

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kurt Fagrelus

Print or Type Name

Kurt Fagrelus

Signature

Geology

Title

1-17-07

Date

kfagrelus@duganproduction.com

e-mail Address

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: Secondary Recovery Pressure Maintenance 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 Fagrelius 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: _____
- 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 Fagrelius TITLE: V.P. Exploration
SIGNATURE: Kurt Fagrelius DATE: 1/17/2007
E-MAIL ADDRESS: kfagrelius@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: _____

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office

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.

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.

West Bisti 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 West Bisti SWD #1 well, located 2500' FNL & 1855' FEL, Sec. 35, Twn. 26N, Rng. 13W, San Juan Co., NM. Produced water will be injected into the Entrada Sandstone between 6915' and 7115'. The maximum injection pressure will be 1383 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 is pending. Upon approval, plans are to begin drilling the well in September or October of 2007. 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.

West Bisti SWD #1

Part III. Well Data

A. Tabular Information

1. Name: West Bisti SWD #1

Location: 2500' FNL & 1855' FEL
Sec. 35, T26N, R13W
San Juan Co., NM
2. Surface Casing: 8-5/8" 24#, J-55 set @ 480'. Cemented with 300-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 @ 7165'.
Cement in three stages with stage tools at 5000' and 1650' using 380 cu.ft. in first stage, 730 cu.ft. in the second stage and 430 cu.ft. in the third stage.
Circulate cement to surface on third stage.
Hole size – 7-7/8".
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 6865' or 50' above the upper most perforation.

B. Additional Information

1. Injection Interval: Entrada Sandstone.
2. The injection interval (Entrada 6915' – 7115') will be perforated.
3. The well (West Bisti 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. 1150', Gallup Sandstone – Approx. 4595'.

INJECTION WELL DATA SHEET

OPERATOR: Dugan Production Corp.WELL NAME & NUMBER: West Bisti SMD #1WELL LOCATION: 2500' FNL and 1855' FNL

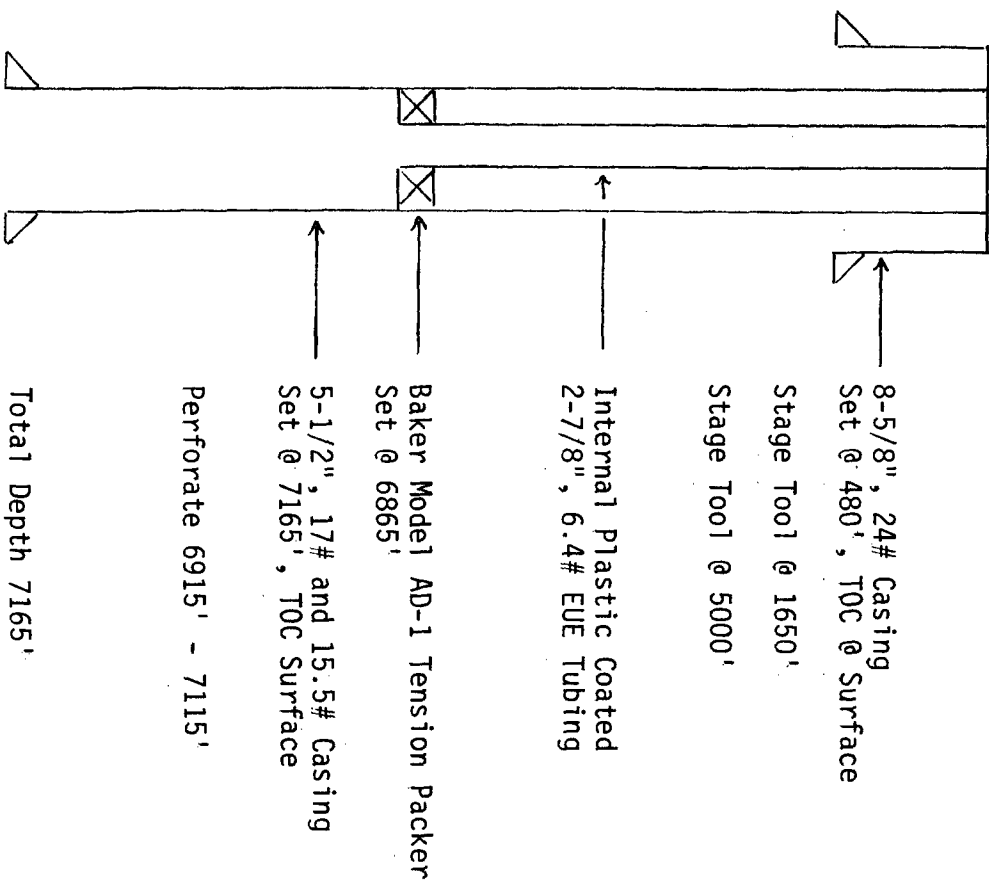
FOOTAGE LOCATION

UNIT LETTER

SECTION

TOWNSHIP

RANGE

WELLBORE SCHEMATICHole Size: 12-1/4"Casing Size: 8-5/8"Cemented with: 220 sx.or 300 ft³Top of Cement: SurfaceMethod Determined: Will CirculateIntermediate Casing

Hole Size: _____

Casing Size: _____

Cemented with: _____ sx.

or _____ ft³

Top of Cement: _____

Method Determined: _____

Production CasingHole Size: 7-7/8"Casing Size: 5-1/2"Cemented with: 750 sx.or 1540 ft³Top of Cement: SurfaceMethod Determined: Will CirculateTotal Depth: 7165'Injection Interval

_____ feet to _____

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEETTubing Size: 2-7/8" Lining Material: PlasticType of Packer: Baker Model AD-1 set in tension (5-1/2")Packer Setting Depth: 6865' (50' above uppermost perforation)

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

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

If no, for what purpose was the well originally drilled? _____

2. Name of the Injection Formation: Entrada Sandstone

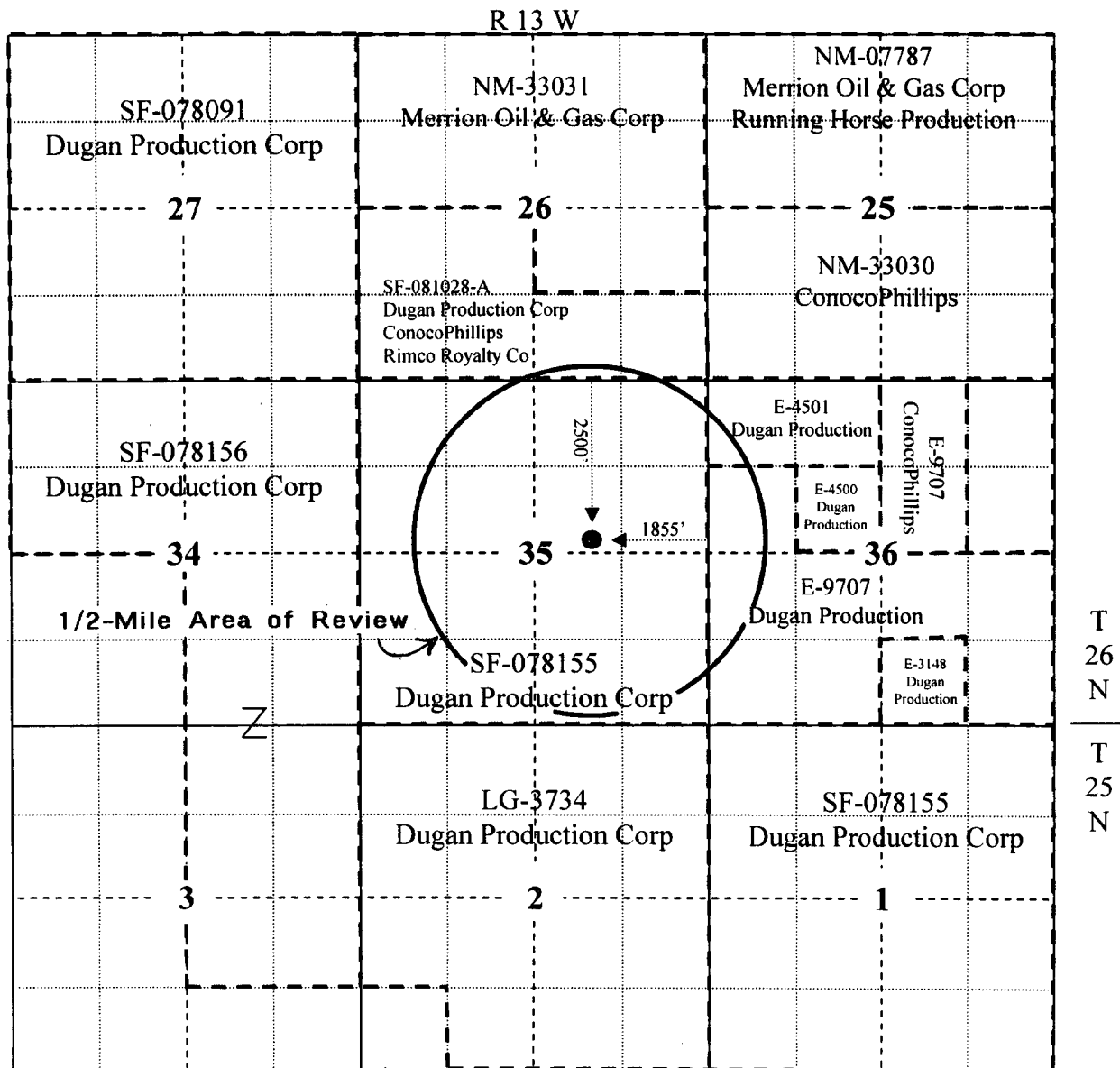
3. Name of Field or Pool (if applicable): Not Applicable

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 800', Gallup Ss. 4600'.

Va. Lease Owner Map

OFFSET OPERATOR/LESSEE



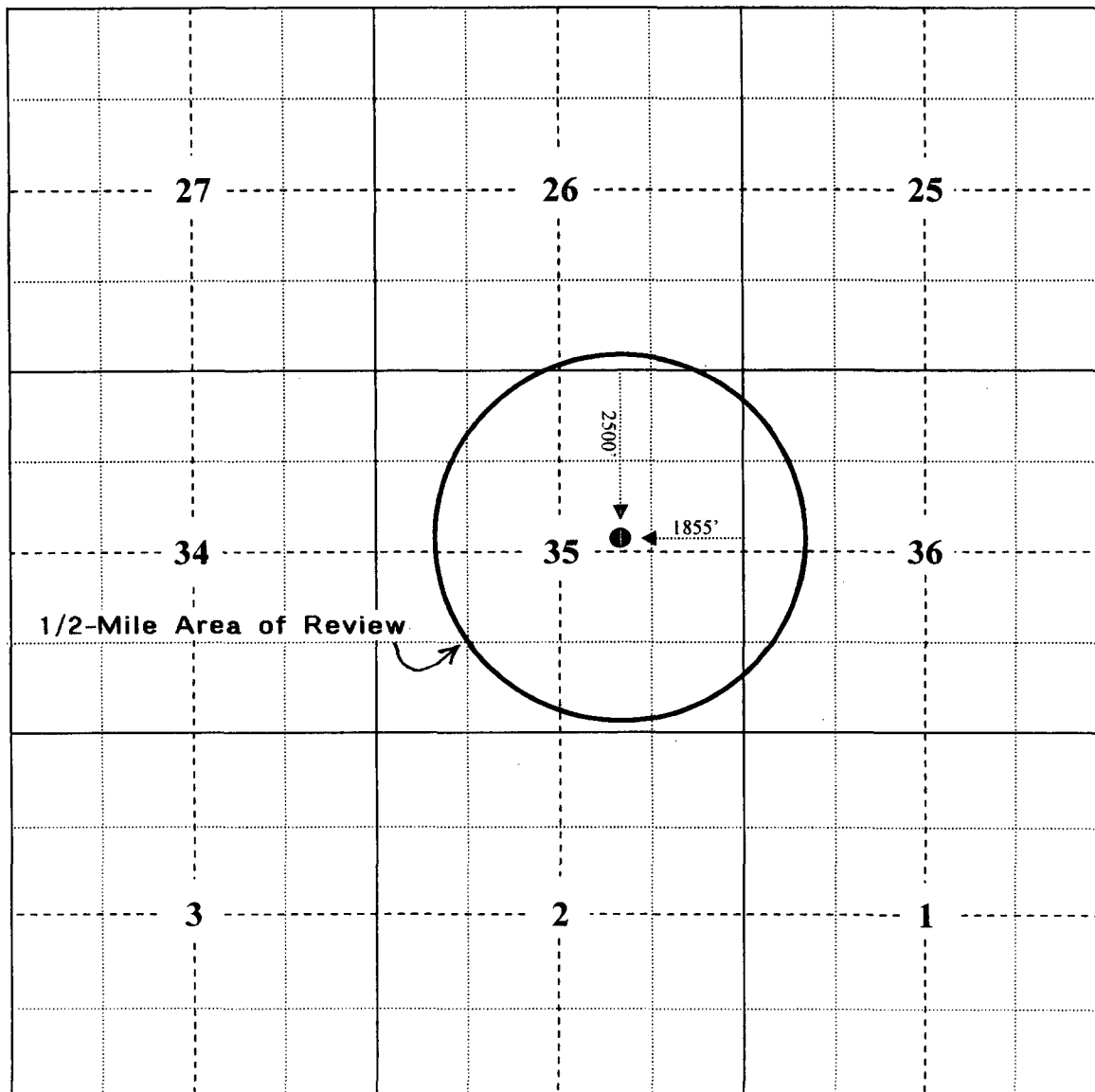
Dugan Production Corp.
 West Bisti SWD #1
 Sec. 35, T26N, R13W
 2500' FNL and 1855' FEL
 San Juan County, New Mexico
 Salt Water Disposal Application

Vb. Surface Owner Map

SURFACE OWNERSHIP

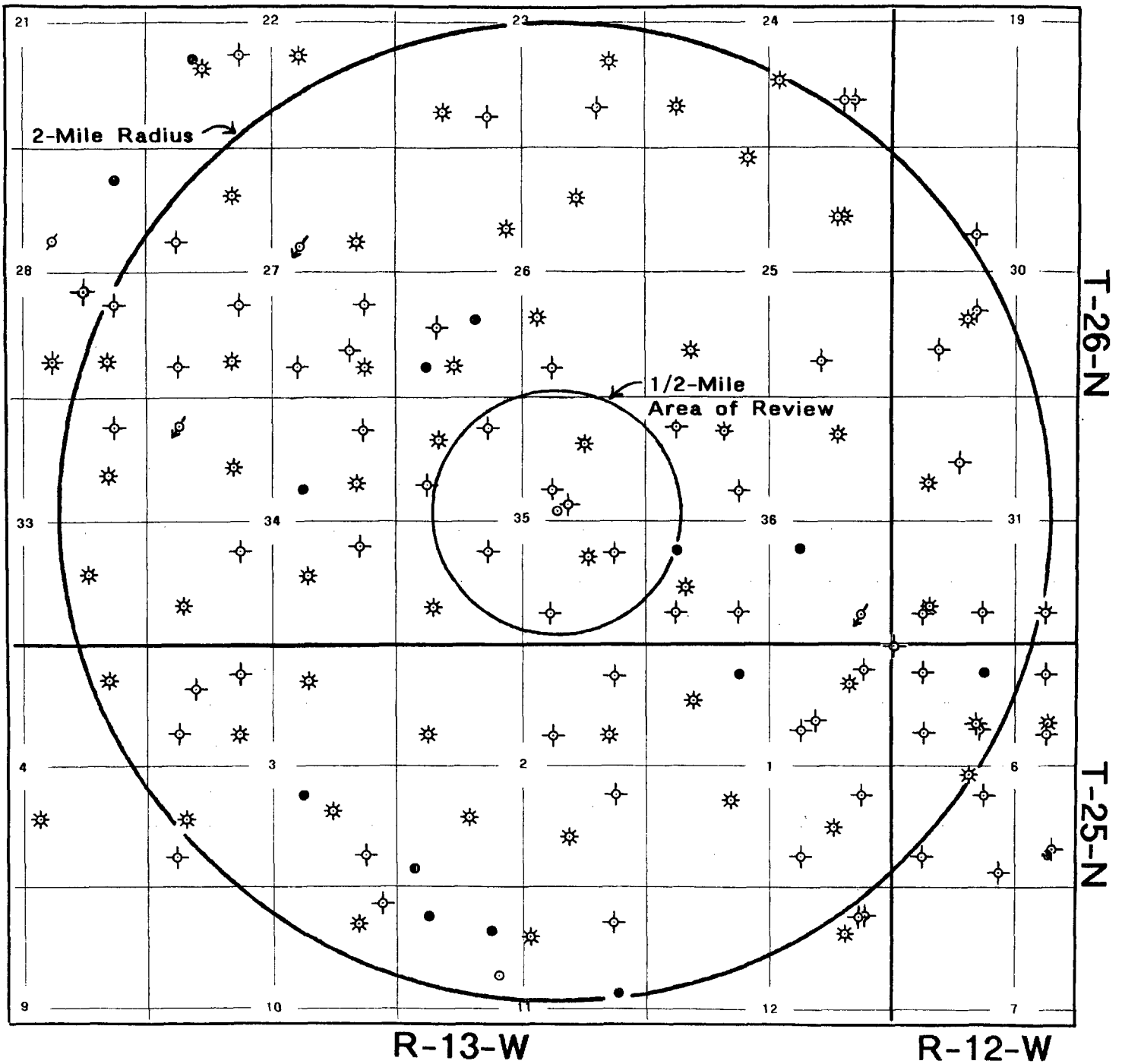
All Affected Lands are Navajo Tribal Trust Lands

R 13 W



Dugan Production Corp.
West Bisti SWD #1
Sec. 35, T26N, R13W
2500' FNL and 1855' FEL
San Juan County, New Mexico
Salt Water Disposal Application

Vc. Well Map



Dugan Production Corp.
West Bisti SWD #1
Sec. 35, T26N, R13W
2500' FNL and 1855' FEL
San Juan County, New Mexico
Salt Water Disposal Application

Application for Authorization to Inject

Dugan Production Corp.

West Bisti 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., WEST BISTI SWD #1, S.35, T26N, R13W

| OPERATOR | WELL NAME | WELL NO. | TWN | RGE | SEC | UL | FTG NS | FTG EW | STATUS | POOL | TD |
|------------------|-----------------|----------|-----|-----|-----|----|--------|--------|--------|---------------|------|
| DUGAN PROD | PAUL REVERE COM | 95S | 26N | 13W | 22 | J | 1980/S | 1980/E | CO | FRUIT COAL | 1465 |
| B M G DRLG CORP | FOSTER | 2 | 26N | 13W | 22 | K | 1980/S | 1980/W | PA | GALLUP | 5191 |
| DUGAN PROD | PAUL REVERE COM | 95 | 26N | 13W | 22 | L | 1650/S | 1200/W | CO | FRUIT COAL | 1460 |
| DUGAN PROD | PAUL REVERE | 210 | 26N | 13W | 22 | L | 1850/S | 990/W | CO | GALLUP | 5225 |
| | | | | | | | | | | | |
| DUGAN PROD | PAUL REVERE | 91S | 26N | 13W | 23 | I | 1850/S | 750/E | CO | FRUIT COAL | 1350 |
| DUGAN PROD | PAUL REVERE | 91 | 26N | 13W | 23 | M | 790/S | 1040/W | CO | FRUIT COAL | 1383 |
| B M G DRLG CORP | FOSTER | 3 | 26N | 13W | 23 | N | 660/S | 1980/W | PA | GALLUP | 5104 |
| DUGAN PROD | PAUL REVERE | 204 | 26N | 13W | 23 | P | 790/S | 980/E | PA | PICT CLIFFS | 1340 |
| | | | | | | | | | | | |
| CALPINE NTRL GAS | GALLEGOS FED | 24 | 26N | 13W | 24 | J | 1450/S | 2380/E | CO | FRUIT COAL | 1343 |
| CALPINE NTRL GAS | GALLEGOS FED | 2 | 26N | 13W | 24 | M | 900/S | 700/W | CO | FRUIT COAL | 1370 |
| SULLIVAN & HILL | FLOOD | 1 | 26N | 13W | 24 | P | 990/S | 990/E | PA | FRUIT SAND PC | 1348 |
| MERRION O&G | FED 24 | 1 | 26N | 13W | 24 | P | 990/S | 790/E | PA | FRUIT SAND PC | 1350 |
| | | | | | | | | | | | |
| CALPINE NTRL GAS | STRIDER | 25 | 26N | 13W | 25 | C | 200/N | 2180/W | CO | FRUIT COAL | 1384 |
| RUNNING HORSE | DOME FED | 1 | 26N | 13W | 25 | H | 1450/N | 1190/E | CO | FRUIT SAND PC | 1340 |
| CALPINE NTRL GAS | GALLEGOS FED | 1 | 26N | 13W | 25 | H | 1434/N | 1041/E | CO | FRUIT COAL | 1385 |
| TEXAKOMA O&G | BLACK HILLS | 1 | 26N | 13W | 25 | M | 1000/S | 1000/W | CO | FRUIT COAL | 1365 |
| S UNION EXPL CO | SX FED 25 | 1 | 26N | 13W | 25 | O | 810/S | 1520/E | PA | PICT CLIFFS | 1304 |
| | | | | | | | | | | | |
| MERRION O&G | SERENDIPITY | 4 | 26N | 13W | 26 | B | 1080/N | 1450/E | CO | FRUIT COAL | 1395 |
| MERRION O&G | SERENDIPITY | 5 | 26N | 13W | 26 | F | 1710/N | 2370/W | CO | FRUIT COAL | 1400 |
| MERRION O&G | SERENDIPITY | 1 | 26N | 13W | 26 | J | 1650/S | 2310/E | ZA | GALLUP | 5120 |
| MERRION O&G | SERENDIPITY COM | 1 | 26N | 13W | 26 | J | 1650/S | 2310/E | CO | FRUIT COAL | 5120 |
| DUGAN PROD | W BISTI UNIT | 135 | 26N | 13W | 26 | K | 1650/S | 1650/W | CO | GALLUP | 5078 |
| MERRION O&G | SERENDIPITY | 3 | 26N | 13W | 26 | L | 1500/S | 900/W | PA | FRUIT COAL | 1385 |
| MERRION O&G | SERENDIPITY | 3R | 26N | 13W | 26 | M | 691/S | 1268/W | CO | FRUIT COAL | 1462 |
| DUGAN PROD | W BISTI UNIT | 137 | 26N | 13W | 26 | M | 660/S | 660/W | CO | GALLUP | 5108 |
| DUGAN PROD | W BISTI UNIT | 136 | 26N | 13W | 26 | O | 660/S | 1978/E | PA | GALLUP | 5165 |
| | | | | | | | | | | | |
| DUGAN PROD | PATRIOT | 90S | 26N | 13W | 27 | C | 990/N | 1845/W | CO | FRUIT COAL | 1425 |
| DUGAN PROD | W BISTI UNIT | 126 | 26N | 13W | 27 | E | 1980/N | 660/W | PA | GALLUP | 5165 |
| DUGAN PROD | W BISTI UNIT | 125 | 26N | 13W | 27 | G | 2163/N | 2031/E | WI | GALLUP SWD | 5074 |
| DUGAN PROD | PATRIOT | 91 | 26N | 13W | 27 | H | 1980/N | 790/E | CO | FRUIT COAL | 1370 |
| DUGAN PROD | W BISTI UNIT | 134 | 26N | 13W | 27 | I | 1980/S | 660/E | PA | GALLUP | 5080 |

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

1/5

Attachment Via. Tabulation of Data on Offset Wells.

Dugan Production Corp., WEST BISTI SWD #1, S.35, T26N, R13W

| OPERATOR | WELL NAME | WELL NO. | TWN | RGE | SEC | UL | FTG NS | FTG EW | STATUS | POOL | TD |
|------------------|--------------|----------|-----|-----|-----|----|--------|--------|--------|---------------|------|
| DUGAN PROD | W BISTI UNIT | 133 | 26N | 13W | 27 | K | 1980/S | 1980/W | PA | GALLUP | 5130 |
| DUGAN PROD | W BISTI UNIT | 140 | 26N | 13W | 27 | M | 660/S | 660/W | PA | GALLUP | 5100 |
| DUGAN PROD | PATRIOT | 90 | 26N | 13W | 27 | N | 790/S | 1850/W | CO | FRUIT COAL | 1420 |
| CHEVRON USA | W BISTI UNIT | 139 | 26N | 13W | 27 | O | 660/S | 2080/E | PA | GALLUP | 5065 |
| DUGAN PROD | PATRIOT | 91S | 26N | 13W | 27 | P | 660/S | 660/E | CO | FRUIT COAL | 1420 |
| DUGAN PROD | W BISTI UNIT | 138 | 26N | 13W | 27 | P | 990/S | 990/E | PA | WATER WELL-MV | 2545 |
| DUGAN PROD | PATRIOT | 92 | 26N | 13W | 28 | O | 790/S | 1980/E | CO | FRUIT COAL | 1470 |
| DUGAN PROD | W BISTI UNIT | 141 | 26N | 13W | 28 | O | 660/S | 1980/E | PA | GALLUP | 5123 |
| DUGAN PROD | W BISTI UNIT | 132 | 26N | 13W | 28 | I | 1980/S | 660/E | PA | GALLUP | 5116 |
| DUGAN PROD | W BISTI UNIT | 127 | 26N | 13W | 28 | G | 1980/N | 1980/E | WI | GALLUP SWD | 5203 |
| DUGAN PROD | W BISTI UNIT | 124 | 26N | 13W | 28 | A | 660/N | 660/E | CO | GALLUP | 5178 |
| DUGAN PROD | PATRIOT | 93S | 26N | 13W | 28 | P | 790/S | 790/E | CO | FRUIT COAL | |
| DUGAN PROD | W BISTI UNIT | 131 | 26N | 13W | 28 | J | 2200/S | 1400/E | PA | WATER WELL-MV | 2020 |
| DUGAN PROD | W BISTI UNIT | 143 | 26N | 13W | 33 | A | 660/N | 660/E | PA | GALLUP | 5133 |
| DUGAN PROD | SALGE FED A | 95 | 26N | 13W | 33 | H | 1650/N | 790/E | CO | FRUIT COAL | 1460 |
| DUGAN PROD | SALGE FED A | 95S | 26N | 13W | 33 | I | 1450/S | 1250/E | CO | FRUIT COAL | 1475 |
| DUGAN PROD | W BISTI UNIT | 145 | 26N | 13W | 34 | A | 660/N | 660/E | PA | GALLUP | 5120 |
| DUGAN PROD | W BISTI UNIT | 144 | 26N | 13W | 34 | D | 660/N | 660/W | WI | GALLUP SWD | 5185 |
| DUGAN PROD | CISCO COM | 91S | 26N | 13W | 34 | F | 1500/N | 1850/W | CO | FRUIT COAL | 1480 |
| DUGAN PROD | W BISTI UNIT | 152 | 26N | 13W | 34 | G | 1980/N | 1980/E | CO | GALLUP | 5082 |
| DUGAN PROD | SALGE FED A | 94 | 26N | 13W | 34 | H | 1800/N | 790/E | CO | FRUIT COAL | 1370 |
| BRITISH-AMER OIL | SALGE B | 3 | 26N | 13W | 34 | I | 2090/S | 715/E | PA | GALLUP | 5075 |
| DUGAN PROD | SALGE FED A | 94S | 26N | 13W | 34 | J | 1450/S | 1850/E | CO | FRUIT COAL | 1430 |
| BRITISH-AMER OIL | SALGE | 4 | 26N | 13W | 34 | K | 1980/S | 1980/W | PA | GALLUP | 5075 |
| DUGAN PROD | CISCO COM | 91 | 26N | 13W | 34 | M | 790/S | 790/W | CO | FRUIT COAL | 1420 |
| DUGAN PROD | W BISTI SWD | 1 | 26N | 13W | 35 | G | 2500/N | 1855/E | PE | ENTRADA SWD | 7165 |
| DUGAN PROD | JETER | 5 | 26N | 13W | 35 | A | 990/N | 1300/E | CO | FRUIT COAL | 1360 |
| DUGAN PROD | W BISTI UNIT | 146 | 26N | 13W | 35 | C | 660/N | 1980/W | PA | GALLUP | 5077 |
| DUGAN PROD | JETER | 5S | 26N | 13W | 35 | D | 900/N | 900/W | CO | FRUIT COAL | 1420 |
| DUGAN PROD | W BISTI UNIT | 151 | 26N | 13W | 35 | E | 1880/N | 660/W | PA | GALLUP | 5055 |
| DUGAN PROD | W BISTI UNIT | 149 | 26N | 13W | 35 | G | 2310/N | 1650/E | PA | WATER WELL | 2540 |
| DUGAN PROD | W BISTI UNIT | 150 | 26N | 13W | 35 | G | 1980/N | 1980/E | PA | GALLUP | 5075 |

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., WEST BISTI SWD #1, S.35, T26N, R13W

| OPERATOR | WELL NAME | WELL NO. | TWN | RGE | SEC | UL | FTG NS | FTG EW | STATUS | POOL | TD |
|-------------------|--------------|----------|-----|-----|-----|----|--------|--------|--------|-------------|------|
| DUGAN PROD | JETER | 3S | 26N | 13W | 35 | I | 1850/S | 1200/E | CO | FRUIT COAL | 1345 |
| DUGAN PROD | W BISTI UNIT | 154 | 26N | 13W | 35 | I | 1980/S | 660/E | PA | GALLUP | 5000 |
| DUGAN PROD | W BISTI UNIT | 153 | 26N | 13W | 35 | K | 1990/S | 1960/W | PA | GALLUP | 5050 |
| DUGAN PROD | JETER | 3 | 26N | 13W | 35 | M | 790/S | 790/W | CO | FRUIT COAL | 1320 |
| DUGAN PROD | W BISTI UNIT | 159 | 26N | 13W | 35 | O | 660/S | 1980/E | PA | GALLUP | 4975 |
| REDWOLF PROD | BEAR | 1 | 26N | 13W | 36 | A | 790/N | 1190/E | CO | FRUIT COAL | 1309 |
| DUGAN PROD | W BISTI UNIT | 147 | 26N | 13W | 36 | D | 660/N | 660/W | PA | GALLUP | 5051 |
| DUGAN PROD | W BISTI UNIT | 148 | 26N | 13W | 36 | F | 1980/N | 1980/W | PA | GALLUP | 5075 |
| DUGAN PROD | W BISTI UNIT | 156 | 26N | 13W | 36 | J | 1980/S | 1980/E | CO | GALLUP | 5028 |
| DUGAN PROD | W BISTI UNIT | 155 | 26N | 13W | 36 | L | 1980/S | 660/W | CO | GALLUP | 5005 |
| CHEVRON USA INC | W BISTI UNIT | 168 | 26N | 13W | 36 | M | 660/S | 660/W | PA | GALLUP | 4886 |
| SG INTEREST I LTD | W BISTI ST | 2 | 26N | 13W | 36 | M | 1192/S | 819/W | CO | FRUIT COAL | 1380 |
| DUGAN PROD | W BISTI UNIT | 158 | 26N | 13W | 36 | N | 660/S | 1980/W | PA | GALLUP | 5050 |
| DUGAN PROD | W BISTI UNIT | 157 | 26N | 13W | 36 | P | 660/S | 660/E | WI | GALLUP SWD | 5042 |
| REDWOLF PROD | BEAR 1S | 2 | 26N | 13W | 36 | C | 770/N | 1666/W | SP | FRUIT COAL | 1355 |
| DUGAN PROD | W BISTI UNIT | 161 | 25N | 13W | 01 | A | 600/N | 600/E | PA | GALLUP | 5000 |
| DUGAN PROD | JETER | 4 | 25N | 13W | 01 | A | 875/N | 945/E | CO | FRUIT COAL | 1275 |
| DUGAN PROD | W BISTI UNIT | 160 | 25N | 13W | 01 | C | 660/N | 1980/W | CO | GALLUP | 4951 |
| DUGAN PROD | W BISTI UNIT | 162 | 25N | 13W | 01 | G | 1880/N | 1980/E | PA | GALLUP | 5000 |
| GULF OIL CORP | MARYE FED | 9 | 25N | 13W | 01 | G | 1650/N | 1650/E | PA | PICT CLIFFS | 1350 |
| GULF OIL CORP | W BISTI UNIT | 164 | 25N | 13W | 01 | I | 1980/S | 660/E | PA | GALLUP | 5031 |
| DUGAN PROD | JETER | 1 | 25N | 13W | 01 | K | 1850/S | 1800/W | ZA | PICT CLIFFS | 1334 |
| DUGAN PROD | JETER | 1 | 25N | 13W | 01 | K | 1850/S | 1800/W | CO | FRUIT COAL | 1334 |
| DUGAN PROD | W BISTI UNIT | 165 | 25N | 13W | 01 | O | 660/S | 1980/E | PA | GALLUP | 5000 |
| DUGAN PROD | JETER | 4S | 25N | 13W | 01 | D | 1300/N | 1000/W | CO | FRUIT COAL | 1400 |
| DUGAN PROD | JETER | 1S | 25N | 13W | 01 | P | 1300/S | 1300/E | CO | FRUIT COAL | 1370 |
| EL PASO NAT GAS | KELLY ST | 9 | 25N | 13W | 02 | A | 660/N | 660/E | PA | GALLUP | 4978 |
| DUGAN PROD | BISTI ST | 1 | 25N | 13W | 02 | E | 1980/N | 660/W | ZA | GALLUP | 5050 |
| DUGAN PROD | BISTI ST | 1 | 25N | 13W | 02 | E | 1980/N | 660/W | CO | FRUIT COAL | 5050 |
| EL PASO NAT GAS | KELLY ST | 10 | 25N | 13W | 02 | G | 1986/N | 1980/E | PA | GALLUP | 5010 |
| DUGAN PROD | BISTI ST | 90 | 25N | 13W | 02 | H | 1980/N | 790/E | CO | FRUIT COAL | 1320 |
| EL PASO NAT GAS | KELLY ST | 11 | 25N | 13W | 02 | I | 1978/S | 660/E | PA | GALLUP | 5016 |
| DUGAN PROD | BISTI ST COM | 1 | 25N | 13W | 02 | M | 330/S | 330/W | CO | GALLUP | 5050 |

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., WEST BISTI SWD #1, S.35, T26N, R13W

| OPERATOR | WELL NAME | WELL NO. | TWN | RGE | SEC | UL | FTGNS | FTGEW | STATUS | POOL | TD |
|------------------|-----------------|----------|-----|-----|-----|----|--------|--------|--------|---------------|------|
| DUGAN PROD | BISTI ST COM | 1S | 25N | 13W | 02 | K | 1500/S | 1500/W | CO | FRUIT COAL | 1440 |
| DUGAN PROD | BISTI ST | 90S | 25N | 13W | 02 | O | 1100/S | 1650/E | CO | FRUIT COAL | 1420 |
| DUGAN PROD | SALGE FED A COM | 90 | 25N | 13W | 03 | B | 790/N | 1850/E | CO | FRUIT COAL | 1370 |
| GULF OIL CORP | SALGE A | 3 | 25N | 13W | 03 | C | 660/N | 1980/W | PA | GALLUP | 5123 |
| BRITISH-AMER OIL | M J SALGE | 1 | 25N | 13W | 03 | D | 990/N | 990/W | PA | PICT CLIFFS | 1446 |
| DUGAN PROD | W BISTI UNIT | 163 | 25N | 13W | 03 | E | 1980/N | 660/W | PA | GALLUP | 5250 |
| DUGAN PROD | CISCO COM | 90S | 25N | 13W | 03 | F | 2000/N | 1980/W | CO | FRUIT COAL | 1480 |
| DUGAN PROD | SALGE FED A | 4 | 25N | 13W | 03 | J | 1980/S | 1980/E | CO | GALLUP | 5200 |
| DUGAN PROD | CISCO COM | 90 | 25N | 13W | 03 | L | 1450/S | 840/W | CO | FRUIT COAL | 1500 |
| BRITISH-AMER OIL | SALGE C | 1 | 25N | 13W | 03 | M | 660/S | 660/W | PA | GALLUP | 5200 |
| ELM RIDGE RES | S BISTI SWD | 1 | 25N | 13W | 03 | P | 660/S | 660/E | PA | GALLUP | 5044 |
| DUGAN PROD | SALGE FED A COM | 90S | 25N | 13W | 03 | K | 1620/S | 1345/E | CO | FRUIT COAL | 1540 |
| DUGAN PROD | SALGE FED A COM | 91 | 25N | 13W | 04 | A | 790/N | 790/E | CO | FRUIT COAL | 1420 |
| DUGAN PROD | SALGE FED A COM | 91S | 25N | 13W | 04 | J | 1495/S | 2270/E | CO | FRUIT COAL | 1435 |
| GIANT EXPLOR | CHAMPLIN FED | 3 | 25N | 13W | 10 | A | 330/N | 330/E | PA | GALLUP | 5055 |
| ELM RIDGE RES | W BISTI COAL 10 | 1 | 25N | 13W | 10 | A | 790/N | 790/E | CO | FRUIT COAL | 1429 |
| BRITISH-AMER OIL | SHIPP | 2 | 25N | 13W | 11 | A | 760/N | 660/E | PA | GALLUP | 5000 |
| ELM RIDGE RES | W BISTI COAL 11 | 1 | 25N | 13W | 11 | B | 1100/N | 2510/E | CO | FRUIT COAL | 1400 |
| ELM RIDGE RES | BERRY FED | 1 | 25N | 13W | 11 | C | 990/N | 1980/W | CO | GALLUP | 5025 |
| ELM RIDGE RES | CHAMPLIN FED | 1 | 25N | 13W | 11 | D | 660/N | 660/W | CO | GALLUP | 5025 |
| ELM RIDGE RES | BERRY FED | 3 | 25N | 13W | 11 | F | 1975/N | 2153/W | PE | GALLUP | |
| ELM RIDGE RES | BERRY FED | 2 | 25N | 13W | 11 | H | 2310/N | 600/E | CO | GALLUP | 5100 |
| DUGAN PROD | MARVE | 1 | 25N | 13W | 12 | A | 660/N | 760/E | PA | WATER WELL | 570 |
| ELM RIDGE RES | JETER COM | 2 | 25N | 13W | 12 | A | 990/N | 990/E | CO | FRUIT COAL | 1295 |
| GULF OIL CORP | W BISTI UNIT | 166 | 25N | 13W | 12 | A | 660/N | 660/E | PA | GALLUP | 4982 |
| MERRION O&G | FREW FED | 10 | 26N | 12W | 30 | F | 1850/N | 1800/W | PA | FRUIT SAND PC | 1295 |
| SG INTEREST LTD | GALLEGOS FED | 2 | 26N | 12W | 30 | K | 1650/S | 1650/W | CO | FRUIT COAL | 1310 |
| DOME PETROLEUM | FREW FED | 11 | 26N | 12W | 30 | K | 1850/S | 1790/W | PA | FRUIT SAND PC | 1295 |
| EL PASO NAT GAS | SULLIVAN | 1B | 26N | 12W | 30 | M | 990/S | 990/W | PA | GALLUP | 5033 |
| CALPINE NAT GAS | GIMLI | 31 | 26N | 12W | 31 | E | 1850/N | 810/W | CO | FRUIT COAL | 1340 |
| TEXACO INC | HANLAD FED | 1 | 26N | 12W | 31 | F | 1450/N | 1450/W | PA | BISTI FARM | 1300 |

Attachment Via. Tabulation of Data on Offset Wells.

Dugan Production Corp., WEST BISTI SWD #1, S.35, T26N, R13W

| OPERATOR | WELL NAME | WELL NO. | TWN | RGE | SEC | UL | FTGNS | FTGEW | STATUS | POOL | TD |
|---------------|-----------------|----------|-----|-----|-----|----|--------|--------|--------|------------|-------|
| GIANT EXPLOR | C BISTI UNIT | 1 | 26N | 12W | 31 | M | 660/S | 660/W | PA | GALLUP | 5000 |
| ELM RIDGE RES | N BISTI COAL 31 | 1 | 26N | 12W | 31 | M | 800/S | 800/W | CO | FRUIT COAL | 1300 |
| ELM RIDGE RES | C BISTI UNIT | 81 | 26N | 12W | 31 | N | 660/S | 1980/W | PA | GALLUP | 5100 |
| ELM RIDGE RES | CBISTI UT WI | 6 | 25N | 12W | 06 | K | 1980/S | 1980/W | PA | GALLUP | 5000 |
| ELM RIDGE RES | BISTI COAL 6 | 2 | 25N | 12W | 06 | K | 2455/S | 1710/W | CO | FRUIT COAL | 1285 |
| ELM RIDGE RES | BISTI COAL 6 | 2T | 25N | 12W | 06 | F | 1730/N | 1810/W | SP | FRUIT COAL | 1350 |
| ELM RIDGE RES | C BISTI UNIT | 3 | 25N | 12W | 06 | M | 660/S | 660/W | PA | GALLUP | 5001 |
| ELM RIDGE RES | C BISTI UNIT | 2 | 25N | 12W | 06 | E | 1980/N | 660/W | PA | GALLUP | 50026 |
| ELM RIDGE RES | C BISTI UNIT | 5 | 25N | 12W | 06 | D | 660/N | 660/W | PA | GALLUP | 5002 |
| ELM RIDGE RES | C BISTI UNIT | 4 | 25N | 12W | 06 | C | 660/N | 1980/W | CO | GALLUP | 5000 |
| HIXON DEVELOP | FED C | 5 | 25N | 12W | 06 | F | 1850/N | 1850/W | PA | BISTI FARM | 800 |
| ELM RIDGE RES | C BISTI UNIT | 78 | 25N | 12W | 06 | N | 330/S | 2300/W | PA | GALLUP | 5115 |
| SUNRAY | C BISTI UNIT | 1 | 25N | 12W | 06 | D | 5/N | 5/W | PA | GALLUP | 4973 |

Application for Authorization to Inject

Dugan Production Corp.

West Bisti 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: 1250 psi and the maximum will be 1383 psi.
4. The source of injected water will be produced water from Fruitland Coal and Gallup wells in the area (T25N and T26N, R12W and R13W). Attachment VII-4a., VII-4b. and VII-4c. are analyses of the Fruitland Coal and Gallup 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.

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

FRUITLAND COAL SE/4, Sec.23, T26N, R13W

Client: Dugan Prod. Corp
Sample ID: Paul Revere 91-S
Laboratory Number: 39831
Chain of Custody: 1958
Sample Matrix: Water
Preservative: Cool
Condition: Cool & Intact

Project #: 06094-003
Date Reported: 01-26-07
Date Sampled: 01-23-07
Date Received: 01-24-07
Date Extracted: N/A
Date Analyzed: 01-25-07

| Parameter | Analytical Result | Units |
|---------------------------------------|-------------------|----------|
| pH | 7.56 | s.u. |
| Conductivity @ 25° C | 28,200 | umhos/cm |
| Total Dissolved Solids @ 180C | 16,640 | mg/L |
| Total Dissolved Solids (Calc) | 16,600 | mg/L |
| SAR | 134 | ratio |
| Total Alkalinity as CaCO ₃ | 1,020 | mg/L |
| Total Hardness as CaCO ₃ | 424 | mg/L |

| | | | | |
|---------------------------------|-------|------|--------|-------|
| Bicarbonate as HCO ₃ | 1,020 | mg/L | 16.72 | meq/L |
| Carbonate as CO ₃ | <0.1 | mg/L | 0.00 | meq/L |
| Hydroxide as OH | <0.1 | mg/L | 0.00 | meq/L |
| Nitrate Nitrogen | 0.4 | mg/L | 0.01 | meq/L |
| Nitrite Nitrogen | 0.015 | mg/L | 0.00 | meq/L |
| Chloride | 9,500 | mg/L | 268.00 | meq/L |
| Fluoride | 0.57 | mg/L | 0.03 | meq/L |
| Phosphate | 1.0 | mg/L | 0.03 | meq/L |
| Sulfate | <0.1 | mg/L | 0.00 | meq/L |
| Iron | 0.017 | mg/L | 0.00 | meq/L |
| Calcium | 94.4 | mg/L | 4.71 | meq/L |
| Magnesium | 45.9 | mg/L | 3.78 | meq/L |
| Potassium | 2.75 | mg/L | 0.07 | meq/L |
| Sodium | 6,340 | mg/L | 275.79 | meq/L |

| | | |
|---------|--------|-------|
| Cations | 284.35 | meq/L |
| Anions | 284.78 | meq/L |

Cation/Anion Difference 0.15%

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments:

Christopher M. Walter
Analyst

Shawn P. O'Brien
Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

FRUITLAND COAL SE/4, Sec. 35, T26N, R13W

| | | | |
|--------------------|------------------|-----------------|-----------|
| Client: | Dugan Prod. Corp | Project #: | 06094-003 |
| Sample ID: | Jeter #3S | Date Reported: | 01-26-07 |
| Laboratory Number: | 39833 | Date Sampled: | 01-23-07 |
| Chain of Custody: | 1958 | Date Received: | 01-24-07 |
| Sample Matrix: | Water | Date Extracted: | N/A |
| Preservative: | Cool | Date Analyzed: | 01-25-07 |
| Condition: | Cool & Intact | | |

| Parameter | Analytical Result | Units | | |
|---------------------------------------|-------------------|----------|--------|-------|
| pH | 7.12 | s.u. | | |
| Conductivity @ 25° C | 15,920 | umhos/cm | | |
| Total Dissolved Solids @ 180C | 9,640 | mg/L | | |
| Total Dissolved Solids (Calc) | 9,630 | mg/L | | |
| SAR | 105 | ratio | | |
| Total Alkalinity as CaCO ₃ | 420 | mg/L | | |
| Total Hardness as CaCO ₃ | 232 | mg/L | | |
| Bicarbonate as HCO ₃ | 420 | mg/L | 6.88 | meq/L |
| Carbonate as CO ₃ | <0.1 | mg/L | 0.00 | meq/L |
| Hydroxide as OH | <0.1 | mg/L | 0.00 | meq/L |
| Nitrate Nitrogen | 0.9 | mg/L | 0.01 | meq/L |
| Nitrite Nitrogen | <0.001 | mg/L | 0.00 | meq/L |
| Chloride | 5,600 | mg/L | 157.98 | meq/L |
| Fluoride | 0.68 | mg/L | 0.04 | meq/L |
| Phosphate | 3.2 | mg/L | 0.10 | meq/L |
| Sulfate | <0.1 | mg/L | 0.00 | meq/L |
| Iron | 67.8 | mg/L | 2.43 | meq/L |
| Calcium | 56.0 | mg/L | 2.79 | meq/L |
| Magnesium | 22.5 | mg/L | 1.85 | meq/L |
| Potassium | <0.01 | mg/L | 0.00 | meq/L |
| Sodium | 3,690 | mg/L | 160.52 | meq/L |
| Cations | | | 165.16 | meq/L |
| Anions | | | 165.01 | meq/L |
| Cation/Anion Difference | | | 0.09% | |

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments:

Christine M. Walter
Analyst

Allen P. Olsen
Review

ENVIROTECH LABS

PRactical SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

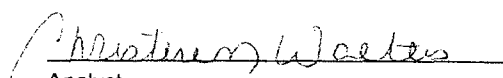
GALLUP SANDSTONE SW/4, Sec. 2, T25N, R13W


| | | | |
|--------------------|--------------------|-----------------|-----------|
| Client: | Dugan Prod. Corp | Project #: | 06094-003 |
| Sample ID: | Bisti State Com #1 | Date Reported: | 01-26-07 |
| Laboratory Number: | 39832 | Date Sampled: | 01-23-07 |
| Chain of Custody: | 1958 | Date Received: | 01-24-07 |
| Sample Matrix: | Water | Date Extracted: | N/A |
| Preservative: | Cool | Date Analyzed: | 01-25-07 |
| Condition: | Cool & Intact | | |

| Parameter | Analytical Result | Units | | |
|---------------------------------------|-------------------|----------|--------|-------|
| pH | 7.36 | s.u. | | |
| Conductivity @ 25° C | 48,100 | umhos/cm | | |
| Total Dissolved Solids @ 180C | 30,760 | mg/L | | |
| Total Dissolved Solids (Calc) | 30,840 | mg/L | | |
| SAR | 205 | ratio | | |
| Total Alkalinity as CaCO ₃ | 560 | mg/L | | |
| Total Hardness as CaCO ₃ | 628 | mg/L | | |
| Bicarbonate as HCO ₃ | 560 | mg/L | 9.18 | meq/L |
| Carbonate as CO ₃ | <0.1 | mg/L | 0.00 | meq/L |
| Hydroxide as OH | <0.1 | mg/L | 0.00 | meq/L |
| Nitrate Nitrogen | 0.8 | mg/L | 0.01 | meq/L |
| Nitrite Nitrogen | 0.005 | mg/L | 0.00 | meq/L |
| Chloride | 18,400 | mg/L | 519.06 | meq/L |
| Fluoride | 1.36 | mg/L | 0.07 | meq/L |
| Phosphate | 4.4 | mg/L | 0.14 | meq/L |
| Sulfate | <0.1 | mg/L | 0.00 | meq/L |
| Iron | 1.78 | mg/L | 0.06 | meq/L |
| Calcium | 181 | mg/L | 9.03 | meq/L |
| Magnesium | 43.0 | mg/L | 3.54 | meq/L |
| Potassium | 31.8 | mg/L | 0.81 | meq/L |
| Sodium | 11,840 | mg/L | 515.04 | meq/L |
| Cations | | | 528.42 | meq/L |
| Anions | | | 528.47 | meq/L |
| Cation/Anion Difference | | | 0.01% | |

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments:


Analyst


Review

Application for Authorization to Inject

Dugan Production Corp.

West Bisti SWD #1

Part VIII. Geologic Data

The proposed injection interval is the Entrada Sandstone from approximately 6915 – 7115 feet. The only known source of stock water in the area is encountered in existing arroyos at a depth of approximately 35 – 50 feet below the surface. Sources of drinking water include the Ojo Alamo Sandstone at a depth of 75' – 175' and the Mesaverde (Cliff House Sandstone) Interval at a depth of 2040' – 2120'. There are no known drinking water sources below the Mesaverde interval. The expected formation tops in the well are as follows:

| | | | |
|-----------------|-------|--------------------|--------------|
| Ojo Alamo | 75' | Gallup | 4595' |
| Kirtland | 175' | Greenhorn | 5615' |
| Fruitland | 845' | Graneros | 5675' |
| Pictured Cliffs | 1195' | Dakota | 5740' |
| Lewis | 1455' | Morrison | 5965' |
| Cliff House | 2040' | Bluff | 6595' |
| Menefee | 2120' | Todilto | 6895' |
| Point Lookout | 3695' | Entrada | 6915' |
| Mancos | 3895' | Total Depth | 7165' |

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. One shallow water well and three water supply wells for the Bisti Gallup water flood (all of which have been plugged) were located as follows:

| Location | Distance To Proposed Disposal Well | Depth to Water | Water Source | Status |
|----------|------------------------------------|----------------|--------------------------------|---------------|
| SE/SE | S.27, T26N, R13W | 1.1 Miles | 2545 | Mesaverde P&A |
| NW/SE | S.28, T26N, R13W | 2.1 Miles | 2020 | Mesaverde P&A |
| SW/NE | S.35, T26N, R13W | 0.05 Miles | 2540 | Mesaverde P&A |
| SW/SW | S.34, T26N, R13W | 1.6 Miles | No Other Information Available | |

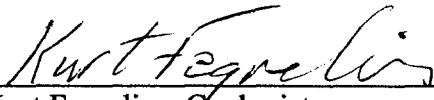
Application for Authorization to Inject

Dugan Production Corp.

West Bisti 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, Geologist

February 1, 2007
Date

Application for Authorization to Inject

Dugan Production Corp.

West Bisti SWD #1

Part XIII. Proof of Notice

Attached are proofs 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. 54457

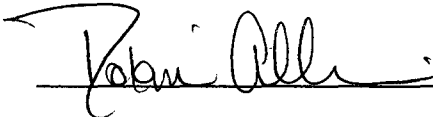
STATE OF NEW MEXICO County of San Juan:

COPY OF PUBLICATION

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):

Thursday, December 28, 06

And the cost of the publication is \$42.54

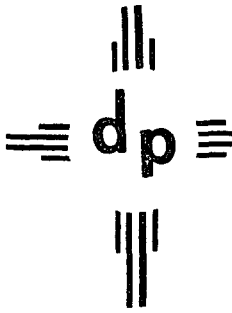


ON 1/4/07 ROBIN ALLISON
appeared before me, whom I know personally
to be the person who signed the above
document.


My Commission Expires Nov. 07, 2008

Legal Notices 152
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 505-326-1821. The proposed disposal site is the West Bisti SWD #1, located 2500' fnl & 1855' fel, Sec. 35, Twn. 26N, Rng. 13W, San Juan Co., NM. Water will be injected into the Entrada Sandstone between 6915' and 7115' below the surface. Maximum injection pressure is 1383 psi. Maximum injection rate is 5,000 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. 54457, published in The Daily Times, Farmington, New Mexico on Thursday, December 28, 2006





dugan production corp.

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

February 1, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3773 3729

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear New Mexico State Land Office:

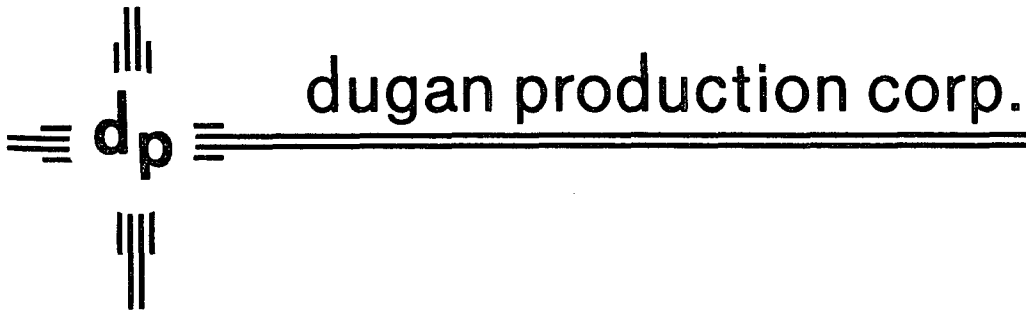
Dugan Production Corp. has filed an application for administrative approval to complete the Bisti SWD #1 (Sec. 35, T26N, R13W, 2500' FNL and 1855' FEL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6915' and 7115'. A copy of the application is attached.

As a oil and gas interest owner of land adjacent to that which the injection well is located on (Sec. 36, T26N, R13W) 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



Akhtar Zaman
The Navajo Nation Minerals Dept.
P.O. Box 1910
Window Rock, AZ 86515

February 1, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3773 3804

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Zaman:

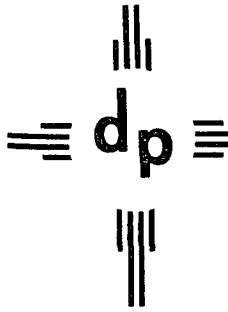
Dugan Production Corp. has filed an application for administrative approval to complete the West Bisti SWD #1 (Sec. 35, T26N, R13W, 2500' FNL and 1855' FEL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6915' and 7115'. A copy of the application is attached.

As a surface owner of the land the injection well is located on, the Navajo Nation Minerals Dept. 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 Fagrelius
Geologist
Attachment



dugan production corp.

ConocoPhillips Company
Attn: Land Department
P.O. Box 4289
Farmington, NM 87499

February 1, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3773 3743

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Conoco Phillips:

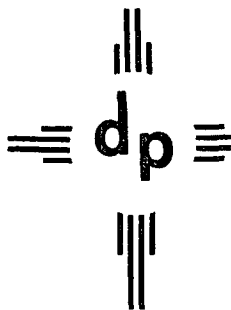
Dugan Production Corp. has filed an application for administrative approval to complete the West Bisti SWD #1 (Sec. 35, T26N, R13W, 2500' FNL and 1855' FEL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6915' and 7115'. A copy of the application is attached.

As an offsetting operator (Sec. 26, T26N, R13W) 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.

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

February 1, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 3712

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Mankiewicz:

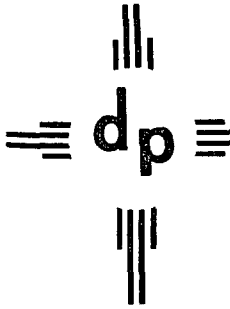
Dugan Production Corp. has filed an application for administrative approval to complete the Bisti SWD #1 (Sec. 35, T26N, R13W, 2500' FNL and 1855' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6915' and 7115'. A copy of the application is attached.

As an oil and gas interest owner of land the injection well is located on, 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 Fagrelius
Geologist
Attachment



dugan production corp.

Rimco Royalties Co.
P.O. Box 2283
Fort Worth, TX 75081

February 1, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3773 3781

Re: Notice of Intent to Complete Salt Water Disposal Well

Rimco Royalties Co.:

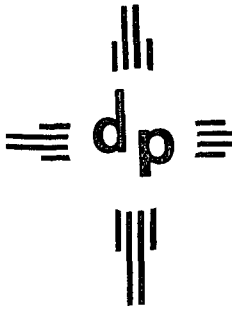
Dugan Production Corp. has filed an application for administrative approval to complete the West Bisti SWD #1 (Sec. 35, T26N, R13W, 2500' FNL and 1855' FEL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6915' and 7115'. A copy of the application is attached.

As an offsetting operator (Sec. 26, T26N, R13W) 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.

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

February 1, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3773 3774

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

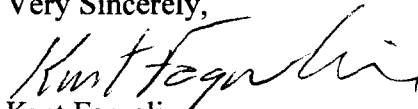
Dear Mr. Charlie Perrin:

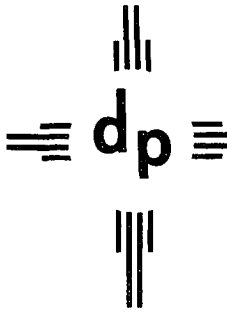
Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the West Bisti SWD #1. In fulfilling the requirements of application, the following materials are provided herein:

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 and Gallup).
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 owner and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times.

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

Very Sincerely,


Kurt Fagrelus



dugan production corp.

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

February 2007

2007 FEB 01 11 43

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--
7005 2570 0001 3773 3767

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

Dear Mr. Jones:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the West Bisti 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 and Gallup).
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.

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

Very Sincerely,

Kurt Fagrelus

Attachments

Injection Permit Checklist 12/7/06

SWD Order Number 1072 Dates: Division Approved _____ District Approved _____

Well Name/Num: WEST BISTE SWD #1 Date Spudded: New drill

API Num: (30-) _____ County: SAN JUAN

Footages 2500 FNL/1855 FEL Sec 35 Tsp 26 N Rge 13 W

Operator Name: DUGAN PRODUCTION CORP. Contact Kurt Fagrelina

Operator Address: 709 East Murray DR. FARMINGTON, NM 87401

Current Status of Well: Not Drilled Planned Work: Drill well Inj. Tubing Size: 2 7/8" @ 6865'

| | Hole/Pipe Sizes | Depths | Cement | PL/Annular/Method |
|-----------------|-----------------|---------------|--------------------|-------------------|
| Surface | 12 1/4 8 5/8 | 480 | 30 | CIRC |
| Intermediate | | | | |
| Production | 7 7/8 5 1/2 | 7165 | 380 CF / 134 / 430 | |
| 2 Last DV Tool | 5 | 5000' / 1650' | | |
| Open Hole/Liner | | | | |
| Plug Back Depth | | | | |

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

Checks (Y/N): Well File Reviewed _____ ELogs in Imaging New well

| Intervals: | Depths | Formation | Producing (Yes/No) |
|--------------------------|------------------------------|----------------|--------------------|
| Salt/Potash | | | |
| Capitan Reef | | | |
| <u>Cliff House, Etc:</u> | <u>Fresh Area 2040-2120'</u> | | |
| Formation Above | 4595 | <u>Gallup</u> | |
| Top Inj Interval | 6915 | <u>ENTRADA</u> | |
| Bottom Inj Interval | 7115 | " | |
| Formation Below | | | |

1383 PSI Max. WHIP

NO Open Hole (Y/N)

NO Deviated Hole (Y/N)

Fresh Water: Exists (Y/N) ☒ Wells (Y/N) ☒ Analysis Included (Y/N): ☒ Affirmative Statement

Salt Water Analysis: Injection Zone (Y/N/NA) _____ Disp Waters (Y/N/NA) _____ Types: FRC/Gallup

Notice: Newspaper (Y/N) ☒ Surface Owner BLM/Nunzio Mineral Owner(s) BLM

Other Affected Parties: CONOCO AMERICA, RIMCO, SLO

AOR/Repairs: NumActiveWells 0 Repairs? ☒ Producing in Injection Interval in AOR NO

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

Required Work to this Well: SWAB TEST ENTRADA + LOGS

Well Table Adequate (Y/N) ☒ AOR STRs: Sec _____ Tsp _____ Rge _____ RBDMS Updated (Y/N) ☒

New AOR Table Filename _____ Sec _____ Tsp _____ Rge _____ UIC Form Completed (Y/N) ☒

Conditions of Approval: Sec _____ Tsp _____ Rge _____ This Form completed 2/8/07

Data Request Sent _____

Attachments

cc: Mr. Will Jones-New Mexico Oil Cons. Div., 1220 So. St. Francis St., Santa Fe, NM 87505
Mr. David Mankiewicz-Bureau of Land Management, 1235 La Plata Hwy, Farmington, NM 87401
New Mexico State Land Office, PO Box 1148, Santa Fe, NM 87504-1148
Mr. Ahktar Zaman-Navajo Nation Minerals Dept., PO Box 1910, Window Rock, AZ 86515
Attn. Land Department, Conoco Phillips Co.-PO Box 4289, Farmington, NM 87499
Rimco Royalties Co.-PO Box 2283, Fort Worth, TX 75081

cc: Mr. Charlie Perrin-1000 Rio Bravo Rd, Aztec, New Mexico 87410
Mr. David Mankiewicz-Bureau of Land Management, 1235 La Plata Hwy, Farmington, NM 87401
New Mexico State Land Office, PO Box 1148, Santa Fe, NM 87504-1148
Mr. Ahktar Zaman-Navajo Nation Minerals Dept., PO Box 1910, Window Rock, AZ 86515
Attn. Land Department, Conoco Phillips Co.-PO Box 4289, Farmington, NM 87499
Rimco Royalties Co.-PO Box 2283, Fort Worth, TX 75081