

9/18/06 10/5/06 WJS PTDS0826151218  
SWD-1046  
dugan production corp.

2006 SEP 18 PM 12 42

30-045-33927

Mr. Will Jones  
New Mexico Oil Conservation Division - Engineering Bureau  
1220 South Saint Francis Street  
Santa Fe, New Mexico 87505

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**  
**7005 2570 0001 3771 6166**

Re: Application to Class 2, water disposal well, Sponge Bob SWD #1 San Juan County, NM

Dear Mr. Jones:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Sponge Bob SWD #1. In fulfilling the requirements of application, the following materials are provided herein:

1. Form C-108, Application for Authorization to Inject.
2. Tabular and schematic data on proposed injection well.
3. Lease and surface owner maps identifying all wells and leases within 2-miles of proposed injection well with a one-half mile radius circle drawn around the proposed injection well.
4. Data sheet of wells within 2-miles of proposed injection well, highlighting those wells inside one-half mile radius around the injection well.
5. Operations plan for proposed injection well.
6. Water Analysis of produced water to be disposed in proposed injection well (Fruitland Coal).
7. Required geologic, stimulation, logging and test data and fresh water data from nearby wells.
8. Signed statement of geologic and engineering data.
9. Proof of notice in the form of notification letters sent to offsetting operators and surface owners and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times. Signed and notarized copy will be sent once received.

If you have questions or need additional information, please contact me.

Very Sincerely,

*Kurt Fagrelus*  
Kurt Fagrelus

Attachments

cc: Mr. Charlie Perrin-New Mexico Oil Conservation Division, 1000 Rio Bravo Rd, Aztec, NM 87410  
Mr. David Mankiewicz-Bureau of Land Management, 1235 La Plata Hwy, Farmington, NM 47401  
Ms. Debbie Padilla-New Mexico State Land Office, PO Box 1148, Santa Fe, NM 87504-1148  
Burlington, Resources, P.O. Box 4289, Farmington, NM 87499  
Lance Oil and Gas, P.O. Box 70, Kirtland, NM 87417  
Questar Expl. And Prod., 1050 17<sup>th</sup> St., Suite 500, Denver, CO 80265  
Four Star Oil and Gas, 11111 S. Willowcrest Dr., Houston, TX 77099  
Mr. Tom Scarbrough-Conoco Phillips Co., 600 N. Dairy Ashford, 3WL-5059, Houston, TX 77079

**APPLICATION FOR AUTHORIZATION TO INJECT**

- I. PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage  
Application qualifies for administrative approval? Yes No
- II. OPERATOR: Dugan Production Corp.  
ADDRESS: 709 East Murray Drive, Farmington, New Mexico 87401  
CONTACT PARTY: Kurt Fagrelus PHONE: 505-325-1821
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.  
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? Yes X No  
If yes, give the Division order number authorizing the project: Not Applicable
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
  2. Whether the system is open or closed;
  3. Proposed average and maximum injection pressure;
  4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
  5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- \*VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- \*X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- \*XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: Kurt Fagrelus TITLE: Geologist

SIGNATURE: Kurt Fagrelus DATE: Sept. 15, 2006

E-MAIL ADDRESS: kfagrelus@duganproduction.com

- \* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: \_\_\_\_\_

### III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

### XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

**NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.**

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**NOTICE:** Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Application for Authorization to Inject

Dugan Production Corp.

**Sponge Bob SWD #1**

General Information

Dugan Production Corp. is hereby, making application for administrative approval to dispose of produced water by underground injection. The proposed disposal site is the Sponge Bob SWD #1 well, located 2300' FSL & 1810' FWL, Sec. 36, Twn. 30N, Rng. 14W, San Juan Co., NM. Produced water will be injected into the Entrada Sandstone between 7085' and 7220'. The maximum injection pressure will be 1415 psi and the maximum injection rate will be 6,000 barrels of water daily.

The well will be a new drill for the purpose of salt water disposal. The permit to drill has been approved and plans are to begin drilling rig September or October of 2006. Upon approval of this application, an injection test will be conducted. If adequate rates are not found, it may be necessary to stimulate the proposed injection zone or perforate additional zones in the well.

Any change to the plans contained herein, will be approved by the New Mexico Oil Conservation Division prior to implementation.

Application for Authorization to Inject

Dugan Production Corp.

**Sponge Bob SWD #1**

Part III. Well Data

A. Tabular Information

1. Name: Sponge Bob SWD #1  
  
Location: 2300' FSL & 1810' FWL  
Sec. 36, T30N, R14W  
San Juan Co., NM
2. Surface Casing: 9-5/8" 36#, J-55 set @ 360'. Cemented with 250-cu.ft. Circulate cement to surface.  
Hole size – 12-1/4".  
  
Production Casing: 5-1/2" 17#, N-80 and 15.5# J-55 set @ 7425'.  
Cement in three stages with stage tools at 1485' and 4185' using 850 cu.ft. in first stage and 700 cu.ft. in the second stage and 550 cu.ft. in the third stage.  
Circulate cement to surface.  
Hole size – 8-3/4".
3. Injection Tubing: 2-7/8", EUE, 6.5#, plastic lined tubing.
4. Packer: Baker Model AD-1 tension packer, plastic lined, will be set at 7035' or 50' above the upper most perforation.

B. Additional Information

1. Injection Interval: Entrada Sandstone.
2. The injection interval (Entrada 7085' – 7225') will be perforated.
3. The well (Sponge Bob SWD #1) will be drilled for the purpose of injection.
4. Only the injection interval is to be perforated.
5. Fruitland Coal / Pictured Cliffs Sandstone – Approx. 1250', Dakota Sandstone – Approx. 5880'.

# INJECTION WELL DATA SHEET

OPERATOR: Dugan Production Corp.

WELL NAME & NUMBER: Sponge Bob SMD #1

WELL LOCATION: 2300' FSL & 1810' FML

K

36

30N

14W

FOOTAGE LOCATION

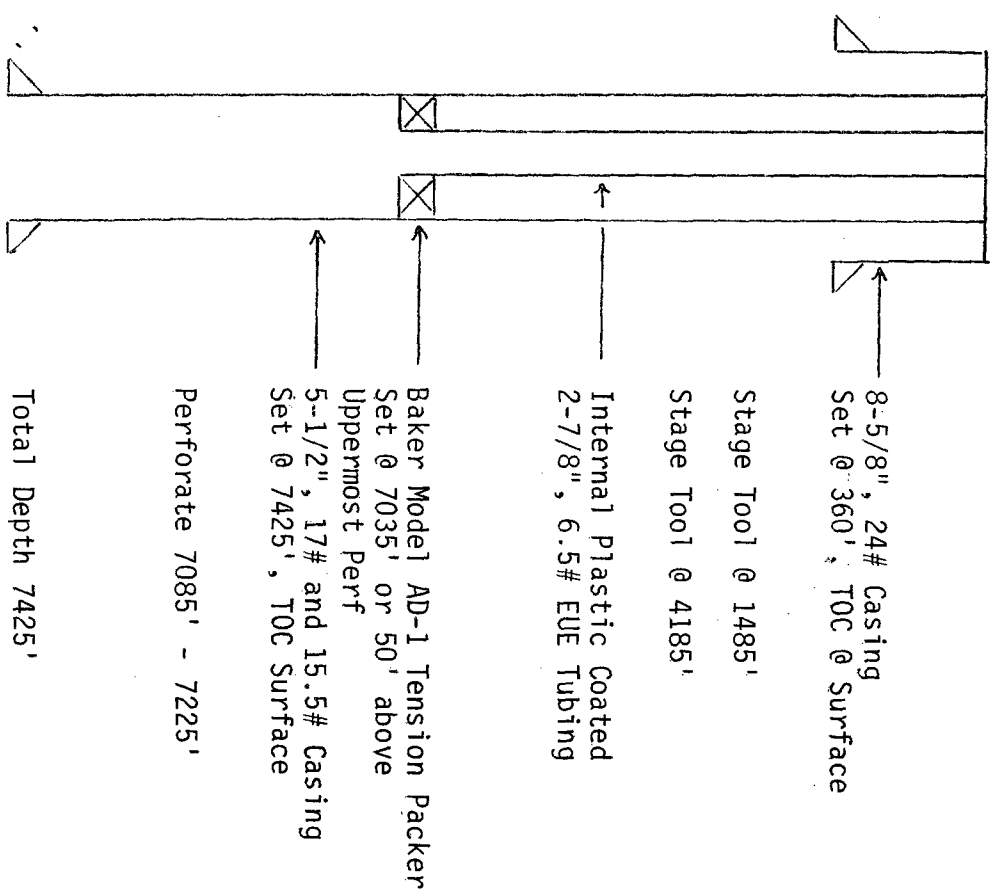
UNIT LETTER

SECTION

TOWNSHIP

RANGE

## WELLBORE SCHEMATIC



## WELL CONSTRUCTION DATA

Surface Casing

Hole Size: 12-1/4" Casing Size: 9-5/8"  
 Cemented with: 180 sx. or 250 ft<sup>3</sup>  
 Top of Cement: Surface Method Determined: Will Circulate

## Intermediate Casing

Hole Size: \_\_\_\_\_ Casing Size: \_\_\_\_\_  
 Cemented with: \_\_\_\_\_ sx. or \_\_\_\_\_ ft<sup>3</sup>  
 Top of Cement: \_\_\_\_\_ Method Determined: \_\_\_\_\_

## Production Casing

Hole Size: 8-3/4" Casing Size: 5-1/2"  
 Cemented with: 955 sx. or 2100 ft<sup>3</sup>  
 Top of Cement: Surface Method Determined: Will Circulate  
 Total Depth: 7425'

## Injection Interval

7085 feet to 7225

(Perforated or Open Hole; indicate which)

Type of Packer: Baker Model AD-1 set in tension (5-1/2")

Packer Setting Depth: 7035' or 50' above uppermost perf.

## Additional Data

1. Is this a new well drilled for injection? ☒ Yes ☐ No

|                                     |                   |
|-------------------------------------|-------------------|
| 2. Name of the Injection Formation: | Entrada Sandstone |
|-------------------------------------|-------------------|

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. New well

will be drilled for purpose of injection into Entrada Ss., no other zones will be perf'd.

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: Fruitland Coal 1240', Pictured Cliffs 1260'

Dakota Sandstone 5900'.

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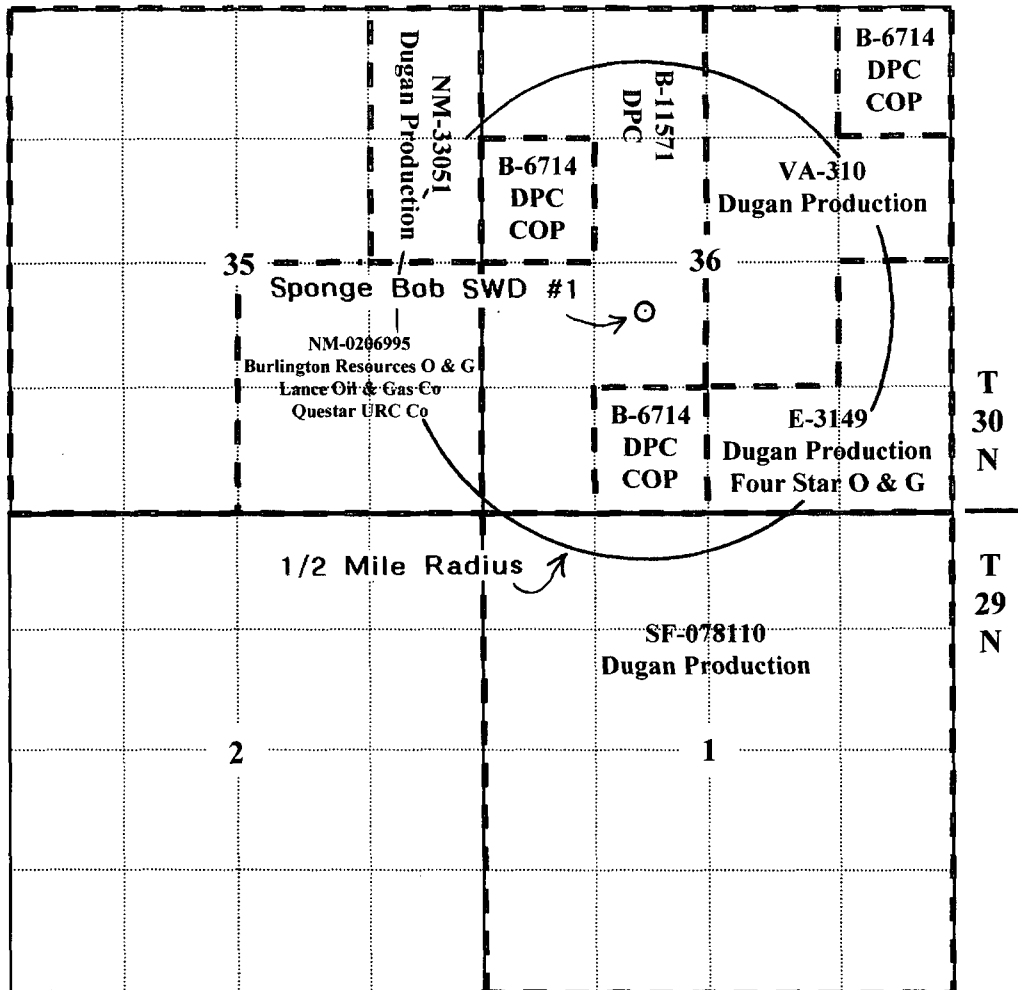
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Va. Lease Owner

TOWNSHIP 30 NORTH, RANGE 14 WEST  
SAN JUAN COUNTY, NEW MEXICO

OFFSET OPERATOR/LESSEE



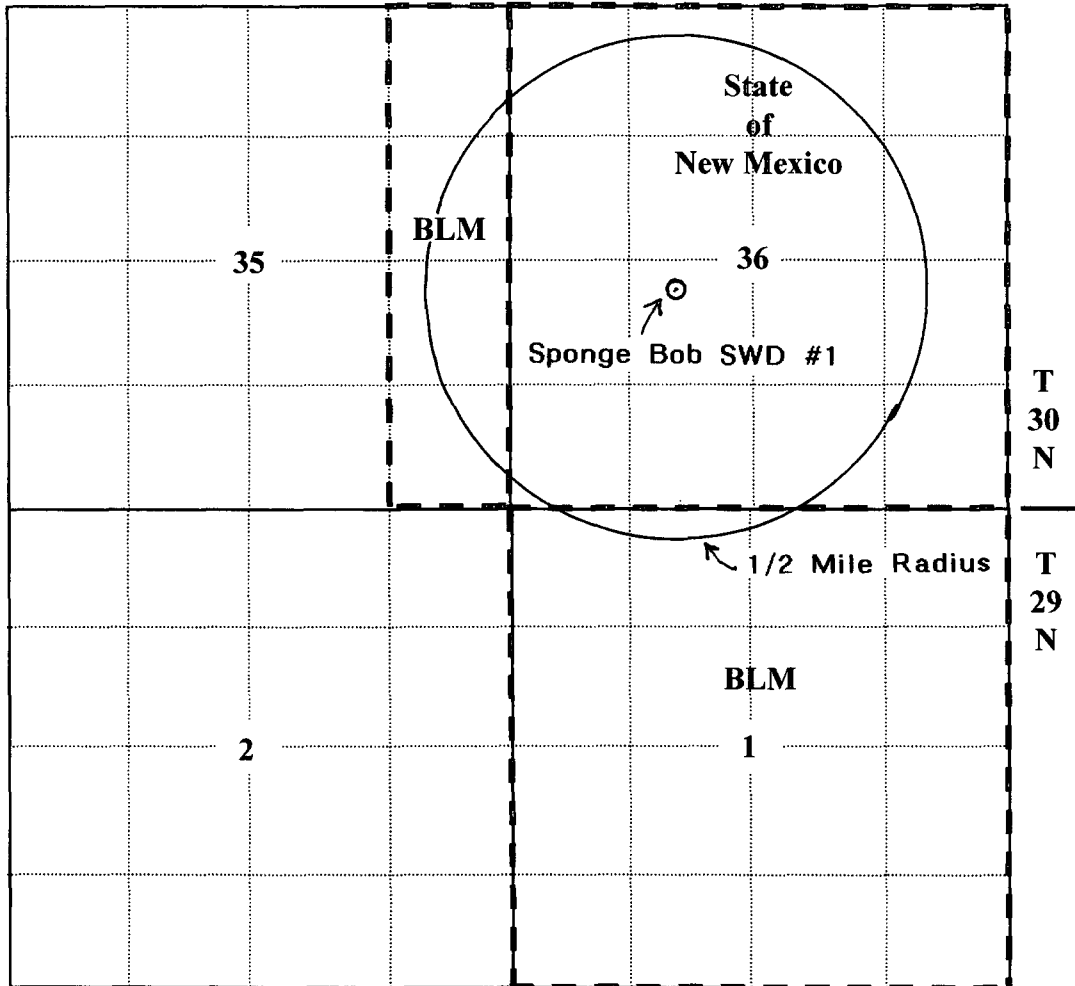
DPC Dugan Production Corp  
COP ConocoPhillips

Dugan Production Corp.  
Sponge Bob SWD #1  
Sec. 36, T30N, R14W  
2300' FSL and 1810' FWL  
San Juan County, New Mexico  
Salt Water Disposal Application

## Vb. Surface Owner Map

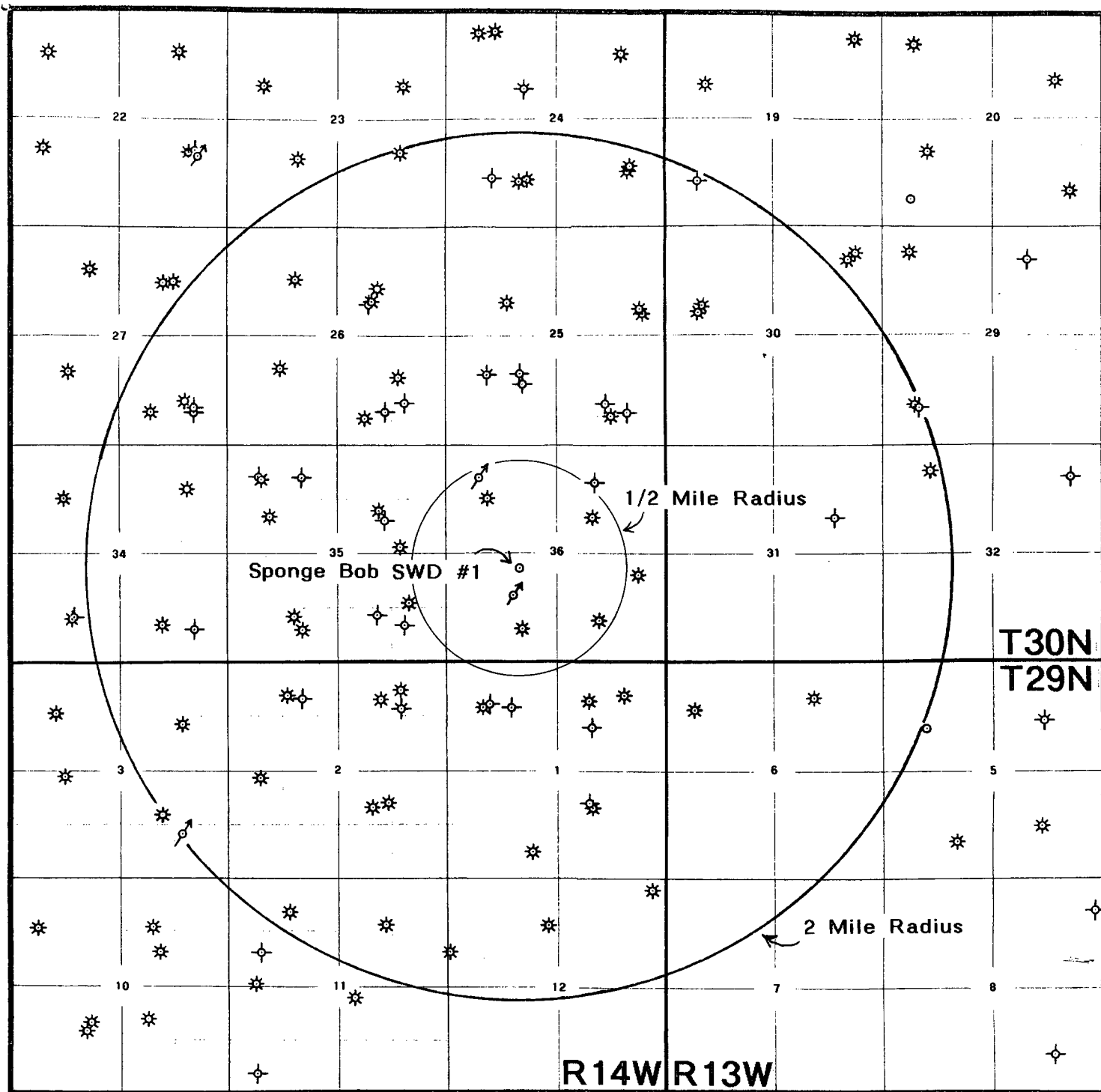
TOWNSHIP 30 NORTH, RANGE 14 WEST  
SAN JUAN COUNTY, NEW MEXICO

### SURFACE OWNER



Dugan Production Corp.  
Sponge Bob SWD #1  
Sec. 36, T30N, R14W  
2300' FSL and 1810' FWL  
San Juan County, New Mexico  
Salt Water Disposal Application

# Part Vc. Well Map



Dugan Production Corp.  
Sponge Bob SWD #1  
Sec. 36, T30N, R14W  
2300' FSL and 1810' FWL  
San Juan County, New Mexico  
Salt Water Disposal Application

Application for Authorization to Inject

Dugan Production Corp.

**Sponge Bob SWD #1**

Part VI. Data on offset wells

A tabulation of data on all existing, offset wells (shown on the Well Map Part Vc.) that highlights those wells that fall within the ½-mile area of review is presented on Attachment VIa. No wells within the area of review penetrate the proposed injection zone.

Attachment Via. Tabulation of data on offset wells.

Dugan Production Corp., Sponge Bob SWD #1, S.36, T30N, R14W

| OPERATOR                | WELL_NAME          | WELL_NO | TWN | RGE | SEC | UL | FTAGE_NS | FTAGE_EW | STATUS | POOL                     | TD   |
|-------------------------|--------------------|---------|-----|-----|-----|----|----------|----------|--------|--------------------------|------|
| LANCE OIL AND GAS       | F LOG 5            | 3       | 29N | 13W | 5   | N  | 920/S    | 1800/W   | CO     | FULCHER KUTZ PC          | 1553 |
| MCELVAIN O&G PROP INC   | WILDWOOD           | 1       | 29N | 13W | 5   | G  | 1445/N   | 1420/E   | SP     | FULCHER KUTZ PC          | 1632 |
| MCELVAIN O&G PROP INC   | WILDWOOD           | 3       | 29N | 13W | 5   | E  | 1650/N   | 1075/W   | PE     | FULCHER KUTZ PC          | 1374 |
| LANCE OIL AND GAS       | F LOG 5            | 4       | 29N | 13W | 5   | O  | 1305/S   | 1495/E   | CO     | FULCHER KUTZ PC          | 1495 |
| COMPASS EXPLORATION INC | SOUTHEAST MOUNDS 6 | 1       | 29N | 13W | 06  | B  | 890/N    | 1680/E   | PA     | BASIN DAKOTA             | 6037 |
| SYNERGY                 | MADRID 29 13 6     | 111     | 29N | 13W | 06  | B  | 900/N    | 1640/E   | CO     | BASIN FRUITLAND COAL     | 1345 |
| SYNERGY                 | MADRID 29 13 6     | 112     | 29N | 13W | 06  | C  | 1215/N   | 715/W    | CO     | BASIN FRUITLAND COAL     | 1445 |
| PIONEER PRODUCTION      | AIRPORT            | 1       | 29N | 13W | 08  | A  | 790/N    | 150/E    | PA     | BASIN DAKOTA             | 6020 |
| PIONEER PRODUCTION      | AIRPORT            | 2       | 29N | 13W | 08  | P  | 990/S    | 1190/E   | PA     | BASIN DAKOTA             | 5996 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 101     | 29N | 14W | 01  | O  | 660/S    | 2085/W   | CO     | BASIN FRUITLAND COAL     | 1330 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 2       | 29N | 14W | 01  | A  | 790/N    | 990/E    | CO     | BASIN DAKOTA             | 6125 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 100     | 29N | 14W | 01  | B  | 950/N    | 1835/E   | CO     | BASIN FRUITLAND COAL     | 1350 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 4       | 29N | 14W | 01  | C  | 1100/N   | 1600/W   | PA     | HARPER HILL FT SAND PC   | 1274 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 3       | 29N | 14W | 01  | D  | 1030/N   | 1070/W   | PA     | BASIN DAKOTA             | 6002 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 4R      | 29N | 14W | 01  | D  | 1090/N   | 900/W    | CO     | HARPER HILL FR SND PC    | 1335 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 6       | 29N | 14W | 01  | G  | 1590/N   | 1800/E   | PA     | HARPER HILL FT SAND PC   | 1415 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 5       | 29N | 14W | 01  | J  | 1850/S   | 1850/E   | PA     | HARPER HILL FT SAND PC   | 1265 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 5R      | 29N | 14W | 01  | J  | 1790/S   | 1820/E   | CO     | HARPER HILL FT SAND PC   | 1230 |
| DUGAN PRODUCTION CORP   | COM                | 2       | 29N | 14W | 02  | A  | 1125/N   | 1070/E   | SI     | HARPER HILL FT SAND PC   | 1250 |
| DUGAN PRODUCTION CORP   | COM                | 1E      | 29N | 14W | 02  | A  | 666/N    | 1097/E   | CO     | BASIN DAKOTA             | 5992 |
| DUGAN PRODUCTION CORP   | COM                | 2R      | 29N | 14W | 02  | B  | 907/N    | 1575/E   | CO     | HARPER HILL FRUITLAND PC | 1250 |
| DUGAN PRODUCTION CORP   | COM                | 4       | 29N | 14W | 02  | C  | 790/N    | 1450/W   | CO     | HARPER HILL FT SD PC EXT | 1190 |
| DUGAN PRODUCTION CORP   | SW MOUNDS COM      | 1       | 29N | 14W | 02  | C  | 870/N    | 1790/W   | PA     | BASIN DAKOTA             | 6045 |
| DUGAN PRODUCTION CORP   | COM                | 3       | 29N | 14W | 02  | J  | 1850/S   | 1450/E   | CO     | HARPER HILL FT SAND PC   | 1260 |
| DUGAN PRODUCTION CORP   | COM                | 1       | 29N | 14W | 02  | J  | 1750/S   | 1820/E   | CO     | BASIN FRUITLAND COAL     | 5925 |
| DUGAN PRODUCTION CORP   | COM                | 91      | 29N | 14W | 02  | L  | 2510/S   | 790/W    | CO     | BASIN FRUITLAND COAL     | 1180 |
| LANCE OIL AND GAS       | WF FEDERAL 3       | 1       | 29N | 14W | 03  | D  | 1265/N   | 1095/W   | CO     | TWIN MOUNDS FT SD PC EXT | 1206 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 99      | 29N | 14W | 03  | H  | 1488/N   | 1106/E   | CO     | BASIN FRUITLAND COAL     | 1170 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 7       | 29N | 14W | 03  | J  | 1560/S   | 1605/E   | CO     | HARPER HILL FR SD PC     | 1120 |
| LANCE OIL AND GAS       | WF FEDERAL 3       | 2       | 29N | 14W | 03  | L  | 2495/S   | 1290/W   | CO     | BASIN FRUITLAND COAL     | 1211 |
| DUGAN PRODUCTION CORP   | LOCKE SWD          | 1       | 29N | 14W | 03  | P  | 1120/S   | 1120/E   | WD     | SWD.MESAVERDE            | 6000 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 98      | 29N | 14W | 10  | B  | 1200/N   | 1850/E   | CO     | BASIN FRUITLAND COAL     | 1100 |
| LANCE OIL AND GAS       | ROPKO 10           | 1       | 29N | 14W | 10  | D  | 1272/N   | 673/W    | CO     | HARPER HILL FT SND PC    | 1000 |
| ENERGEN RESOURCES CORP  | LOCKE              | 2       | 29N | 14W | 10  | G  | 1850/N   | 1650/E   | CO     | BASIN DAKOTA             | 5950 |
| DUGAN PRODUCTION CORP   | FEDERAL I          | 10      | 29N | 14W | 10  | J  | 1870/S   | 1960/E   | CO     | HARPER HILL FR SAND PC   | 1100 |

Wells within 1/2-mile area of review are shaded (grey). No wells within the area of review penetrate the proposed injection zone.

Attachment Via. Tabulation of data on offset wells. Dugan Production Corp., Sponge Bob SWD #1, S.36, T30N, R14W

| OPERATOR              | WELL_NAME        | WELL_NO | TWN | RGE | SEC | UL | FTAGE_NS | FTAGE_EW | STATUS | POOL                     | TID  |
|-----------------------|------------------|---------|-----|-----|-----|----|----------|----------|--------|--------------------------|------|
| LANCE OIL AND GAS     | MCWHORTER DUNCAN | 1       | 29N | 14W | 10  | K  | 1565/S   | 1820/W   | CO     | BASIN DAKOTA             | 5860 |
| LANCE OIL AND GAS     | ROPCO 10         | 2       | 29N | 14W | 10  | K  | 1772/S   | 1948/W   | CO     | BASIN FRUITLAND COAL     | 1150 |
| DUGAN PRODUCTION CORP | KING COM         | 90      | 29N | 14W | 11  | B  | 1128/N   | 1511/E   | CO     | BASIN FRUITLAND COAL     | 1220 |
| DUGAN PRODUCTION CORP | FEDERAL I        | 8       | 29N | 14W | 11  | C  | 790/N    | 1530/W   | CO     | HARPER HILL FR SD PC EXT | 1190 |
| DUGAN PRODUCTION CORP | FEDERAL 1        | 1       | 29N | 14W | 11  | E  | 1850/N   | 790/W    | PA     | WC D3.MESAVERDE          | 5921 |
| DUGAN PRODUCTION CORP | FEDERAL I        | 90      | 29N | 14W | 11  | E  | 2605/N   | 660/W    | CO     | BASIN FRUITLAND COAL     | 1180 |
| DUGAN PRODUCTION CORP | KING COM         | 2       | 29N | 14W | 11  | J  | 2385/S   | 2255/E   | CO     | HARPER HILL FR SAND PC   | 1210 |
| SUNRAY DX OIL CO      | NM FEDERAL I     | 7       | 29N | 14W | 11  | M  | 510/S    | 684/W    | PA     | TOTAH GALLUP             | 5170 |
| DUGAN PRODUCTION CORP | FEDERAL I COM    | 102     | 29N | 14W | 12  | A  | 270/N    | 330/E    | CO     | BASIN FRUITLAND COAL     | 1320 |
| DUGAN PRODUCTION CORP | FEDERAL I COM    | 9       | 29N | 14W | 12  | C  | 1170/N   | 2440/W   | CO     | HARPER HILL FT SND PC    | 1280 |
| DUGAN PRODUCTION CORP | FEDERAL I COM    | 103     | 29N | 14W | 12  | E  | 1775/N   | 10/W     | CO     | BASIN FRUITLAND COAL     | 1300 |
| YATES PETROLEUM CORP  | VIERSON FEDERAL  | 1       | 30N | 13W | 19  | A  | 660/N    | 660/E    | CO     | BASIN DAKOTA             | 6240 |
| XTO ENERGY INC        | BUTTE            | 1R      | 30N | 13W | 19  | F  | 1790/N   | 970/W    | CO     | BASIN DAKOTA             | 6360 |
| LADD PETROLEUM CORP   | BUTTE            | 1       | 30N | 13W | 19  | N  | 1060/S   | 790/W    | PA     | BASIN DAKOTA             | 6199 |
| YATES PETROLEUM CORP  | MILLER GAS COM   | 1E      | 30N | 13W | 20  | D  | 820/N    | 840/W    | CO     | BASIN DAKOTA             | 6152 |
| YATES PETROLEUM CORP  | MILLER GAS COM   | 1       | 30N | 13W | 20  | H  | 1710/N   | 1150/E   | CO     | BASIN DAKOTA             | 6231 |
| YATES PETROLEUM CORP  | MILLER GAS COM B | 1E      | 30N | 13W | 20  | L  | 1835/S   | 1120/W   | CO     | BASIN FRUITLAND COAL     | 6165 |
| YATES PETROLEUM CORP  | MILLER GAS COM B | 2       | 30N | 13W | 20  | M  | 683/S    | 711/W    | PE     | FULCHER KUTZ PC          | 1510 |
| YATES PETROLEUM CORP  | MILLER GAS COM B | 1       | 30N | 13W | 20  | P  | 840/S    | 790/E    | CO     | BASIN DAKOTA             | 6085 |
| ENERGY RESERVES       | KING GAS COM     | 1       | 30N | 13W | 29  | B  | 790/N    | 1850/E   | PA     | BASIN DAKOTA             | 6100 |
| POGO PRODUCING COCO   | ERNIE            | 1       | 30N | 13W | 29  | D  | 660/N    | 660/W    | CO     | FULCHER KUTZ PC          | 1531 |
| EPNG                  | LA PLATA         | 1       | 30N | 13W | 29  | M  | 910/S    | 905/W    | PA     | BASIN DAKOTA             | 6134 |
| POGO PRODUCING COCO   | BERT             | 1       | 30N | 13W | 29  | M  | 930/S    | 815/W    | CO     | FULCHER KUTZ PC          | 1486 |
| XTO ENERGY INC        | FEDERAL C        | 1       | 30N | 13W | 30  | A  | 790/N    | 790/E    | CO     | BASIN DAKOTA             | 6250 |
| XTO ENERGY INC        | FEDERAL C        | 2       | 30N | 13W | 30  | F  | 2120/N   | 820/W    | CO     | BASIN DAKOTA             | 6179 |
| XTO ENERGY INC        | FEDERAL C        | 4       | 30N | 13W | 30  | F  | 1955/N   | 920/W    | CO     | BASIN FRUITLAND COAL     | 1360 |
| XTO ENERGY INC        | FEDERAL C        | 3       | 30N | 13W | 30  | C  | 665/N    | 665/E    | CO     | BASIN FRUITLAND COAL     | 1570 |
| COMPASS EXPLORATION   | FEDERAL C        | 3       | 30N | 13W | 31  | H  | 1800/N   | 1140/E   | PA     | BASIN DAKOTA             | 5975 |
| LADD PETROLEUM CORP   | FARMINGTON COM   | 1       | 30N | 13W | 32  | A  | 790/N    | 790/E    | PA     | BASIN DAKOTA             | 6125 |
| MCELVAIN O&G PROP INC | PICWAY           | 1       | 30N | 13W | 32  | D  | 660/N    | 1160/W   | CO     | FULCHER KUTZ PICT CLIFFS | 1555 |
| POGO PRODUCING CO     | COOLIDGE COM     | 1       | 30N | 14W | 22  | A  | 950/N    | 1190/E   | CO     | HARPER HILL FT SD PC     | 6190 |
| POGO PRODUCING CO     | COOLIDGE         | 2       | 30N | 14W | 22  | D  | 1050/N   | 960/W    | CO     | HARPER HILL FT SND PC    | 1396 |
| POGO PRODUCING CO     | ROOSEVELT        | 1       | 30N | 14W | 22  | I  | 1850/S   | 790/E    | PA     | BASIN DAKOTA             | 6160 |
| POGO PRODUCING CO     | ROOSEVELT        | 3       | 30N | 14W | 22  | I  | 1880/S   | 850/E    | CO     | HARPER HILL FT SND PC    | 1430 |
| POGO PRODUCING CO     | ROOSEVELT SWD    | 1       | 30N | 14W | 22  | I  | 1830/S   | 780/E    | WD     | SWD, MESAVERDE           | 4015 |

Wells within 1/2-mile area of review are shaded (grey). No wells within the area of review penetrate the proposed injection zone.

Page 2/4

Attachment Via. Tabulation of data on offset wells.

Dugan Production Corp., Sponge Bob SWD #1, S.36, T30N, R14W

| OPERATOR              | WELL_NAME            | WELL_NO | TWN | RGE | SEC | UL | FTAGE_NS | FTAGE_EW | STATUS | POOL                      | TD   |
|-----------------------|----------------------|---------|-----|-----|-----|----|----------|----------|--------|---------------------------|------|
| POGO PRODUCING CO     | ROOSEVELT            | 2       | 30N | 14W | 22  | L  | 1890/S   | 825/W    | CO     | HARPER HILL FT SD PC      | 1301 |
| POGO PRODUCING CO     | MORTON               | 3       | 30N | 14W | 23  | E  | 1810/N   | 925/W    | CO     | HARPER HILL FR SND PC     | 1540 |
| POGO PRODUCING CO     | MORTON               | 1       | 30N | 14W | 23  | H  | 1750/N   | 1030/E   | CO     | TWIN MOUNDS FRT SAND PC   | 6385 |
| POGO PRODUCING CO     | MORTON               | 2       | 30N | 14W | 23  | I  | 1810/S   | 1100/E   | CO     | HARPER HILL FT SD PC      | 6250 |
| POGO PRODUCING CO     | MORTON               | 4       | 30N | 14W | 23  | K  | 1650/S   | 1695/W   | CO     | HARPER HILL FT SD PC      | 1540 |
| MCELVAIN O&G PROP INC | HAGOOD               | 1       | 30N | 14W | 24  | A  | 1050/N   | 1040/E   | CO     | HARPER HILL FRT SND PC    | 6389 |
| DUGAN PRODUCTION CORP | PAN AMERICAN FED     | 1E      | 30N | 14W | 24  | D  | 500/N    | 800/W    | CO     | BASIN DAKOTA              | 6510 |
| DUGAN PRODUCTION CORP | PAN AMERICAN FEDERAL | 2       | 30N | 14W | 24  | D  | 545/N    | 1215/W   | CO     | HARPER HILL FR SND PC     | 1755 |
| MCELVAIN O&G PROP INC | HAGOOD               | 1E      | 30N | 14W | 24  | I  | 1430/S   | 840/E    | CO     | BASIN DAKOTA              | 6129 |
| HENRY S BIRDSEYE      | USA CARPENTER 24     | 1       | 30N | 14W | 24  | M  | 1160/S   | 1180/W   | PA     | WC D3;PICTURED CLIFFS     | 1422 |
| DUGAN PRODUCTION CORP | PAN AMERICAN FED     | 1       | 30N | 14W | 24  | N  | 1080/S   | 1835/W   | CO     | BASIN DAKOTA              | 6260 |
| MCELVAIN O&G PROP INC | HAGOOD               | 3       | 30N | 14W | 24  | I  | 1330/S   | 930/E    | CO     | HARPER HILL FRT SND PC    | 1710 |
| DUGAN PRODUCTION CORP | PAN AMERICAN         | 3       | 30N | 14W | 24  | N  | 1140/S   | 1980/W   | CO     | HARPER HILL FRT SND PC    | 1560 |
| DUGAN PRODUCTION CORP | JACOBS COM           | 90-S    | 30N | 14W | 24  | F  | 1915/N   | 1920/W   | SP     | HARPER HILL FRT SND PC    | 1380 |
| DUGAN PRODUCTION CORP | WINIFRED COM         | 90-S    | 30N | 14W | 25  | L  | 1670/S   | 1020/W   | SP     | HARPER HILL FRT SND PC    | 1360 |
| DUGAN PRODUCTION CORP | CARPENTER            | 1E      | 30N | 14W | 25  | F  | 1850/N   | 1480/W   | CO     | BASIN DAKOTA              | 6043 |
| LANCE OIL AND GAS     | TWIN MOUNDS          | 1E      | 30N | 14W | 25  | H  | 2030/N   | 590/E    | CO     | BASIN DAKOTA              | 6065 |
| LANCE OIL AND GAS     | WF FEDERAL 25        | 1       | 30N | 14W | 25  | H  | 2130/N   | 575/E    | CO     | HARPER HILL FT SND PC     | 1340 |
| DUGAN PRODUCTION CORP | CARPENTER            | 1       | 30N | 14W | 25  | K  | 1730/S   | 1800/W   | PA     | BASIN DAKOTA              | 6021 |
| DUGAN PRODUCTION CORP | CARPENTER            | 2       | 30N | 14W | 25  | K  | 1460/S   | 1850/W   | PA     | HARPERHILL FRT SAND PC    | 1300 |
| LADD PET CORP         | TWIN MOUNDS          | 1       | 30N | 14W | 25  | O  | 1010/S   | 1450/E   | PA     | BASIN DAKOTA              | 6030 |
| HENRY S BIRDSEYE      | FED 25               | 1       | 30N | 14W | 25  | P  | 790/S    | 910/E    | PA     | WC D3;PICTURED CLIFFS     | 1155 |
| LANCE OIL AND GAS     | WF FEDERAL 25        | 2       | 30N | 14W | 25  | P  | 742/S    | 1306/E   | CO     | HARPER HILL FR SND PC     | 1330 |
| DUGAN PRODUCTION CORP | JACOBS               | 3       | 30N | 14W | 26  | C  | 1310/N   | 1654/W   | CO     | HARPER HILL FR SND PC     | 1425 |
| DUGAN PRODUCTION CORP | JACOBS               | 2       | 30N | 14W | 26  | G  | 1800/N   | 1800/E   | CO     | BASIN DAKOTA              | 6180 |
| DUGAN PRODUCTION CORP | JACOBS               | 1       | 30N | 14W | 26  | G  | 1850/N   | 1850/E   | PA     | HARPERHILL FRT SND PC EXT | 1474 |
| DUGAN PRODUCTION CORP | JACOBS COM           | 90      | 30N | 14W | 26  | G  | 1440/N   | 1675/E   | CO     | BASIN FRUITLAND COAL      | 1425 |
| DUGAN PRODUCTION CORP | HORACE SMITH         | 1R      | 30N | 14W | 26  | I  | 1640/S   | 1120/E   | CO     | BASIN DAKOTA              | 6150 |
| DUGAN PRODUCTION CORP | BEYOND PETROLEUM COM | 90      | 30N | 14W | 26  | L  | 1850/S   | 1285/W   | CO     | BASIN FRUITLAND COAL      | 1395 |
| DUGAN PRODUCTION CORP | WINIFRED             | 1       | 30N | 14W | 26  | O  | 790/S    | 1450/E   | PA     | HARPERHILL FRT SND PC EXT | 1400 |
| DUGAN PRODUCTION CORP | WINIFRED COM         | 90      | 30N | 14W | 26  | O  | 660/S    | 1980/E   | CO     | BASIN FRUITLAND COAL      | 1315 |
| DUGAN PRODUCTION CORP | HORACE SMITH         | 1       | 30N | 14W | 26  | P  | 990/S    | 990/E    | PA     | HARPERHILL FRT SAND PC    | 6082 |
| LANCE OIL AND GAS     | WF FEDERAL 27        | 5       | 30N | 14W | 27  | P  | 1030/S   | 1025/E   | CO     | BASIN FRUITLAND COAL      | 1323 |
| LANCE OIL AND GAS     | WF FEDERAL 27        | 4       | 30N | 14W | 27  | A  | 133F/N   | 1330/E   | CO     | BASIN FRUITLAND COAL      | 1340 |
| LANCE OIL AND GAS     | WF FEDERAL 27        | 2       | 30N | 14W | 27  | C  | 1021/N   | 1940/W   | CO     | HARPER HILL PC            | 1255 |

Wells within 1/2-mile area of review are shaded (grey). No wells within the area of review penetrate the proposed injection zone.

Attachment Via. Tabulation of data on offset wells.

Dugan Production Corp., Sponge Bob SWD #1, S.36, T30N, R14W

| OPERATOR              | WELL_NAME          | WELL_NO | TWN | RGE | SEC | UL | FTAGE_NS | FTAGE_EW | STATUS | POOL                        | TD   |
|-----------------------|--------------------|---------|-----|-----|-----|----|----------|----------|--------|-----------------------------|------|
| LANCE OIL AND GAS     | WF FEDERAL 27      | 1       | 30N | 14W | 27  | G  | 1350/N   | 1540/E   | CO     | HARPER HILL FT SND PC       | 1255 |
| LANCE OIL AND GAS     | WF FEDERAL 27      | 3       | 30N | 14W | 27  | K  | 1775/S   | 1400/W   | CO     | BASIN FRUITLAND COAL        | 1250 |
| DUGAN PRODUCTION CORP | MAYRE              | 4R      | 30N | 14W | 27  | O  | 790/S    | 1850/E   | CO     | HARPER HILL FR SND PC       | 1240 |
| DUGAN PRODUCTION CORP | MAYRE              | 4       | 30N | 14W | 27  | P  | 790/S    | 800/E    | PA     | HARPER HILL FT SAND PC      | 1240 |
| JEROME P MCHUGH       | MAYRE              | 3       | 30N | 14W | 27  | P  | 890/S    | 810/E    | PA     | WC D3:PICTURED CLIFFS       | 1270 |
| CELSIUS ENERGY CO     | GREG               | 1       | 30N | 14W | 27  | P  | 1050/S   | 1060/E   | PA     | BASIN DAKOTA                | 6100 |
| LANCE OIL AND GAS     | WF FEDERAL 34      | 3       | 30N | 14W | 34  | A  | 1060/N   | 975/E    | CO     | HARPER HILL FTSD PC         | 1366 |
| LADD PET CORP         | AZTEC 34           | 2       | 30N | 14W | 34  | N  | 1120/S   | 1540/W   | PA     | HARPERHILL FRT SAND PC      | 1180 |
| LANCE OIL AND GAS     | WF FEDERAL 34      | 2       | 30N | 14W | 34  | N  | 1055/S   | 1470/W   | CO     | HARPER HILL FT SD PC EXT    | 1295 |
| LANCE OIL AND GAS     | WF FEDERAL 34      | 1       | 30N | 14W | 34  | O  | 895/S    | 1595/E   | CO     | HARPER HILL FT SD PC EXT    | 1260 |
| COMPASS EXPLORATION   | AZTEC 34           | 1       | 30N | 14W | 34  | P  | 790/S    | 790/E    | PA     | BASIN DAKOTA                | 5991 |
| LANCE OIL AND GAS     | WF FEDERAL 34      | 4       | 30N | 14W | 34  | C  | 1285/N   | 1330/W   | CO     | BASIN DAKOTA                | 1282 |
| LANCE OIL AND GAS     | PERF               | 91      | 30N | 14W | 35  | D  | 825/N    | 855/W    | CO     | BASIN FRUITLAND COAL        | 1270 |
| LADD PET CORP         | AZTEC              | 1X      | 30N | 14W | 35  | C  | 790/N    | 1850/W   | PA     | BASIN DAKOTA                | 6075 |
| DUGAN PRODUCTION CORP | AZTEC 35           | 3       | 30N | 14W | 35  | D  | 790/N    | 790/W    | PA     | HARPERHILL FRT SAND PC      | 1400 |
| THOMAS A DUGAN        | AZTEC              | 1       | 30N | 14W | 35  | D  | 890/N    | 890/W    | PA     | HARPERHILL FRT SND PC EXT   | 1028 |
| DUGAN PRODUCTION CORP | JIGGS              | 1       | 30N | 14W | 35  | E  | 1735/N   | 1010/W   | CO     | HARPER HILL FR SD PC        | 1290 |
| DUGAN PRODUCTION CORP | WINIFRED           | 2       | 30N | 14W | 35  | G  | 1850/N   | 1500/E   | PA     | HARPER HILL FT SAND PC      | 1250 |
| LANCE OIL AND GAS     | AZTEC              | 2E      | 30N | 14W | 35  | G  | 1600/N   | 1600/E   | CO     | BASIN DAKOTA                | 6070 |
| DUGAN PRODUCTION CORP | TABOR COM          | 90      | 30N | 14W | 35  | H  | 2510/N   | 1100/E   | CO     | BASIN FRUITLAND COAL        | 1240 |
| DUGAN PRODUCTION CORP | JIGGS              | 2       | 30N | 14W | 35  | I  | 1450/S   | 910/E    | CO     | HARPER HILL FR SD PC        | 1250 |
| LANCE OIL AND GAS     | AZTEC              | 4       | 30N | 14W | 35  | N  | 1120/S   | 1600/W   | CO     | HARPER HILL FT SAND PC      | 1210 |
| LANCE OIL AND GAS     | PERF               | 90      | 30N | 14W | 35  | N  | 790/S    | 1800/W   | CO     | BASIN FRUITLAND COAL        | 1254 |
| LADD PET CORP         | AZTEC 35           | 5       | 30N | 14W | 35  | O  | 1120/S   | 1640/E   | PA     | HARPERHILL FRT SAND PC      | 1240 |
| LADD PET CORP         | AZTEC              | 2       | 30N | 14W | 35  | P  | 890/S    | 990/E    | PA     | BASIN DAKOTA                | 6100 |
| DUGAN PRODUCTION CORP | STATE 36 COM       | 2       | 30N | 14W | 36  | B  | 870/N    | 1700/E   | PA     | BASIN DAKOTA                | 6056 |
| TEXACO INC            | NEW/MEXICO COM K   | 1       | 30N | 14W | 36  | B  | 870/N    | 1780/E   | PA     | BASIN DAKOTA                | 5981 |
| DUGAN PRODUCTION CORP | STELLA NEEDS A COM | 1E      | 30N | 14W | 36  | D  | 790/N    | 790/W    | WD     | SWD MESAVERDE               | 6090 |
| DUGAN PRODUCTION CORP | STELLA NEEDS A COM | 2       | 30N | 14W | 36  | D  | 1300/N   | 990/W    | CO     | HARPER HILL FT SND PC       | 1345 |
| DUGAN PRODUCTION CORP | CAMP DAVID COM     | 1       | 30N | 14W | 36  | G  | 1800/N   | 1740/E   | CO     | BASIN FRUITLAND COAL        | 1420 |
| DUGAN PRODUCTION CORP | CAMP DAVID COM     | 1S      | 30N | 14W | 36  | I  | 2150/S   | 660/E    | CO     | BASIN FRUITLAND COAL        | 1445 |
| DUGAN PRODUCTION CORP | STELLA NEEDS A COM | 1       | 30N | 14W | 36  | K  | 1650/S   | 1650/W   | WD     | SWD MESAVERDE               | 6020 |
| DUGAN PRODUCTION CORP | O HENRY            | 1       | 30N | 14W | 36  | N  | 790/S    | 1850/W   | CO     | BASIN FRUITLAND COAL        | 1260 |
| DUGAN PRODUCTION CORP | CAMP DAVID COM     | 2       | 30N | 14W | 36  | O  | 970/S    | 1600/E   | CO     | HARPER HILL FT SND PC       | 1375 |
| DUGAN PRODUCTION CORP | SPONGE BOB SWD     | 1       | 30N | 14W | 36  | K  | 2300/S   | 1810/W   | PE     | BLUFF, MORRISON, ENTRADA WD | 7425 |

Wells within 1/2-mile area of review are shaded (grey). No wells within the area of review penetrate the proposed injection zone.



Application for Authorization to Inject

Dugan Production Corp.

**Sponge Bob SWD #1**

Part VII. Operations Plan

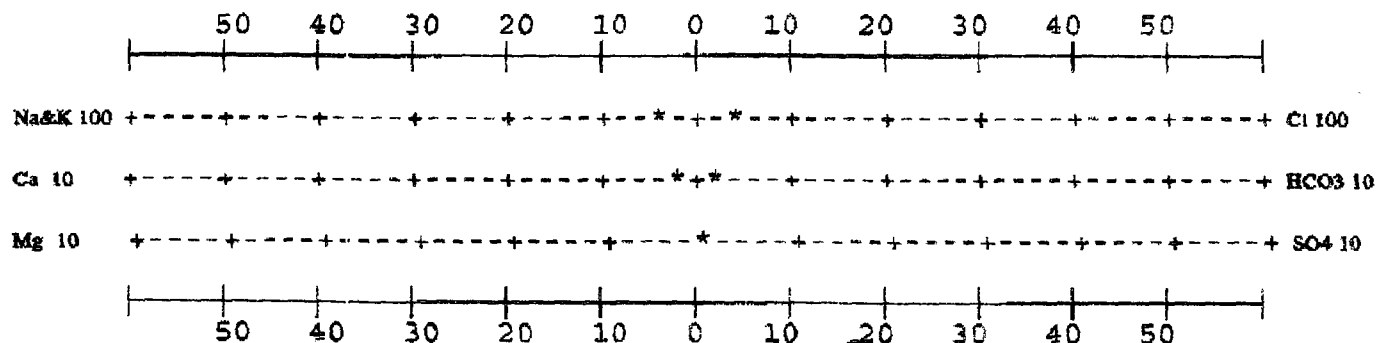
1. Average Injection Rate: 5,000 bwpd with a maximum of 6,000 bwpd.
2. The system will be closed.
3. Average Injection Pressure: 1100 psi and the maximum will be 1415 psi.
4. The source of injected water will be produced water from Fruitland Coal and Fruitland Ss./Pictured Cliffs wells in the area (T29N and T30N, R14W). Attachment VII-4a., VII-4b. and VII-4c. are analyses of the Fruitland Coal and Fruitland Ss./Pictured Cliffs water in the immediate area. The water to be injected is compatible with the water in the disposal zone.
5. Injection is for disposal purposes into a zone (Entrada Sandstone) that is not productive of oil or gas within one mile of the proposed injection well. An analysis of the disposal zone water is in not available.

**BJ SERVICES COMPANY**  
**WATER ANALYSIS #FW01WA15**  
**FARMINGTON LAB**

| GENERAL INFORMATION          |                           |
|------------------------------|---------------------------|
| OPERATOR: DUGAN PRODUCTION   | DEPTH:                    |
| WELL: FEDERAL "I" #99        | DATE SAMPLED: 09/08/00    |
| FIELD:                       | DATE RECEIVED: 09/14/00   |
| SUBMITTED BY: KURT FAGRELIUS | COUNTY: STATE: NM         |
| WORKED BY: ROBERT WALKER     | FORMATION: Fruitland Coal |
| PHONE NUMBER:                | Sec. 3, T29N, R14W, NE/4  |

| SAMPLE DESCRIPTION                         |                                   |
|--|-----------------------------------|
| sample for analysis                        |                                   |
| PHYSICAL AND CHEMICAL DETERMINATIONS       |                                   |
| SPECIFIC GRAVITY: 1.015 @ 69°F             | PH: 6.74                          |
| RESISTIVITY (MEASURED ): 0.180 ohms @ 75°F |                                   |
| IRON (FE++) : 0 ppm                        | SULFATE: 2 ppm                    |
| CALCIUM: 300 ppm                           | TOTAL HARDNESS 1,163 ppm          |
| MAGNESIUM: 101 ppm                         | BICARBONATE: 938 ppm              |
| CHLORIDE: 15,760 ppm                       | SODIUM CHLORIDE (Calc) 25,925 ppm |
| SODIUM+POTASS: 10,038 ppm                  | TOT. DISSOLVED SOLIDS: 27,901 ppm |
| H2S: no trace                              | POTASSIUM (PPM): 60               |
| REMARKS                                    |                                   |

**STIFF TYPE PLOT (IN MEQ/L)**



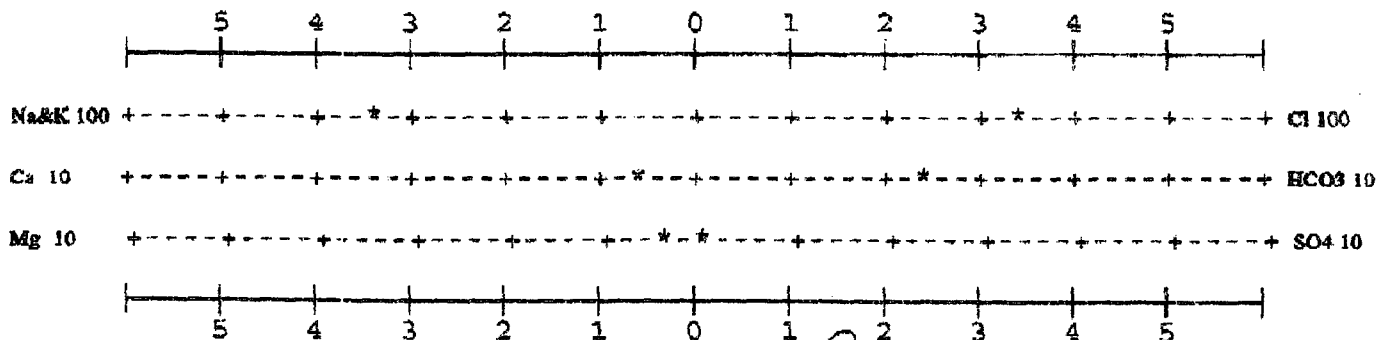
ANALYST Re  
 ROBERT WALKER

**BJ SERVICES COMPANY**  
**WATER ANALYSIS #FW01WA16**  
**FARMINGTON LAB**

| GENERAL INFORMATION          |                           |
|------------------------------|---------------------------|
| OPERATOR: DUGAN PRODUCTION   | DEPTH:                    |
| WELL: TABOR COM #90          | DATE SAMPLED: 09/12/00    |
| FIELD:                       | DATE RECEIVED: 09/14/00   |
| SUBMITTED BY: KURT FAGRELIUS | COUNTY: STATE: NM         |
| WORKED BY: ROBERT WALKER     | FORMATION: Fruitland Coal |
| PHONE NUMBER:                | Sec. 35, T30N, R14W, NE/4 |

| SAMPLE DESCRIPTION                        |                                   |
|---|-----------------------------------|
| sample for analysis                       |                                   |
| PHYSICAL AND CHEMICAL DETERMINATIONS      |                                   |
| SPECIFIC GRAVITY: 1.006 @ 69°F            | PH: 7.49                          |
| RESISTIVITY (MEASURED): 0.250 ohms @ 75°F |                                   |
| IRON (FE++) : 0 ppm                       | SULFATE: 0 ppm                    |
| CALCIUM: 111 ppm                          | TOTAL HARDNESS 517 ppm            |
| MAGNESIUM: 58 ppm                         | BICARBONATE: 1,419 ppm            |
| CHLORIDE: 11,926 ppm                      | SODIUM CHLORIDE (Calc) 19,618 ppm |
| SODIUM+POTASS: 8,029 ppm                  | TOT. DISSOLVED SOLIDS: 21,891 ppm |
| H2S: no trace                             | POTASSIUM (PPM): 42               |
| REMARKS                                   |                                   |
|   |                                   |

**STIFF TYPE PLOT (IN MEQ/L)**



ANALYST

ROBERT WALKER

VII-4C.

**FARMINGTON LAB**

## Application for Authorization to Inject

Dugan Production Corp.

### **Sponge Bob SWD #1**

#### Part VIII. Geologic Data

The proposed injection interval is the Entrada Sandstone from approximately 7085 - 7220 feet. The only known source of stock water in the area is encountered in existing arroyos at a depth of approximately 35 - 50. The Kirtland Shale is exposed at the surface, the Ojo Alamo has been removed by erosion. There are no known fresh water wells in the area. There are no known drinking water sources below the Mesaverde interval. The expected formation tops in the well are as follows:

|                 |          |                    |              |
|-----------------|----------|--------------------|--------------|
| Kirtland        | Surface' | Skelly             | 5283'        |
| Fruitland       | 820'     | Greenhorn          | 5775'        |
| Pictured Cliffs | 1260'    | Graneros           | 5830'        |
| Lewis           | 1445'    | Dakota             | 5880'        |
| Cliff House     | 2790'    | Morrison           | 6120'        |
| Menefee         | 2950'    | Bluff              | 6860'        |
| Point Lookout   | 3690'    | Todilto            | 7070'        |
| Mancos          | 4045'    | Entrada            | 7085'        |
| Gallup          | 5020'    | Chinle             | 7220'        |
|                 |          | <b>Total Depth</b> | <b>7425'</b> |

#### Part IX. Stimulation Program

Following injection rate tests, it may be necessary to stimulate the Entrada Sandstone by acidizing or fracturing.

#### Part X. Logging and Test Data

All logs and test data for the injection well will be submitted to the New Mexico Oil Conservation Division in Aztec, NM

#### Part XI. Fresh Water Samples

A records search and field survey for existing water wells in the vicinity of the proposed disposal well were conducted. There are no shallow water wells were located within 2-miles of the proposed disposal well.

Application for Authorization to Inject

Dugan Production Corp.

**Sponge Bob SWD #1**

Part XII. Statement of Geologic and Engineering Data

I have examined all available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

Kurt Fagrelus  
Kurt Fagrelus, Geologist

September 15, 2006  
Date

Application for Authorization to Inject

Dugan Production Corp.

Sponge Bob SWD #1

Part XIII. Proof of Notice

Attached are proof's of notice that this application has been sent by certified mail, to the surface owner of the land which the injection well is to be located on and all leasehold operators within one-half mile of the well location. Also, proof of publication is enclosed showing the legal advertisement which was published in the Farmington Daily Times.

# AFFIDAVIT OF PUBLICATION

Ad No. 53998

## STATE OF NEW MEXICO County of San Juan:

ROBIN ALLISON, being duly sworn says:  
That she is the CLASSIFIED MANAGER of  
THE DAILY TIMES, a daily newspaper of  
general circulation published in English at  
Farmington, said county and state, and that  
the hereto attached Legal Notice was  
published in a regular and entire issue of the  
said DAILY TIMES, a daily newspaper duly  
qualified for the purpose within the meaning of  
Chapter 167 of the 1937 Session Laws of the  
State of New Mexico for publication and  
appeared in the Internet at The Daily Times  
web site on the following day(s):

Monday, September 11, 2006.

And the cost of the publication is \$50.58.

ON \_\_\_\_\_ ROBIN ALLISON  
appeared before me, whom I know personally  
to be the person who signed the above  
document.

My Commission Expires November 17, 2008.

## COPY OF PUBLICATION

Legal Notices 102  
**NOTICE**  
Dugan Production Corp.,  
P.O. Box 420, Farmington, NM 87499 is making application for administrative approval to dispose of produced water by underground injection. Contact person is Kurt Fagrelus, phone 505-325-1821. The proposed disposal site is the Sponge Bob SWD #1, located 2300' fsl & 1810' fwl, Sec. 36, Twn. 30N, Rng. 14W, San Juan Co., NM. Water will be injected into the Entrada Sandstone between 7085' and 7220' below the surface. Maximum injection pressure is 1415 psi. Maximum injection rate is 3,000 barrels of water daily. Any interested parties must file objections or requests for hearing with the Oil Conservation Division 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.  
Legal No. 53998 published in The Daily Times, Farmington, New Mexico on Monday, September 11, 2006.

*Signed and notarized Affidavit*

*of Publication will be mailed*

*to Santa Fe office of O.C.D.*

*once it is received from newspaper  
Kurt Fagrelus*





dugan production corp.

Ms. Debbie Padilla  
New Mexico State Land Office – Surface Resources  
PO Box 1148  
Santa Fe, New Mexico 87504-1148

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6180**

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Padilla:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As a surface and oil and gas interest owner of the land the injection well is located on (Sec. 36, T30N, R14W) the New Mexico State Land Office is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelus  
Geologist  
Attachment



dugan production corp.

Mr. Tom Scarbrough  
Conoco Phillips Company  
600 N. Dairy Ashford  
3WL-5058  
Houston, TX 77079

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6234**

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Tom Scarbrough:

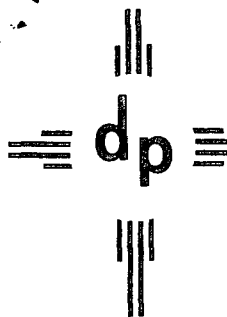
Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 36, T30N, R14W) Conoco Phillips Company is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

*Kurt Fagrelus*  
Kurt Fagrelus  
Geologist



# dugan production corp.

Mr. Charlie Perrin  
New Mexico Oil Conservation Division  
1000 Rio Bravo Rd  
Aztec, New Mexico 87410

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6227**

Re: Application to Class 2, water disposal well, Sponge Bob SWD #1 San Juan County, NM

Dear Mr. Charlie Perrin:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Sponge Bob SWD #1. In fulfilling the requirements of application, the following materials are provided herein:

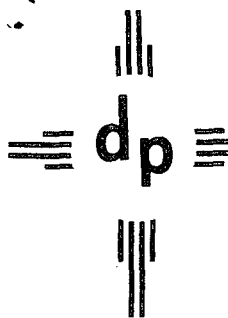
1. Form C-108, Application for Authorization to Inject.
2. Tabular and schematic data on proposed injection well.
3. Lease and surface owner maps identifying all wells and leases within 2-miles of proposed injection well with a one-half mile radius circle drawn around the proposed injection well.
4. Data sheet of wells within 2-miles of proposed injection well, highlighting those wells inside one-half mile radius around the injection well.
5. Operations plan for proposed injection well.
6. Water Analysis of produced water to be disposed in proposed injection well (Fruitland Coal).
7. Required geologic, stimulation, logging and test data and fresh water data from nearby wells.
8. Signed statement of geologic and engineering data.
9. Proof of notice in the form of notification letters sent to offsetting operators and surface owners and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times. Signed and notarized copy will be sent once received.

If you have questions or need additional information, please contact me.

Very Sincerely,

*Kurt Fagrelus*  
Kurt Fagrelus

Attachments



dugan production corp.

Questar Exploration & Production  
1050 17<sup>th</sup> St, Suite 500  
Denver, CO 80265

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6203**

Re: Notice of Intent to Complete Salt Water Disposal Well

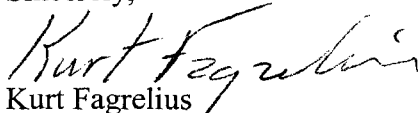
Dear Questar Exploration & Production:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) you are being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelus  
Geologist



dugan production corp.

Lance Oil and Gas  
P.O. Box 70  
Kirtland, NM 87417

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6197**

Re: Notice of Intent to Complete Salt Water Disposal Well


Dear Lance Oil and Gas:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) you are being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelus  
Geologist



dugan production corp.

Four Star Oil & Gas  
11111 S. Willowcrest Dr.  
Houston, TX 77099

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6210**

Re: Notice of Intent to Complete Salt Water Disposal Well


Dear Four Star Oil & Gas.:

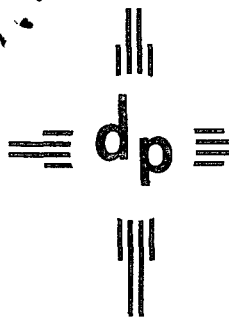
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If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelus  
Geologist



dugan production corp.

---

Burlington Resources  
P.O. Box 4289  
Farmington, NM 87499

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6470**

Re: Notice of Intent to Complete Salt Water Disposal Well


Dear Burlington Resources:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) Burlington Resources is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelus  
Geologist



dugan production corp.

Mr. David Mankiewicz  
Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6173**

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Mankiewicz:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

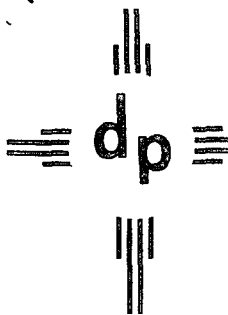
As an offsetting surface and oil and gas interest owner, the Bureau of Land Management is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelus  
Geologist  
Attachment





dugan production corp.

---

Ms. Debbie Padilla  
New Mexico State Land Office – Surface Resources  
PO Box 1148  
Santa Fe, New Mexico 87504-1148

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6180**

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Padilla:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As a surface and oil and gas interest owner of the land the injection well is located on (Sec. 36, T30N, R14W) the New Mexico State Land Office is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

*Kurt Fagrelus*  
Kurt Fagrelus  
Geologist  
Attachment



dugan production corp.

Mr. Tom Scarbrough  
Conoco Phillips Company  
600 N. Dairy Ashford  
3WL-5058  
Houston, TX 77079

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6234**

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Tom Scarbrough:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

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If you have questions or need additional information concerning this application, please contact me.

Sincerely,

*Kurt Fagrelus*  
Kurt Fagrelus  
Geologist



# dugan production corp.

---

Mr. Charlie Perrin  
New Mexico Oil Conservation Division  
1000 Rio Bravo Rd  
Aztec, New Mexico 87410

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**  
**7005 2570 0001 3771 6227**

Re: Application to Class 2, water disposal well, Sponge Bob SWD #1 San Juan County, NM

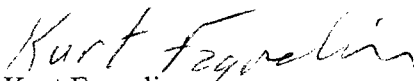
Dear Mr. Charlie Perrin:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Sponge Bob SWD #1. In fulfilling the requirements of application, the following materials are provided herein:

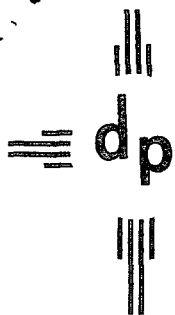
1. Form C-108, Application for Authorization to Inject.
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4. Data sheet of wells within 2-miles of proposed injection well, highlighting those wells inside one-half mile radius around the injection well.
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6. Water Analysis of produced water to be disposed in proposed injection well (Fruitland Coal).
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8. Signed statement of geologic and engineering data.
9. Proof of notice in the form of notification letters sent to offsetting operators and surface owners and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times. Signed and notarized copy will be sent once received.

If you have questions or need additional information, please contact me.

Very Sincerely,

  
Kurt Fagrelus

Attachments



dugan production corp.

---

Questar Exploration & Production  
1050 17<sup>th</sup> St, Suite 500  
Denver, CO 80265

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6203**

Re: Notice of Intent to Complete Salt Water Disposal Well

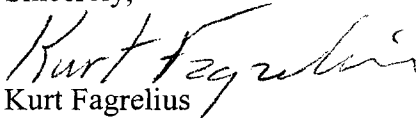
Dear Questar Exploration & Production:

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As an offsetting operator (Sec. 35, T30N, R14W) you are being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelius  
Geologist



dugan production corp.

Lance Oil and Gas  
P.O. Box 70  
Kirtland, NM 87417

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6197**

Re: Notice of Intent to Complete Salt Water Disposal Well

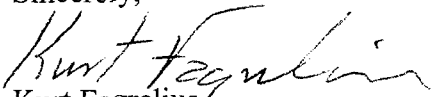
Dear Lance Oil and Gas:

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Sincerely,

  
Kurt Fagrelius  
Geologist



dugan production corp.

Four Star Oil & Gas  
11111 S. Willowcrest Dr.  
Houston, TX 77099

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6210**

Re: Notice of Intent to Complete Salt Water Disposal Well


Dear Four Star Oil & Gas.:

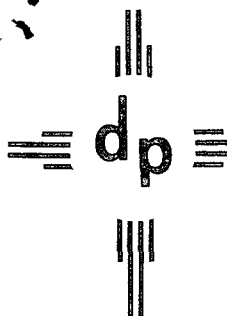
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If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelus  
Geologist



dugan production corp.

Burlington Resources  
P.O. Box 4289  
Farmington, NM 87499

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6470**

Re: Notice of Intent to Complete Salt Water Disposal Well


Dear Burlington Resources:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

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If you have questions or need additional information concerning this application, please contact me.

Sincerely,

  
Kurt Fagrelus  
Geologist



dugan production corp.

---

Mr. David Mankiewicz  
Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

September 15, 2006

**--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--**

**7005 2570 0001 3771 6173**

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Mankiewicz:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

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If you have questions or need additional information concerning this application, please contact me.

Sincerely,

Kurt Fagrelus  
Geologist  
Attachment



Mr. Will Jones  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

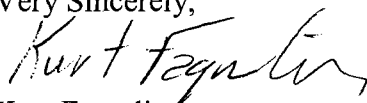
September 19, 2006

Re: Signed and notarized affidavit of publication for the Sponge Bob SWD #1

Hello Will: Enclosed you will find a signed and notarized affidavit of publication for the Sponge Bob SWD #1 Salt Water Disposal Application. Please put this with the application materials for the subject well sent to you on September 15, 2006.

If you have any questions or need additional information, please contact me.

Very Sincerely,

  
Kurt Fagrelus

RECEIVED

SEP 21 2006

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

# AFFIDAVIT OF PUBLICATION

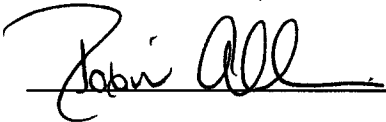
Ad No. 53998

## STATE OF NEW MEXICO County of San Juan:

ROBIN ALLISON, being duly sworn says:  
That she is the CLASSIFIED MANAGER of  
THE DAILY TIMES, a daily newspaper of  
general circulation published in English at  
Farmington, said county and state, and that  
the hereto attached Legal Notice was  
published in a regular and entire issue of the  
said DAILY TIMES, a daily newspaper duly  
qualified for the purpose within the meaning of  
Chapter 167 of the 1937 Session Laws of the  
State of New Mexico for publication and  
appeared in the Internet at The Daily Times  
web site on the following day(s):

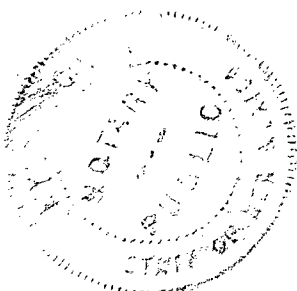
Monday, September 11, 2006.

And the cost of the publication is \$50.58.

  
\_\_\_\_\_

ON 9/19/06 ROBIN ALLISON  
appeared before me, whom I know personally  
to be the person who signed the above  
document.

  
My Commission Expires November 17, 2008.



## COPY OF PUBLICATION

| Legal Notices  | 132 |
|--|-----|
| <b>NOTICE</b>  |     |
| Dugan Production Corp.,<br>P.O. Box 420, Farmington, NM 87499 is making application for administrative approval to dispose of produced water by underground injection. Contact person is Kurt Fagrellius, phone 505-325-1821. The proposed disposal site is the Sponge Bob SWD #1, located 2300' fsl & 1810' fwl, Sec. 36, Twn. 30N, Rng. 14W, San Juan Co., NM. Water will be injected into the Entrada Sandstone between 7085' and 7220' below the surface. Maximum injection pressure is 1415 psi. Maximum injection rate is 3,000 barrels of water daily. Any interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days. |     |
| Legal No. 53998 published in The Daily Times, Farmington, New Mexico on Monday, September 11, 2006.  |     |

✓

# Injection Permit Checklist

SWD Order Number 1046 Dates: Division Approved \_\_\_\_\_ District Approved \_\_\_\_\_

Information Request Letter or Email sent \_\_\_\_\_

Well Name/Num: SPONGE BOB SWD #1 Date Spudded: Now

API Num: (30-) 045-33927 County: SAN JUAN

Footages 2300 FSL/1810 FWL Sec 36 Tsp 30N Rge 14W

Operator Name: DUGAN PRODUCTION CORPORATION Contact KURT Fagralius  
Operator Address: PO Box 420 FARMINGTON, NM 87499-0420 (709 East MURRAY DR. 87401)

|                 | Hole/Pipe Sizes | Depths     | Cement                     | Top/Method |
|-----------------|-----------------|------------|----------------------------|------------|
| Surface         | 12 1/4 9 5/8    | 360'       | (250 CF)                   | Surf.      |
| Intermediate    |                 |            |                            |            |
| Production      | 8 3/4 5 1/2     | 7425       | (850 CF) (700 CF) (550 CF) | CIRC       |
| Last DV Tool    |                 | 1485, 4185 |                            |            |
| Open Hole/Liner |                 |            |                            |            |
| Plug Back Depth |                 |            |                            |            |

Diagrams Included (Y/N): Before Conversion \_\_\_\_\_ After Conversion ☒

Checks (Y/N): Well File Reviewed \_\_\_\_\_ ELogs in Imaging \_\_\_\_\_

*New Drill*

| Intervals:          | Depths | Formation | Producing (Yes/No) |
|---------------------|--------|-----------|--------------------|
| Salt/Potash         |        |           |                    |
| Capitan Reef        |        |           |                    |
| Cliff House, Etc:   | 1250   | PC/FRC    |                    |
| Formation Above     | 5880   | DKTA      |                    |
| Top Inj Interval    | 7085   | ENTRADA   |                    |
| Bottom Inj Interval | 7220   |           |                    |
| Formation Below     |        |           |                    |

14 17 PSI Max. WHIP  
NO Open Hole (Y/N)  
NO Deviated Hole (Y/N)

Fresh Water Site Exists (Y/N) None Analysis Included (Y/N): None

Salt Water Analysis: Injection Zone (Y/N/NA) NO Disposal Waters (Y/N/NA) ☒ Types: FRC/PC/FRS

Affirmative Statement Included (Y/N): ☒ Newspaper Notice Adequate (Y/N) ☒ Well Table Adequate (Y/N) ☒

Surface Owner SLOJ Noticed (Y/N) ☒ Mineral Owner(s) \_\_\_\_\_

AOR Owners: 45TR, BR, CONCO, Questa, Luca, BLM Noticed (Y/N) \_\_\_\_\_

CID/Potash/Etc Owners: \_\_\_\_\_ Noticed (Y/N) \_\_\_\_\_

AOR Num Active Wells 0 Repairs? — Producing in Injection Interval in AOR —

AOR Num of P&A Wells 0 Repairs? — Diagrams Included? —

Data to Generate New AOR Table

New Table Generated? (Y/N)

|           | STR | E-W Footages | N-S Footages |
|-----------|-----|--------------|--------------|
| Wellsite  |     |              |              |
| Northeast |     |              |              |
| North     |     |              |              |
| Northwest |     |              |              |
| West      |     |              |              |
| Southwest |     |              |              |
| South     |     |              |              |
| Southeast |     |              |              |
| East      |     |              |              |

Conditions of Approval:

1. Get sample of Entrada
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

RBDMS Updated (Y/N) \_\_\_\_\_

UIC Form Completed (Y/N) \_\_\_\_\_

This Form completed \_\_\_\_\_