:

Kirtland	surface
Fruitland	774'
Pictured Cliffs	1119'
Total Depth	1245'

LOGGING PROGRAM: Run cased hole CNL-CDL

Catch samples every 10 feet from 900 feet to total depth.

CASING PROGRAM:

Hole <u>Size</u>	Casing <u>Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
8-3/4"	7"	20#	±120'	J-55-new
6-1/4"	4-1/2"	10.5#	±1245'	J-55-new

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 Coal 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 120 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 70 cu.ft. Class "B" with 1/4# celloflake/sx.
Total cement slurry for production stage is 190 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. If no Ojo Alamo is present, no centralizers will be run on surface casing. 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
John Alexander 325-6927	Mark Brown 327-3632
Sherman Dugan 327-3121	John Roe 326-1034