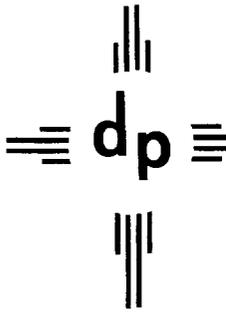


AMEND PMX-206 10/19/01
128236305



dugan production corp.

October 2, 2001

OCT - 4 2001

New Mexico Oil Conservation Division
P.O. Box 6429
Santa Fe, NM 87505

Re: Amendment Administrative Order No. PMX-206, West Bisti Unit No. 127 (30-045-05684)
Conversion to Injection.

Gentlemen:

The referenced permit was issued for the West Bisti Unit No. 127, located 1980' fml & 1980' fel, S.28-T.26N-R.13W, San Juan Co. New Mexico. In preparation for conversion, it was found that the 5-1/2" production casing would not pass the mechanical integrity test to the extent required by the permit. I propose that the application be amended as is set forth in the following paragraphs. The only change in the application will be the casing configuration. All other aspects of the application remain unchanged.

Amendment No. 1: Casing

The original application allowed use of the existing 5-1/2" production casing as the injection well casing. During preparation for conversion of the well, testing demonstrated that the existing casing would not pass the required mechanical integrity test. The operator proposes that 3-1/2" 9.2 lb/ft. casing be run inside of the 5-1/2" casing. The 3-1/2" casing will be run to 5,000'. It will be cemented back to the surface using Class B cement with friction reducer. A wellbore schematic is attached.

Amendment No. 2: Tubing

An internally plastic coated 2-3/8" with special clearance coupling will be used as the injection string. The injection packer will be a Baker AD1 set in tension inside of the 3-1/2" casing at 4980'.

Amendment No. 3: Plugging Procedure

No changes to the plugging procedure are required. The only exception is that perforation to spot plugs outside of the 5-1/2" casing will be done through the 3-1/2" and through the 5-1/2" casing. Conventional perforating guns have this magnitude of penetration. No additional expense will be incurred.

Amendment of this application is reasonable. It will allow the operator to use this well to recover additional reserves by increasing the waterflood efficiency. The internal casing will protect any useable water zones present.

Sincerely,

A handwritten signature in black ink that reads "John Alexander". The signature is written in a cursive style with a large, prominent initial "J".

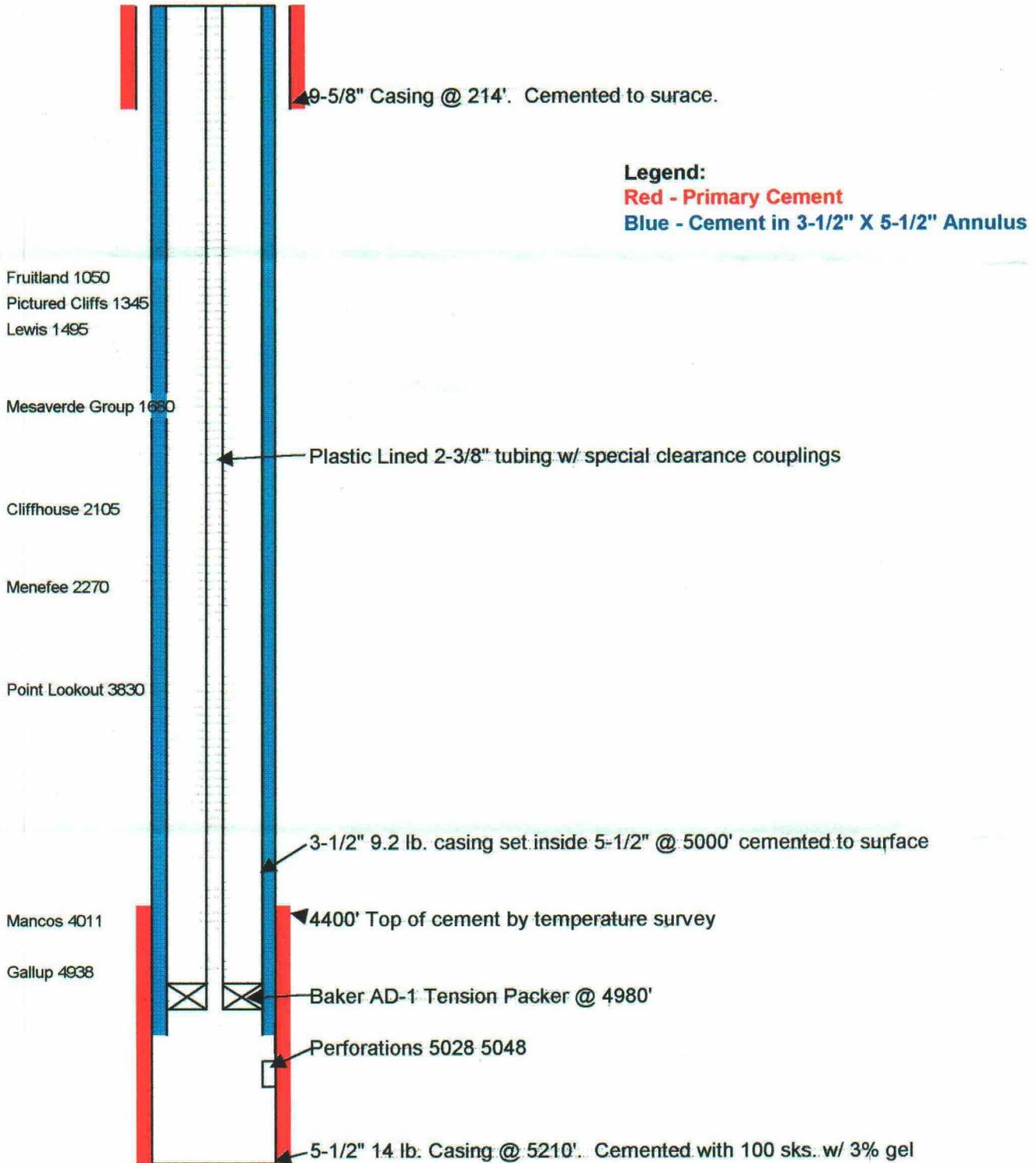
John Alexander
Vice President

CC: Mr. Frank Chavez
NMOCD
1000 Rio Brazos
Aztec, NM 87410

DUGAN PRODUCTION CORP.

West Bisti Unit No. 127, 1980' fnl & 1980' fel, S.28-T.26N-R.13W

Wellbore Schematic Amended Cement Application





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

October 10, 2001

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John Alexander

Re: Amendment of Division Order No. PMX-206
West Bisti Unit No. 127
Unit G, Section 28, T-26 North, R-13 West, NMPM
San Juan County, New Mexico

Dear Mr. Alexander:

Reference is made to your letter dated October 2, 2001, in which you proposed to change the well configuration for the West Bisti Unit No. 127, an approved injection well within Dugan's West Bisti Unit Pressure Maintenance Project. Your request to make the following changes to the well are hereby approved:

- (a) 3 ½ inch 9.2 lb/ft. casing shall be run inside the 5 ½ inch casing from the surface to a depth of 5,000 feet. The 3 ½ inch casing string shall be cemented from 5,000 feet to the surface; and
- (b) internally plastic coated 2 3/8 inch tubing with special clearance shall be used as the injection string. A Baker AD-1 packer shall be set in the 3 ½ inch casing at a depth of 4,980.

All other provisions contained within Division Order No. PMX-206 shall remain in full force and effect.

Sincerely,

Lori Wrotenbery
Director

Xc: OCD-Aztec, File-PMX-206