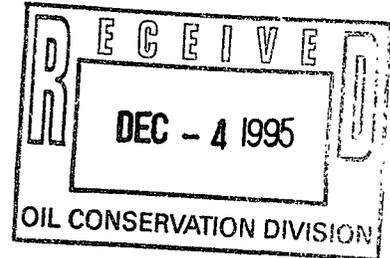


dugan production corp.

November 29, 1995

New Mexico Oil Conservation Division
William LeMay
2040 S. Pacheco
Santa Fe, NM 87505



Re: Application for Administrative Approval of
Unorthodox Location for Dugan Production Corp.'s
Lee's Ferry #90
2510' FSL & 1850' FEL
Sec. 19, T24N, R8W
San Juan County, NM
Basin Fruitland Coal Gas Pool

Dear Mr. LeMay:

Dugan Production Corp. requests administrative approval of the proposed unorthodox location for the subject coal well to protect correlative rights and to prevent waste of the resource. We are requesting this approval based on the Basin Fruitland Coal Gas Pool Order #R-8768, Rule 7, which states "The first well drilled or recompleted on every standard or non-standard unit in the Basin Fruitland Coal Gas Pool shall be located in the NE/4 or SW/4 of a single governmental section..." and Rule 8, which states "The Division Director may grant an exception to the requirements of Rule (7) without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions..." Dugan views this application as necessary due to the current topographical conditions.

In 1994 the Navajo Tribal Council passed a new permitting procedure that requires an Application for Permit to Drill (APD) to go through ten different departments within the Tribe before it goes before the Resource Committee which either votes or tables the request for concurrence. A copy of the resolution is Attachment #1. The BIA has to issue a "Finding of No Significant Impact" (FONSI) based on an environmental impact report submitted to them by the operator before it goes to the Tribe. The Bureau of Land Management (BLM) has told us they will not approve the APD until they have received concurrence from the Navajo Tribe and the BIA.

Dugan Production Corp. has followed the procedure to secure concurrence from the Tribe. We staked an orthodox location in the northeast quarter of Sec. 19, T24N, R8W, the Marble Canyon #90, on Federal Lease #NM-88074 on December 19, 1994. The surface of Lease

Letter to William Lemay
New Mexico Oil Conservation Division
November 29, 1995
Page 2

#NM-88074 was included in a land conveyance from the BLM to the Navajo Tribe and is now under the jurisdiction of the Tribe. The contract archaeology on the Marble Canyon #90 was done on February 8, 1995 and no historical properties were located. The cultural resources report was submitted to the Historic Preservation Department of the Tribe and was approved by them on March 30, 1995. Their approval does not qualify as the Historic Preservation Office's approval when it comes to the ten departments. They will have to review it again and approve it again during the process. We submitted the APD to the Bureau of Land Management (BLM) on March 2, 1995 (Federal Form 3160-3, Attachment #2.) On March 16, 1995, Jackie Neckles of the Farmington BLM conducted the on-site for the original location. Allen Y. Nez, Navajo Tribe Eastern Land Office in Crownpoint, NM and Linda Taylor, Bureau of Indian Affairs (BIA), Minerals Office in Farmington, NM have also conducted on-sites. Dugan submitted an environmental impact statement for the well on April 29, 1995.

On April 28, 1995, Dugan Production hired a Navajo agent to walk the APD through the Tribe's concurrence process. In August we hired a second Navajo agent to try to get concurrence from the Tribe. Our APD packages have only made it through three of the ten departments of the Tribe since August. On October 30, 1995, we received a draft of the Tribe's unsigned, proposed resolution with their proposed stipulations and conditions (Attachment #3) from our agent in Gallup. Along with the exorbitant surface damages and the surface use fees, the draft includes the statement, "The Navajo Nation may terminate the permit for violation of any of the terms and conditions stated herein." This deeply concerns us due to the recent take-overs instigated by the Tribe of privately owned businesses on the reservation. It has not been made clear to us how the BLM would respond to such a situation but it opens the possibility of seizure of a well for any perceived violation of current or future laws passed by the Tribe. The stipulation of only twenty years usage then the Tribe will "renegotiate" the permit also deeply concerns us because it does not encourage prudent development and may promote premature abandonment of the well.

Included in the Marble Canyon #90 APD (Attachment #4) is a copy of the C-102 showing the well location, east half proration unit and leases within the unit. Attachments #5 and #6 shows the location of any other wells in the area and the offsetting operators. Dugan holds all of the offsetting leases except the west half of Sec. 18 and the northwest quarter of Sec. 19, both of which are Navajo surface and unleased minerals. No off-set operators were notified because Dugan owns all of the surrounding acreage. There are no existing wells on lease #NM-88074. The Tribe considers the use of an existing well pad as new use and subject to the same procedures,

Letter to William Lemay
New Mexico Oil Conservation Division
November 29, 1995
Page 3

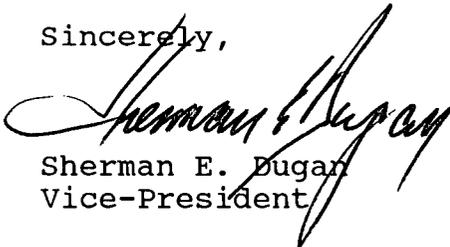
time delays and terms. Attachment #7 is the C-102 depicting the proposed Lee's Ferry #90 well location and the proration unit and leases within the unit. The proration unit and leases do not change from those for the Marble Canyon #90. Attachment #8 is a copy of the Notice of Staking submitted to the BLM on November 20, 1995. The surface of Lease #NM-41650 is federally held, will not require the twenty year limited use or the possibility of future seizure and it will be possible to obtain an approved APD in a reasonable amount of time.

Dugan feels this is a promising area for the development of coalbed methane. We have drilled eight other wells in the area. Five of which have been completed and are producing approximately 500 MCFD, three other wells are currently being completed and three other locations have been staked and will be drilled as soon as the APD's are approved. We do not want to take this issue to court. We want to expedite the process as quickly as possible because of the time that has already elapsed to get this far in the Tribe's process. We are requesting administrative approval to drill the subject Fruitland Coal well at an unorthodox location on Federal Lease #NM-41650 (Dugan's Lee's Ferry lease) because there is no location in the northeast quarter where topographic conditions permit the prudent drilling of the Marble Canyon #90 well. We do not anticipate obtaining an approved APD for the Marble Canyon #90 due to the current procedures enacted and enforced by the Tribe and the tenuous nature of the political arena within the Tribe. We believe that in order to protect the correlative rights and prevent any possible drainage from both leases in the proposed proration unit, it is necessary to drill the Lee's Ferry #90 at the proposed unorthodox location.

We have been working with Ernie Busch and Frank Chavez in the NMOCD District 3 Office. They are familiar with the problems we are facing. They have given us advice and support our application for an unorthodox location.

If you have any questions or additional information is required, please feel free to contact us at any time.

Sincerely,



Sherman E. Dugan
Vice-President

Attachments

cc: Mr. Ernie Busch, NMOCD, Aztec, NM

Dugan Production Corp.
 Application for Unorthodox Location
 Proposed Lee's Ferry #90
 2510' FSL & 1850' FEL
 Section 19, T-24-N, R-8-W
 San Juan County, NM
 November 22, 1995

RESOLUTION
 OF THE RESOURCES COMMITTEE
 OF THE NAVAJO NATION COUNCIL

Adopting Procedures for Applications for Permits to Drill
 Oil and Gas Wells on Navajo Nation Lands

WHEREAS:

1. Pursuant to 2 N.T.C., Section 695 (b) (6) and (10) (Resolution CN-72-92; 1992), the Resources Committee of the Navajo Nation Council is empowered to promulgate administrative procedures governing applications for permits to drill oil and gas wells (hereinafter referred to as "APD") on Navajo Nation lands, including Navajo Nation fee lands and split estate trust lands; and

2. In a December 1993 session of the Resources Committee of the Navajo Nation Council, the Committee issued a directive to the Office of Navajo Land Administration to draft APD procedures for the Navajo Nation; and

3. A Task Force was subsequently formed to complete this assignment; and

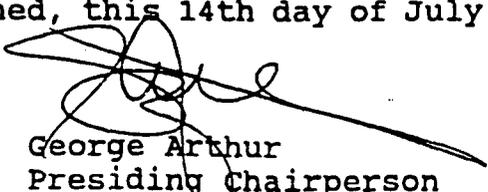
4. The procedures for the review and approval of APDs is attached hereto as Exhibit "A" and incorporated herein by this reference.

NOW THEREFORE BE IT RESOLVED THAT:

The Resources Committee of the Navajo Nation Council hereby adopts the procedures for the review and approval of applications for permits to drill oil and gas wells, attached hereto as Exhibit "A", on Navajo Nation lands, including Navajo Nation fee lands and split estate trust lands.

C E R T I F I C A T I O N

I hereby certify that the foregoing resolution was duly considered by the Resources Committee of the Navajo Nation Council at a duly called meeting at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that same was passed by a vote of 7 in favor, 0 opposed and 0 abstained, this 14th day of July, 1994.


 George Arthur
 Presiding Chairperson

Motion: Irving Billy
 Second: Frank Guerro

**NAVAJO NATION PROCEDURES FOR REVIEW AND APPROVAL OF
APPLICATIONS FOR PERMIT TO DRILL OIL AND GAS WELLS ON THE
NAVAJO NATION LANDS**

I. Introduction

These procedures were adopted by the Resources Committee of the Navajo Nation Council by Resolution RCJY-157-94. They shall be followed with regard to the review and processing of all applications for permits to drill oil and gas wells (hereinafter referred to as an "APD") on Navajo Nation lands, including Navajo Nation fee lands and split estate trust lands.

II. Scope

These procedures shall control all applications to drill oil and gas wells, including but not limited to injection wells, production wells, exploration wells, and disposal wells located on Navajo Nation lands, which for purposes of these procedures include Navajo Tribal trust and fee lands, and split estate trust lands.

III. Procedure

1) It will be the responsibility of the Bureau of Indian Affairs (BIA) to provide two (2) complete sets of each APD for Navajo Nation trust lands including split estate trust lands to the Division of Natural Resources Project Review Office (or its successor program) along with archaeological clearance(s), endangered species or other fish and wildlife report(s), environmental assessment report(s), a reclamation plan, and with any other supporting documents.

2) Two complete sets of APDs for the Navajo Nation fee land must be submitted directly to the Project Review Office by the applicants.

3) The Project Review Office shall acknowledge the receipt of an APD and shall inform the applicant of appropriate non-refundable filing and processing fees. No APD will be processed until the initial processing fees are paid in full.

4) The Project Review Office shall review the application for all necessary clearances, for authorized land use permittee consent and for completeness. Once an APD is determined to be complete, the Project Review Office shall prepare a proposed resolution of the Resources Committee (RC) with the required Executive Branch Signature Approval Sheet (SAS) and shall initiate the Navajo Nation review process mandated by 2 N.T.C. § 164.

APDs will be reviewed by:

- (a) Navajo Land Department
- (b) Minerals Department
- (c) Historic Preservation Department
- (d) Navajo Environmental Protection Administration
- (e) Department of Fish and Wildlife
- (f) Department of Water Resources Management
- (g) Division of Natural Resources Administration
- (h) Department of Justice
- (i) Office of the President
- (j) Office of Legislative Counsel

IV. Reviewer's Responsibility

1) If any reviewer notices a deficiency in an APD, the applicant may be contacted directly or through the Project Review Office and be given an opportunity to correct the deficiency. Upon obtaining review and surname of all reviewers specified in Section III (4), the APD shall be placed on the Resources Committee's agenda for discussion and action.

2) If Navajo Nation laws, regulations, or policies prohibit drilling an oil and gas well on Navajo Nation trust lands or split estate trust lands at a proposed location, the APD must be immediately returned to the BIA by the Project Review Office. APDs returned prior to the initiation of a 2

N.T.C. § 164 review process will be entitled to a full refund. Navajo Nation consent will be deemed to be denied, and the BIA should recommend to the Bureau of Land Management (BLM) that the APD be disapproved.

3) If Navajo Nation laws, regulations, or policies prohibit drilling an oil and gas well on Navajo Nation fee land at a proposed location, the APD must be returned to the applicant by the Project Review Office. An APD returned prior to the initiation of a 2 N.T.C. § 164 review process will be entitled to a full refund and Navajo Nation approval will be deemed to be denied.

V. Resources Committee Action

1) Except as required by Navajo Nation law, approval by the Resources Committee of the Navajo Nation Council shall constitute final tribal consent to the APD on Navajo Nation trust lands or split estate trust lands. No other Navajo Nation Department or Tribal official may approve APDs unless delegated the authority to do so by the Resources Committee pursuant to 2 N.T.C. § 695 (b) (as amended by Resolution CN-72-92). The BIA shall be notified of Resources Committee action on the APD.

The Committee may approve the APD as submitted, or may impose conditions on the permit. If the Committee imposes conditions which are not incorporated into the final permit issued by the BLM, Navajo Nation consent shall be deemed automatically withdrawn. If the Committee disapproves the APD, the BIA shall be notified of the Committee's decision and informed that it should recommend disapproval of the APD to the BLM.

2) Approval by the Resources Committee shall constitute final Navajo Nation approval of the APD on the Navajo Nation fee lands.

VI. Amendments

These procedures may be amended from time to time by the Resources Committee of the Navajo Nation Council.

7/12/94 Update

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.
NM 88074

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
Marble Canyon #90

9. AN WELL NO.

10. FIELD AND POOL, OR WILD-CAT
Basin Fruitland Coal

11. SEC., T., R., M., OR BLM. AND SURVEY OR AREA
Unit G,
Sec. 19, T24N, R8W

12. COUNTY OR PARISH | 13. STATE
San Juan | NM

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

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface
1900' FNL & 1850' FEL
At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
approx 3 miles NE of Nageezi Trading Post, NM

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. salt line, if any)
740'

16. NO. OF ACRES IN LEASE
160

17. NO. OF ACRES ASSIGNED TO THIS WELL
320

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
N/A

19. PROPOSED DEPTH
1770'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
6682' (est) GL

22. APPROX. DATE WORK WILL START*
ASAP

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
9-7/8"	7"	20#	120'	50 sx (59 cu.ft.) circ. to surf
6-1/4"	4 1/2"	10.5#	1770'	200 sx (358 cu.ft.) circ. to surf

Plan to drill a 9-7/8" 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 the Fruitland Coal formation. Plan to run IES and CDL logs. If determined productive, will run 4 1/2", 10.5#, J-55 casing, selectively perforate, frac, clean out after frac and complete well.

ATTACHMENT #2

Dugan Production Corp.
Application for Unorthodox Location
Proposed Lee's Ferry #90
2510' FSL & 1850' FEL
Section 19, T-24-N, R-8-W
San Juan County, NM

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give directionally, give pertinent data on subsurface locations and measured and true vertical

SIGNER Sherman E. Dugan TITLE Vice-President DATE 3/2/95
(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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 _____ TITLE _____ DATE _____

**PROPOSED RESOLUTION
OF THE RESOURCES COMMITTEE OF THE
NAVAJO NATION COUNCIL**

Approving Application for Permit to Drill (APD) for Jetter # 5, Angels Gate # 90, Marble Canyon # 90, and Bisti State # 90 and Associated Development Facilities for Dugan Production Company On Navajo Nation Trust Land in the Huerfano Chapter, San Juan County, New Mexico

WHEREAS:

1. Pursuant to 2 N.T.C. § 695 (b)(6) and 695 (b)(10), the Resources Committee of the Navajo Nation Council is empowered to promulgate administrative procedures governing applications for permit to drill (APD) oil and gas wells on Navajo Nation lands, including fee lands and split estate trust lands; and
2. By Resolution No. RCJY-157-94 dated July 14, 1994, and subsequent amendment Resolution No. RCAU-187-95 dated August 10, 1995 the Resources Committee adopted procedures for the approval of APDs; and
3. Dugan Production Company of P.O. Box 800, Denver, Colorado 80201, has submitted four (4) APDs: Jetter # 5(990 FNL 1300FEL, Sec. 35, T26N, R13W), Angels Gate #90 (1340FNL 1400FEL, Sec 21, T24N, R8W), Marble Canyon # 90 (1900 FNL 1850 FEL, Sec. 19, T24N, R8W), and Bisti State well # 90(1980FNL 790FEL, Sec. 2, T25N, R13W), all in San Juan County, New Mexico attached hereto and made a part hereof as "Exhibit A"; and
4. The proposed APDs and ancillary facilities encompasses a total of 5 acres, more or less, of Navajo Tribal Trust lands within various sections of Townships 24, 25, and 26 North, Ranges 8, 12, 13 West, NMPM, San Juan County, New Mexico and have been reviewed pursuant to the APD procedures established by the Resources Committee, and specific terms and conditions attached as Exhibit "B"; and
5. The Eastern Navajo Land Office under the Division of Natural Resources has obtained the necessary land users consents from the affected grazing permittees attached hereto as Exhibit "C"; and
6. All archaeological and environmental studies have been completed and received appropriate clearance attached hereto as Exhibit "D";

ATTACHMENT #3

Dugan Production Corp.
Application for Unorthodox Location
Proposed Lee's Ferry #90
2510' FSL & 1850' FEL
Section 19, T-24-N, R-8-W
San Juan County, NM
November 22, 1995



THE NAVAJO NATION

NAVAJO NATION MINERALS DEPARTMENT
P. O. Box 1910
Window Rock, Arizona 86515
(520) 871-6587, FAX: (520) 871-7095

ALBERT A. HALE
PRESIDENT

THOMAS E. ATCITY
VICE PRESIDENT

October 23, 1995

MEMORANDUM

TO : Alfred Dehiya, ASO III
Project Review Office

FROM : *Akhtar Zaman*
Akhtar Zaman, Director
Minerals Department

SUBJECT : Comments on DNR-6487: Four (4) Applications for Permit to Drill (APDs) Angeles Gate 90, Jetter 5, Marble Canyon 90, and Bisti State Well 90 submitted by Dugan Production

We thoroughly reviewed the APDs for all four wells submitted by Dugan Productions. One of the wells, Marble Canyon 90 is on Federal Lease Number NM88074. The lease number NM88074 was effective on March 1, 1992. As per the "Stipulations for Federal Oil and Gas Leasing on Navajo Tribal Lands" effective March 30, 1990, Navajo Nation can require a company to pay consideration for the surface use in addition to the payment to grazing permittee(s).

According to the Marble Canyon 90 APD, the company will be using the following acreage of land for its surface facilities:

Drill Pad	200' x 200'	=	0.92 acre
Access Road and Pipe Line:	1500' x 20'	=	0.69 acre
	Total	:	1.61 acres

A total of \$16,133.70 is recommend for the Tribal consideration and surface damages for the surface use of the Tribal land for the Marble Canyon 90 well for the 20 year period. This amount is due within 10 working days of approval of the APD by the Resources Committee (RC) of the Navajo Nation Council.

In addition, payments to Navajo Nation and all grazing permittees for surface damages for well # Angeles Gate 90, Jetter 5, and Bisti State Well 90 also must be paid or escrowed at the approval of APDs by the RC.

Please call me at extension 6587, if you have any questions.

SPECIFIC TERMS AND CONDITIONS

Well Numbers Jetter #5 - 990' FNL 1300' FEL, Sec. 35, T.26N., R. 13W.,
Angel Gate #90 - 1340' FNL 1400' FEL, Sec. 21, T. 24 N., R. 8 W.,
Marble Canyon # 90, 1900' FNL 1850' FEL, Sec. 19, T. 24 N., R. 8 W.
and Bisti State #90- 1980' FNL 790' FEL, Sec 2, T. 25 N., R. 13 W.

- a. The applicant shall abide by all the applicable requirements of the Resources Committee's adopted procedures for APD.
- b. The applicant shall abide by all laws and regulations of the Navajo Nation and of the United States, now in force and effect or as may be hereafter in force and effect.
- c. Applicant must provide the Navajo Nation Minerals Department (Minerals Department) with the following technical information:
 - (1) Suite of logs, including driller's logs
 - (2) Results of any drill-stem and/or pressure tests conducted
 - (3) Well completions report(s)
 - (4) Gas analysis report(s)
 - (5) Core analysis (if any)
 - (6) Water analysis (if any)
 - (7) Copy of any other special test(s) run on the drill holes

Additional information may be required by the Minerals Department and shall be provided by the applicant upon the request of the Minerals Department. Information considered by the applicant to be confidential shall be stamped by the applicant "Confidential".

- d. The applicant shall clear and keep clear the land within the permits to the extent compatible with the purpose of the permit, and shall dispose of all vegetation and other materials, uprooted, or otherwise accumulated during construction and maintenance of the project.
- e. The applicant shall reclaim all surface disturbed lands related to the project and shall comply with all provisions of such restoration and revegetation plan and shall notify the Director of Navajo Nation Environmental Protection Agency (NNEPA) immediately upon completion of construction of the project so that sites inspection may be made.
- f. The applicant shall at all times during the term of the permits and at his sole cost and expense, maintain the land and all improvements thereon and make all necessary and reasonable repairs.
- g. The applicant shall obtain permission to cross existing right-of-way (if any) from the appropriate parties before constructing the proposed project.

- h. Rights-of-way applications for the construction of any facility off the lease premises, if any, shall be submitted to the Navajo Nation for review and approval separately.
- h. The permanent width of access road and well tie pipeline shall be limited to 20 ft. However, during the construction phase applicant is authorized to use a maximum of 40 ft. wide area.
- i. The applicant shall be responsible for and promptly pay all damages when they are sustained.
- j. The applicant shall indemnify and hold harmless the Navajo Nation and its authorized agents, employees, land users and occupants, against any liability for loss of life, personal injury and property damage arising from the construction, maintenance, occupancy or use of lands by the applicant.
- k. The applicant shall not assign, convey or transfer, in any manner whatsoever, the permit or any interest therein, or to any of the improvements on the land, without the prior written notice to the Navajo Nation.
- l. The Navajo Nation representatives/staff members shall have the right, at any reasonable time during the term of the permit, to enter upon the premises, or any part thereof, to inspect the site and any other improvements, erected or placed thereon.
- m. Any changes to an APD made after the approval of the APD by the Resources Committee, including changes to the lease development facilities, must be reviewed and approved by the Resources Committee.
- n. The maximum initial terms of surface use associated with the APDs shall be limited to either twenty (20) years from the date of approval of the APD by the Resources Committee, or the abandonment of the well or the cancellation of the oil and gas lease for any reason, whichever occurs first. At the expiration of the initial term, if the applicant is still operating the well then they can request and negotiate with the Navajo Nation for an additional term not to exceed twenty (20) years.
- o. The surface damages compensation to the grazing permittees and the Navajo Nation is limited to 20 year term.
- p. For Federal oil and gas leases approved after March 30, 1990, the Navajo Nation may also assess Tribal Consideration in addition to surface damage compensation for the approval of drill site and associated facilities within the lease premises. The lease number NM 88074, in which Marble canyon 90 is located, was approved on March 1, 1992 and Tribal consideration is assessed for \$12, 042.80.

- q. If it is necessary for the Navajo Nation, or an entity of the Navajo Nation, to use land within the lease premises, applicant is responsible to relocate, at their own expense, the surface facilities, equipment, access road, gathering pipelines, and power transmission lines, etc.
- r. Any APDs which has not been drilled within one (1) year after the final approval of the APD by the U.S. Bureau of Land Management (BLM) shall be deemed to have expired, unless the BLM advises the Navajo Nation that an extension has been granted.
- s. The term "applicant", as used here, includes lessee(s), designated operator(s), farmee(s), trustee(s), and their designated agent(s), their assignee(s), and successor(s), contractor(s), and sub-contractor(s). The terms and conditions contained here shall extend to all of them.
- t. The Navajo Nation may terminate the permit for violation of any of the terms and conditions stated herein.

NOW, THEREFORE BE IT RESOLVED THAT:

The Resources Committee of the Navajo Nation Council hereby approves four (4) APDs for Dugan Production Company for Jetter # 5(990 FNL 1300FEL, Sec. 35, T25N, R13W), Angels Gate #90 (1340FNL 1400FEL, Sec 21, T24N, R8W), Marble Canyon # 90 (1900 FNL 1850 FEL, Sec. 19, T24N, R8W), and Bisti State well # 90(1980FNL 790FEL, Sec. 2, T25N, R13W), all in San Juan County, New Mexico.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Resources Committee of the Navajo Nation Council at a duly called meeting at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that same was passed by a vote of _____ in favor and _____ opposed, this _____ day of _____, 1995.

Elmer L. Milford
Chairperson

Motioned By:
Seconded By:

District I
 PO Box 1900, Hobbs, NM 88241-1900
 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-
 Revised February 21, 1995
 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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
		71629		Basin Fruitland Coal	
Property Code		Property Name			Well Number
		Marble Canyon			90
OGRID No.		Operator Name			Elevation
006515		Dugan Production Corporation			6682' Estimated

Surface Location

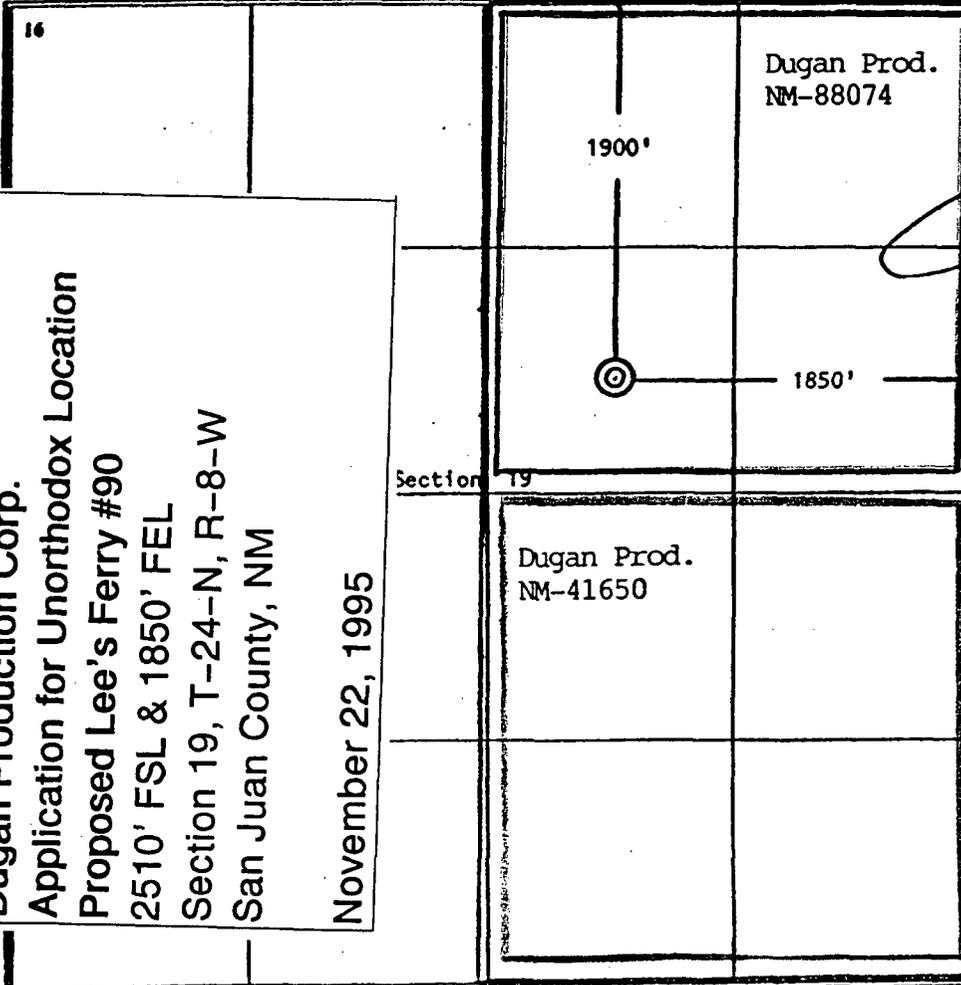
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
G	19	24N	8W		1900	North	1850	East	San Juan

Bottom Hole Location If Different From Surface

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			Will be communitized

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.

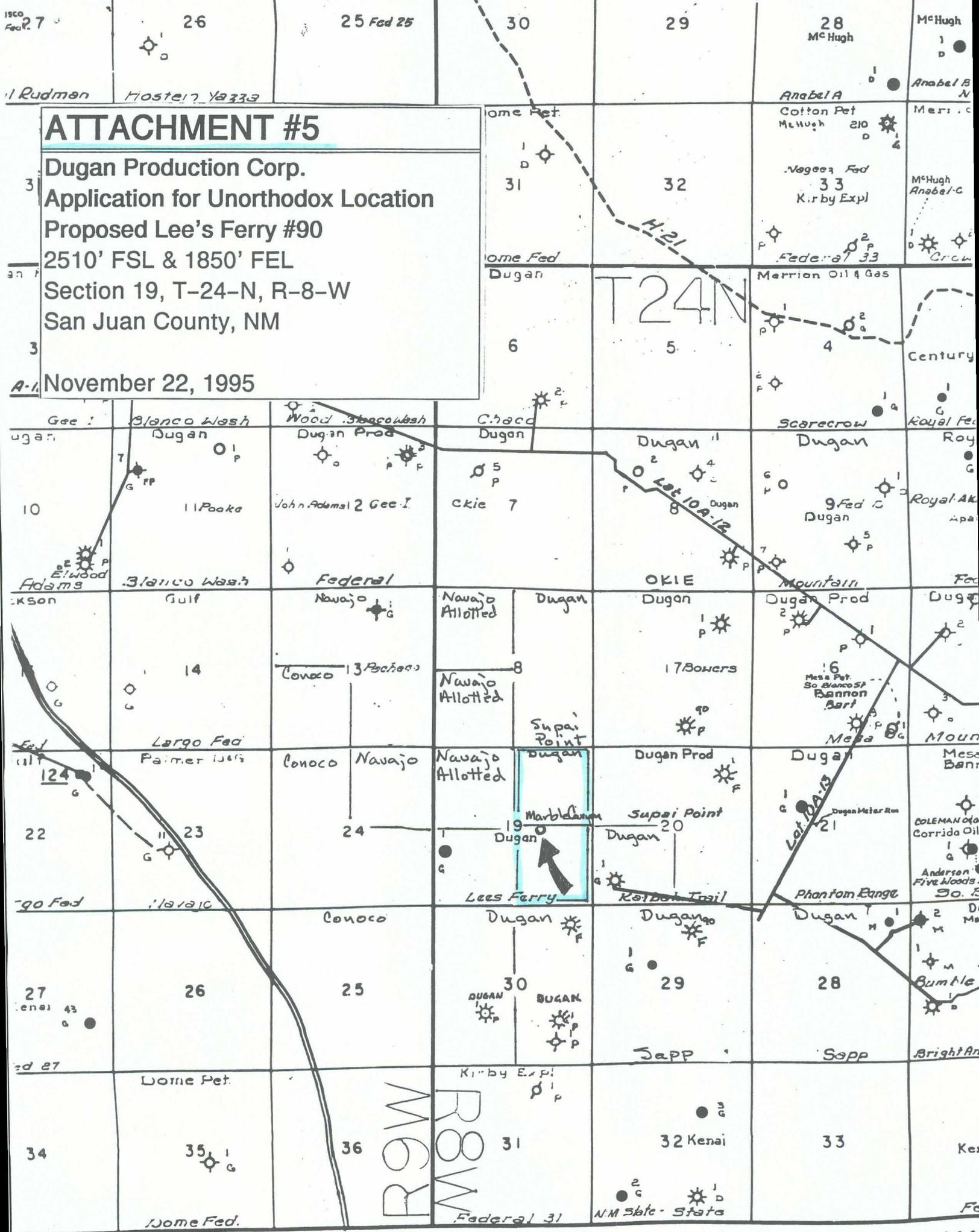
Sherman E. Dugan
 Signature
 Sherman E. Dugan
 Printed Name
 Vice-President
 Title
 3/2/95
 Date

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.

December 19, 1994
 Date of Survey
 Signature and Seal

 Certificate Number

ATTACHMENT #4
 Dugan Production Corp.
 Application for Unorthodox Location
 Proposed Lee's Ferry #90
 2510' FSL & 1850' FEL
 Section 19, T-24-N, R-8-W
 San Juan County, NM
 November 22, 1995



ATTACHMENT #5

Dugan Production Corp.
 Application for Unorthodox Location
 Proposed Lee's Ferry #90
 2510' FSL & 1850' FEL
 Section 19, T-24-N, R-8-W
 San Juan County, NM

November 22, 1995

LEGEND

CODE	LEASE NAME & NUMBER
AK	Bowers NM-26047
AM	Buddha Temple NM-54980
AO	Kaibab Trail C-1420-4310
AQ	Lee's Ferry NM-41650
AT	Marble Canyon NM-88074
AW	Sapp/Adobe F/O SF-078868
AX	Sheba Temple NM-54981
AY	Supai Point NM-83507

Dugan Production Corp.
Application for Unorthodox Location
Lee's Ferry #90
 2510' FSL & 1850' FEL
 Section 19, T-24-N, R-8-W
 San Juan County, NM

November 22, 1995

Attachment #6



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

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

Form C-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

1 API Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name			6 Well Number
		Lee's Ferry			90
7 OGRID No.		8 Operator Name			9 Elevation
		Dugan Production Corporation			6702' Estimated

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	19	24N	8W		2510	South	1850	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	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			Dugan Prod. NM-88074

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Signature

Printed Name

Title

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.

November 15, 1995

Date of Survey

Signature and Seal of Professional Surveyor:



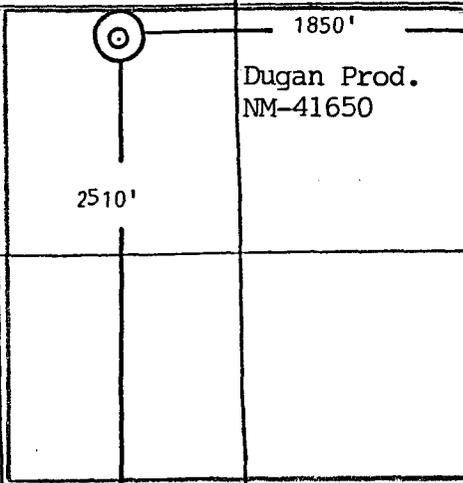
Certificate Number

ATTACHMENT #7

Dugan Production Corp.
 Application for Unorthodox Location
 Proposed Lee's Ferry #90
 2510' FSL & 1850' FEL
 Section 19, T-24-N, R-8-W
 San Juan County, NM

November 22, 1995

on 19

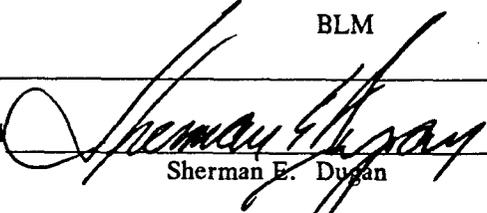


Dugan Prod.
NM-41650

NOTICE OF STAKING

NOTICE OF STAKING (Not to be used in place of Application for Permit to Drill Form 3160-3)		6. Lease Number <p style="text-align: center;">NM-41650</p>	
1. Oil Well _____ Gas Well <u> X </u> Other _____ <p style="text-align: center;">(Specify)</p>		7. If Indian, Allottee or Tribe Name	
2. Name of Operator <p style="text-align: center;">DUGAN PRODUCTION CORP.</p>		8. Unit Agreement Name	
3. Name of Specific Contact Person <p style="text-align: center;">Sherman E. Dugan</p>		9. Farm or Lease Name <p style="text-align: center;">Lee's Ferry</p>	
4. Address & Phone No. of Operator or Agent P.O. BOX 420 Farmington, NM 87499 505-325-1821		10. Well No. <p style="text-align: center;">90</p>	
5. Surface Location of Well Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. <p style="padding-left: 40px;">To be determined at pre-drill inspection</p> b) Topographical or other acceptable map showing location, access road and lease boundaries.		11. Field or Wildcat Name <p style="text-align: center;">Basin Fruitland Coal</p>	
12. Sec., T., R., M., or Blk and Survey or Area Either the NE/4, the NW/4, the SE/4 or the SW/4 of the <p style="text-align: center;">SE/4</p> <p style="text-align: center;">Section 19</p> <p style="text-align: center;">T-24-N, R-8-W</p>		13. County, Parish or Borough <p style="text-align: center;">San Juan</p>	
15. Formation Objective(s) <p style="text-align: center;">Fruitland Coal</p>	16. Estimated Well Depth <p style="text-align: center;">1800'</p>	14. State <p style="text-align: center;">NM</p>	
17. Additional Information (as appropriate; must include surface owner's name, address, and telephone number)			

BLM

18. Signed  <p style="text-align: center;">Sherman E. Dugan</p>	Geologist Title	11/20/95 Date
---	--------------------	------------------

Note: Upon receipt of this Notice, the Bureau of Land Management schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H2S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit

ATTACHMENT #8

Dugan Production Corp.

Application for Unorthodox Location

Proposed Lee's Ferry #90

2510' FSL & 1850' FEL

Section 19, T-24-N, R-8-W

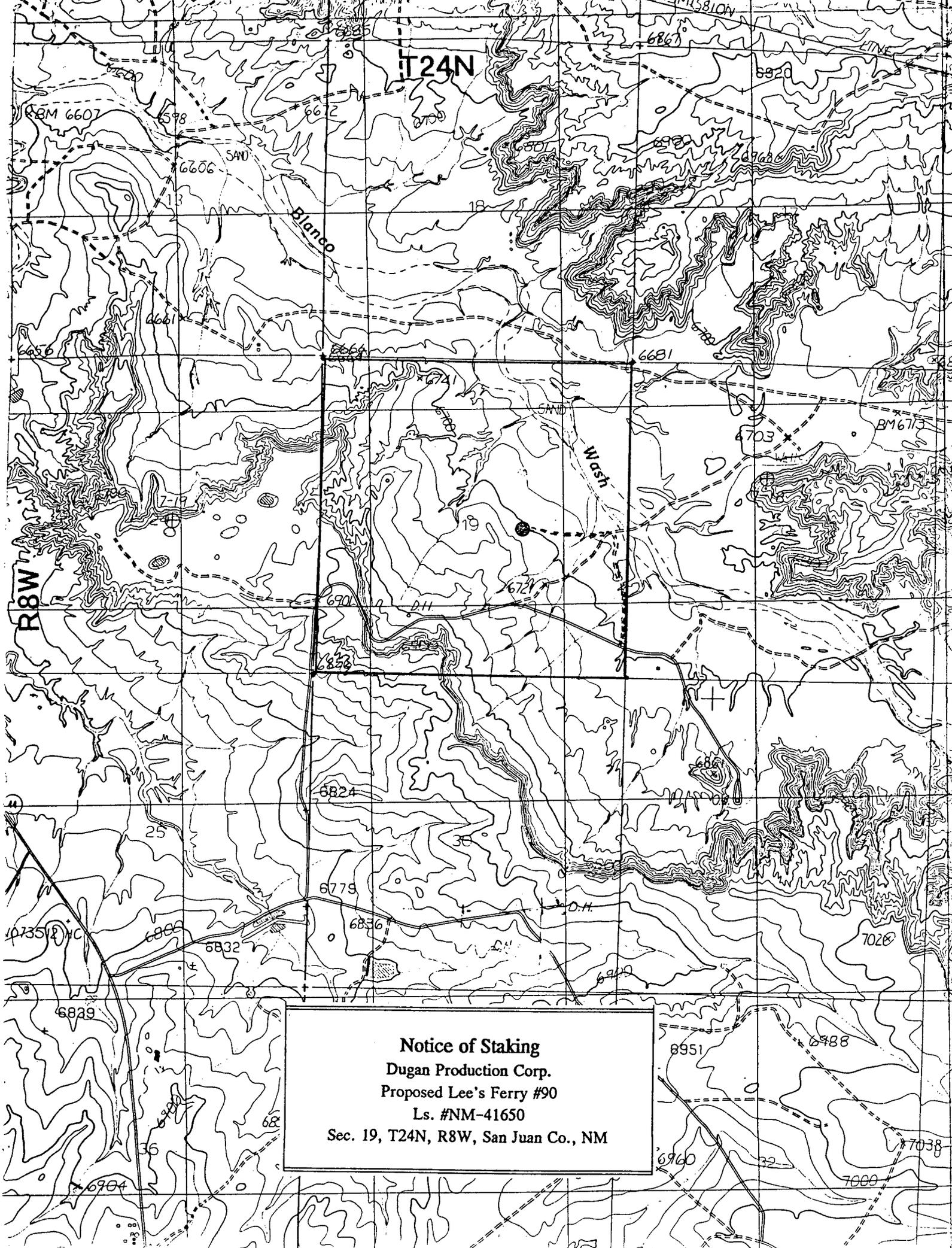
San Juan County, NM

November 22, 1995

NOTICE OF STAKING APPLICATION

	6	5	4	3	2	1
	7	8	9	10	11	12
	18	17	16	15	14	13
	19	20	21	22	23	24
	30	29	28	27	26	25
	31	32	33	34	35	36

DUGAN PRODUCTION CORP.
LS. # NM-41650
TOWNSHIP 24N RANGE 8W
COUNTY SAN JUAN
STATE NEW MEXICO



T24N

R8W

Blanco

Wash

Notice of Staking
Dugan Production Corp.
Proposed Lee's Ferry #90
Ls. #NM-41650
Sec. 19, T24N, R8W, San Juan Co., NM

BM 6607

6606 SAND

6661

6867

6920

6681

6703

BM 6713

19

6901

6721

6824

25

30

6735 (2) NC

6800

6832

6779

6836

7020

6829

6951

6988

682

6960

7038

7000

6904