

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

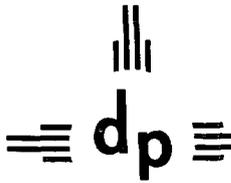
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, 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 Kurt Fagrelius Geology 5/10/2005
 Print or Type Name Signature Title Date
 kfagrelius@duganproduction.com
 e-mail Address



dugan production corp.



May 18, 2005

Certified – 7004 2890 0002 7604 5228

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 Federal I Com #101
660' FSL & 2085' FWL (SW/4 - 160)
Unit N, Section 1, T29N, R14W
Harper Hill Fruitland Sand Pictured Cliffs Pool

2005 MAY 20 PM 12 09

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 Sand Pictured Cliffs Working Interest Owners Map.
4. Offsetting Fruitland Sand Pictured Cliffs Royalty 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.

As of February 15, 2005 the Bureau of Land Management, City of Farmington and the New Mexico Oil Conservation Commission approved Dugan Production Corp.'s application for a standard Fruitland Coal location for the subject well. The S/2 equivalent of irregular Section 1 was dedicated to the well in order to form a standard 320-acre more or less, lay-down gas spacing unit for the Basin Fruitland Coal 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 Sand Pictured Cliffs 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 Fagrelus
Geologist

Attachments

Cc:

Bureau of Land Management – 1235 La Plata Hwy., Farmington, NM 87401
(Certified Return Receipt Requested – 7004 2890 0002 7604 5112)
NMOCD - 1000 Rio Brazos Road, Aztec, NM 87410
(Certified Return Receipt Requested – 7004 2890 0002 7604 5129)
City of Farmington – 800 Municipal Drive, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 2890 0002 7604 5136)
Lance Oil and Gas – P.O. Box 70, Kirtland, NM 8717
(Certified Return Receipt Requested – 7004 2890 0002 7604 5143)
Rilla E. King, P.O. Box 186, Dolores, CO 81325
(Certified Return Receipt Requested – 7004 2890 0002 7604 5150)
Colleen McSparron, 810 Stratford, Pismo Beach, CA 93499
(Certified Return Receipt Requested – 7004 2890 0002 7604 5167)
Larue Schenck, 3016 Crestridge, Farmington, NM 87401
(Certified Return Receipt Requested – 7004 2890 0002 7604 5174)
Geraldine Sterling, P.O. Box 74, Farmington, NM 87499
(Certified Return Receipt Requested – 7004 2890 0002 7604 5181)
Richard C. Akins, 1309 Dewey Lane, Alamogordo, NM 83310
(Certified Return Receipt Requested – 7004 2890 0002 7604 5198)
R&C Investment, P.O. Box 724, Farmington, NM 87499
(Certified Return Receipt Requested – 7004 2890 0002 7604 5204)
E.B. Mann, P.O. Box 1769 Bloomfield, NM 87413
(Certified Return Receipt Requested – 7004 2890 0002 7604 5211)

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

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 30-045-31785		*Pool Code 78106	*Pool Name Harper Hill Fruitland Sand P.C. Pool	
*Property Code	*Property Name FEDERAL I		*Well Number 101	
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5525'	

¹⁰ Surface Location

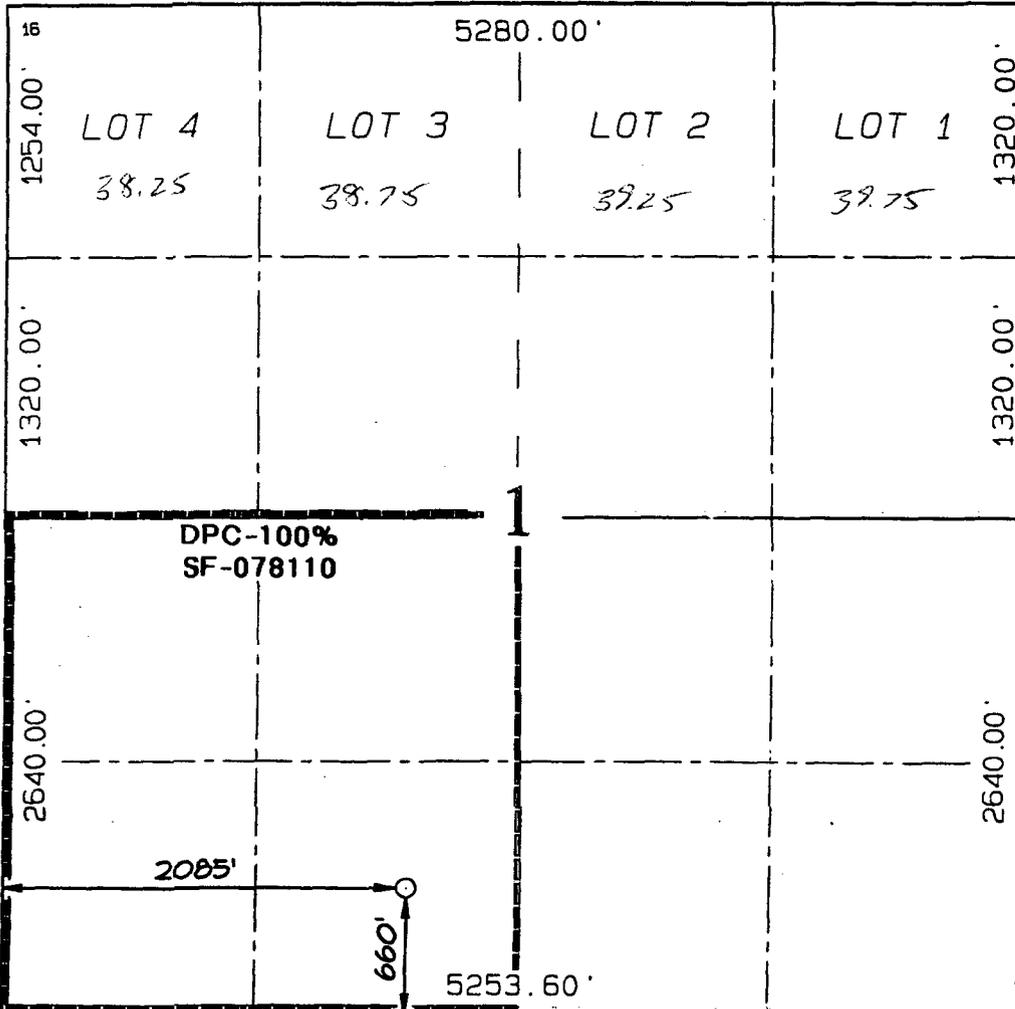
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	1	29N	14W		660	SOUTH	2085	WEST	SAN JUAN

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	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

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

Geology
 Title

May 11, 2005
 Date

¹⁸ SURVEYOR CERTIFICATION

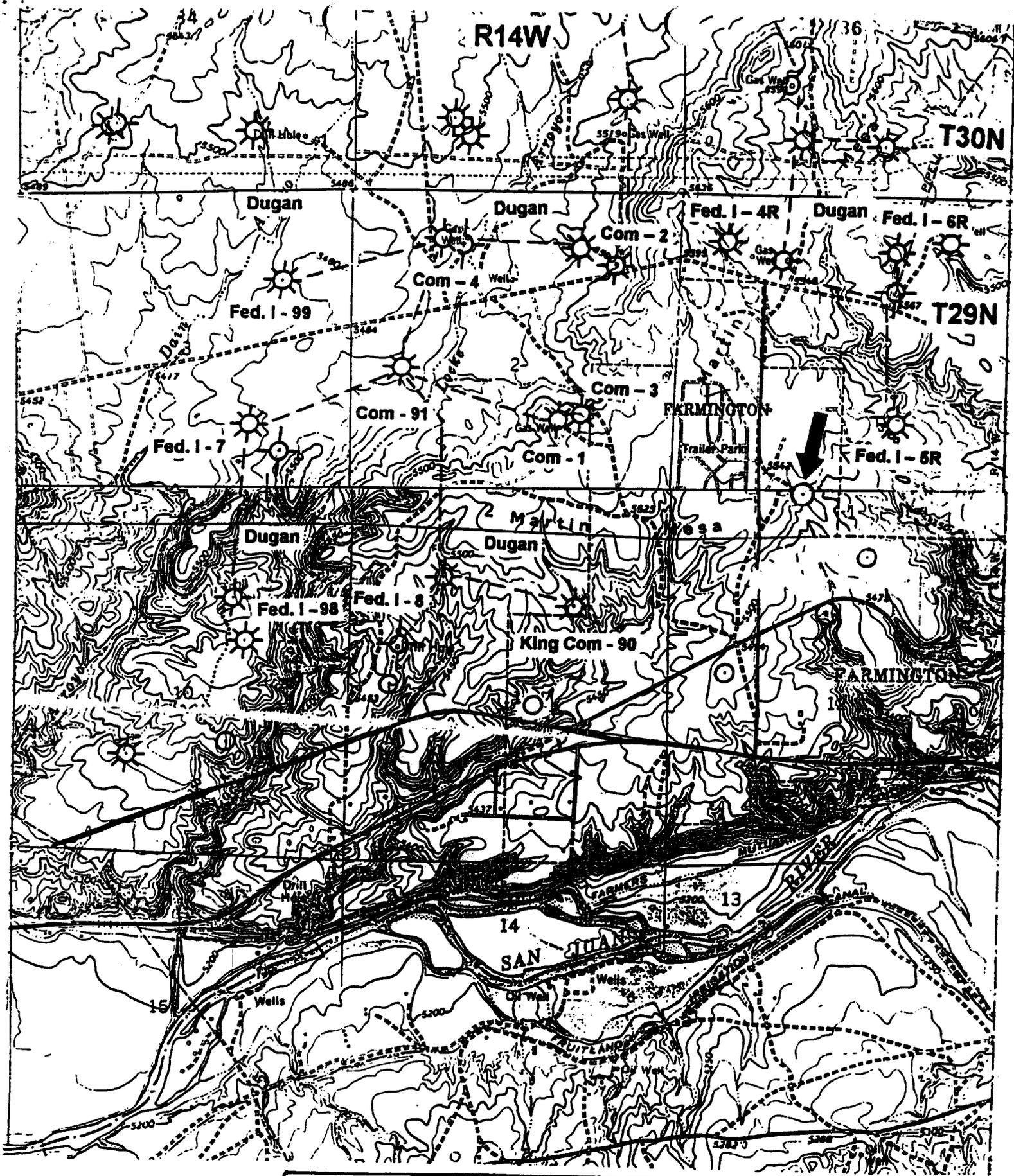
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Survey Date: DECEMBER 2, 2002

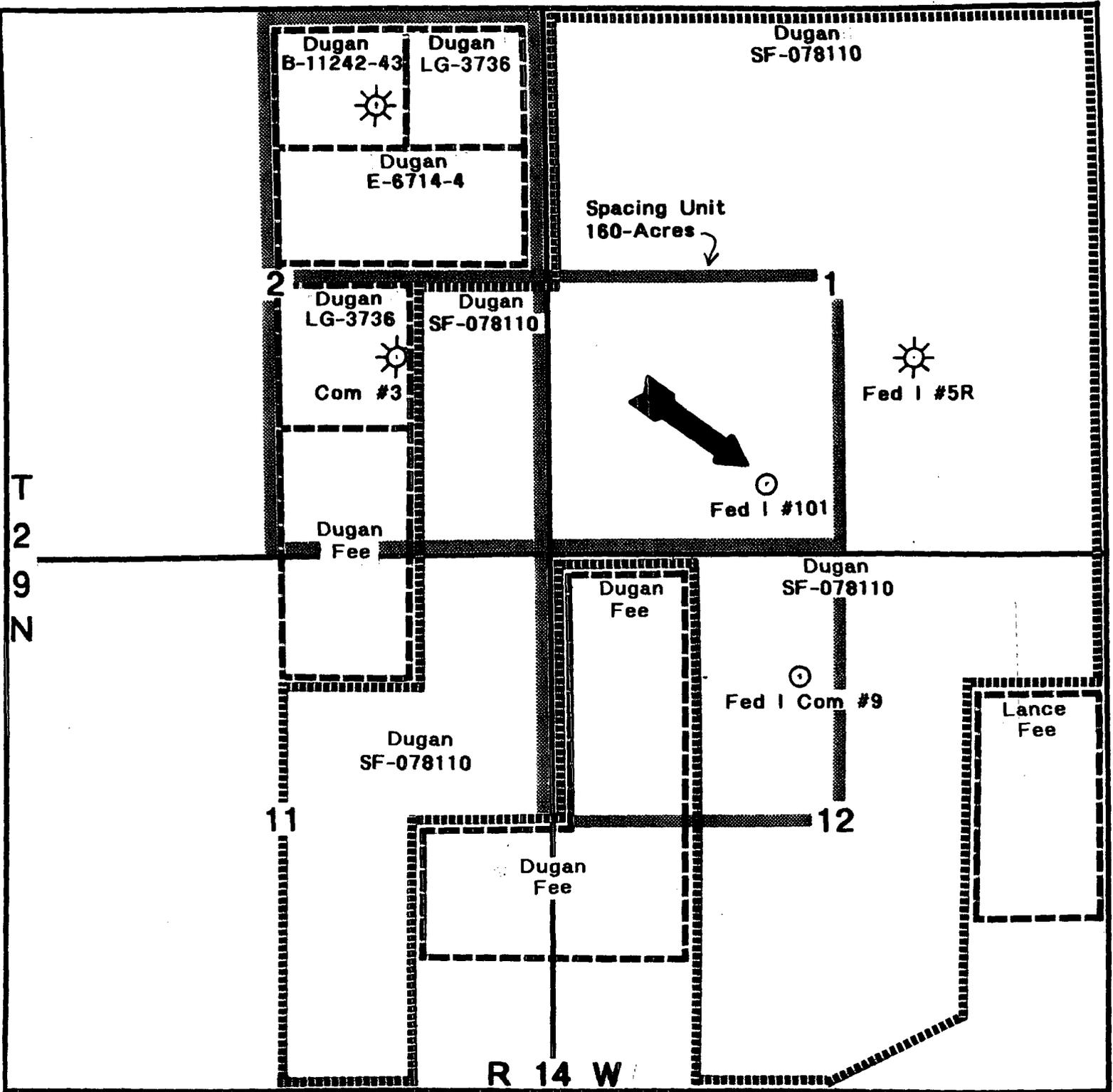
Signature and Seal of Professional Surveyor



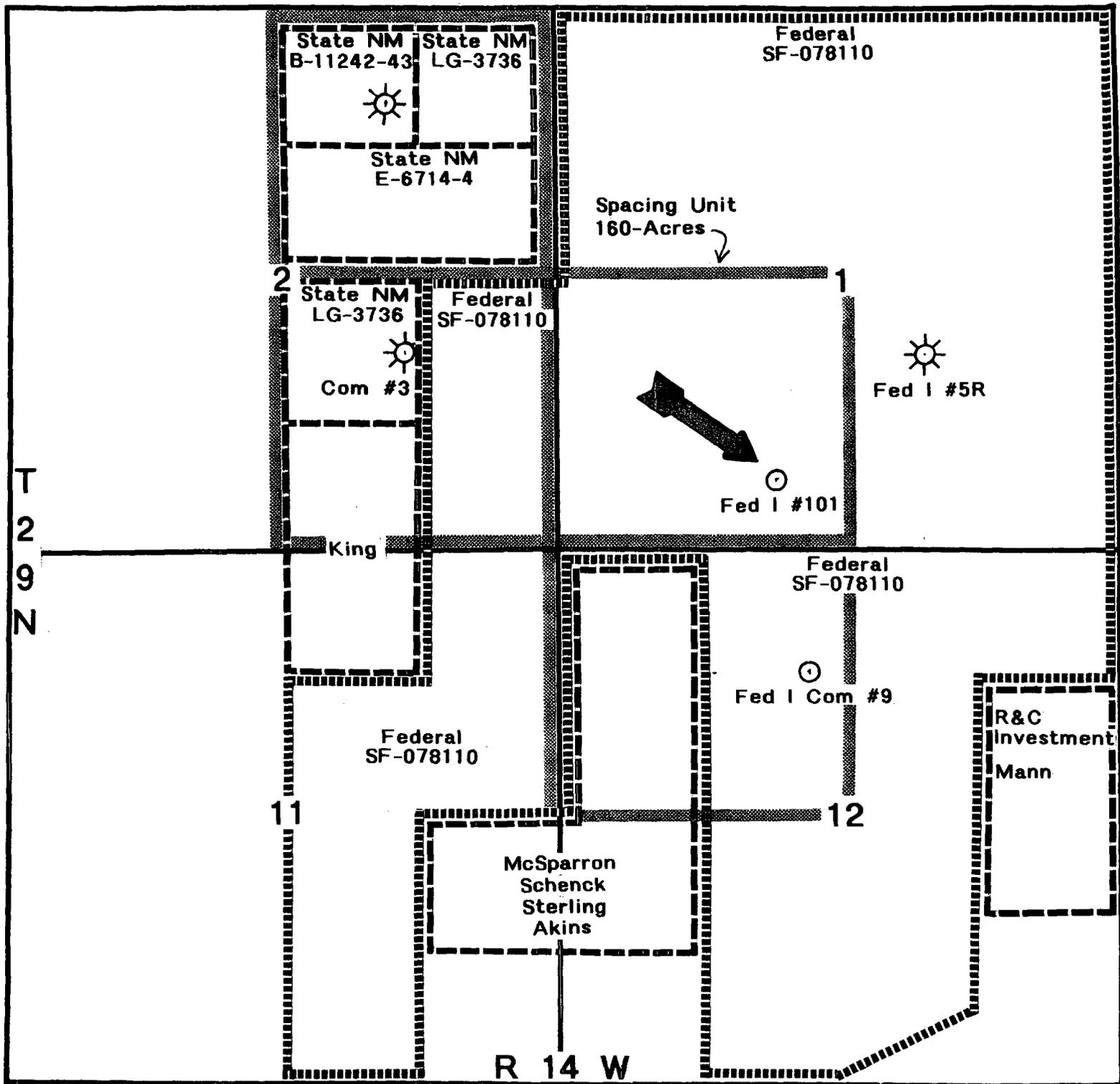
JASON C. EDWARDS
 Certificate Number 15269



DUGAN PRODUCTION CORP.
FEDERAL I #101



Dugan Production Corp.
 Application for Unorthodox Location
**Offsetting Fruitland Sand and Pictured Cliffs
 Working Interest Owners Map**
 Federal I #101
 660' FSL & 2085' FWL
 Unit N, Section 1, T29N, R14W
 Harper Hill Fruitland Sand Pictured Cliffs



Dugan Production Corp.
 Application for Unorthodox Location

**Offsetting Fruitland Sand and Pictured Cliffs
 Royalty Interest Owners Map**

Federal I #101
 660' FSL & 2085' FWL
 Unit N, Section 1, T29N, R14W
 Harper Hill Fruitland Sand Pictured Cliffs

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>31785</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 Federal I
8. Well Number 101
9. OGRID Number 006515
10. Pool name or Wildcat Basin Basin Fruitland Coal

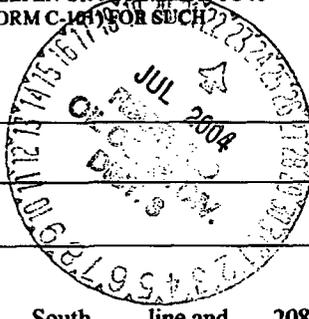
SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-104) FOR SUCH PROPOSALS.)

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 N : 660 feet from the South line and 2085 feet from the West line
 Section 1 Township 29N Range 14W NMPM County San Juan



11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5525' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
 Pit Location: UL N Sect 1 Twp 29N Rng 14W Pit type Lined Reserve Pit Depth to Groundwater >100' Distance from nearest fresh water well 1.1 miles
 Distance from nearest surface water 3500' 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: johnroe@duganproduction.com Telephone No. 325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. IV 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 APL NO 30-045- <u>31785</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 Federal I
8. Well Number 101
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.)

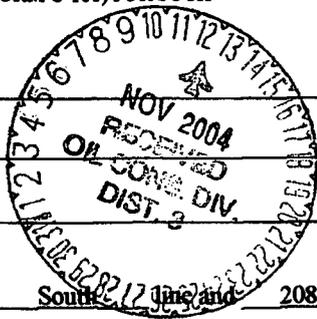
1. Type of Well:
 Oil Well Gas Well Other

2. Name of Operator
 Dugan Production Corp.

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

4. Well Location
 Unit Letter N : 660 feet from the South line and 2085 feet from the West line
 Section 1 Township 29N Range 14W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5525' GL



Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)
 Pit Location: UL, N Sect 1 Twp 29N Rng 14W Pit type Lined Reserve Pit Depth to Groundwater >100' Distance from nearest fresh water well 1.1 miles
 Distance from nearest surface water 400' 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.

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 Jenny Junt TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 3 DATE NOV 12 2004
 Conditions of approval, if any:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

2004 OCT 19 PM 2 12

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 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. 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. FEDERAL I 101
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SESW 660FSL 2085FWL 36.44590 N Lat, 108.15440 W Lon At proposed prod. zone		9. API Well No. 3004531785
14. Distance in miles and direction from nearest town or post office* INSIDE FARMINGTON, NM CITY LIMITS	15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
16. No. of Acres in Lease 2497.51	17. Spacing Unit dedicated to this well 320.00 5/2	11. Sec., T., R., M., or Blk. and Survey or Area N Sec 1 T29N R14W Mer NMP
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 1850'	19. Proposed Depth 1320 MD	12. County or Parish SAN JUAN
20. BLM/BIA Bond No. on file	21. Elevations (Show whether DF, KB, RT, GL, etc.) 5525 GL	13. State NM
22. Approximate date work will start 09/01/2003	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:

- 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>Kurt Fagrelius</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 04/02/2003
Title GEOLOGIST		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 2-15-05
Title AFM	Office FFU	

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 1155' to 1174'. The interval will be fractured.

NMOCD

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".

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 38211-0719

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 Dept.

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

Form C-122
Revised February 21, 1999
Instructions on page 2
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-31785		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 3682	*Property Name FEDERAL I		*Well Number 101
*GRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 5525'

¹⁰ Surface Location

U. or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
N	1	29N	14W		660	SOUTH	2085	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

U. or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320.0 Acres - (S/2)					¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.

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

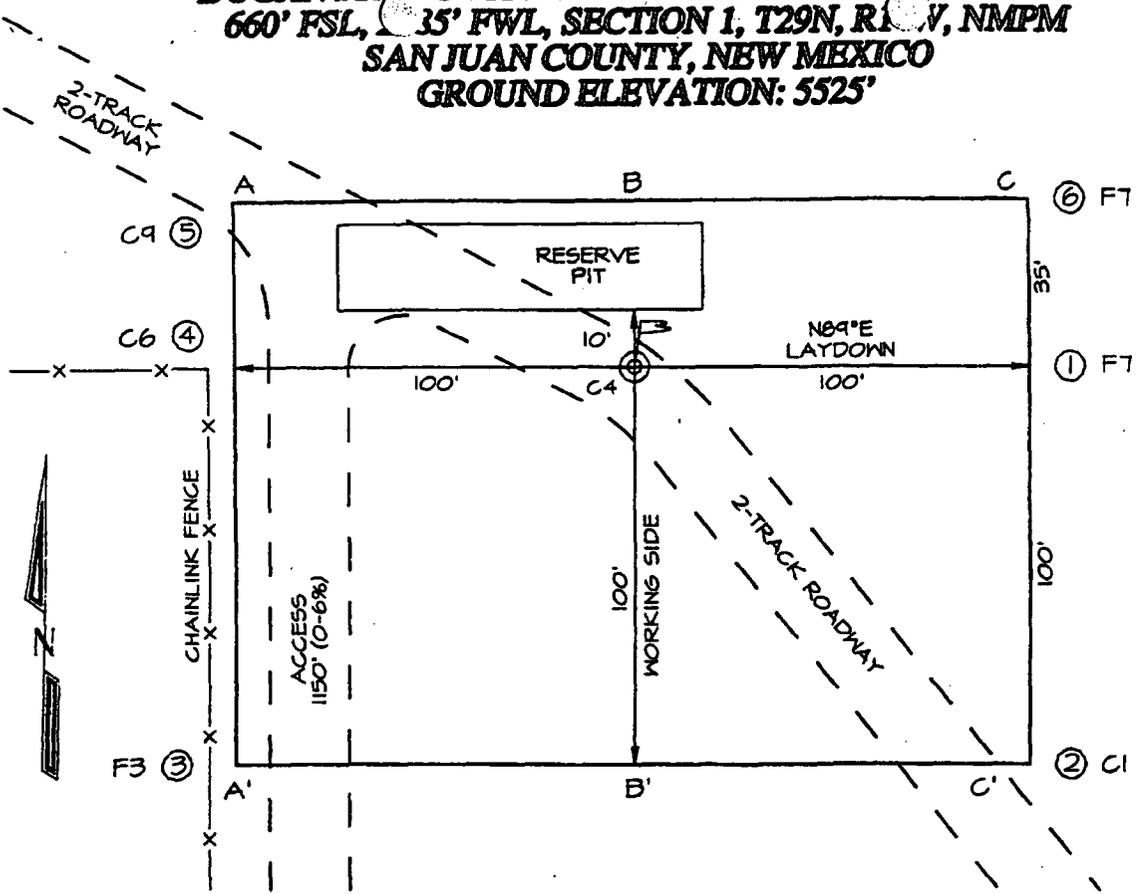
¹⁶ 1254.00' LOT 4 1320.00' 2640.00' 2085' 660' 5253.60'	5280.00' LOT 3 LOT 2 LOT 1			¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Kurt Fagrelius</i> Signature Kurt Fagrelius Printed Name Geologist Title July 9, 2003 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 2, 2002 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269			



DUGAN PRODUCTION CORPORATION FEDERAL I #101
660' FSL, 35' FWL, SECTION 1, T29N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO
GROUND ELEVATION: 5525'

PLAT 3.

LATITUDE: 36°44'59"
LONGITUDE: 108°15'44"
 DATUM: NAD1927



PLAT NOTE:
 SURFACE OWNER
 Fee Land

A-A'							
5531'	[Profile line]						
5521'	[Profile line]						
5511'	[Profile line]						

B-B'							
5531'	[Profile line]						
5521'	[Profile line]						
5511'	[Profile line]						

C-C'							
5531'	[Profile line]						
5521'	[Profile line]						
5511'	[Profile line]						

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

OCT 19 PM 2
RECEIVED

SUBMIT IN TRIPLICATE

070 FARMINGTON NM

1. Type of Well
 Oil Well
 Gas Well
 Other

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

660' FSL & 2085' FWL (SE/4 SW/4)
Unit N, Sec. 1, T29N, R14W, NMPM



5. Lease Designation and Serial No.
SF 078110

6. If Indian, Allotted or Tribe Name

7. If Unit or CA. Agreement Designation

8. Well Name and No.
Federal I #101

9. API Well No.
30 045 31785

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

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.

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FEB 17 2005

BY:.....

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

Signed Kurt Fagrellius Title Geologist Date 10/11/2004
Kurt Fagrellius

(This space for Federal or State office use)

Approved by [Signature] Title AFM Date 2-15-05
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

OPERATOR
NMOCD

EXHIBIT B
OPERATIONS PLAN
Federal I #101

APPROXIMATE FORMATION TOPS:

Kirtland	Surface
Fruitland	825'
Pictured Cliffs	1175'
Total Depth	1320'

Catch samples every 10 feet from 1100 feet to total depth.

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>
11"	8-5/8"	24#	120'	J-55
7"	5-1/2"	14#	1320'	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 Coal. 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 140 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 210 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)

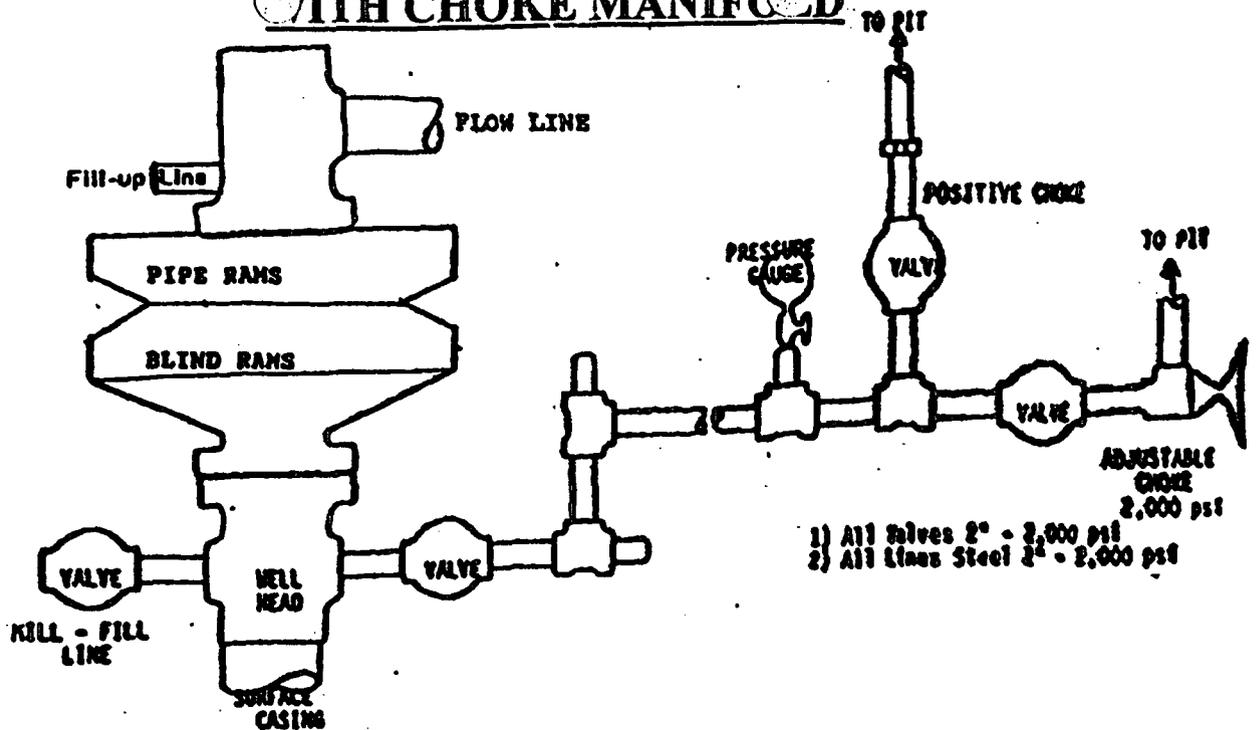
John Alexander 325-6927 (H)

320-1935 (M)

BOP DIAGRAM

EXHIBIT D.

WITH CHOKE MANIFOLD



BOP and Related Equipment will include for a 3000 psi system:

2000 PSI DOUBLE RAM BLOWOUT PREVENTER

Kill line (3" minimum)

1 kill line valve (3" minimum)

1 choke line valve

2 chokes

Upper Kelly cock valve with handle available

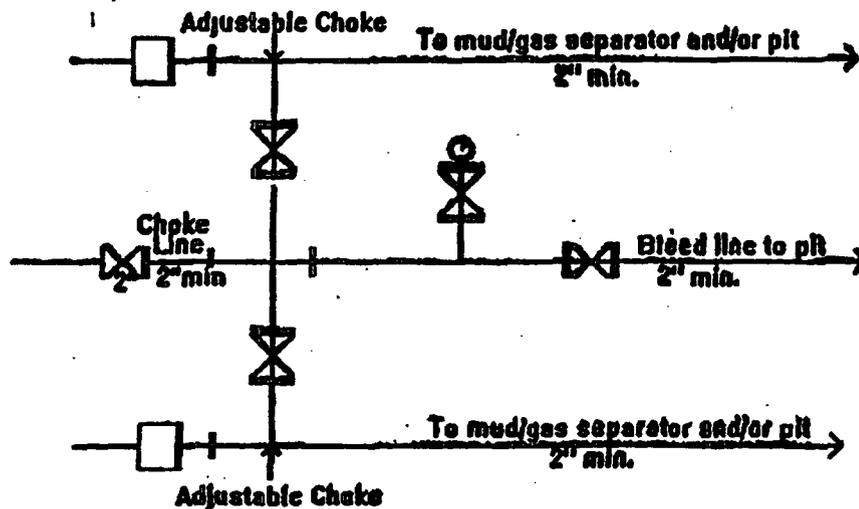
Safety valve and subs to fit all drill string connections in use

Pressure gauge on choke manifold

3" 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.

FEDERAL I #101

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
 Oil Well Gas Well Other

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

**660' FSL & 2085' FWL (SE/4 SW/4)
 Unit N, Sec. 1, T29N, R14W, NMPM**

5. Lease Designation and Serial No.
SF 078110

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Federal I #101

9. API Well No.
30 045 31785

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

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 type="checkbox"/> Change of Plans
<input checked="" 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>Spud, surface casing</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.)

Spud 12-1/4" hole on 3-28-05. Run 8-5/8" 24# J-55 csg. Land @ 129'. Cement w/100 sx Class "B" neat w/2% CaCl2 w/1/4# celloflake (total slurry 118 cu ft). Displace w/6 water. Circ 6 bbls cement. Pressure test csg 1000 psi, held ok.

2005 APR 11 PM 3 45
 RECEIVED
 070 FARMINGTON NM

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

Signed John Alexander Vice-President Date _____
(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
 Conditions of approval, if any:

ACCEPTED FOR RECORD
 APR 13 2005
 FARMINGTON FIELD OFFICE
 BY SB

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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SF 078110

6. If Indian, Allotted or Tribe Name

SUBMIT IN TRIPLICATE

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 Oil Well Gas Well Other

7. If Unit or CA, Agreement Designation

2. Name of Operator
Dugan Production Corp.

8. Well Name and No.
Federal I #101

3. Address and Telephone No.
P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

9. API Well No.
30 045 31785

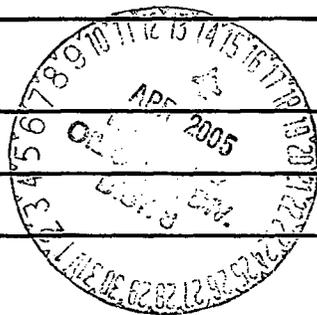
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**660' FSL & 2085' FWL (SE/4 SW/4)
Unit N, Sec. 1, T29N, R14W, NMPM**

Basin Fruitland Coal

11. County or Parish, State
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<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>TD, production 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
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(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.)

Drill to TD @ 1330' on 4-2-05. Run 5-1/2" 15.5# Maverick csg. Land @ 1332', float collar @ 1280'. Cement w/75 sx 2% Sodium Metasilicate w/1/4# celloflake/sx. Tail w/60 sx Class "B" neat w/1/4# celloflake/sx (total slurry 225.3 cu ft). Circ 10 bbls cement.

2005 APR 11 PM 3 45
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 070 FARMINGTON NM

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

Signed John Alexander Title Vice-President Date 04/08/2005
John Alexander

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

ACCEPTED FOR RECORD

APR 13 2005

**FARMINGTON FIELD OFFICE
BY SKB**

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*See instruction on Reverse Side

NMOCD

