

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.
NM-71716

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

6. IF INDIAN, ALLOTTED OR TRIBE NAME

1a. TYPE OF WORK
DRILL DEEPEN

7. UNIT AGREEMENT NAME
29714

b. TYPE OF WELL
Oil Well Gas Well Other
SINGLE ZONE MULTIPLE ZONE

8. FARM OR LEASE NAME, WELL NO.
Lisbon #90

2. Name of Operator
Dugan Production Corp.

9. API Well No.
30-045-30923

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

10. FIELD AND POOL, OR WILDCAT
Basin Fruitland Coal

LOCATION OF WELL (Report location clearly and in accordance with any State requirements. *)
At surface **780' FSL & 600' FWL (SW/4 SW/4)**
1775' 670'
At proposed prod. zone **same**

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Unit # L
Sec. 11, T30N, R14W

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
5 miles north of Farmington, NM

12. COUNTY OR PARISH
San Juan

13. STATE
NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.
(Also to nearest drng. unit line, if any)
660'

16. NO. OF ACRES IN LEASE
356.52

17. NO. OF ACRES ASSIGNED TO THIS WELL
316.52 (W/2)

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
1500'

19. PROPOSED DEPTH
1915'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
6065' GL 6085'

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
8-3/4"	7"	20#	120'	70 cu.ft. circ. to surf.
6-1/4"	4 1/2"	10.5#	1915'	300 cu.ft. circ. to surf.

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 1775' - 1790'. The interval will be fractured.

procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4.

APPROVED AND 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 Kurt Fagrelis Title Geologist Date 11/7/01
Kurt Fagrelis

(This space for Federal or State office use)
PERMIT NO. _____ APPROVAL DATE 4/22/02

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 David J. Mankiewicz Title AFM Date 4/22/02

*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.

NMOCU

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

5. Lease Designation and Serial No.

NM-71716

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

2. Name of Operator

Dugan Production Corp.

8. Well Name and No.

Lisbon #90

3. Address and Telephone No.

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

9. API Well No.

30 045 30923

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

780' FSL & 660' FWL (SW/4 SW/4)
Unit M, Sec. 11, T30N, R14W

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, New Mexico

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"/>	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>Move proposed location</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.)*

Move proposed location to: 1775' FSL & 670' FWL
Unit L, Section 11, T30N, R14W (NW/4 SW/4)
San Juan County, New Mexico.

Attachments: Revised C-102, Elevations & Topo Map

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

Signed Kurt Fagellus Title Geologist Date 11/29/01

(This space for Federal or State office use)

Approved by David J. Mankiewicz Title AFM Date 4 APR 22 2002

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.

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

District II
PO Drawer 00, 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 30-045-30923		² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL
⁴ Property Code 29714	⁵ Property Name LISBON		⁶ Well Number 90
⁷ OGRID No. 006515	⁸ Operator Name DUGAN PRODUCTION CORPORATION		⁹ Elevation 6086'

¹⁰ Surface Location

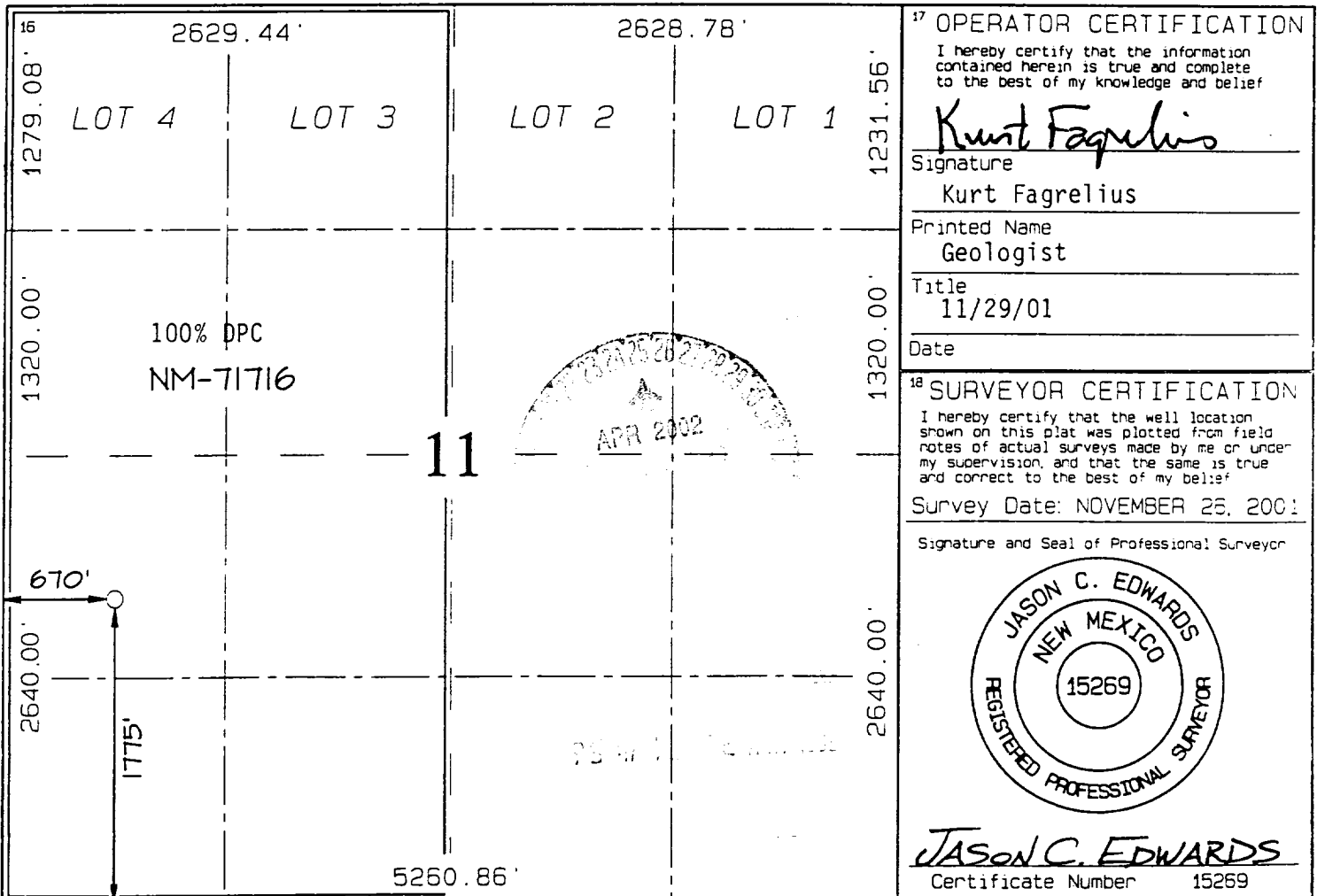
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	11	30N	14W		1775	SOUTH	670	WEST	SAN JUAN

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 316.52 Acres - (W/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



DUGAN PRODUCTION CORPORATION LISBON #90

1775' FSL & 670' FWL, SECTION II, T30N, R14W, N.M.P.M.

SAN JUAN COUNTY, NEW MEXICO

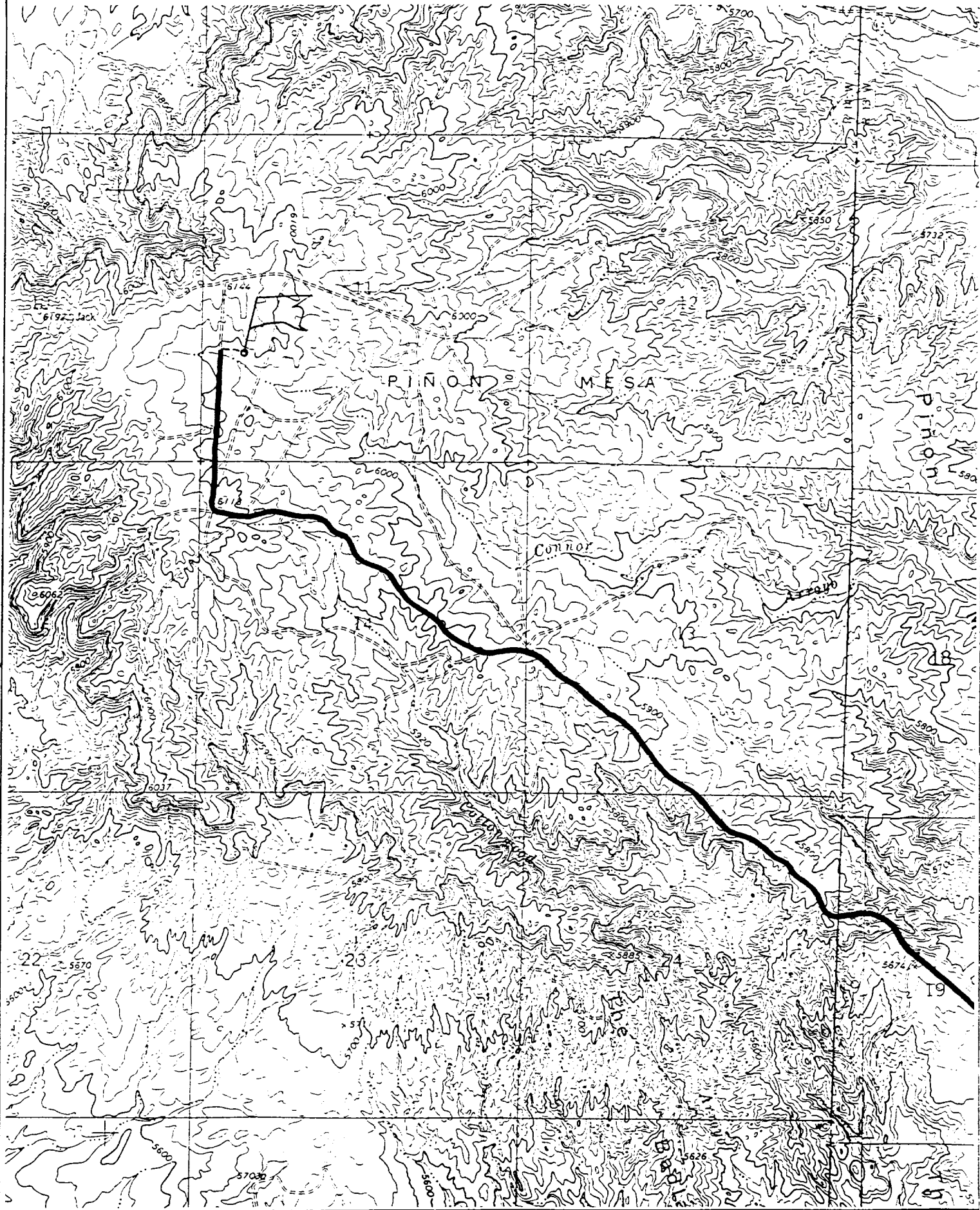


EXHIBIT B
OPERATIONS PLAN

Lisbon #90

APPROXIMATE FORMATION TOPS:

Ojo Alamo/McDermott	- surface
Kirtland	- 250'
Fruitland	- 1455'
Pictured Cliffs	- 1790'
Total Depth	- 1915'

LOGGING PROGRAM: Run cased hole CNL-CDL

Catch samples every 10 feet from 1450 feet to total depth.

CASING PROGRAM:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Setting Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
8-3/4"	7"	20#	±120'	J-55-new
6-1/4"	4-1/2"	10.5# ±	±1915'	J-55-new

Plan to drill a 8-3/4" 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 Fruitland Coal Formation. 4½", 10.5# J-55 casing will be run and cemented. Cased hole CNL-CDL 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: All volumes are contingent upon Caliper logs.

Surface: Cement with 70 cu.ft. Class "B" neat. Circulate to surface

Production Stage - Cement with 180 cu.ft. 2% Lodense with 1/4# celloflake/sx followed by 110 cu.ft. Class "B" with 1/4# celloflake/sx.
Total cement slurry for production stage is 290 cu.ft.
Circulate 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" 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:

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

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