Jones, William V., EMNRD

From: John Alexander [John.Alexander@duganproduction.com]
Sent: Thursday, November 17, 2011 7:22 PM
To: Jones, William V., EMNRD
Cc: aliph.reena@duganproduction.com
Subject: Re: Disposal application from Dugan Production Corp.: Bilbrey 51 #1 30-025-24321 San Andres

Will
Thanks for the response. I will correct the errors you pointed out and set the application for a hearing. I should have reviewed the rules before I had Aliph submit this. I will avoid this in the future.

John Alexander,
Dugan Production

On Nov 17, 2011, at 17:11, "Jones, William V., EMNRD" <William.V.Jones@state.nm.us> wrote:

> Hello John,
> How have you been?
>
> I just reviewed this application – looks like this well was permitted 10/18/77 by R-5539 (Case 6034) as an "SWD" San Andres well.
> Looks like this well is in the middle of many San Andres producing wells in the Sawyer; San Andres Pool and last reported injection June of 2009. Typical injection was about 150 barrels per day.
>
> The policy here is to not call wells "disposing" into producing reservoirs as "SWD" wells (especially permitted administratively) even if some have been classified that way in the past.
> As in 1977, this one must be done at an examiner hearing where the Land issues and Reservoir engineering issues can be looked at. The Landman could talk about the Lease this well is on or the Unit it is on. This well should probably be classified as a Pressure Maintenance well since it seems that produced San Andres water is being reinjected into the same reservoir it came from – but you can make whatever case you want at a hearing. We have permitted several of these types of applications within the past couple of years. If you work with an attorney that cannot find these examples, I would be happy to send them to him or her.
>
> The newspaper notice had the wrong address for the OCD – but that now does not matter since this would be handled at a hearing and hearings don't require the newspaper notices.
>
> I see a Step Rate Test was run in 1/11/90 and pressure maximum increased to 1475 psi – you could ask for that in your application also.
>
> I did not see a formal notice to the surface owner of the well site. Even if this is the BLM, the BLM is requiring a copy of the C-108 application by certified mail.
>
> The wellbore diagram does not show any stranded packers – but the proposed packer setting depth is about 200 feet above the interval. We normally require 100 feet maximum, but you could ask for a higher packer setting depth in the hearing with reasons why it could not be set closer.
>
> Thank you for the application,

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Thursday, November 17, 2011 5:12 PM
To: 'John.Alexander@duganproduction.com'
Cc: Ezeanyim, Richard, EMNRD; 'Wesley_Ingram@blm.gov'; Gonzales, Elidio L, EMNRD
Subject: Disposal application from Dugan Production Corp.: Bilbrey 51 #1 30-025-24321 San Andres

Case 14828

Hello John,
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The wellbore diagram does not show any stranded packers – but the proposed packer setting depth is about 200 feet above the interval. We normally require 100 feet maximum, but you could ask for a higher packer setting depth in the hearing with reasons why it could not be set closer.

Thank you for the application,
Hope you and Mr. John Roe are doing well.

William V Jones, P.E.
Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
Tel 505.476.3448 ~ Fax 505.476.3462

API Well Number Banner

Report Description

This report shows a Well's API Number in Barcode format for purposes of scanning. The Barcode format is Code 39.

30025243210000

30 25 24321

BILBREY 51 No.001

DUGAN PRODUCTION CORP

11/17/2011

Injection Permit Checklist (11/15/2010)

Sold To Heavy

WFX____ PMX____ SWD____ Permit Date____ UIC Qtr____

Wells 1 Well Name(s): BILBREY 51 #1

API Num: 30-0 25-24321 Spud Date: ____ New/Old: O (UIC primacy March 7, 1982)

Footages 660 FNL / 660 FEL Unit A Sec 23 Tsp 9S Rge 37E County LEA

General Location: Sawyer (SA)

Operator: DUGAN PRODUCTION CORP. Contact John Alexander

OGRID: 6515 RULE 5.9 Compliance (Wells) 2/911 (Finan Assur) OK IS 5.9 OK? OK

Well File Reviewed ___ Current Status: 6/69 = Last REPORTED USE

Planned Work to Well: 150 BIWPD

Diagrams: Before Conversion ✓ After Conversion ✓ Elogs in Imaging File:

Well Details:	Sizes Hole.......Pipe	Setting Depths	Stage Tool	Cement Sx or Cf	Determination Method
New __Existing __Surface	12 1/4 8 5/8	415	—	250	CIRC
New__Existing __Interm					
New__Existing __ LongSt	7 7/8 4 1/2	5,070'		250	3827 Calc.
New__Existing __ Liner		(5044 PBTD)			
New__Existing __ OpenHole					

(Readvertise SWD) R-5539 (10/18/77) Case 6034

Depths/Formations:	Depths, Ft.	Formation	Tops?
Formation(s) Above	4774	SA	✓
Injection TOP:	4941	San Andres	Max. PSI 1475 OpenHole____ Perfs____
Injection BOTTOM:	5022		Tubing Size 2 3/8 Packer Depth 4758'
Formation(s) Below			

Based on SRT. 1/11/90 — OK —

~~Capitan Reef? ____ (Potash? ____ Noticed? ____) [WIPP? ____ Noticed? ____]~~ Salado Top/Bot ____ ~~Cliff House?~~

Fresh Water: Depths: 150-300' Formation Ogallala Wells? ____ Analysis? ____ Affirmative Statement ✓

Disposal Fluid Analysis? Sources:

Disposal Interval: Analysis? ____ Production Potential/Testing: ?

Notice: Newspaper Date 11/4/11 Surface Owner ____ Mineral Owner(s) ____ Redo ?

RULE 26.7(A) Affected Persons: Dugan only

AOR: Maps? Well List? Producing in Interval? Yes Wellbore Diagrams? ?

.......Active Wells 8 Repairs? O Which Wells? —

.........P&A Wells 2 Repairs? O Which Wells? —

Issues: Request Sent ____ Reply: ____

DATE IN 11.3.11	SUSPENSE	ENGINEER WVJ	LOGGED IN 11.3.11	TYPE SWD	APP NO. pTGW 1130747780

6515

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505

Dugan Prod.
RECEIVED OCD
2011 NOV -3 P 12:48

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-24321

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]

Cancelled Set To Hearing 11/17/11

[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

Fed A-23-95-37E

[D] Other: Specify _____ 3547

[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.

John Alexander	John Alexander	Vice-President	11.2.2011
Print or Type Name	Signature	Title	Date

John.Alexander@duganproduction.com
e-mail Address

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

FORM C-108
Revised June 10, 2003

APPLICATION FOR AUTHORIZATION TO INJECT

I. PURPOSE: _____Secondary Recovery _____Pressure Maintenance ___X___ Disposal _____Storage
Application qualifies for administrative approval? ___X___Yes _____No

II. OPERATOR: Dugan Production Corp.

ADDRESS: P.O. Box 420, Farmington, NM – 87499

CONTACT PARTY: John Alexander 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: John Alexander TITLE: Vice President

SIGNATURE: John Alexander DATE: 11.2.2011

E-MAIL ADDRESS: John.Alexander@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: Case No. 6034, Order No. R-5539.

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
Bilbrey 51 No.1

General Information

Dugan Production Corp. desires to reactivate the Bilbrey 51 No. 1 for Salt Water Disposal. The well was being used as a disposal well and has been shut-in now for more than one year. The well was converted into an injection well on January 20, 1977.

The disposal plan estimates to inject at an average rate of 225 BWPD through the San Andres perforations 4941-5022'. Disposal will be through 2-3/8" internally coated tubing with packer set at 4738'. The casing-tubing annulus is filled with an inert fluid consisting of freshwater with a Corrosion Inhibitor and an Oxygen Scavenger.

A pressure gauge is installed on the annulus to determine any leakage in the wellbore. The injection system will be equipped with a pressure activated kill switch, which will limit the wellhead injection pressure to a max of 1138 psig.

Any change to the plan contained in this application will be approved by the New Mexico Oil Conservation Division prior to commencement.

Application for Authorization to Inject

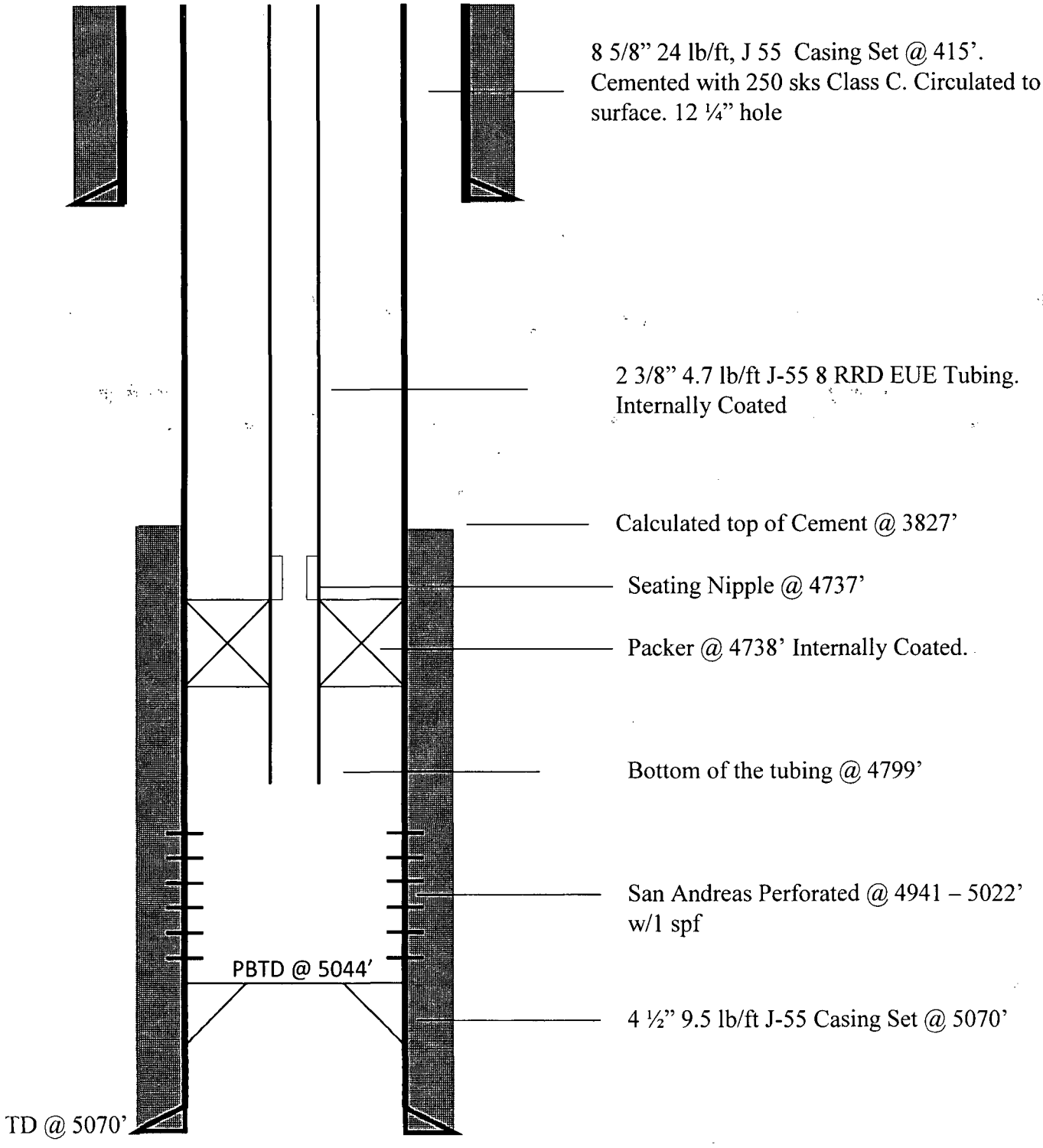
Bilbrey 51 No.1

Part III A

Tabular Well Information

API	300 25 24321
Name	Bilbrey 51 No. 1
Location	S.23 T-9-S R-37-E 660' FNL & 660' FEL
Surface Casing	8-5/8" 24 lb/ft J-55 casing set at 415' in 12-1/4" hole. Cemented with 250 sks of Class C w/2% CaCl. 40 sack cement circulated back to surface.
Long String	4-1/2" 9.5 lb/ft J-55 casing set at 5070' in 7-7/8" hole. Cemented with 250 sacks of Class C w/2% gel, 0.75 CFR-2 and 8 lb/sk salt. Calculated top of the cement behind casing is 3827'.
Completion History	San Andres Perforated 4941 - 5022. Acidized perforations. Swabbed load water with oil cut increasing to 25%. Installed pumping unit to test.
Conversion History	Ran 2-3/8" 4.7 lb/ft tubing to 4934' with 2-3/8" packers set at 4901'. Displaced 2-3/8" x 4-1/2" annulus with inert fluid consisting of fresh water with 1 drum of Treatolite KW - 37 corrosion inhibitor and 10 lbs of K-470 Oxygen scavenger. Hole reentered and tubing landed at 4,799' with packer set at 4738'.
Injection Tubulars	2-3/8" 4.7 lb/ft J-55 8RRD EUE Internally Plastic coated tubing with 2-3/8" x 4-1/2" 9.5 lb/ft Baker Lok-Set Packer.

Dugan Production Corp.
BILBREY 51 No. 1
660' FNL & 660' FEL
S23, T-9-S, R-37-E



Application for Authorization to Inject

Bilbrey 51 No.1

Part III B

1) Injection formation : San Andres

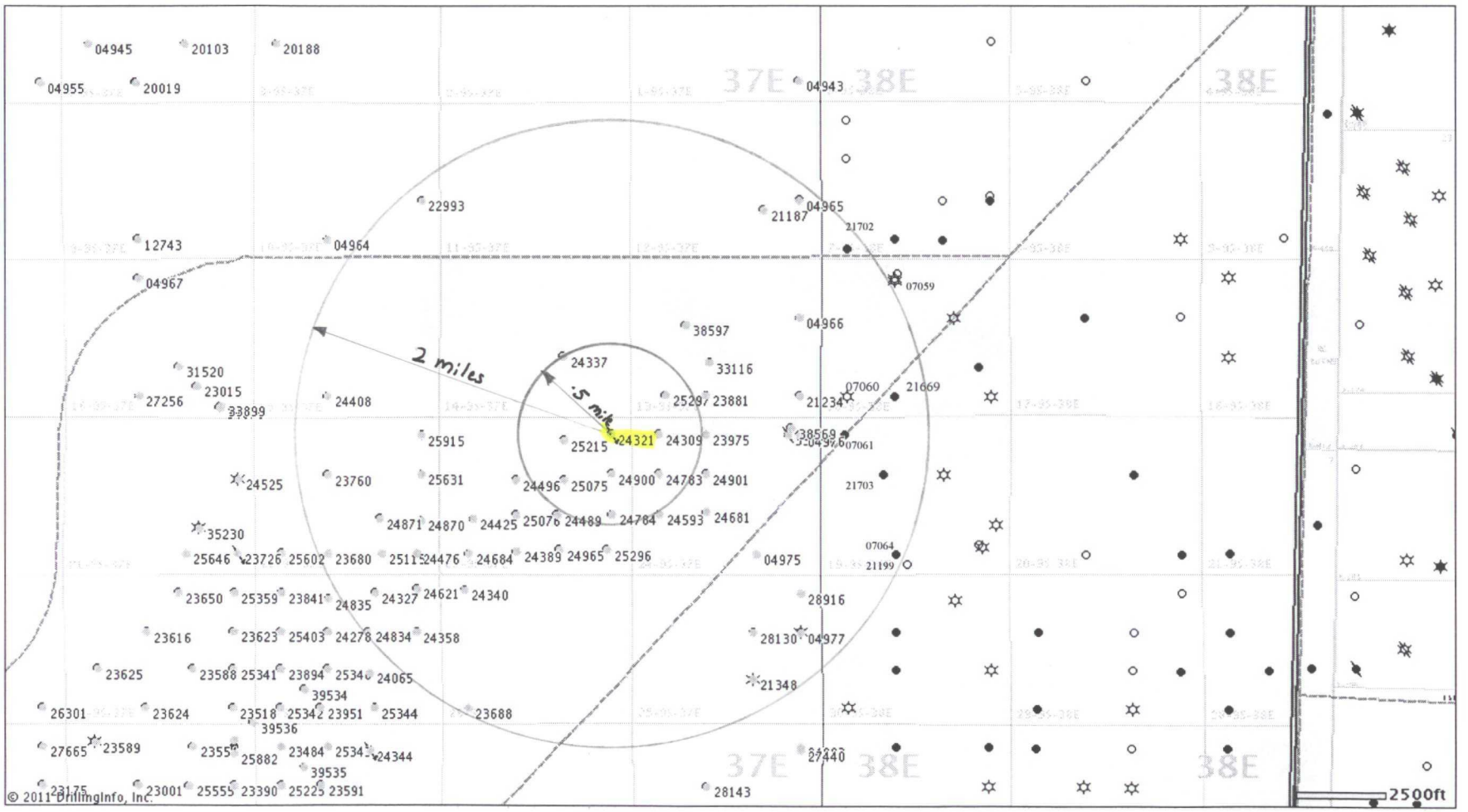
2) Injection Interval : 4941'-5022' . Cemented and Perforated

3) The well was originally drilled for producing from the San Andres.The well was converted to a salt water disposal well in the same formation

4) San Andres is the only formation perforated. No other formations are perforated or plugged.

5) No higher oil or gas zone. The next productive zone below is the Devonian at 11, 618'.

Part V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07061
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23760
25631
24496
25075
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07064
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23589
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23484
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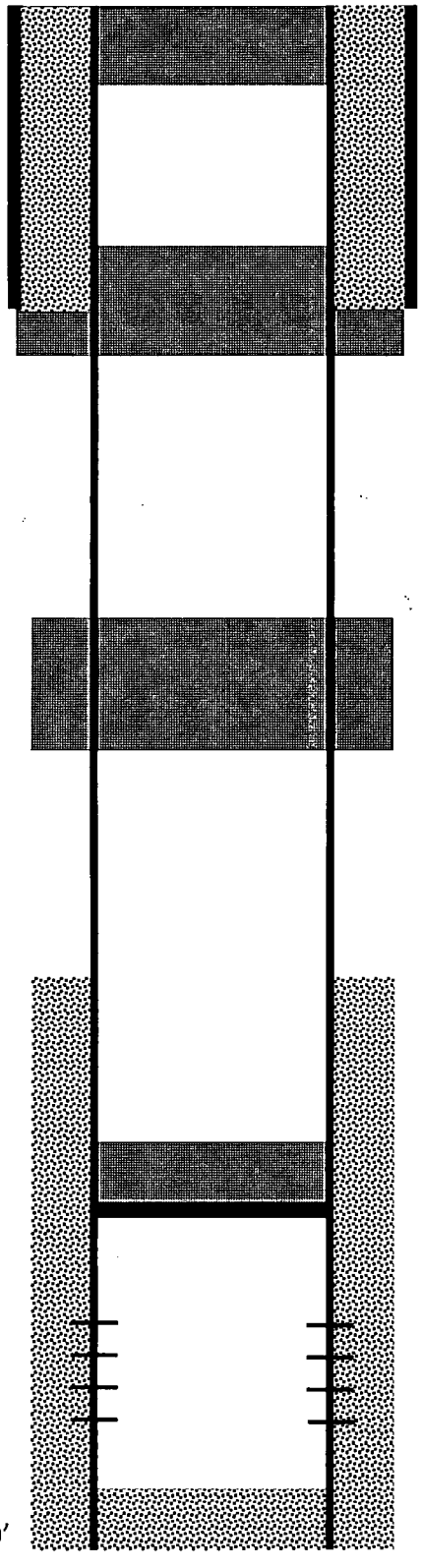
23001
25555
23390
25225
23591
28143
37E
38E
2500ft
© 2011 DrillingInfo, Inc.

API	Well	Location	Status	Spud Date	Total Depth	Surface Casing	Long String	Perforations	Stimulation	Plug Details
300 25 24337	Bilbrey 90 # 1	1980' FSL & 1980' FEL S.14-T.9S-R.37E	P & A	2/27/1973	5009'	8 5/8" 24 lb/ft @ 421'. Cemented w/ 250 sks Class H. Hole - 12 1/4"	4 1/2" 9.5 lb/ft @ 5009' w/ 250 sacks Class C, w 2% gel. Hole 7 7/8"	San Andres (4967-97', 4965-71', and 4903-4927')	Acidized perforations with 4000 gals 20% HCl, 5000 gals 15%HCl and 4000 gals 3% HCl in stages.	Cast iron bridge plug @ 4850'. 38' cement plug on top of plug. Squeezed 35 sks cement plug from 1233-1133' and from 471-371' . Spotted 10 sks of cement to surface.
300 25 25297	Brown 84 # 2	660' FSL & 860' FWL S.13 - T.9S - R.37E	Active	6/20/1976	5025'	8 5/8" 24 lb/ft K-55, @ 354'. 250 sks Class C cement circulated to surface. Hole - 12 1/4"	4 1/2" 10.5 lb/ft K- 55@ 5025' with stg collar @ 2391'. w/ 250 and 850 sks cement. circulated to surface. Hole 7 7/8"	San Andres, 4914'-5003' with 2 spf.	Acidized with 3000 gals 20% and 3000 gals 15% HCl	
300 25 24309	Allied 93 #1	660' FNL &660' FWL S.24 - T.9S - R.37E	Active	12/5/1972	5072'	8 5/8" 24lb/ft J-55 @ 360'. 250 sks class C Cement. Circulated to surface. Hole - 12 1/4"	4 1/2" 9.5 lb/ft J-55 @ 5071' w/250 sks cement. Hole - 7 7/8"	San Andres, 4939'-5031'. 3/8" Selectfire jets.	4500 gal - 15% Unisol & 4500 gas 7 1/2 % Unisol. 3000 gals Par-A-Clean	
300 25 25215	Bilbrey 51 # 4	860' FNL & 1980' FEL S.23, T-9-S, R-37-E	P & A	1/6/1976	5040'	8 5/8" 24lb/ft J-55 @ 369'. 250 sks class C cement. Circulated to surface. Hole - 12 1/4"	4 1/2" 10.5 H-40 @ 5040. 250 sks Class C cement with 2 % gel. Hole 7 7/8"	San Andres, 4952'-5016' with 2 spf	10,000 gal 20%, 10,000 gals 15% acid	Cast Iron Bridge plug 50' above perf. Spot 35' cement on top of plug. Perforated @ 2960', 2400', 427' squeeze plugged 100' @ depths. Spotted 50' surface plug.
300 25 23975	Brown 93 # 1	660' FNL & 1980' FWL S.24 T-9-S, R-37-E	Active	12/7/1971	5050'	8 5/8" 24 lb/ft J-55 @ 425'. 275 sks Class C cement. Circulated to surface. Hole - 12 1/4"	4 1/2" 9.5 lb/ft J-55 @ 5049'. Cemented with 250 sks. Hole - 7 7/8"	San Andres 4920'-5013' 3/8" Selectfire jets.	1000 gals 28% acid, 3000 gals 15% acid, 4000 gals 3% acid in two stages	
300 25 25075	Bilbrey 51 # 3	2180' FNL & 1980' FEL S 23. T-9-S R-37-E	Active	8/13/1975	5052'	8 5/8" 24 lb/ft K-55 @ 392'. 250 sks Class C. Cement circulated to surface. Hole 12 1/4"	4 1/2" 10.5 lb/ft H-40 @5052'. Cemented with 250 sks Class C Poz; 2% gel, .75 % CFR, 8 lb/sk salt. Hole 7 7/8"	San Andres 4966'-5034' with 2 spf	3000 gal 20%, 3000 gal 15% NE Acid.	
300 25 24784	Bilbrey 23 # 4	1980' FSL & 660' FEL S 23, T-9-S, R-37-E	Active	6/25/1974	5060'	8 5/8" 28 lb.ft H-40 @ 370'. 250 sks class C Cement. Circulated to surface. Hole - 12 1/4"	4 1/2" 9.5 lb/ft J-55 @ 5060. Cemented with 250 sks Class C Pozmix, 2 % gel, .75 CFR-2, 8 lb/sk salt. Hole 7 7/8"	San Andres 5016'-5032'	Acidized with 2000 gal 20%, 2000 gals 15% & 1000 gals 3% HCl.	
300 25 24593	Allied 93 # 2	1980' FSL & 660' FWL S 24, T-9-S, R-37-E	Active	11/15/1973	5069'	8 5/8", 24 lb/ft J-55 @ 392'. 250 sks Class H cement. Circulated to surface. Hole 12 1/4"	4 1/2" 9.5 lb/ft J-55 @ 5069'. Cemented with 250 sks Type H-Poz Hole - 7 7/8"	San Andres 4988'-5052'	Acidized with 4000 gal 20%, 4000 gals 15% & 4000 gals 3% HCl.	
300 25 24900	Bilbrey 51 # 2	1980' FNL & 660' FEL S 23, T-9-S, R-37-E	Active	11/25/1974	5067'	8 5/8", 28.55 lb/ft @ 370'. 250 sks Class C Cement. Circulated. Hole 12 1/4"	4 1/2" 10.5 lb.ft H-40 @ 5067'. Cemented with 250 sks 50-50 Poz, 2% gel, .75% CFR & 8 lb/sk salt	San Andres 5029'-5062'	Acidized with 3000 gal 20%, 3000 gals 15% and 2000 gals 3% HCL	
300 25 24783	Allied 93 # 4	1980' FNL & 660' FWL S 24, T-9-S, R-37-E	Active	7/14/1974	5070'	8 5/8", 28 lb/ft H-40 @ 400'. 250 sks Class C cement. Circulated. Hole 12 1/4"	5 1/2" 15.5 lb/ft J-55 @ 5070'. Cemented with 200 sks Class H Poz, 2% gel, 0.75 % CFR & 8 lb/sk salt	San Andres 4997'-5013'	Acidized with 2000 gal 20%, 2000 gals 15% & 1000 gals 3% HCl.	

Flag-Redfern oil Company
Bilbrey 90 # 1
API – 300 25 24337
1980 FSL & 1980 FEL, S 14 – T 9 S – R- 37- E



Surface Plug with 10 sks Cement spotted

8 5/8" 24 lb/ft J-55 Casing @ 421' – Hole size 12 ¼"

35 sack squeezed cement Plug from 471' to 371'.

35 sack squeezed cement Plug from 1233' to 1133'.

Calculated top of cement @ 3766'.

38' Cement plug on top of the plug.

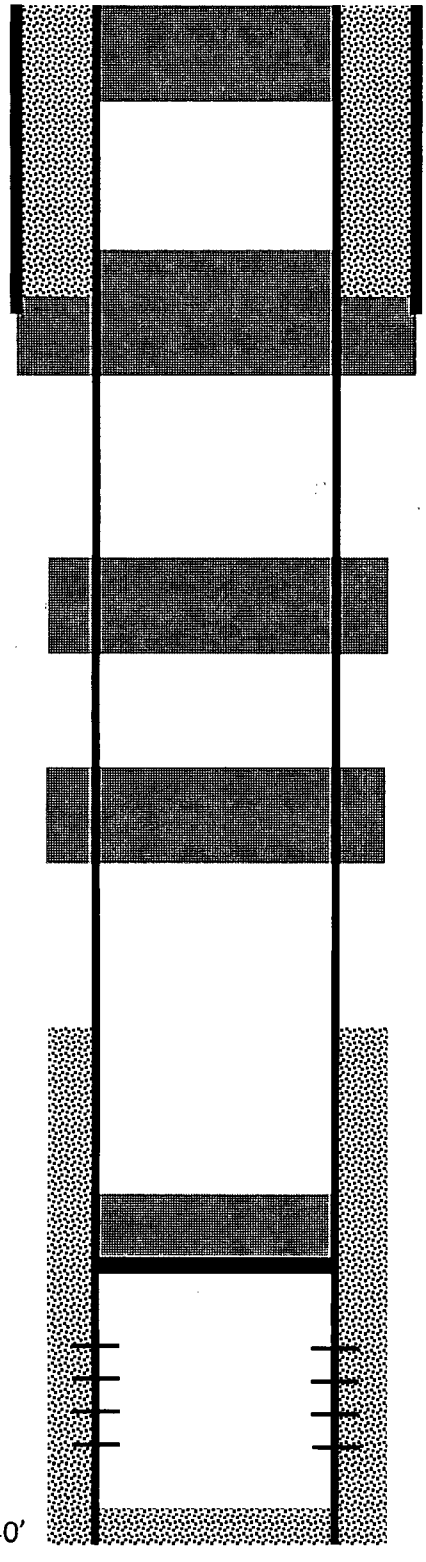
Cast Iron Bridge Plug @ 4850'

San Andreas Perforations @ 4903-4997'

4 ½" 24 lb/ft J-55 Casing @ 5009' – Hole size 12 ¼"

TD 5009'

Dugan Production Corp.
Bilbrey 51 No. 4
API – 300 25 25215
860' FNL & 1980 FEL, S 23, T-9-S, R-37-E



50' Cement plug to surface

8 5/8" 24 lb/ft J-55 Casing @ 369' – Hole 12 ¼"

Perforated and squeezed 145 sks cement @ 427'

Perforated and squeezed 55 sacks cement from 2300' to 2400'.

Perforated and squeezed 325 sacks cement from 2860' to 2960'.

Calculated top of cement @ 3797'.

35' Class C cement on top of the CIBP.

Cast Iron Bridge Plug @ 4902'

San Andreas Perforations @ 4952-5016'

TD @ 5040'

4 ½" 9.5 lb/ft J-55 Casing @ 5040' – Hole 7 7/8""

Application for Authorization to Inject

Bilbrey 51 No.1

Part VII

1) Average Injection: 225 BWPD
   Maximum Injection: 350 BWPD

2) System is CLOSED.

3) Average Injection Pressure 900 psig
   Maximum Injection Pressure 1138 psig

4) The producing and the injecting formations are the same.

5) The Injection zone is a productive zone.

Application for Authorization to Inject

Bilbrey 51 No.1

Part VIII - Geological Data

1) Injecting Formation - San Andres

2) Top of the formation - 4774'

3) Thickness of the formation - 250'

4) The only fresh water aquifer in the region is the Ogallala. The top of the aquifer is apporximately at 150' with the base at 250 -300'.

5) There is no freshwater zone below the formation of injection.

Part IX -Stimulation Program

No stimulation program is planned.

Part X - Logging and Test Data

All logs for the proposed injection well and offests are on file with the Oil Conservation Division, New Mexico.

Application for Authorization to Inject

Bilbrey 51 No.1

Part XII - Statement of Geologic and Engineering Data

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

John Alexander

John Alexander, Vice President, Dugan Production Corp

11.2.2011

Date

Application for Authorization to Inject

Bilbrey 51 No.1

Part XIII - Proof of Notice

There is no offset well operators other than Dugan Production Corp. in the area of review. Attached is the proof of legal notice published in Hobbs News Sun daily.

LEGAL NOTICE
NOVEMBER 4, 2011

Dugan Production Corp., P.O. Box 420, Farmington, NM 87499 is making application for administrative approval to inject produced water. Contact person is Mr. Aliph Reena; phone 505-325-1821. The proposed disposal site is the Bilbrey 51 No.1, located 660' FNL & 660' FEL, Sec 23 T9S-R37E, Lea County, NM. Produced water will be injected into the San Andres formation between 4841' and 5022'. Maximum injection pressure is 1138 psig. Maximum injection rate is 350 barrels of water a day. Any interested parties must file objections or requests for hearing within the Oil Conservation Division P.O. Box 2088, Sante Fe, NM 87504-2088 within 15 days.

#26962

Advertising Receipt

Hobbs Daily News-Sun
201 N Thorp
P. O. Box 936
Hobbs, NM 88241

Phone: 575-393-2123
Fax: 575-397-0610

DUGAN PRODUCTION CORP

PO BOX 420
FARMINGTON , NM 87499

Cust #: 67108382
Ad #: 00082597
Phone: (505)325-1821
Date: 11/01/2011
Ad taker: JW **Salesperson:**

Sort Line: #26962 **Classification** 672

Description	Start	Stop	Ins.	Cost/Day	Total
07 07 Daily News-Sun	11/04/2011	11/04/2011	1	20.75	20.75
AFF2 Affidavits (Legals)					6.00
BOLD bold					1.00

Ad Text:

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Payment Reference:

Total:	27.75
Tax:	1.89
Net:	29.64
Prepaid:	0.00
Total Due:	29.64