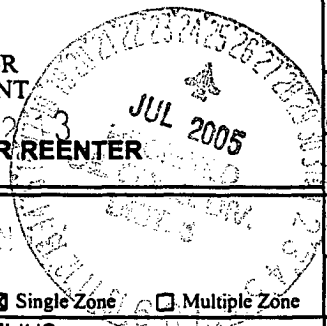


UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER



1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input 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 SWD <input checked="" 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 709 EAST MURRAY DRIVE FARMINGTON, NM 87401		8. Lease Name and Well No. Herry Monster SWD #3
3b. Phone No. (include area code) Ph: 505.325.1821 Fx: 505.327.4613		9. API Well No. 30-045-33217
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1980' FNL and 1700' FWL At proposed prod. zone Same as Above		10. Field and Pool, or Exploratory Entrada SWD
14. Distance in miles and direction from nearest town or post office* 9-1/2 miles SE of Carson Trading Post, NM		11. Sec., T., R., M., or Blk. and Survey or Area F Sec. 11, T24N, R11W
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1700 feet	16. No. of Acres in Lease 968.96 Acres	12. County or Parish SAN JUAN
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 1300 feet	19. Proposed Depth 7105 feet	13. State NM
21. Elevations (Show whether DF, KB, RT, GL, etc.) 6643' GL	22. Approximate date work will start ASAP	17. Spacing Unit dedicated to this well NA
20. BLM/BIA Bond No. on file		23. Estimated duration 14 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 Fagrelus</i>	Name (Printed/Typed) KURT FAGRELIUS	Date 7-5-2005
Title GEOLOGIST		
Approved by (Signature) <i>Wayne Townsend</i>	Name (Printed/Typed) Wayne Townsend	Date 7/22/05
Title Acting AFM	Office FFO	

Application approval does not warrant or certify 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.

Original plans to re-enter this previously P&A'd well and complete as a Mesaverde salt-water disposal well have been abandoned. Instead of a re-entry, a new Entrada saltwater disposal well will be drilled. The Entrada well will be drilled on the same well pad, 50-foot east of the existing P&A'd Herry Monster #3. No new disturbance will be necessary.

A water based gel-mud will be used to drill surface and production hole. Standard 2,000 psi BOP will be used to drill production hole. The Entrada zone will be evaluated and completed as a Saltwater injection zone.

A C-102 and new development plan and operations plan showing the location of the disposal well and how it will be drilled and completed are attached.

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

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

NMOCD

State Lease - 4 copies  
 Fee Lease - 3 copies

# JIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

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

DISTRICT II  
 P.O. Drawer 00, Azusa, NM 88210

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

## WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

30-045-33217

Operator Dugan Production Corporation			Lease Herry Monster SWD 34825		Well No. 3
Unit Letter F	Section 11	Township 24 North	Range 11 West	County San Juan	

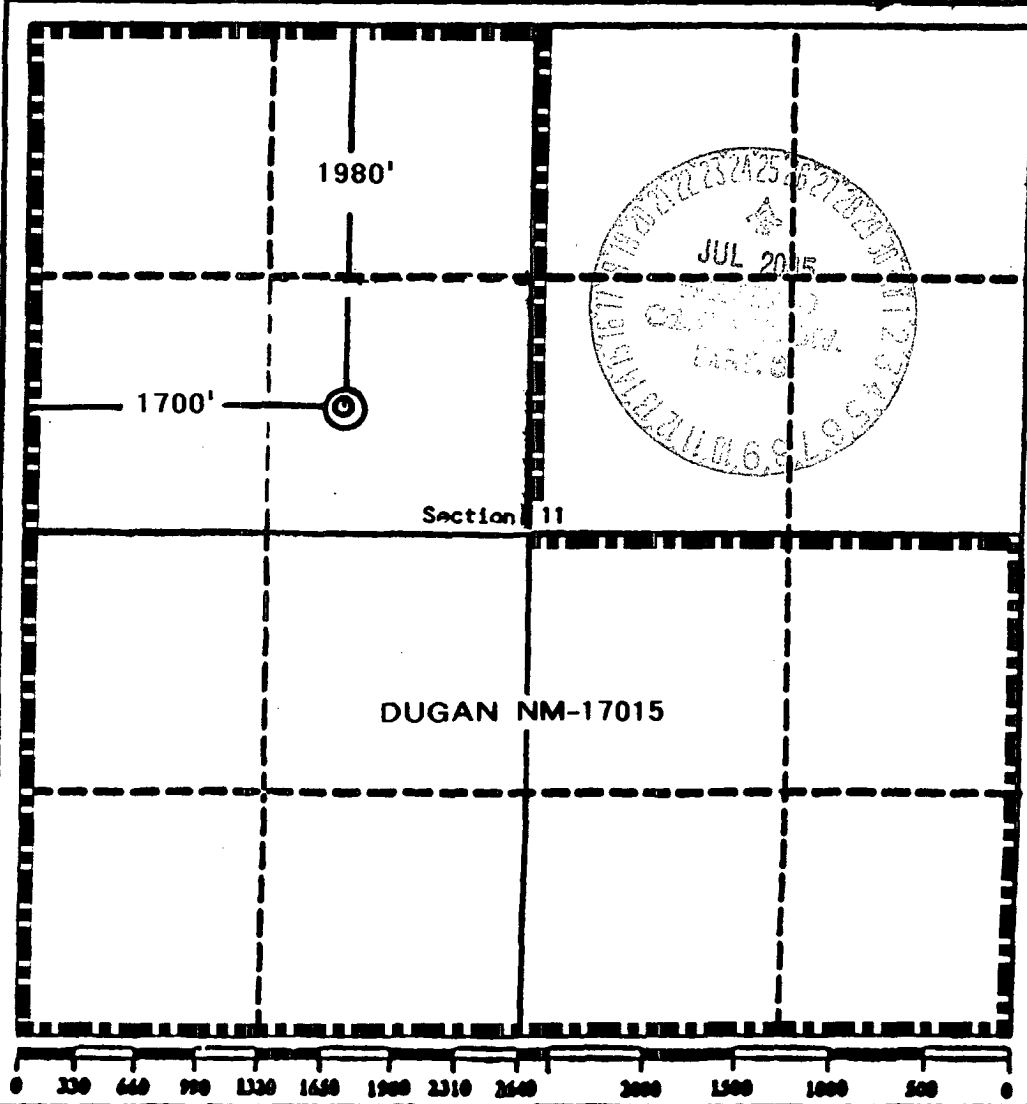
Actual Footage Location of Well:  
 1980 feet from the North line and 1700 feet from the West line

Ground level Elev. 6643	Producing Formation	Pool 96436 SWD; Entrada	Dedicated Acreage: Acres
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- Outline the acreage dedicated to the subject well by colored pencil or hatch 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, lease-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 allowance will be assigned to the well until all interests have been consolidated (by communitization, unitization, lease-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 Fagrelius*  
 Printed Name: Kurt Fagrelius  
 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.

Submit 3 Copies To Appropriate District Office  
 District I  
 1625 N. French Dr., Hobbs, NM 88240  
 District II  
 1301 W. Grand Ave., Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals and Natural Resources

Form C-103  
 March 4, 2004

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

WELL API NO.
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> Federal <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. Federal NM-17015
7. Lease Name or Unit Agreement Name Herry Monster SWD
8. Well Number #3
9. OGRID Number 06515
10. Pool name or Wildcat Salt Water Disposal Well

**SUNDRY NOTICES AND REPORTS ON WELLS**  
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:  
 Oil Well  Gas Well  Other

2. Name of Operator  
 Dugan Production Corporation

3. Address of Operator  
 709 East Murray Drive, Fmgt., NM, 87401

4. Well Location  
 Unit Letter F : 1980 feet from the north line and 1700' feet from the west line  
 Section 11 Township 24N Range 11W NMPM, San Juan County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
 6643' GL

**Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)**

Pit Location: UL F Sect 11 Twp 24N Rng 11W Pit type Drilling Depth to Groundwater +1000' Distance from nearest fresh water well +2000'  
 Distance from nearest surface water +1000' Below-grade Tank Location UL \_\_\_\_\_ Sect \_\_\_\_\_ Twp \_\_\_\_\_ Rng \_\_\_\_\_ ;  
 feet from the \_\_\_\_\_ line and \_\_\_\_\_ feet from the \_\_\_\_\_ line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

<b>NOTICE OF INTENTION TO:</b>		<b>SUBSEQUENT REPORT OF:</b>	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: Reserve pit for drilling (unlined) <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion. Original plans to re-enter P&A'd well and convert to Saltwater disposal have been abandoned. Intent now is to drill a new well on same pad to the Entrada and complete as disposal well. 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. Earthen reserve pit will be designed, constructed and abandoned as per Bureau of Land Management conditions of approval.  
 Federal minerals and surface.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCDC guidelines  a general permit  or an (attached) alternative OCD-approved plan .

Federal lease, pit construction and abandonment will be done according to BLM guidelines  
 SIGNATURE Kurt Fagrelius TITLE Geologist DATE 7-6-2005

Type or print name Kurt Fagrelius E-mail address: kfagrelius@duganproduction.com Telephone No. 505-325-1821

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #1 DATE JUL 25 2005

Conditions of approval, if any:

**CUT & FILL DIAGRAM**

PLAT 3.

Dugan Production Corporat  
OPERATOR

Herry Monster #3  
WELL NAME and NUMBER

1980' F/NL 1700' F/WL  
FOOTAGES

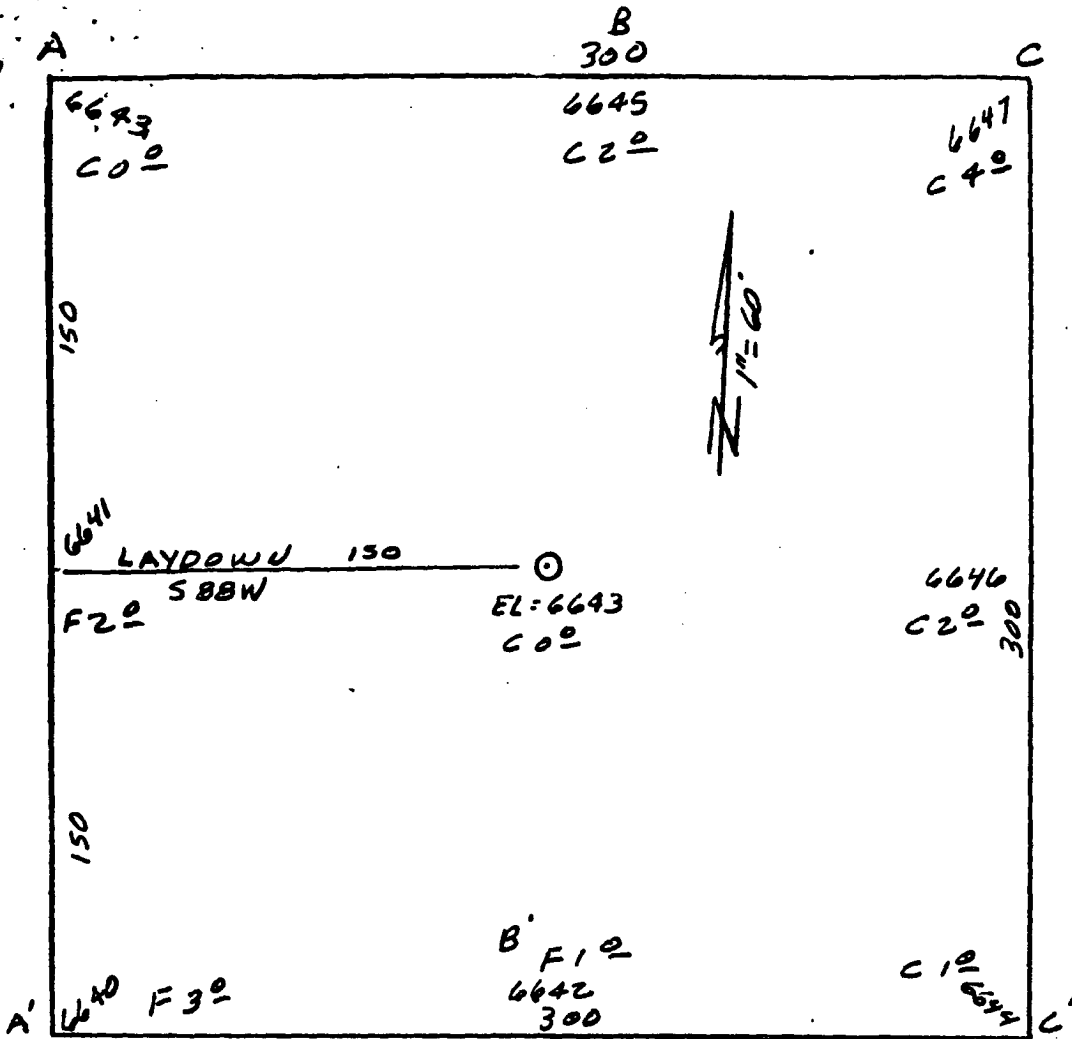
11	24N	11W
SEC.	TWP.	RGE.

San Juan, New Mexico

COUNTY STATE

August 26, 1991

DATE



	-----	-----	-----	-----	-----
6650	-----	-----	-----	-----	-----
6640	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

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

	-----	-----	-----	-----	-----
6650	-----	-----	-----	-----	-----
6640	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

	-----	-----	-----	-----	-----
6650	-----	-----	-----	-----	-----
6640	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

**EXHIBIT B**  
**OPERATIONS PLAN**  
Herry Monster SWD #3

**APPROXIMATE FORMATION TOPS:**

Ojo Alamo	330'	Gallup	4765'
Kirtland	428'	Skelly	4840'
Fruitland	989'	Greenhorn	5605'
Pictured Cliffs	1290'	Graneros	5655'
Lewis	1399'	Dakota	5720'
Cliff House	2040'	Morrison	5930'
Menefee	2179'	Bluff	6530'
Point Lookout	3720'	Todilto	6870'
Mancos	3850'	Entrada	6893'
		<b>Total Depth</b>	<b>7105'</b>

**LOGGING PROGRAM:**

Run IES from total depth to surface and CDL over selected intervals.

**CASING PROGRAM:**

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./ft.</u>	<u>Setting Depth</u>	<u>Grade and Condition</u>
12-1/4"	8-5/8"	24#	320'	J-55
7"	5-1/2"	15.5#	6000'	K-55
7"	5-1/2"	17#	7105'	K-55

Plan to drill a 12-1/4" hole and set 320' of 8-5/8" OD, 24#, K-55 surface casing. Then plan to drill a 7" hole to total depth with gel-water mud program. 5-1/2", 15.5# (surface to 6400') and 5-1/2", 17# (6400' to 7500') K-55 production casing will be run and cemented. Open hole IES and CDL logs will be run. Injection zone will be perforated and acidized. After completion, the well will be cleaned out and injection equipment will be installed.

**CEMENTING PROGRAM:**

Surface: Cement to surface with 200 cf Class B + 2% CaCl<sub>2</sub>.  
Circulate to surface.

Production Stage-Cement with 1050 cf 2%Lodense with  
1/4# celloflake/sx followed by 550 cf Class "B" with  
1/4# celloflake/sx.  
Total cement slurry for production stage is 1600 cf.  
Circulate cement to surface.

