

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL DEEPEN 20' TO 110' TO 1:10

b. TYPE OF WELL

Oil Gas SINGLE ZONE MULTIPLE ZONE
Well Well Other

2. Name of Operator

Dugan Production Corp. 6515

3. Address and Telephone No.

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

LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface 1280' FSL & 1130' FWL (SW/4 SW/4)

At proposed prod. zone

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

Approx. 5 miles east of Blanco Trading Post, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.

(Also to nearest drig. unit line, if any)

1130'

16. NO. OF ACRES IN LEASE

640.20

17. NO. OF ACRES ASSIGNED
TO THIS WELL

W/ 320.20

18. DISTANCE FROM PROPOSED LOCATION*

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

approx. 479'
from
DPC's Billary #1

19. PROPOSED DEPTH

2100'

20. ROTARY OR CABLE TOOLS

Rotary

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

5730' GL 6742'

22. APPROX. DATE WORK WILL START*

ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADES, SIZES OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
9-7/8"	7"	20#	120'	50 sx (59 cu ft) circ to surf
6-1/4"	4 1/2"	10.5#	2100'	190 sx (338 cu ft.) circ to surface

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 Cased Hole Neutron logs. If determined productive, will run 4 1/2", 10.5#, J-55 casing, selectively perforate, frac, clean out after frac and complete well.

This action is subject to technical and procedural review pursuant to 43 CFR 3105.3 and appeal pursuant to 43 CFR 3105.4.

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

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED John Alexander Vice-President

Date 5/11/00

(This space for Federal or State office use)

PERMIT NO. _____

APPROVAL DATE 6/20/00

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 6/20/00

*See Instructions on Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

HOLD C104 FOR P&A of Billary #1
30-045-28956

BLM/OC

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

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30 045 30248		Pool Code 71629 -	Pool Name Basin Fruitland Coal -
Property Code 013489	Property Name Billary		Well Number 90
OGRID No. 006515	Operator Name Dugan Production Corporation		Elevation 6742' -

10 Surface Location

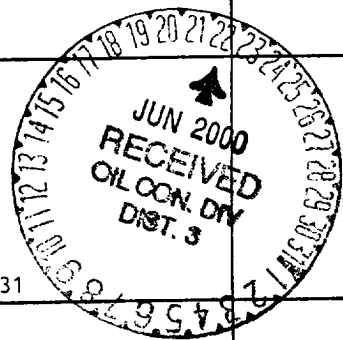
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	31	25N	8W		1280	South	1130	West	San Juan

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 320.20	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

<p>6</p> <p>DPC NM 56311</p> <p>Section 31</p> 	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>John Alexander</i> Signature John Alexander Printed Name Vice-president Title May 11, 2000 Date</p>

cement job. The log will be sent to the BLM after completion of the job.

WELLHEAD EQUIPMENT:

Huber 7" x 4-1/2" casing head, 1000#WP, tested to 2000#
Huber 4-1/2" x 2-7/8" tubing head, 1000# WP, tested to 2000#

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

No abnormal pressures or hazardous zones are anticipated.

Annual preventer, double ram, or 2 rams with one being blind and one being a pipe ram

Kill line (2" minimum)

1 kill line valve (2" minimum)

1 choke line valve

2 chokes

Upper kelly cock valve with handle available

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

Pressure gauge on choke manifold

2" minimum choke line

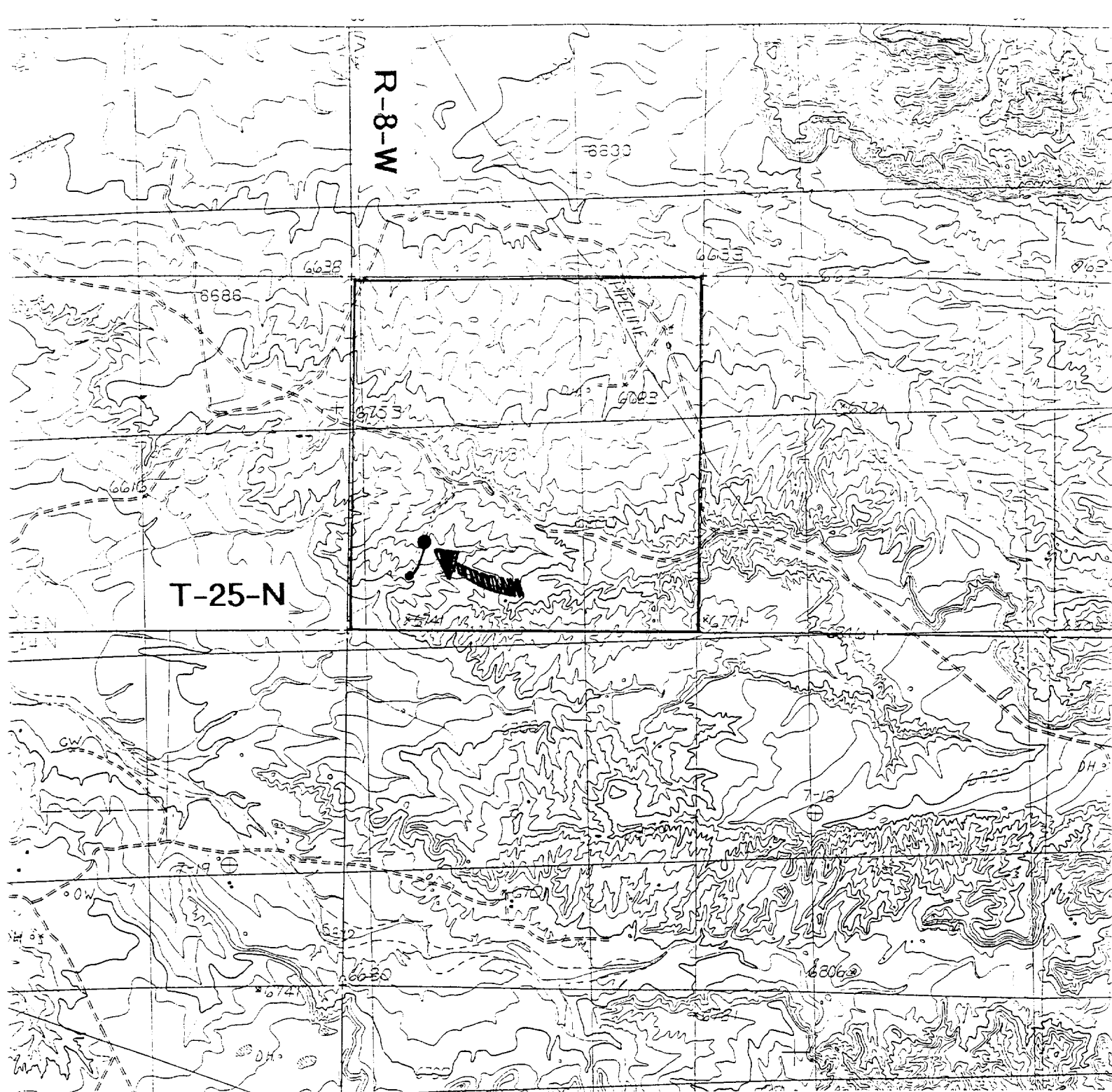
Fill-up line above the uppermost preventer

BOP equipment will be tested as required in Section III A.1 of Onshore Order 2, plus a 30% safety factor.

The anticipated bottom hole pressure for this well is estimated to be approximately 499 psi.

The average mud weight is anticipated to be in the range of 8.6 to 9.5 lb/gal.

Dugan Prod.Corp. Office & Radio Dispatch:	325-1821
	Kurt Fagrelius 325-4327
John Alexander 325-6927	Mark Brown 327-3632
Sherman Dugan 327-3121	John Roe 326-1034



Existing Roads Exhibit E

Vicinity of nearest town or reference pt.
 Approx. 5 mi. East of Blanco Trading Post, NM

Type of surface dirt

Conditions good

Other

Reference map: USGS map Crow Mesa West, NM

DUGAN PRODUCTION CORP. - BILLARY #90

Planned Access Road(s) Exhibit E

Width _____ Maximum grades _____

Drainage design _____ as required _____

Cuts & Fills _____ as required _____

Surfacing material _____ none _____

Turnouts
 Culverts
 Gates
 Cattleguards
 Fence cuts

Waterbars
 Access Road & Pipeline

Access road(s) do/do not cross Fed/Ind land.
 No new access required