

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

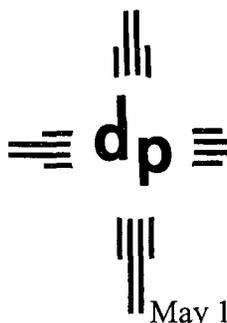
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kurt Fagrelius _____ 5/10/2005
 Print or Type Name Signature Title Date
 kfagrelius@duganproduction.com
 e-mail Address



dugan production corp.

2005 MAY 16 PM 1 53

May 10, 2005

Certified – 7004 1350 0002 0327 1461

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Application for Administrative Approval of
Unorthodox Location for Dugan Production Corp.'s King Com #2
2385' FSL & 2255' FEL (E/2 - 320)
Unit J, Section 11, T29N, R14W
Basin Fruitland Coal Pool

Dear Mr. Stogner:

Dugan Production hereby requests approval for an unorthodox location for the referenced well. Attached for your reference are the following exhibits:

1. Well location and acreage dedication plat (NMOCD Form C-102)
2. Topographic map
3. Offsetting Fruitland Coal Working Interest Owners Map.
4. Offsetting Fruitland Coal Royalty Interest Owners Map.

The unorthodox location is necessary due to topographic conditions.

The subject well is located inside the Farmington city limits. Existing, commercial and industrial developments occupy all favorable topographic and orthodox areas within the proration unit.

On May 12, 2003 the New Mexico Oil Conservation Commission approved Dugan Production Corp.'s application (**administrative application reference No. pKRVO-211451462**) for a non standard location for the subject well with **Administrative Order NSL-4732**. The SE/4 equivalent of irregular Section 11 was dedicated to the well in order to form a standard 160-acre more or less, gas spacing unit for the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Pool.

In March, 2005 the subject well was drilled, production casing was set and cased-hole logs were run. Completion of this well will be carried out upon approval of this application.

Approval of this application would enable Dugan Production Corp. to develop both the Harper Hill Fruitland Sand Pictured Cliffs Pool (78160) and the Basin Fruitland Coal Pool (71629) in the same well-bore.

By certified mail, a copy of this application and request for administrative approval has been sent to all Fruitland Coal offsetting operators and royalty interest owners, the Bureau of Land Management and the City of Farmington.

Please contact me if you have any questions or need additional information.

Sincerely,



Kurt Fagrelius
Geologist

Attachments

Cc:

Bureau of Land Management – 1235 La Plata Hwy., Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 1515)
NMOCD - 1000 Rio Brazos Road, Aztec, NM 87410
(Certified Return Receipt Requested – 7004 1350 0002 0327 1522)
City of Farmington – 800 Municipal Drive, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 1539)
State Highway Dept. NM, P.O. Box 1149, Santa Fe, NM 87504-1149
(Certified Return Receipt Requested – 7004 1350 0002 0327 1546)
Lance Oil and Gas – P.O. Box 70, Kirtland, NM 87417
(Certified Return Receipt Requested – 7004 1350 0002 0327 1553)
Lee Atchison – P.O. Box 15069, Farmington, NM 87499
(Certified Return Receipt Requested – 7004 1350 0002 0327 0297)
Richard C. Akins – 1309 Dewey Lane, Alamogordo, NM 88310
(Certified Return Receipt Requested – 7004 1350 0002 0327 0303)
Geraldine Sterling, P.O. Box 74, Farmington, NM 87499
(Certified Return Receipt Requested – 7004 1350 0002 0327 0310)
Bill Jenson, 613 Merino Kraal, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 0327)
Rilla E. King, P.O. Box 186, Dolores, CO 81325
(Certified Return Receipt Requested – 7004 1350 0002 0327 0334)
Colleen McSparron, 810 Stratford, Pismo Beach, CA 93449
(Certified Return Receipt Requested – 7004 1350 0002 0327 0341)
Robert & Janice Johnston, 605 Parkland Drive, Aztec, NM 87410
(Certified Return Receipt Requested – 7004 1350 0002 0327 0358)
Randall E. Presley, P.O. Box 2200, Newport Beach, CA 92663
(Certified Return Receipt Requested – 7004 1350 0002 0327 0365)

Daryl & Eva Burson, 641 Ridge Lea Court, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 0372)
Twila M. Gooding, 1009 Crestview Circle, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 0389)
Larue Schenck, 3016 Crestridge, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 0396)
Motor Property Partners, 6515 Tevis Drive, Bakersfield, CA 93309
(Certified Return Receipt Requested – 7004 1350 0002 0327 4042)
James Pope, 4407 West Hopi, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 0419)
Troy & Pauline Pope, 4315 West Hopi, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 1350 0002 0327 0426)

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
Instructions on back

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 30-045-31116		*Pool Code 71629	*Pool Name Basin Fruitland Coal
*Property Code	*Property Name KING COM		*Well Number 2
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5426'

¹⁰ Surface Location

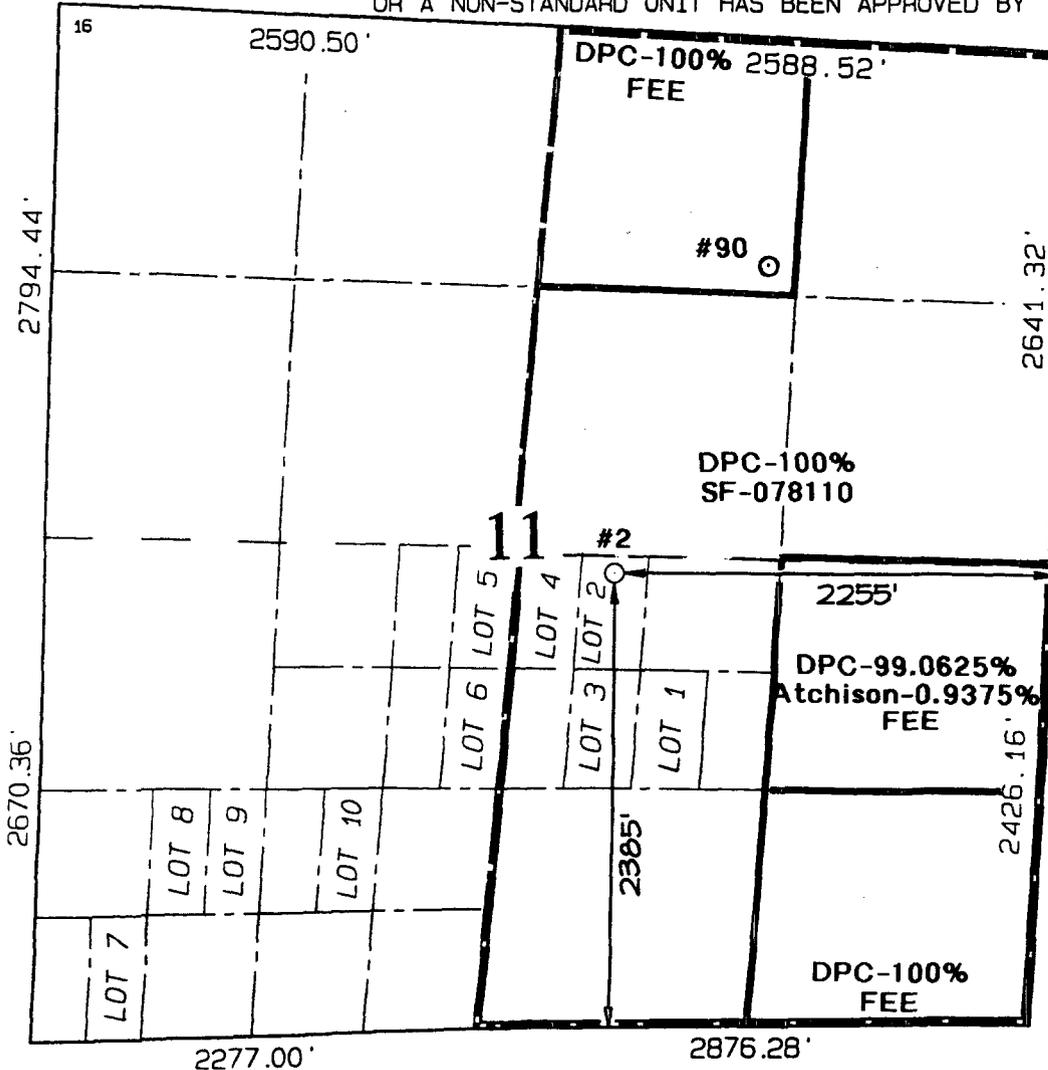
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	11	29N	14W		2385	SOUTH	2255	EAST	SAN JUAN

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 320.13 Acres (E/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 Fagrelis
Signature
Kurt Fagrelis
Printed Name
Geology
Title
May 10, 2005
Date

¹⁸ SURVEYOR CERTIFICATION

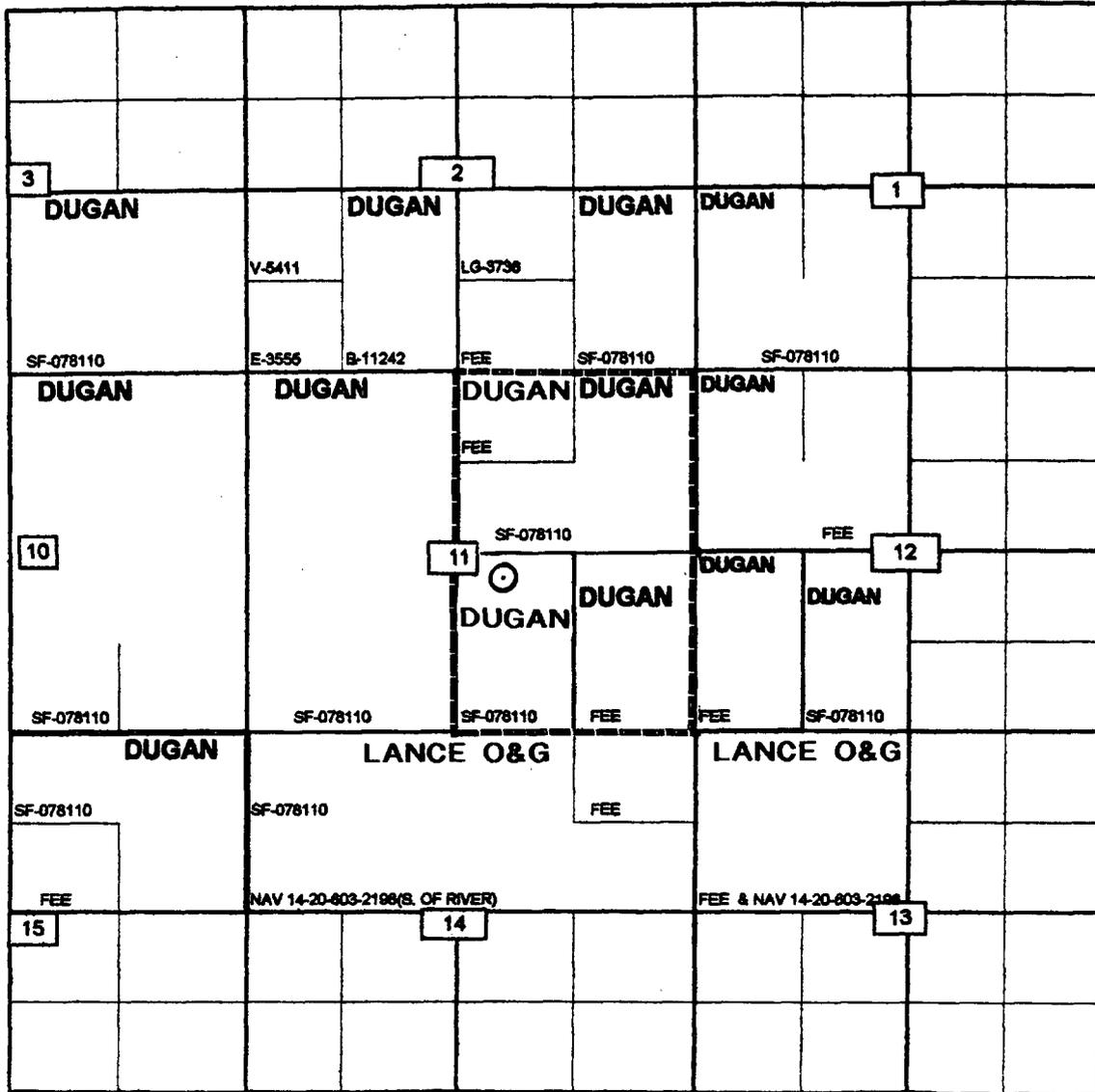
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: MARCH 25, 2002
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

R 14 W

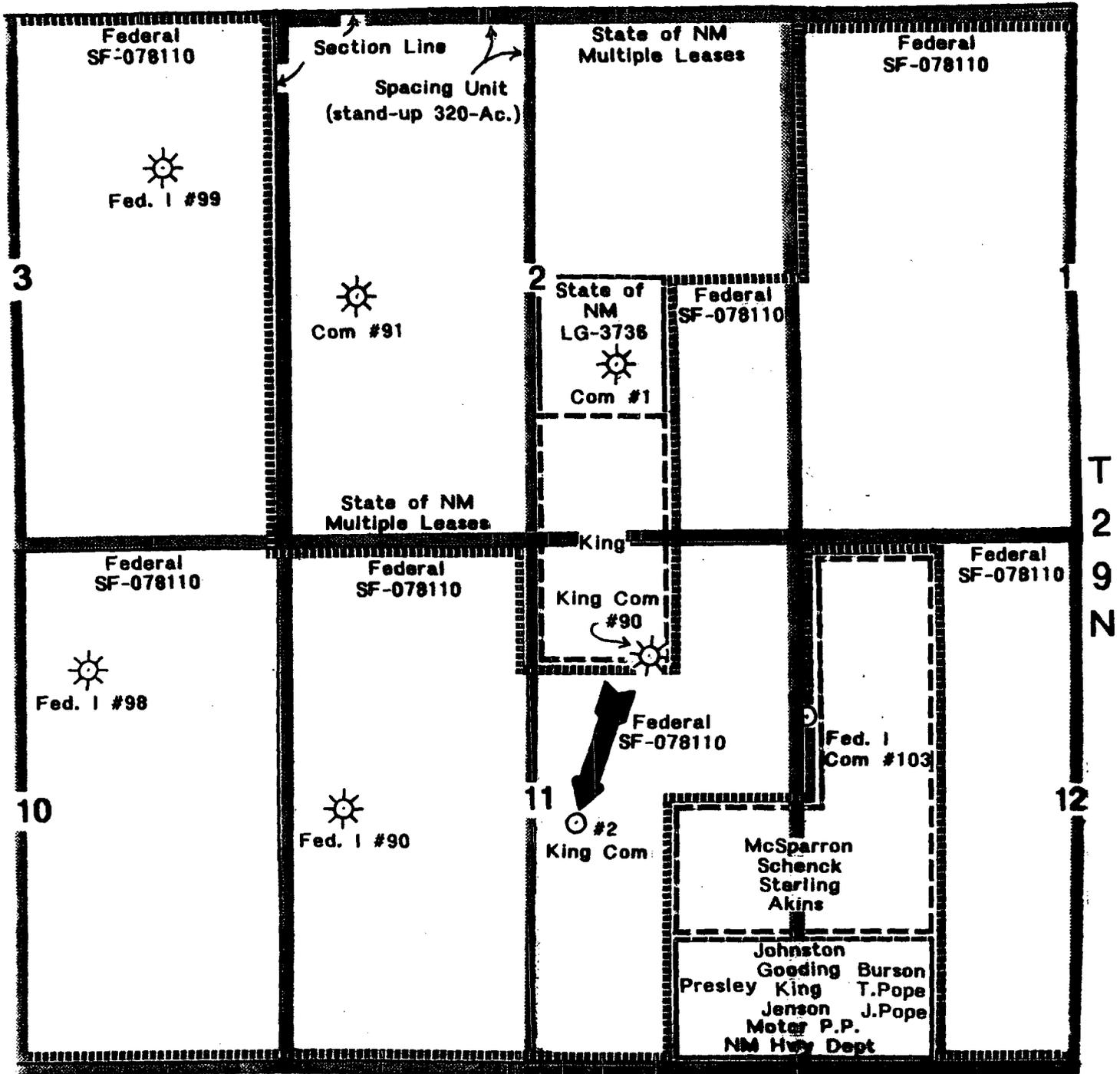


Dugan Production Corp.
Application for Unorthodox Location

**OFFSETTING FRUITLAND COAL
WORKING INTEREST OWNERS MAP**

King Com #2
2385' FSL & 2255' FEL (E/2-320)
Unit J, Section 11, T 29N, R14W
Basin Fruitland Coal

R 14 W



Dugan Production Corp.
Application for Unorthodox Location

**OFFSETTING FRUITLAND COAL
ROYALTY INTEREST OWNERS MAP**

King Com #2
2385' FSL & 2255' FEL (E/2-320)
Unit J, Section 11, T29N, R14W
Basin Fruitland Coal



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 15, 2002

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420
Attention: Kurt H. Fagrelus

Telefax No. (505) 327-4613

Administrative Order NSL-4732

Dear Mr. Fagrelus:

Reference is made to the following: (i) your application dated April 23, 2002 (*application reference No. pKRV0-211451462*); and (ii) the New Mexico Oil Conservation Division's ("Division") records in Santa Fe and Aztec: all concerning Dugan Production Corporation's request to drill its proposed King Com. Well No. 2 at an unorthodox Fruitland sand/Pictured Cliffs gas well location 2385 feet from the South line and 2255 feet from the East line (Unit J) of irregular Section 11, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

The SE/4 equivalent of irregular Section 11 is to be dedicated to this well in order to form a standard 160-acre, more or less, gas spacing and proration unit for the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Pool (78160).

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Fruitland sand/Pictured Cliffs gas well location is hereby approved.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec

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. 30-045- <u>31116</u>
5. Indicate Type of Lease - FEDERAL STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Federal: SF-078110
7. Lease Name or Unit Agreement Name King Com
8. Well Number 2
9. OGRID Number 006515
10. Pool name or Wildcat Harper Hill Fruitland Sand Pictured Cliffs

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

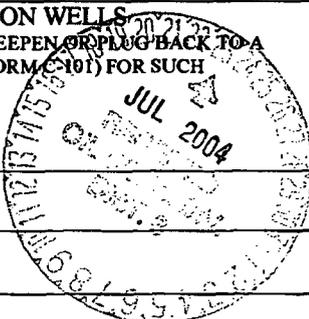
2. Name of Operator
 Dugan Production Corp.

3. Address of Operator
 P. O. Box 420, Farmington, NM 87499-0420

4. Well Location
 Unit Letter J 2385 feet from the South line and 2255 feet from the East line
 Section 11 Township 29N Range 14W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 5426' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
 Pit Location: UL J Sect 11 Twp 29N Rng 14W Pit type Lined Reserve Pit Depth to Groundwater >100' Distance from nearest fresh water well 2.1 miles
 Distance from nearest surface water 2900' 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: Supplement to APD For Rule 50 Compliance <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.

APD Dated 4/2/03 did not include pit and tank information for NMOCD Rule 50 compliance. During drilling and completion a lined reserve pit will exist. Upon completion, no pits will be needed at the well. All production will be transferred by pipeline to Dugan Production's Tabor Gathering System. Reserve pit will be assessed for closure requirements. If appropriate, the excess liner will be removed and disposed of at an authorized disposal site, the pit fluids allowed to evaporate and the pit covered and contoured. NMOCD guidelines will be followed until a general permit is secured.

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 .

SIGNATURE John D. Roe TITLE Engineering Manager DATE July 20, 2004
 Type or print name John D. Roe E-mail address: johnroc@duganproduction.com Telephone No. 325-1821

(This space for State use)

APPROVED BY Denny Jett TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE JUL 23 2004
 Conditions of approval, if any:

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. 30-045- <u>3116</u>
5. Indicate Type of Lease - FEDERAL STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Federal: SF-078110
7. Lease Name or Unit Agreement Name King Com
8. Well Number 2
9. OGRID Number 006515
10. Pool name or Wildcat Harper Hill Fruitland Sand Pictured Cliffs

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.)

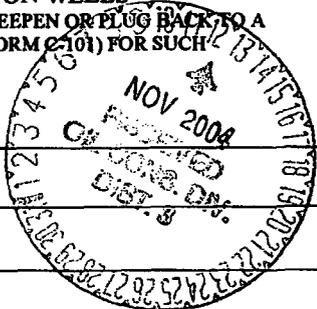
1. Type of Well:
Oil Well Gas Well Other

2. Name of Operator
Dugan Production Corp.

3. Address of Operator
P. O. Box 420, Farmington, NM 87499-0420

4. Well Location
Unit Letter J : 2385 feet from the South line and 2255 feet from the East line
Section 11 Township 29N Range 14W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5426' GL



Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
Pit Location: UL J Sect 11 Twp 29N Rng 14W Pit type Lined Reserve Pit Depth to Groundwater >100' Distance from nearest fresh water well 2.1 miles
Distance from nearest surface water 225' 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: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: Supplement to APD For Rule 50 Compliance <input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>
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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.

Sundry dated 7/20/04 provided supplemental APD information for NMOCD Rule 50 compliance. The distance to nearest surface water is being revised to reflect an ephemeral drainage not initially considered.

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 .

SIGNATURE John D. Roe TITLE Engineering Manager DATE November 11, 2004
Type or print name John D. Roe E-mail address: johnroe@duganproduction.com Telephone No. 325-1821

(This space for State use)
APPROVED BY Denny Faust TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 8 DATE NOV 12 2004
Conditions of approval, if any:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF-078110
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. Contact: KURT FAGRELIUS E-Mail: kfagrelius@duganproduction.com		7. If Unit or CA Agreement, Name and No.
3a. Address 709 EAST MURRAY DRIVE FARMINGTON, NM 87401	3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613	8. Lease Name and Well No. KING COM 2
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface NWSE 2385FSL 2255FEL 36.44250 N Lat, 108.16380 W Lon At proposed prod. zone		9. API Well No. 30045 31116
14. Distance in miles and direction from nearest town or post office* INSIDE FARMINGTON CITY LIMITS	15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 2255'	10. Field and Pool, or Exploratory HARPER HILL FRUITLAND SAND PC
16. No. of Acres in Lease 2497.51	17. Spacing Unit dedicated to this well 160.00 SE/4	11. Sec., T., R., M., or Blk. and Survey or Area J Sec 11 T29N R14W Mer NMP
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 1950'	19. Proposed Depth 1190 MD	12. County or Parish SAN JUAN ✓
21. Elevations (Show whether DF, KB, RT, GL, etc.) 5426 GL	22. Approximate date work will start 09/01/2003	13. State NM
23. Estimated duration 5-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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Kurt Fagrelius</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 04/02/2003
Title GEOLOGIST		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 3-28-05
Title AFM	Office FFO	

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 Pictured Cliffs Sandstone will be completed from approximately 1036 to 1046. The interval will be fractured.

HOLD CLOSURE FOR NSL

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

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

NMOCED

District I
PO Box 1960, Hobbs, NM 88241-1960

District II
PO Drawer DD, 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

Form C-102
Revised February 31, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

2003 JUL 11 PM 3:59

AMENDED REPORT

070 Farmington, NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-31116		*Pool Code 78160	*Pool Name HARPER HILL FRUITLAND SAND PICTURED CLIFFS
*Property Code 24405	*Property Name KING COM		*Well Number 2
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5426'

¹⁰ Surface Location

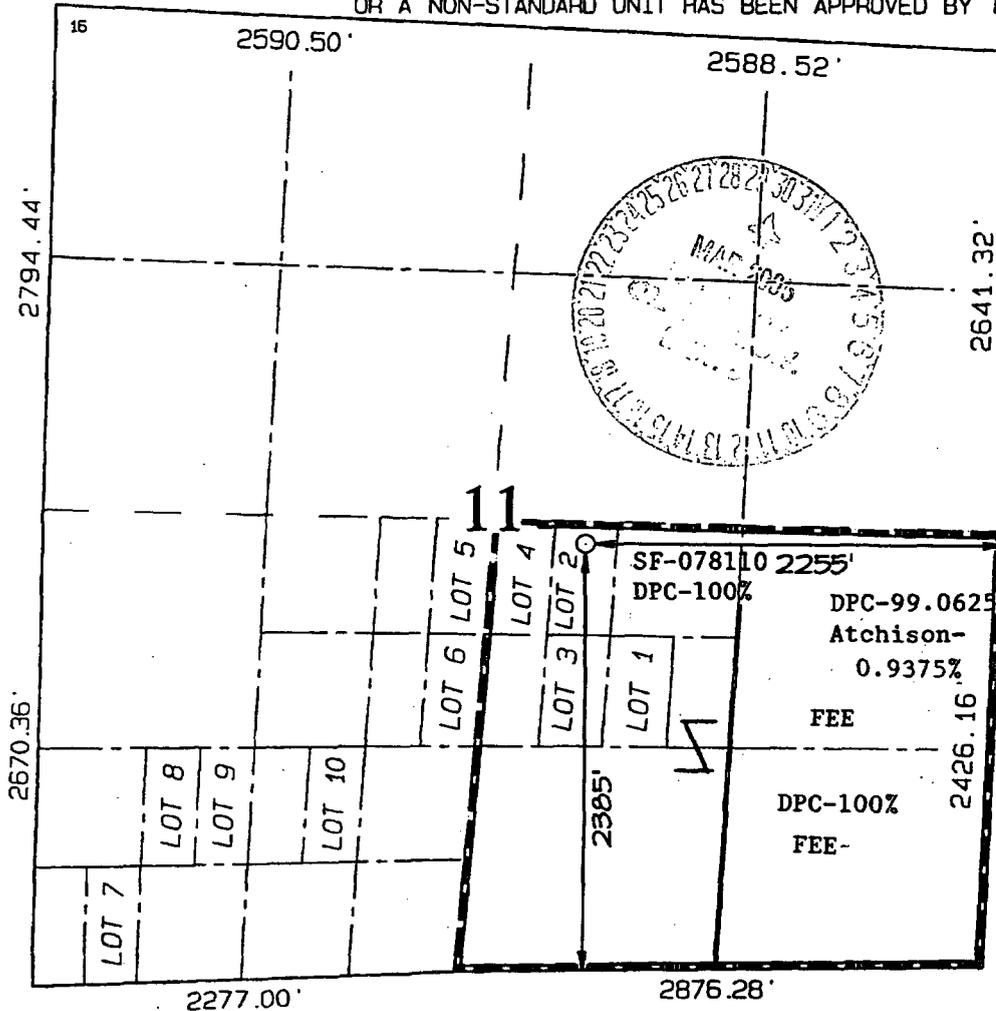
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	11	29N	14W		2385	SOUTH	2255	EAST	SAN JUAN

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 160.13 Acres - (SE/4)	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

April 11, 2002
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.

Date of Survey: MARCH 25, 2002

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
Certificate Number 15269

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

5. Lease Designation and Serial No.

SF-078110

6. If Indian, Allotted or Tribe Name

SUBMIT IN TRIPLICATE RECEIVED

070 FARMINGTON NM

1. Type of Well

Oil Well Gas Well Other

7. If Unit or CA, Agreement Designation

2. Name of Operator

Dugan Production Corp.

8. Well Name and No.

King Com #2

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

9. API Well No.

30 045 3114

Location of Well (Footage, Sec., T., R., M., or Survey Description)

2385' FSL & 2255' FEL (NW/4 SE/4)
Unit J, Sec. 11, T29N, R14W, NMPM

10. Field and Pool, or Exploratory Area

Harper Hill Fruitland Sand PC

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other <u>Change in APD</u>	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Amend casing program to include conductor pipe as follows:

Conductor pipe 13-3/8", hole size 20". Set at 50' (base of boulders) w/90 cu ft cement circulated to surface.

Surface casing and production casing plans proposed in original APD will not be changed.

14. I hereby certify that the foregoing is true and correct

Signed

Kurt Fagrellius
Kurt Fagrellius

Title

Geologist

Date

10/11/2004

(This space for Federal or State official use)

Approved by

[Signature]
Title

AFM

Date

3-28-05

Conditions of approval, if any:

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.

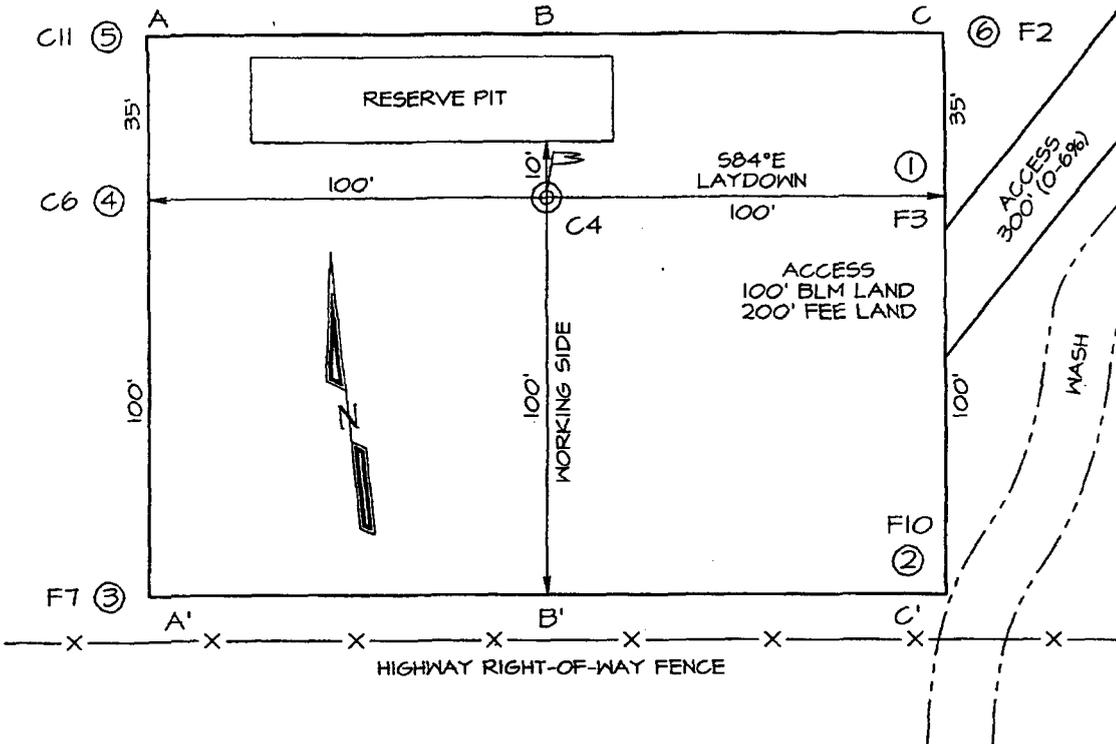
*See Instruction on Reverse Side

NMOC

DUGAN PRODUCTION CORPORATION KING COM #2
2385' FSL, 2255' I, SECTION 11, T29N, R14W, MPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 5426'

PLAT 3.

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management



LATITUDE: 36°44'25"
 LONGITUDE: 108°16'38"
 DATUM: NAD1927

A-A'						
5432'	[Profile line]					
5422'	[Profile line]					
5412'	[Profile line]					

B-B'						
5432'	[Profile line]					
5422'	[Profile line]					
5412'	[Profile line]					

C-C'						
5432'	[Profile line]					
5422'	[Profile line]					
5412'	[Profile line]					

EXHIBIT B
OPERATIONS PLAN
King Com #2

APPROXIMATE FORMATION TOPS:

Kirtland	Surface
Fruitland	750'
Pictured Cliffs	1036'
Total Depth	1190'

Catch samples every 10 feet from 950 feet to total depth.

LOGGING PROGRAM:

Run cased hole GR-CCL-CNL from total depth to surface.

CASING PROGRAM:

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
11"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	1190'	J-55

Plan to drill a 11" hole and set 120' of 8-5/8" OD, 20#, J-55 surface casing. Then plan to drill a 7" hole to total depth with gel-water mud program to test the Fruitland and Pictured Cliffs sand. 5-1/2", 10.5#, 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 110 cf 2% lodense with
1/4# celloflake/sx followed by 70 cf Class "B" with
1/4# celloflake/sx.
Total cement slurry for production stage is 180 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"x2-3/8" 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.

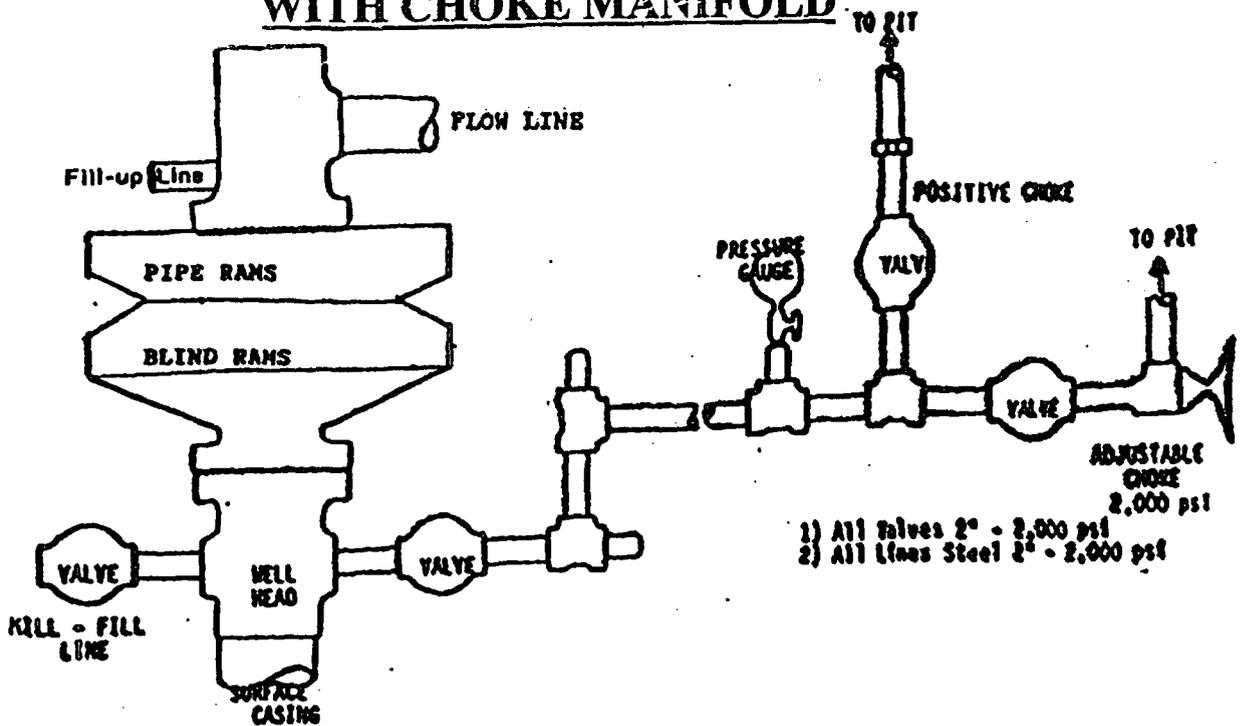
Contacts:

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)

BOP DIAGRAM WITH CHOKE MANIFOLD

EXHIBIT D.

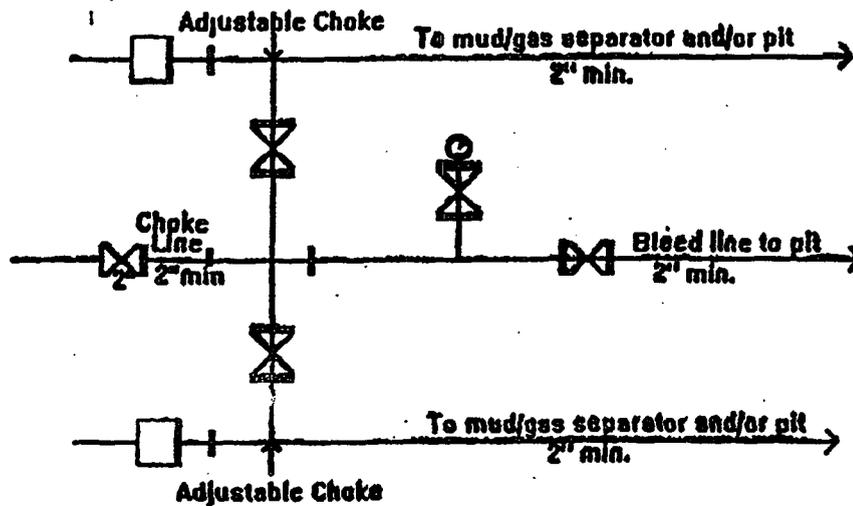


BOP and Related Equipment will include for a 2000 psi system:

2000 PSI DOUBLE RAM BLOWOUT PREVENTER

- Kill line (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 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.

KING COM #2

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

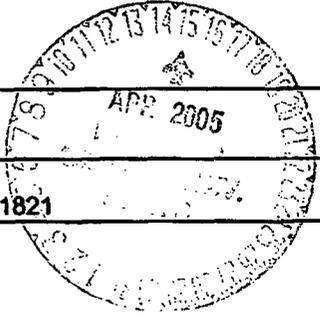
FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. SF-078110
2. Name of Operator Dugan Production Corp.	6. If Indian, Allotted or Tribe Name
3. Address and Telephone No. P.O. Box 420, Farmington, NM 87499 (505) 325-1821	7. If Unit or CA, Agreement Designation
Location of Well (Footage, Sec., T., R., M., or Survey Description) 2385' FSL & 2255' FEL (NW/4 SE/4) Unit J, Sec. 11, T29N, R14W, NMPM	8. Well Name and No. King Com #2 9. API Well No. 30 045 31116 10. Field and Pool, or Exploratory Area Harper Hill Fruitland Sand PC 11. County or Parish, State San Juan, NM



12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Spud, surface casing</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Spud 12-1/4" hole on 4-5-05. Run 8-5/8" 24# J-55 csg. Land @ 131'. Cement w/100 sx Class "B" neat w/2% CaCl2 w/1/4# celloflake (118 cu ft total slurry). Displace w/7 water. Circ 4 bbls cement. Pressure test csg to 600#, held.

2005 APR 8 AM 10 19
 RECEIVED
 070 FARMINGTON NM

14. I hereby certify that the foregoing is true and correct

Signed John Alexander Title Vice-President Date _____
John Alexander

(This space for Federal or State office use)
 Approved by _____ Title _____ Date _____
 Conditions of approval, if any:

APR 13 2005
 ACCEPTED FOR RECORD
 FARMINGTON FIELD OFFICE
 BY JLB

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.

*See Instruction on Reverse Side

NMOCD



dugan production corp.



April 25, 2005

New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Dugan Production Corp.
King Com #2
API #30 045 31116
Unit J, Sec. 11, T29N, R14W
San Juan County, NM



Ladies/Gentlemen:

Below are the deviations reported by the drilling contractor for the subject well:

1/2° @ 500'
1° @ 1210'

Sincerely,

John Alexander
Vice-President

JA/tmf

State of New Mexico)

ss

County of San Juan)

Subscribed and sworn to before me this 25th day of April, 2005.



Notary Public

My Commission Expires: 3/4/08

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals.

2005 APR 27 PM 1 54

5. Lease Designation and Serial No.
SF-078110

6. If Indian, Allotted or Tribe Name

SUBMIT IN TRIPLICATE

070 FARMINGTON NM

1. Type of Well

Oil Well Gas Well Other

7. If Unit or CA, Agreement Designation

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Dugan Production Corp.

8. Well Name and No.
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9. API Well No.
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13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Drill to TD @ 1210' on 4-8-05. Run 5 1/2" 15.5# J-55 API casing. Land @ 1198', float collar @ 1154'. Cement w/70 sx 2% Lodense w/1/4# celloflake/sx. Tail w/60 sx Class "B" neat w/1/4# celloflake/sx (214 cu ft total slurry). Circ 10 bbls cement.



14. I hereby certify that the foregoing is true and correct

Signed John Alexander Title Vice-President Date 04/25/2005

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

ACCEPTED FOR RECORD
APR 29 2005
FARMINGTON FIELD OFFICE
BY JAB

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