DATE IN 9.6.05 | SUSPENSE 9/21/05 | ENGINEER Jones | LOGGED IN 9.7.05 | TYPE SWD 994 | APP NO. pSEM0525050850

29

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

30-045-33217

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 _____

Hervey Monster SWD #3

[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

BLM

[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.

Print or Type Name	Signature	Title	Date

e-mail Address

dugan production corp.

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

September 2, 2005

2005 SEP 6 PM 1 12

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7004 1350 0002 0327 0464

Re: Application to Class 2, water disposal well, Herry Monster SWD #3 San Juan County, NM

Dear Mr. Jones:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Herry Monster SWD #3. 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 a copy of the Affidavit of Publication and copy of publication as appeared in the Farmington Daily Times.

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

Very Sincerely,

Kurt Fagrelius Kurt Fagrelius

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
Mr. Ty Stillman-EOG Resources, Inc., 600 17th Street, Suite 1100 N, Denver, CO 80202
Mr. James Miles-Federal Indian Minerals Office, 1235 La Plata Hwy, Farmington, NM 87401
Ms. Debbie Padilla-New Mexico State Land Office, PO Box 1148, Santa Fe, NM 87504-1148

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

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 __XX__ Disposal ________ Storage
Application qualifies for administrative approval? __XX__ 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 __XX__ 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: Geologist

SIGNATURE: Kurt Fagrelius DATE: August 31, 2005

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

Side 2

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.

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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

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Check One Only for [B] or [C]

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☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

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

[B] ☒ Offset Operators, Leaseholders or Surface Owner

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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,

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[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 Fagrelius	Kurt Fagrelius	Geology	6-02-2005
Print or Type Name	Signature	Title	Date

kfagrelius@duganproduction.com
e-mail Address

Application for Authorization to Inject

Dugan Production Corp.

Herry Monster SWD #3

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 Herry Monster SWD #3 well, located 1980' FNL & 1700' FWL, Sec. 11, Twn. 24N, Rng. 11W, San Juan Co., NM. Produced water will be injected into the Entrada Sandstone between 6893' and 7105'. The maximum injection pressure will be 1375 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 a drilling rig is scheduled to begin drilling on September 9, 2005. 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.

Herry Monster SWD #3

30-045-33217

Part III. Well Data

A. Tabular Information

1. Name: Herry Monster SWD #3

   Location: 1980' FNL & 1700' FWL
   Sec. 11, T24N, R11W
   San Juan Co., NM

2. Surface Casing: 8-5/8" 24#, J-55 set @ 320'. Cemented with 200-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 @ 7105'. Cement in three stages with stage tools at 3820' and 1450' using 1150 cu.ft. in first stage, 840 cu.ft in second stage and 510 cu.ft in third stage. Circulate cement to surface on third stage.
   Hole size – 7-7/8".

3. Injection Tubing: 2-7/8", EUE, 4.7#, plastic lined tubing.

4. Packer: Baker Model AD-1 tension packer, plastic lined, will be set at 6843' or 50' above the upper most perforation.

B. Additional Information

1. Injection Interval: Entrada Sandstone.

2. The injection interval (Entrada 6893' – 7105') will be perforated.

3. The well (Herry Monster SWD #3) will be drilled for the purpose of injection.

4. Only the injection interval is to be perforated.

5. Fruitland Coal / Pictured Cliffs Sandstone – Approx. 1,290'. Gallup Sandstone – Approx. 4568'.

Side 1

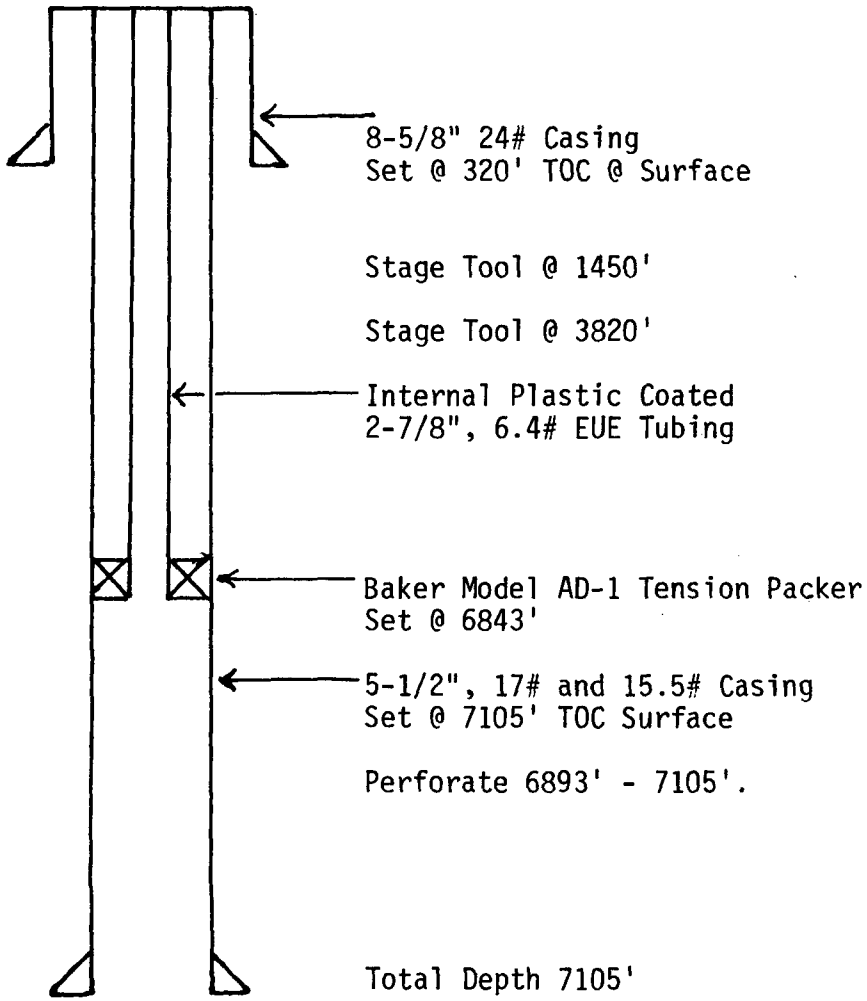
INJECTION WELL DATA SHEET

OPERATOR: Dugan Production Corp.

WELL NAME & NUMBER: Herry Monster SWD #3

WELL LOCATION:	F	11	24N	11W
1980' FNL and 1700' FWL				
FOOTAGE LOCATION	UNIT LETTER	SECTION	TOWNSHIP	RANGE

WELLBORE SCHEMATIC



WELL CONSTRUCTION DATA

Surface Casing

Hole Size: 12-1/4" Casing Size: 8-5/8"

Cemented with: 145 sx. *or* 200 ft³

Top of Cement: Surface Method Determined: Will Circulate

Intermediate Casing

Hole Size: _____ Casing Size: _____

Cemented with: _____ sx. *or* _____ ft³

Top of Cement: _____ Method Determined: _____

Production Casing

Hole Size: 7-7/8" Casing Size: 5-1/2"

Cemented with: 1175 sx. *or* 2500 ft³

Top of Cement: Surface Method Determined: Will Circulate

Total Depth: 7105'

Injection Interval

Perforate 6893 feet to 7105'

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEET

Tubing Size: 2-7/8" Lining Material: Plastic

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

Packer Setting Depth: 6843' (50' above upper most perforation)

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

Additional Data

1. Is this a new well drilled for injection? XX Yes _____ No

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

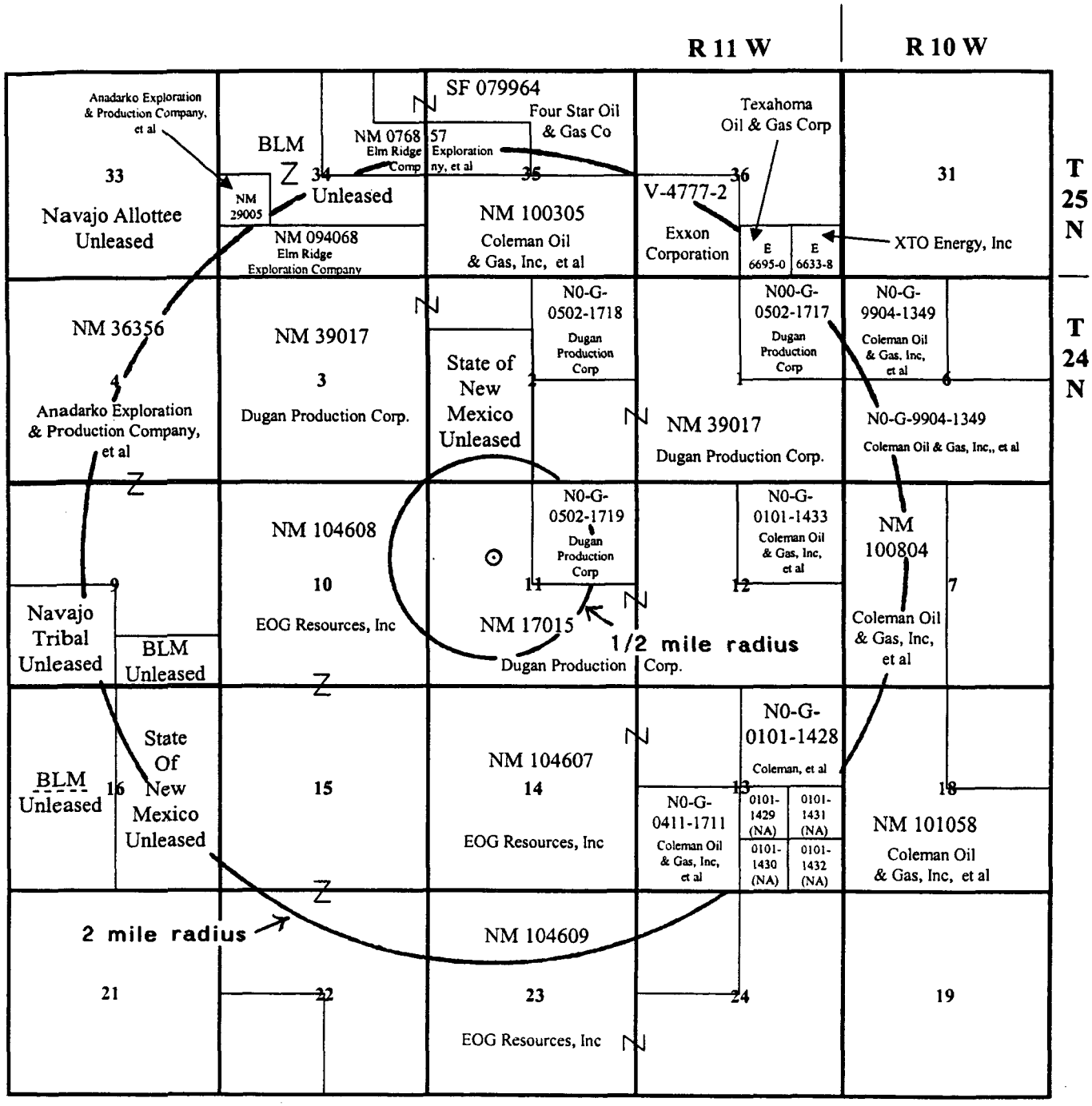
2. Name of the Injection Formation: Entrada Sandstone

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, 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 / Pictured Cliffs - Approx. 1,290'. Gallup Sandstone - Approx. 4568'.

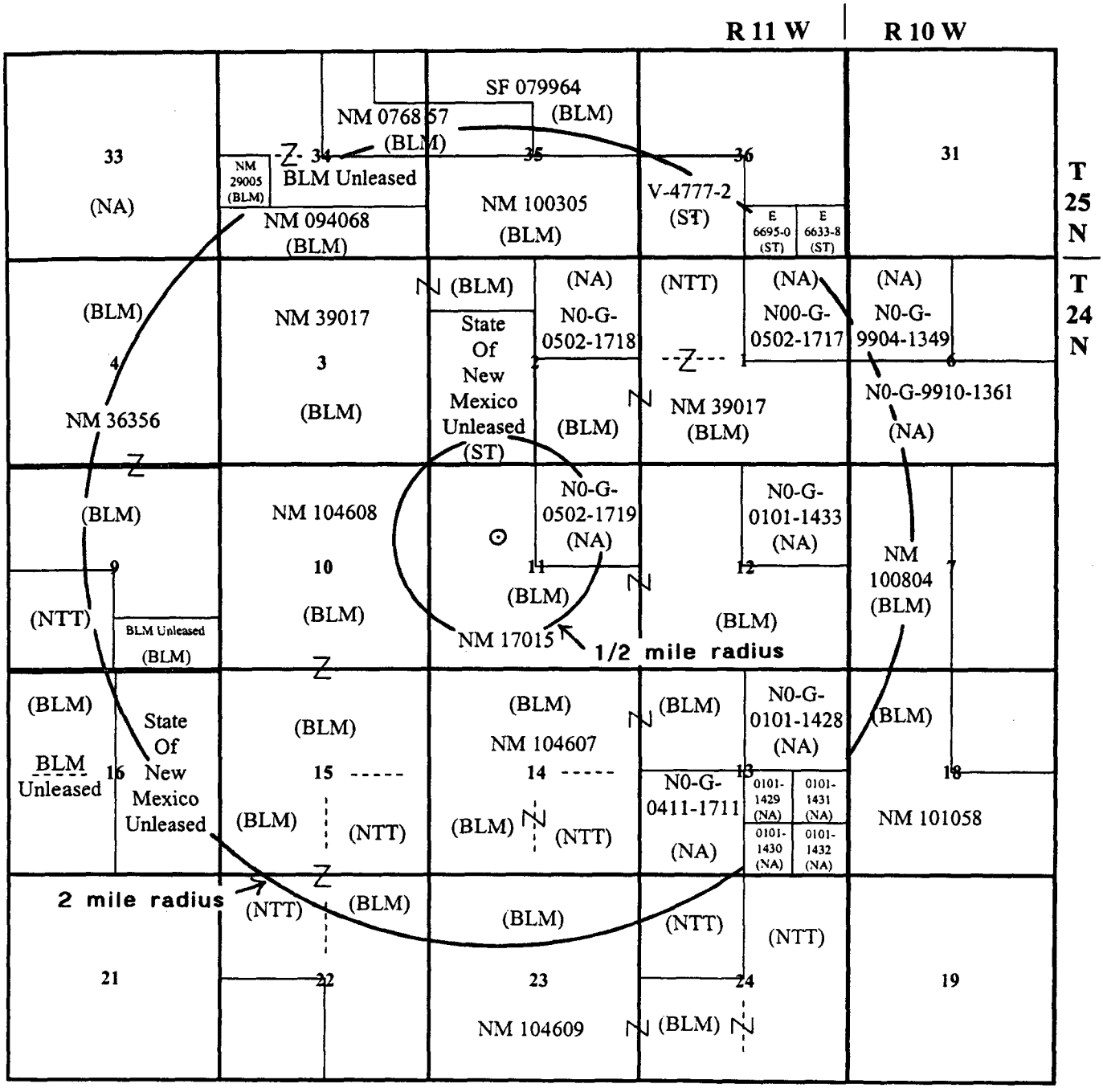
Part Va. Lease Owner Map



Dugan Production Corp.
Herry Monster SWD #3
Sec. 11, T24N, R11W
1980' FNL and 1700' FWL
San Juan County, New Mexico

Salt Water Disposal Application

Part Vb. Surface Owner Map



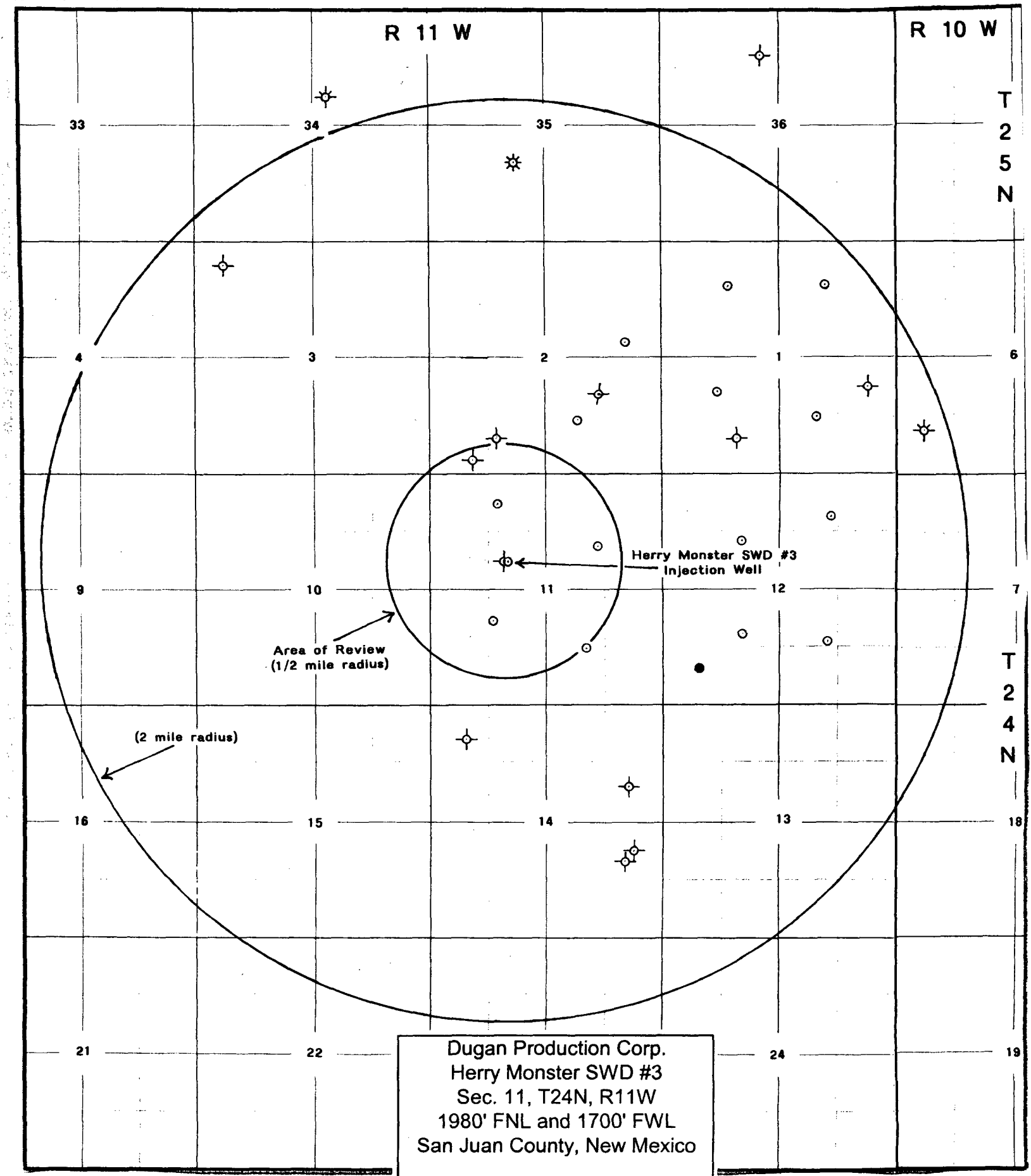
Surface Ownership

(BLM)	Bureau of Land Management
(ST)	State of New Mexico
(NTT)	Navajo Tribal Trust
(NA)	Navajo Allottee/BIA

Dugan Production Corp.
Herry Monster SWD #3
Sec. 11, T24N, R11W
1980' FNL and 1700' FWL
San Juan County, New Mexico

Salt Water Disposal Application

Part Vc. Well Map



Dugan Production Corp.
Herry Monster SWD #3
Sec. 11, T24N, R11W
1980' FNL and 1700' FWL
San Juan County, New Mexico

Salt Water Disposal Application

Application for Authorization to Inject

Dugan Production Corp.

Herry Monster SWD #3

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.

Dutan Production Corp., Herry Monster SWD #3, S.11, T24N, R8W

OPERATOR	WELL_NAME	WELL_NO	POOL	SEC	TWN	RGE	UL	FTAGE_NS	FTAGE_EW	STATUS	TD
C M & W DRILLING CO	ELLIOTT B	1	WILDCAT GALLUP	1	24N	11W	I	2010/S	660/E	PA	5193
DUGAN PRODUCTION CORP	SESAME STREET	1	BASIN FRUITLAND COAL	1	24N	11W	N	800/S	1700/W	PA	1490
DUGAN PRODUCTION CORP	ERNIE COM	90	BASIN FRUITLAND COAL	1	24N	11W	B	1000/N	1595/E	PE	
DUGAN PRODUCTION CORP	SESAMEE STREET	90-S	BASIN FRUITLAND COAL	1	24N	11W	C	1050/N	1490/W	PE	
DUGAN PRODUCTION CORP	SESAMEE STREET	90	BASIN FRUITLAND COAL	1	24N	11W	L	1920/S	1265/W	PE	
DUGAN PRODUCTION CORP	ERNIE COM	90-S	BASIN FRUITLAND COAL	1	24N	11W	O	1280/S	1790/E	PE	
TENNECO OIL CO	MONUMENT	1	BASIN DAKOTA	2	24N	11W	J	1850/S	1440/E	PA	6150
DUGAN PRODUCTION CORP	MUPPET	3	WILDCAT GALLUP	2	24N	11W	M	330/S	990/W	PA	5110
DUGAN PRODUCTION CORP	MUPPET	1	BASIN FRUITLAND COAL	2	24N	11W	N	790/S	1520/W	PA	1450
DUGAN PRODUCTION CORP	BERT COM	90	BASIN FRUITLAND COAL	2	24N	11W	O	1250/S	1900/E	PE	
DUGAN PRODUCTION CORP	BERT COM	90-S	BASIN FRUITLAND COAL	2	24N	11W	H	2295/N	805/E	PE	
DAVIS OIL CO	GOV'T FANNIN	1	WILDCAT GALLUP	3	24N	11W	D	530/N	660/W	PA	5079
DUGAN PRODUCTION CORP	HERRY MONSTER	3	BISTI LOWER GALLUP	11	24N	11W	F	1980/N	1650/W	PA	5075
DUGAN PRODUCTION CORP	ELMO COM	90	BASIN FRUITLAND COAL	11	24N	11W	C	710/N	1520/W	PE	
DUGAN PRODUCTION CORP	ELMO COM	90-S	BASIN FRUITLAND COAL	11	24N	11W	G	1635/N	1435/E	PE	
DUGAN PRODUCTION CORP	HERRY MONSTER	90	BASIN FRUITLAND COAL	11	24N	11W	K	1950/S	1400/W	PE	
DUGAN PRODUCTION CORP	HERRY MONSTER	90-S	BASIN FRUITLAND COAL	11	24N	11W	O	1310/S	1725/E	PE	
DUGAN PRODUCTION CORP	HERRY MONSTER	1	BISTI LOWER GALLUP	12	24N	11W	M	790/S	790/W	CO	5906
DUGAN PRODUCTION CORP	KERMIT COM	90	BASIN FRUITLAND COAL	12	24N	11W	F	1500/N	1800/W	PE	
DUGAN PRODUCTION CORP	KERMIT COM	90-S	BASIN FRUITLAND COAL	12	24N	11W	A	660/N	1690/E	PE	
DUGAN PRODUCTION CORP	HERRY MONSTER	91	BASIN FRUITLAND COAL	12	24N	11W	K	1650/S	1800/W	PE	
DUGAN PRODUCTION CORP	HERRY MONSTER	91-S	BASIN FRUITLAND COAL	12	24N	11W	I	1500/S	1425/E	PE	
DUGAN PRODUCTION CORP	OSCAR THE GROUCH	1	WILDCAT CHACRA	14	24N	11W	D	790/N	790/W	PA	1815
DUGAN PRODUCTION CORP	MEAN BETTY JEAN	1	WILDCAT CHACRA	14	24N	11W	H	1850/N	790/E	PA	1780
PHILLIPS PETROLEUM CO	GALLEGOS	1	WILDCAT GALLUP	14	24N	11W	I	1980/S	660/E	PA	4838

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.

Dutan Production Corp., Herry Monster SWD #3, S.11, T24N, R8W

TENNECO OIL CO	GROVER	2	WILDCAT PICTURED CLIFFS	14	24N	11W	I	1790/S	850/E	PA	1280
MARALEX RESOURCES INC	ALAMO WASH 34	32	BISTI LOWER GALLUP	34	25N	11W	G	1965/N	2310/E	SI	5195
COLEMAN O&G INC	PINON	1	BASIN FRUITLAND COAL	35	25N	11W	K	1795/S	1930/W	CO	1620
GEORGE E COLEMAN	DRY CREEK	4	BISTI LOWER GALLUP	36	25N	11W	C	990/N	2235/W	PA	5348
COLEMAN O&G INC	JUNIPER COM 6	14	BASIN FRUITLAND COAL	6	24N	10W	M	1000/S	660/W	SP	

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.

Herry Monster SWD #3

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: 1200 psi and the maximum will be 1375psi.

4. The source of injected water will be produced water from Fruitland Coal (T24N, R11). Attachment VII-4a., VII-4b. and VII-4c. are analyses of the Fruitland Coal 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 not available.

Key Energy Services
Water Analysis Result Form
708 S. Tucker, Farmington. NM. 87401
Office: (505) 325-4192
Fax: (505) 564-3524

UNLOCK YOUR POTENTIAL

Pressure Pumping Services

Attachment VII-4a.

Operator:	Dugan Production	Sample Date:	March 22, 2005
		Analysis Date:	April 1, 2005
Well :	Mary Lou 91	District:	Farmington
Formation:	Fruitland Coal	Requested by:	Kurt Fegrulis
County:	San Juan County, NM	Technician:	Ben Barela
	Sec. 32, T24N, R10W		
Depth:	1700' FNL & 1200' FEL	Source:	Well

PHYSICAL AND CHEMICAL DETERMINATION

SPECIFIC GRAVITY: 1.005 AT 68 Degrees F.

pH:	6.8		MAGNESIUM:	10 ppm
RESISTIVITY:	10.00	ohm/meter	CALCIUM:	40 ppm
IRON:	0	ppm	BICARBONATES:	1214 ppm
H2S:	0	ppm	CHLORIDES:	7164 ppm
POTASSIUM:	17	ppm	SODIUM :	5040 ppm
SULFATES:	0.00	ppm	TDS:	13494 ppm

CaCO3 Scale Tendency = Remote
CaSO4 Scale Tendency = Remote

REMARKS:

Data contained in this document is based on the best information & most current test procedures and materials available. No liability is expressed or implied.

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Water Analysis Result Form
708 S. Tucker, Farmington. NM. 87401
Office: (505) 325-4192
Fax: (505) 564-3524

UNLOCK YOUR POTENTIAL

Pressure Pumping Services

Attachment VII-4b.

Operator:	Dugan Production	Sample Date:	March 22, 2005
		Analysis Date:	April 1, 2005
Well :	SOB 91S	District:	Farmington
Formation:	Fruitland Coal	Requested by:	Kurt Fegrulls
County:	San Juan County, NM	Technician:	Ben Barela
Depth:	Sec. 6, T24N, R9W 1850' FNL & 1850' FEL	Source:	Well

PHYSICAL AND CHEMICAL DETERMINATION

SPECIFIC GRAVITY: 1.020 AT 68 Degrees F.

pH:	6.5		MAGNESIUM:	14	ppm
RESISTIVITY:	0.36	ohm/meter	CALCIUM:	47	ppm
IRON:	0	ppm	BICARBONATES:	359	ppm
H2S:	0	ppm	CHLORIDES:	12549	ppm
POTASSIUM:	140	ppm	SODIUM :	8191	ppm
SULFATES:	0.00	ppm	TDS:	21301	ppm

CaCO3 Scale Tendency = Remote
CaSO4 Scale Tendency = Remote

REMARKS:

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UNLOCK YOUR POTENTIAL

Pressure Pumping Services

Attachment VII-4c.

Operator:	Dugan Production	Sample Date:	March 22, 2005
		Analysis Date:	April 1, 2005
Well :	SOB 91	District:	Farmington
Formation:	Fruitland Coal	Requested by:	Kurt Fegrulis
County:	San Juan County, NM	Technician:	Ben Barela
Depth:	Sec. 6, T24N, R9W 790' FSL & 790' FEL	Source:	Well

PHYSICAL AND CHEMICAL DETERMINATION

SPECIFIC GRAVITY: 1.015 AT 68 Degrees F.

pH:	6.8	MAGNESIUM:	19 ppm
RESISTIVITY:	0.50 ohm/meter	CALCIUM:	47 ppm
IRON:	0 ppm	BICARBONATES:	1202 ppm
H2S:	0 ppm	CHLORIDES:	14187 ppm
POTASSIUM:	580 ppm	SODIUM :	9563 ppm
SULFATES:	0.00 ppm	TDS:	25600 ppm

CaCO3 Scale Tendency = Remote
CaSO4 Scale Tendency = Remote

REMARKS:

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Application for Authorization to Inject

Dugan Production Corp.

Herry Monster SWD #3

Part VIII. Geologic Data

The proposed injection interval is the Entrada Sandstone from approximately 6893 – 7105 feet. The Ojo Alamo is a known source of stock water and is encountered at a depth of approximately 330' in the area. There are no known drinking water sources below the Mesaverde interval. The expected formations tops in the well are as follows:

Sam Jose / Nacimiento	Surface	Gallup	4765'
Ojo Alamo	330'	Greenhorn	5605'
Kirtland Sh.	428'	Graneros	5655'
Fruitland Fmt.	989'	Dakota	5720'
Pictured Cliffs Ss.	1290'	Morrison	5930'
Lewis Sh.	1399'	Bluff	6530'
Cliff House Ss.	2040'	Todilto	6870'
Menefee	2179'	Entrada	6893'
Point Lookout	3720'	**Total Depth**	**7105'**
Mancos	3850'		

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 of water wells located within one mile of the proposed disposal well was conducted. No water wells were found to exist.

Application for Authorization to Inject

Dugan Production Corp.

Herry Monster SWD #3

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 Fagrelius

Kurt Fagrelius, Geologist

September 2, 2005
Date

Application for Authorization to Inject

Dugan Production Corp.

Herry Monster SWD #3

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.

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7004 1350 0002 0327 0464

Sent To: MR. WILL JONES
Street, Apt. No., or PO Box: NEW MEXICO OIL CONSERVATION DIVISION
ENGINEERING BUREAU
City, State, ZIP+4: 1220 SOUTH SAINT FRANCIS STREET
SANTA FE, NEW MEXICO 87505

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7004 2890 0002 7604 5280

Sent To: MR. CHARLIE PERRIN
Street, Apt. No., or PO Box: NEW MEXICO OIL CONSERVATION DIVISION
1000 RIO BRAVO ROAD
City, State, ZIP+4: AZTEC, NEW MEXICO 87410

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7004 2890 0002 7604 5297

Sent To: MR. DAVID MANKIEWICZ
Street, Apt. No., or PO Box: BUREAU OF LAND MANAGEMENT
1235 LA PLATA HIGHWAY
City, State, ZIP+4: FARMINGTON, NEW MEXICO 87401

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7004 2890 0002 7604 5303

Sent To: MR. JAMES MILES
Street, Apt. No., or PO Box: FEDERAL INDIAN MINERALS OFFICE
1235 LA PLATA HIGHWAY
City, State, ZIP+4: FARMINGTON, NEW MEXICO 87401

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Total Postage & Fees	$

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7004 2890 0002 7604 5327

Sent To: MR. TY STILLMAN
Street, Apt. No., or PO Box: EOG REOURCES INC.
600 17TH STREET, SUITE 1100 N
City, State, ZIP+4: DENVER, CO 80202

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here: 9/2/05

7004 2890 0002 7604 5310

Sent To: MS. DEBBIE PADILLA
Street, Apt. No., or PO Box: NEW MEXICO STATE LAND OFFICE
City, State, ZIP+4: SURFACE RESOURCES
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

PS Form ... Instructions

AFFIDAVIT OF PUBLICATION

Ad No. 52199

STATE OF NEW MEXICO
County of San Juan:

CONNIE PRUITT, being duly sworn says: That she is the ADVERTISING 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, September 01, 2005.

And the cost of the publication is $29.69.

Connie Pruitt

ON 9/2/05 CONNIE PRUITT appeared before me, whom I know personally to be the person who signed the above document.

Wynell Corey

My Commission Expires November 17, 2008.

COPY OF PUBLICATION

918 Legals

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 Fagrelius, phone 505-325-1821. The proposed disposal site is the Herry Monster SWD #3, located 1980' fnl & 1700' fwl, Sec. 11, Twn. 24N, Rng. 11W, San Juan Co., NM. Water will be injected into the Entrada Sandstone between 6893' and 7105' below the surface. Maximum injection pressure is 1375 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. 52199 published in The Daily Times, Farmington, New Mexico on Thursday, September 1, 2005.

EXHIBIT B

OPERATIONS PLAN

Herry Monster SWD #3

APPROXIMATE FORMATION TOPS:

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

LOGGING PROGRAM:

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

CASING PROGRAM:

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

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

CEMENTING PROGRAM:

Surface: Cement to surface with 200 cf Class B + 2% $CaCl_2$. Circulate to surface.

Production Stage-Cement with 1050 cf 2%Lodense with ¼# celloflake/sx followed by 550 cf Class "B" with ¼# celloflake/sx.
Total cement slurry for production stage is 1600 cf.
Circulate cement to surface.