

Form 3160-3
(April 2004)

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER**

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-17015
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Dugan Production Corp.		7. If Unit or CA Agreement, Name and No.
3a. Address P. O. Box 428, Farmington, NM 87499-0428		8. Lease Name and Well No. Herry Monster SWD #3 34825
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-04530-045-28623
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 1900' FNL & 1650' FWL SE/4 NW/4 Lot. 34.1949 Long. 107.5829 At proposed prod. zone same		10. Field and Pool, or Exploratory Menavordo
11. Sec., T. R. M. or BLM and Survey or Area Unit F, Sec. 11, T24N, R11W NMPM		12. County or Parish
14. Distance in miles and direction from nearest town or post office 9-1/2 miles SE of Carson Trading Post, NM		13. State
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1950'	16. No. of acres in lease 968.96	17. Spacing Unit dedicated to this well 0
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 1300'	19. Proposed Depth 3900'	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, CL, etc.) 6643' CL	22. Approximate date work will start 02/22/2005	23. Estimated duration 6 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 Fogrelin</i>	Name (Printed/Typed) Kurt Fogrelin	Date 03/02/2005
Title Geologist		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

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, 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.

*(Instructions on page 2)

Hold For SW D Order

RECEIVED
APR 15 2005
OIL CON. DIV.
DIST. 3

State Lease - 4 copies
Fed Lease - 3 copies

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

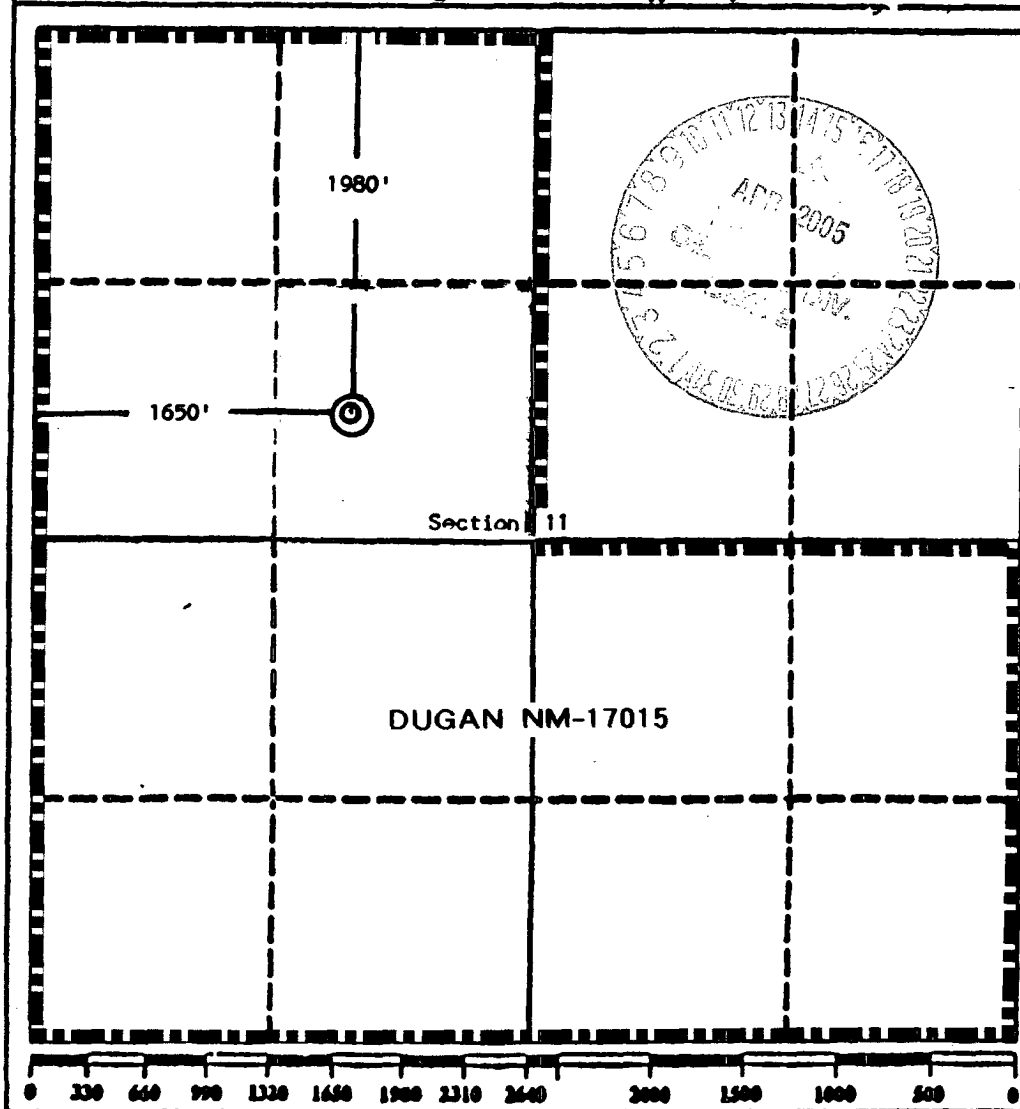
WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section.

30-045-28623

Operator Dugan Production Corporation			Lease Herry Monster SWD		Well No. 3
Unit Letter F	Section 11	Township 24 North	Range 11 West	County NM/PM	San Juan
Actual Footage Location of Well: 1980 feet from the North line and 1650 feet from the West line					
Ground level Elev. 6643	Producing Formation		Pool		Dedicated Acreage: Acres

- Outline the acreage dedicated to the subject well by colored pencil or hectum marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature: *Kurt Fagrelus*
Printed Name: Kurt Fagrelus
Position: Geologist
Company: Dugan Production
Date: January 5, 2005

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 knowledge and belief.

Date Surveyed: August 26, 1991

Signature & Seal of Professional Surveyor:
Edgar L. Risenhoover
Certificate No. 5979
Edgar L. Risenhoover, P.S.

Conditions of approval, if any:

PLAT 3.

CUT & FILL DIAGRAM

Dugan Production Corporat
OPERATOR

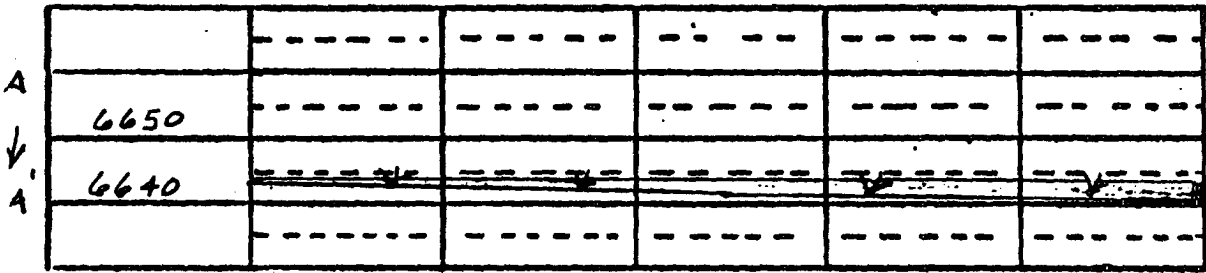
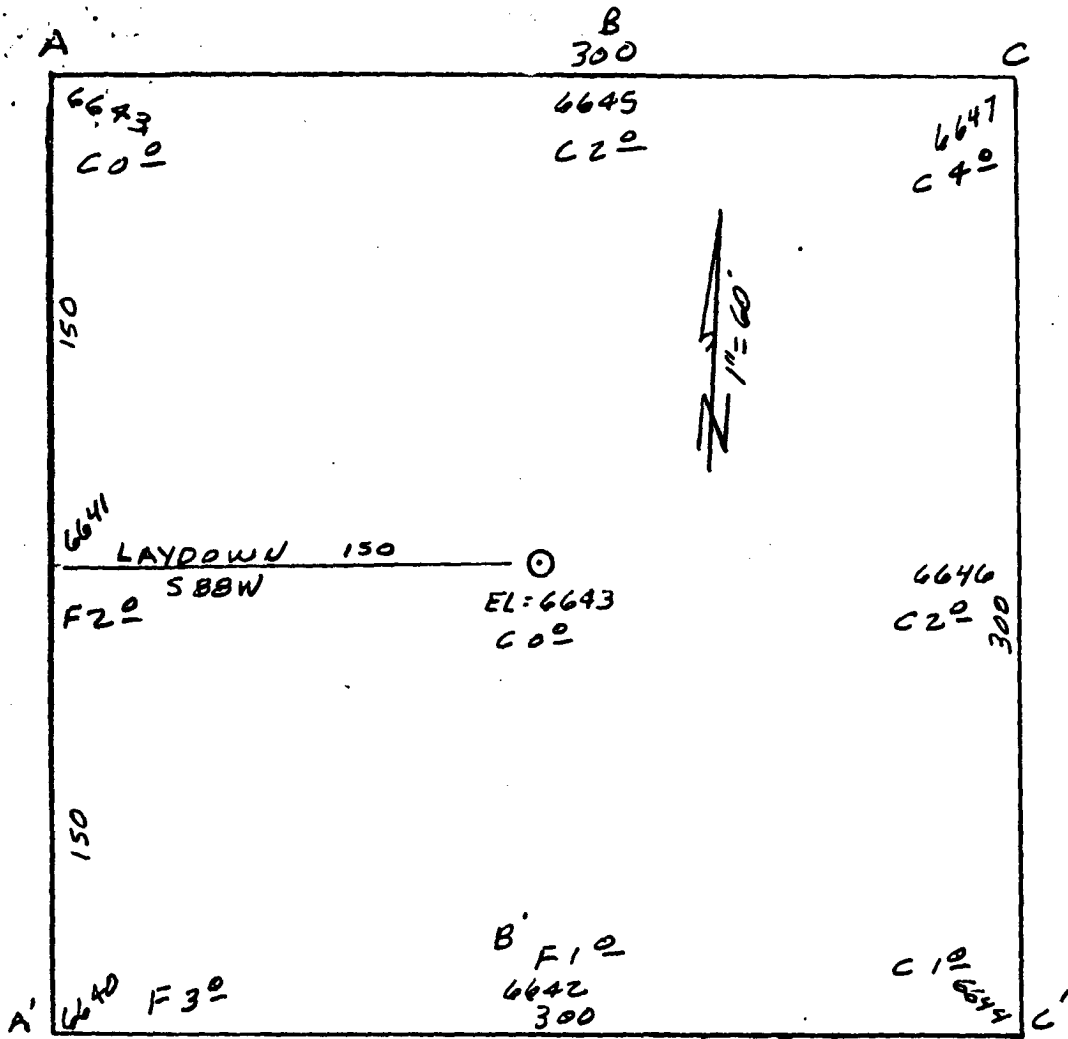
Herry Monster #3
WELL NAME and NUMBER

1980' F/NL 1650' F/WL
FOOTAGES

11	24N	11W
SEC.	TWP.	RGE.

San Juan, New Mexico
COUNTY STATE

August 26, 1991
DATE



SCALE
Horiz. 1" = 60'
Vert. 1" = 30'

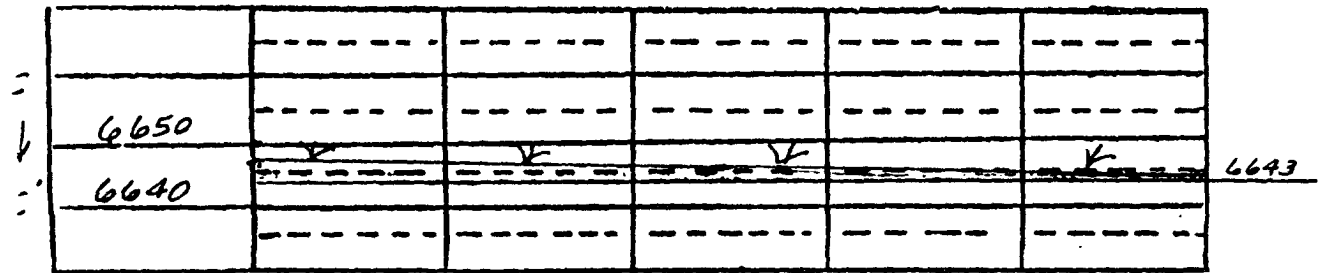
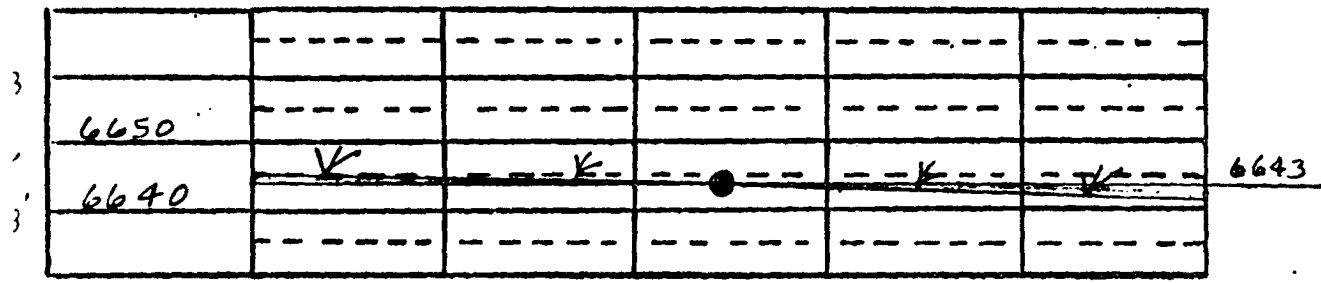


EXHIBIT B
OPERATIONS PLAN
Herry Monster SWD #3

APPROXIMATE FORMATION TOPS:

Ojo Alamo	330'	Upper Cliff House	2040'
Kirtland	428'	Upper Menefee	2179'
Fruitland	989'	Lower Cliff House	2360'
Pictured Cliffs	1290'	Lower Menefee	2548'
Lewis	1399'	Point Lookout	3720'
Chacra	1624'	Mancos	3874'
		Total Depth	3950'

LOGGING PROGRAM:

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

CASING PROGRAM:

This is an existing well. The following is the original casing and cement information.

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	215'	J-55
7-7/8"	4-1/2"	10.5#	5075'	J-55

A 12-1/4" hole was drilled and 215' of 8-5/8" OD, 24#, J-55 surface casing was set. Then a 7-7/8" hole was drilled to total depth with gel-water mud program to test the Gallup formation. 4-1/2", 10.5#, J-55 production casing was run and set at 5075'. Open hole IES and CDL logs and a Cased hole GR-CCL log were run. The Gallup productive zone from 4796' - 4964' was perforated and fractured. Attempts to produce the well were not successful and the well was plugged and abandoned.

CEMENTING PROGRAM:

Surface Casing: Cement to surface with 159.3 cf Class B + 2% CaCl₂. Circulate 2-bls.cement to surface.

Production Casing:

Stage 1: Cement with 274 cf 50/50/2 w/1/4# celloflake/sx

Stage 2: Stage tool set @ 3970'. 1564 cf 65/35/12 w/1/4# celloflake/sx tail w/50 sx 50/50/2 w/1/4# celloflake/sx. Circulate 30-bls cement to surface on second stage.

Total cement slurry for production stage is 1838 cf.

The well will be re-entered. The dry hole marker will be removed. A well head and a 2,000 psi standard BOP will be installed on production casing. Cement plugs at 0-499', 877-1340' and 1913-2111' will be drilled out. The casing will be pressure tested to determine integrity. The Mesaverde will be perforated and used for disposal of salt water (produced water).

WELLHEAD EQUIPMENT:

Huber 8-5/8"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.

Contacts:

Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

Mark Brown	327-3632 (H)
	320-8247 (M)

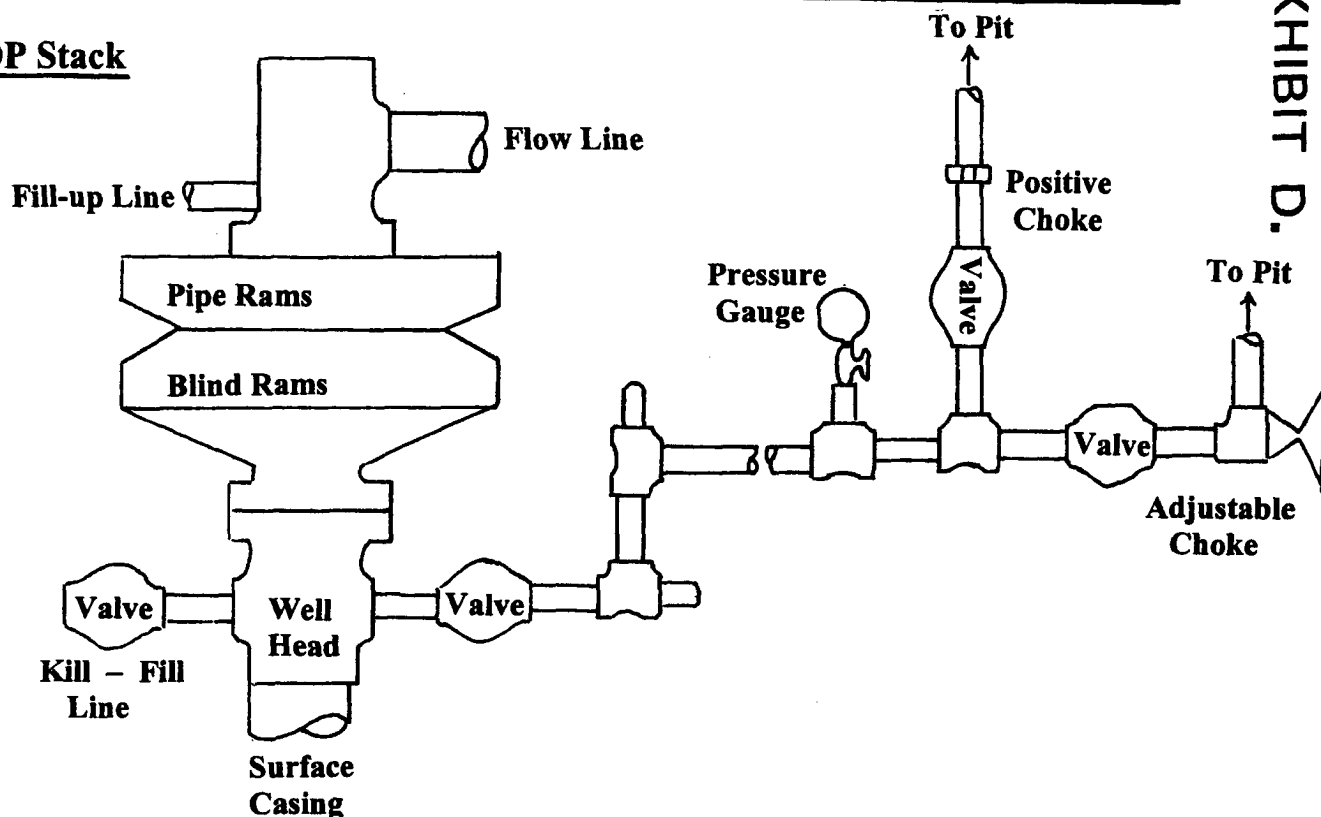
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

John Alexander	325-6927 (H)
	320-1935 (M)

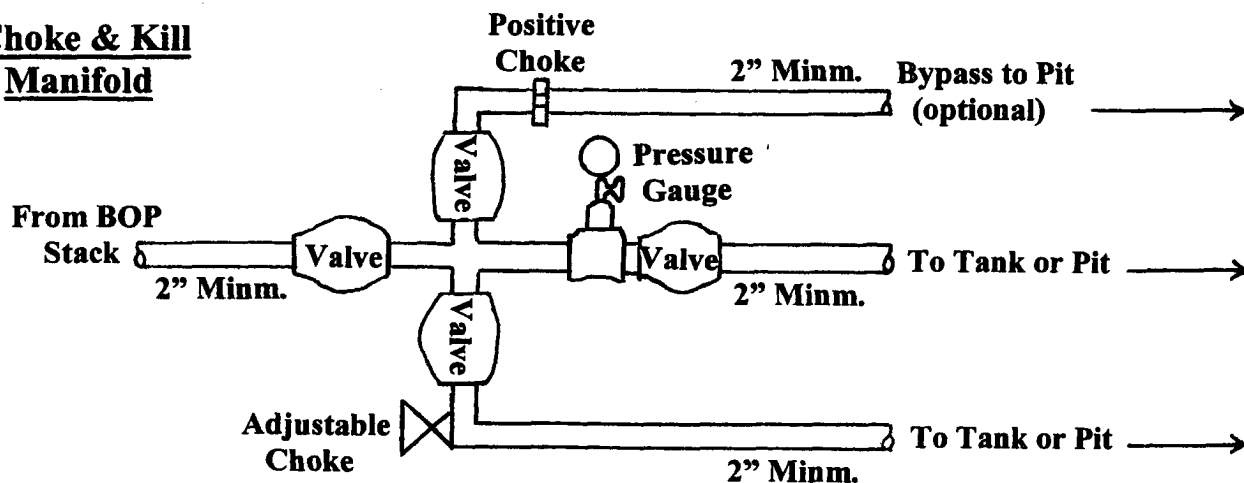
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack

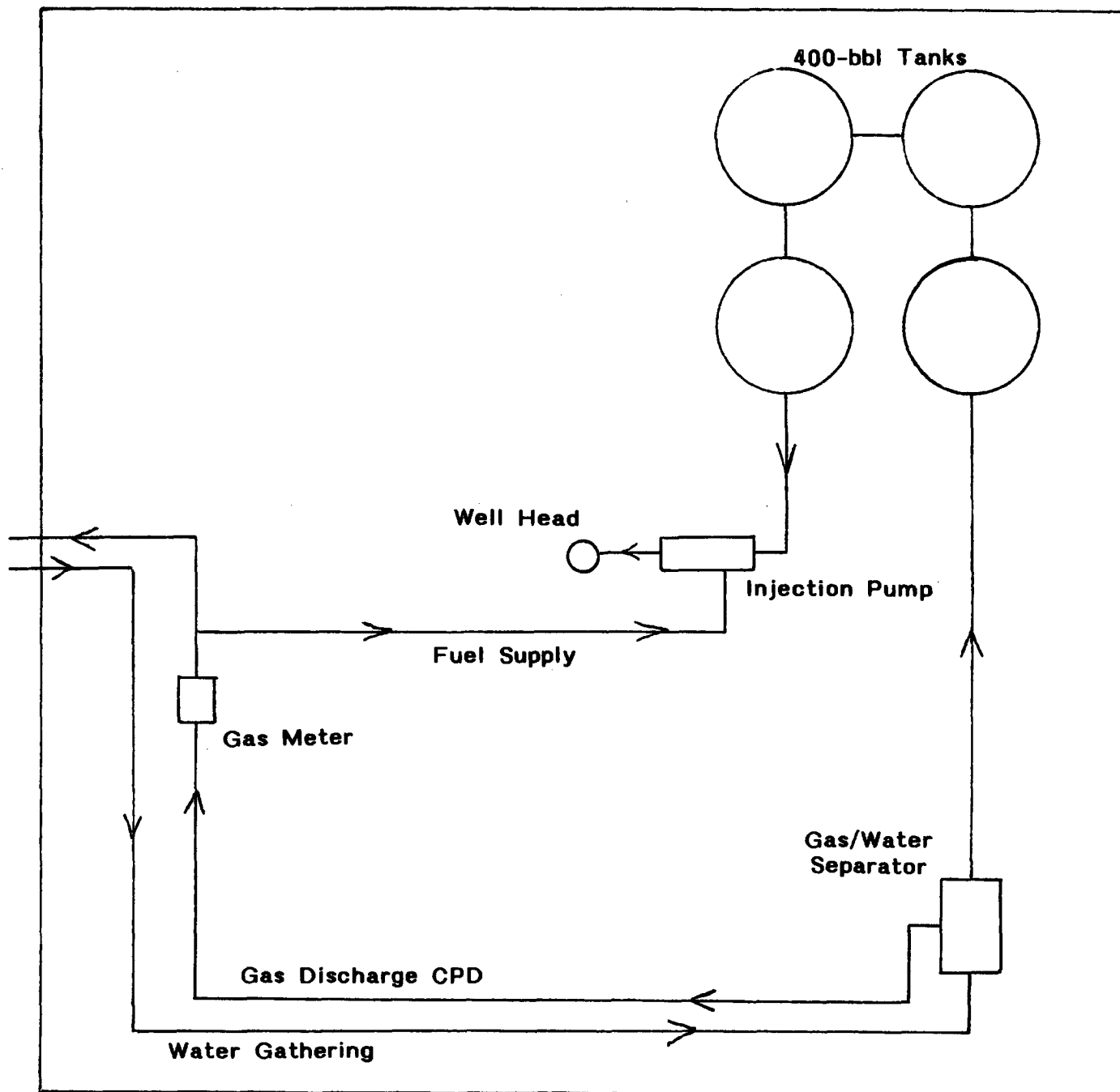


Choke & Kill Manifold



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

Dugan Production Corp.
Herry Monster SWD #3
Sec. 11, T24N, R11W
1980' FNL & 1650' FWL
San Juan County, New Mexico



Anticipated Disposal Facilities

Dugan Production Corp.
 Herry Monster SWD #3
 Sec. 11, T24N, R11W
 1980' FNL & 1650' FWL
 San Juan County, New Mexico

EXHIBIT A
DEVELOPMENTAL PLAN
Herry Monster SWD #3
Lease #NM-17015

Township 24 North, Range 11 West, NMPM
Section 11, 1980' FNL - 1650' FWL
San Juan County, New Mexico

1. Existing roads are shown on Exhibit E.
Plan to improve and maintain existing roads as required.
2. Planned access road(s) are shown on Exhibit E.
 - A. New or reconstructed road(s), if any, were centerline flagged at the time of location staking. 315.0' new road construction is needed.
3. Location of existing wells is shown on Exhibit F.
4. Location of Existing and/or Proposed Facilities:
 - A. Existing facilities owned or controlled by Lessee/Operator are shown on Exhibit F.
 - B. New facilities, in the event of production, are shown on Exhibit F. Construction materials and methods: Materials obtained on site; anticipated new production facilities are shown on Plat #1. Protective measures and devices to protect livestock and wildlife: As required.
 - C. Plan for rehabilitation of disturbed areas no longer needed for operations after construction completed: As required.
 - D. Pipeline will follow proposed road and will be 315.0 feet in length (Plat 2). A 4" water and 8" gas pipeline will be constructed.
5. Location and Type of Water Supply:
 - A. Location and type of water supply: Produced water.
 - B. Method of transporting water: Water truck.
 - C. Water well is not to be drilled on lease.
6. Source of Construction Materials:
 - A. Materials are to be obtained on site.
 - B. These materials are to be used as follows: Level location, build pits (Plat 3).
7. Methods for Handling Waste Disposal:
 - A. Waste materials will be contained/disposed of as follows:
 - 1) Cuttings: Reserve pit.
 - 2) Drilling fluids: Reserve pit.

- 3) Produced fluids (oil, water): Test tank and/or reserve pit.
 - 4) Sewage: Drilling Contractor will provide facilities.
 - 5) Trash: Facilities will be provided as required.
 - 6) Operator will be responsible for proper cleanup when the rig is moved.
 - 7) Reserve pits will be fenced on three sides during the drilling operations and on four sides when the rig is moved from location.
8. Ancillary Facilities: No permanent camp is planned; temporary trailer house may be utilized while drilling. No airstrip is planned.
9. Well Site Layout is shown on Exhibit C. Pits will not be lined.
10. Plans for restoration of surface upon completion of operations:
- A. Location will be leveled, re-contoured, and restored as needed.
 - B. Re-vegetation and rehabilitation, including abandoned access roads, will be completed per instructions from the surface management agency.
 - C. Pits will be fenced as required and so maintained until cleanup.
 - D. Rehabilitation operations will be commenced as soon as practically possible and completed soon thereafter.
11. Other Information:
- A. Other surface use activities and surface ownership of all involved lands: Federal, grazing.
12. Lessee's or Operator's Representative:

Kurt Fagrelius
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

13. Certification: The following statement must be signed by the Lessee's or Operator's Field Representative who is identified in Item #12 of this Developmental Plan.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this Plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Operator and its Contractors and Subcontractors in conformity with the Plan and the terms and conditions under which it is approved.

By: Kurt Fagrelus Date: 1-18-05
Kurt Fagrelus

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

Bold* fields are required.

2005 JAN 18 10 3 43

OTIS ELECTRIC CO. INC.

Section 1 - Completed by Operator	
1. BLM Office* Farmington, NM	2. Confidentiality <input type="checkbox"/> Confidential
3. Work Type* <input type="radio"/> DRILL <input checked="" type="radio"/> REENTER	4. Well Type* INJECTION
Operating Company Information	
5. Company Name* DUGAN PRODUCTION CORP.	
6. Address* 706 EAST MURRAY DRIVE FARMINGTON NM 87401	7. Phone Number* 505-325-1821
Administrative Contact Information	
8. Contact Name* KURT H FAGRELIUS	9. Title* GEOLOGIST
10. Address* 709 EAST MURRAY DRIVE FARMINGTON NM 87401	11. Phone Number* 505.325.1821
	12. Mobile Number 505-320-8248
13. E-mail* kfagrelius@duganproduction.com	14. Fax Number 505-327-4613
Technical Contact Information	
<input checked="" type="checkbox"/> Check here if Technical Contact is the same as Administrative Contact.	
15. Contact Name*	16. Title*
17. Address*	18. Phone Number*
	19. Mobile Number
20. E-mail*	21. Fax Number
Lease and Agreement	
22. Lease Serial Number* NM-17015	23. If Indian, Allottee or Tribe Name
24. If Unit or CA/Agreement, Name and/or Number	25. Field and Pool, or Exploratory Area* MESAVERDE

HERRY MONSTER SWD #3

NMOC

This action is subject to technical and procedural review pursuant to 43 CFR 3165.2 and appeal pursuant to 43 CFR 3165.4

26. Number of Acres in Lease* 968.96		27. Spacing Unit dedicated to this well 0	
Well			
28. Well Name* HERRY MONSTER		29. Well Number* 3	30. API Number 30-045-28623
31. Proposed M.D. 3900	32. Proposed T.V.D. 3900	33. Elevation 6643 Ground Level	
34. BLM/BIA Bond Number ON FILE		35. Work Start Date 02/22/2005	36. Work Duration 6-DAYS
37. Number of Completions 1		38. Cable Tool <input type="radio"/> Cable <input checked="" type="radio"/> Rotary	
Surface Location			
39. Specify location using one of the following methods: a) State, County, Section, Township, Range, Meridian, N/S Footage, E/W Footage, with Qtr/Qtr, Lot, or Tract b) State, County, Latitude, Longitude, Metes & Bounds description			
County or Parish, State* SAN JUAN NM			
Section 11	Township 24N	Range 11W	Meridian NEW MEXICO PRINCIPAL
Qtr/Qtr SENW	Lot # _____	Tract # _____	N/S Footage 1980 FNL
E/W Footage 1650 FWL			
Latitude 36.1949	Longitude 107.5829	Metes and Bounds _____	
40. Distance in miles and direction from nearest town or post office 9-1/2 MILES SE OF CARSON TRADING POST, NM			
41. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1950 FEET			
42. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. APPROX. 1300 FEET			
Bottom Hole Location			
43. Specify location or <input checked="" type="checkbox"/> Check here if the bottom hole location is the same as the surface location.			
County or Parish, State* _____			
Section _____	Township _____	Range _____	Meridian _____
Qtr/Qtr _____	Lot # _____	Tract # _____	N/S Footage _____
E/W Footage _____			
Latitude _____	Longitude _____	Metes and Bounds _____	

44. Additional Information

Please provide any additional pertinent information.

This well is a plugged and abandoned Gallup producer. It will be re-entered by removing the dry hole marker, installing a standard 2,000 psi BOP to the 4-1/2" production casing and preparing the Mesaverde interval for injection. An application for salt water disposal will be submitted for approval by the NMOCD.

I hereby certify that the foregoing is true and correct.

45. Name*

KURT H FAGRELIUS

46. Title

GEOLOGIST

47. Date* (MM/DD/YYYY)

11/21/2004

48. Signature*

Kurt Fagrelus

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.

J. Mankie 4-13-05

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4