Form 3	160-3
(April	2004)

2005 MAN 22 PM FORM APPROVED OMB No. 1004-0137 Expires March 31, 2007 UNITED STATES Lease Serial No. DEPARTMENT OF THE INTERIOR SE-078155 BUREAU OF LAND MANAGEMENT 676 FA 6. If Indian, Allotee or Tribe Name APPLICATION FOR PERMIT TO DRILL OR REENTER 7 If Unit or CA Agreement, Name and No. DRILL REENTER la. Type of work: 8. Lease Name and Well No. Oil Well Gas Well Other ✓ Single Zone Multiple Zone Jeter #4-S lb. Type of Well: 9. API Well No. 30-045-Name of Operator **Dugan Production Corp.** 3b. Phone No. (include area code) 10. Field and Pool, or Exploratory 3a. Address 709 East Murray Drive, Farmington, NM 505-325-1821 **Basin Fruitland Coal** 11. Sec., T. R. M. or Blk. and Survey or Area Location of Well (Report location clearly and in accordance with any State requirements.\*) 1300' FNL and 1000' FWL. Unit D Sec. 1, T25N, R13W NMPM At proposed prod. zone Same as above 12. County or Parish 13. State 14. Distance in miles and direction from nearest town or post office\* Approx. 20-miles south of Farmington, New Mexico San Juan NM Distance from proposed 17. Spacing Unit dedicated to this well 16. No. of acres in lease location to nearest property or lease line, ft.
(Also to nearest drig. unit line, if any) 1599.2 20. BLM/BIA Bond No. on file Distance from proposed location\* to nearest well, drilling, completed, applied for, on this lease, ft. 19. Proposed Depth Approx. 2200 22. Approximate date work will start\* 23. Estimated duration Elevations (Show whether DF, KDB, RT, GL, etc.) GL - 6230' 06/06/2005 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. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). 2. A Drilling Plan. 3. A Surface Use Plan (if the location is on National Forest System Lands, the Operator certification Such other site specific information and/or plans as may be required by the authorized officer. SUPO shall be filed with the appropriate Forest Service Office). 25. Signature Name (Printed/Typed) Kurt Fagreliu: 02/23/2005 Title Geologist Approved by (Signature) Name (Printed/Typ

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.

Office

Application approval does not warrant or certify that the applicant holds legal or equitable title to those

\*(Instructions on page 2)

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 approximately1,090' - 1,210'. The interval will be fractured.

DIST. 3

in the subject lease which would entitle the applicant to

conduct operations thereon.

Conditions of approval, if any, are attached.

Title

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

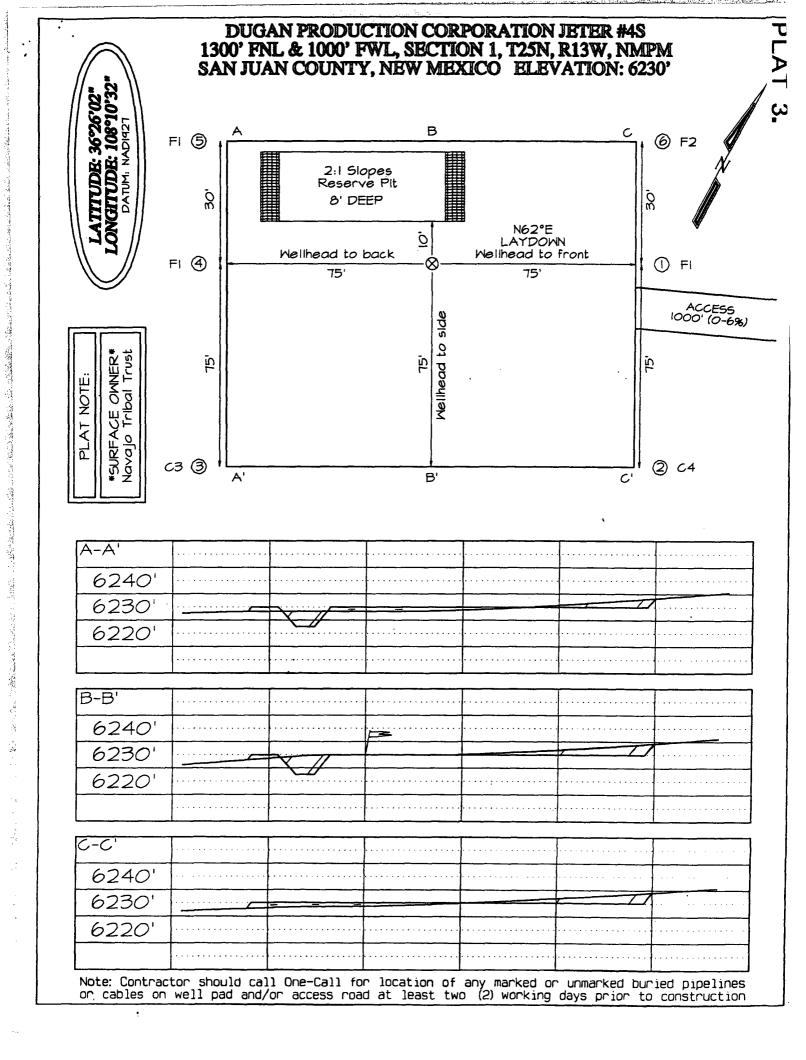
State Lease - 4 Copies Fee Lease - 3 Copies

AMENDED REPORT

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	'API Number 'Pool Code 'Pool Name										
30-04	5-3-	2986	<b>)</b>	71629		BASIN FRUITLAND COAL					
'Property	_	*Property Name *Well Number									
1366	$O \lor  $				JE	TER		45			
'OGRID N					*Operat						ation
00651	5			DUGAN	I PRODUCT:	[ON CORPORAT]	[ON	-	ļ	62	230' ~
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<sup>12</sup> Dedicated Acres	319	.72 Acre	es - (1	N/2)	Bount or Infill	<sup>14</sup> Consolidation Code	#5 Ords	er No.			
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				ł				Title			

February 5, 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 24, 2004 Signature and Seal of Professional Surveyor SEON C. EDWARD SEN MEXICO 2640.00 2640.00 AND ESSION 5287.92 Certificate Number 15269

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1220 South St. Francis Dr.   STATE   FEE   Fed.		OIL CONSERV	VATION	DIVISION	5 Indicate Tree	e of Lease	
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3. Address of Operator 709 East Murray Drive, Farmington, New Mexico 87401  10. Pool name or Wildcat Basin Fruitland Coal  4. Well Location  Unit Letter D 1300 feet from the north line and 1000 feet from the west line Section 1 Township 25N Range 13W NMPM County San Juan 11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6.6230  Piter Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached) Pit or Reforement Tank Application (Fer pit or below stude tank closures, a form C-144 must be attached)  12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF: Remedical Work Attached Dank Application of SUBSEQUENT REPORT OF: Remedical Work Attached Dank Application Comment of Commence of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF: Remedical Work Attached Dank Application Comment of Commence of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF: Remedical Work Attached Dank Application Commence of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF: Remedical Work Attached Dank Application Commence of Notice, Report or Other Data NOTICE OF INTENTION TO: Commence Of Notice, Report or Other Data NOTICE OF INTENTION TO: Comm	1. Type of Well:	Other			8. Well Numbe	r 4-S	
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## EXHIBIT B OPERATIONS PLAN Jeter #4-S

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## APPROXIMATE FORMATION TOPS:

Ojo Alamo	15′	Pictured Cliffs	1220'
Kirtland	125′		
Fruitland	920′	Total Depth	1370′

Catch samples every 10 feet from 1200 feet to total depth.

### LOGGING PROGRAM:

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

#### CASING PROGRAM:

Hole	Casing		Setting	Grade and
Size	Size	Wt./ft.	Depth	Condition
9-7/8"	7"	20#	120	J-55
6-1/4"	4-1/2"	10.5#	1,370	J-55

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. 4-1/2", 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% CaCl<sub>2</sub>. Circulate to surface.

Production Stage-Cement with 135cf 2%Lodense with

¼# celloflake/sx followed by 75 cf Class "B" with

¼# 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 7"x4-1/2" casing head, 1000# WP, tested to 2000#. Huber 4-1/2"x2-7/8" 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.

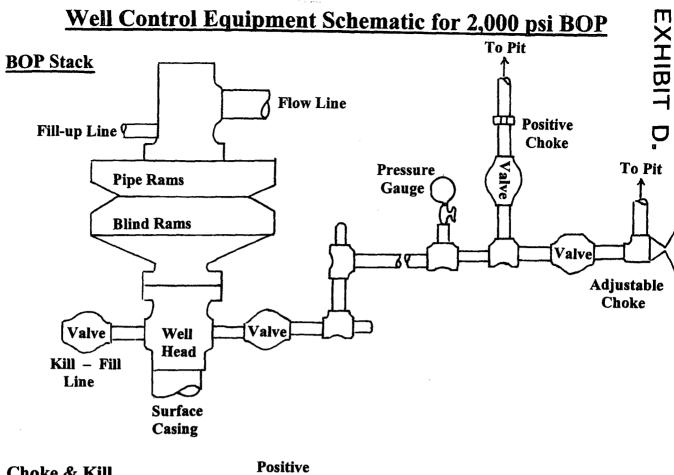
2" minimum choke line.

Fill-up line.

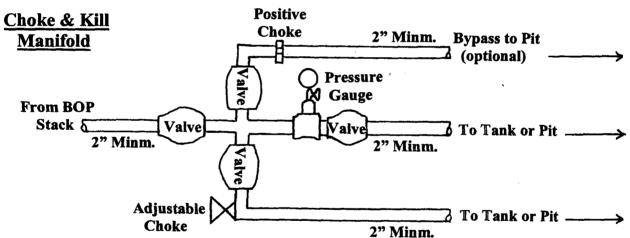
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A Charles Commence



Working Pressure for all equipment is 2,000 psi or greater

DUGAN PRODUCTION CORP.
JETER #4-S