

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2007 JUN 26

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-8007
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other SWD <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Dugan Production Corp.		7. If Unit or CA Agreement, Name and No.
3a. Address 709 East Murray Drive Farmington, NM 87401		8. Lease Name and Well No. Neoprene SWD #1
3b. Phone No. (include area code) 505-325-1821		9. API Well No. 30-045-22295
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1100' FSL and 1185' FWL At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Mesaverde SWD
11. Sec., T. R. M. or Blk. and Survey or Area Sec. 17, T25N, R10W NMPM		12. County or Parish San Juan
13. State NM		14. Distance in miles and direction from nearest town or post office* Approx. 30-miles south of Bloomfield, New Mexico
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1100 Feet	16. No. of acres in lease 320 Acres 1197.84	17. Spacing Unit dedicated to this well Not Applicable
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. NA	19. Proposed Depth 4400 Feet	20. BLM/BIA Bond No. On File
21. Elevations (Show whether DF, KDB, RT, GL, etc.) G.L. 6495'	22. Approximate date work will start* ASAP	23. Estimated duration 5-Days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

25. Signature Kurt Fagrelis	Name (Printed/Typed) Kurt Fagrelis	Date June 26, 2007
Title Geologist		
Approved by (Signature) [Signature]	Name (Printed/Typed)	Date 8/2/07
Title [Signature]	Office	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

Propose to re-enter the P&A'd Federal #1 (M17) well and complete as a salt water disposal well in the Lower Menefee and Point Lookout Sandstone intervals. The dry hole marker will be removed, a wellhead and BOP will be installed, the cement plugs will be drilled out and a 5-1/2" cast iron bridge plug will be set at 4400'. Mechanical integrity of the 5-1/2" csg. will be tested and if it passes, 2-7/8", plastic lined tubing will be set on a packer 50' above the uppermost perforation. If casing integrity can not be established, a 3-1/2" liner will be set at 4345' and cemented to surface. The Lower Menefee and Point Lookout Sandstones will then be perforated from approximately 3590' - 4270' for salt water disposal.

Permission will be received from the NMOCD prior to placing well into injection service.

OCD Approval contingent on the issuance of an SWD order from Santa Fe Engineering Bureau.

This action is subject to technical and preapproval review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

08-060 NMOCD
BH

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

7007 JUN 26 AMENDED REPORT
4:11

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-22295		*Pool Code 96160	*Pool Name SWD; MESAVERDE
*Property Code 36641	*Property Name NEOPRENE SWD		*Well Number 1
*GRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6495'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	17	25N	10W		1105	SOUTH	1185	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres					13 Joint or Infill		14 Consolidation Code		15 Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16		2632.74'	2634.06'
5288.58'		5280.00'	
17		NM-8007	
1185'		2631.42'	
1105'		2640.66'	
LAT: 36.39680°N LONG: 107.92476°W DATUM: NAD1983			

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.


Kurt Fagrelus 06/26/2007
Signature Date
Kurt Fagrelus
Printed Name

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: JUNE 11, 2007

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

(re-surveyed)

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-045- <u>22295</u>
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other Salt Water Disposal		5. Indicate Type of Lease Federal <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Dugan Production Corp.		6. State Oil & Gas Lease No. Federal NM-8007
3. Address of Operator 709 East Murray Drive, Farmington, NM		7. Lease Name or Unit Agreement Name Neoprene SWD
4. Well Location Unit Letter M : 1108 feet from the south line and 1185 feet from the west line Section 17 Township 25N Range 10W NMPM County San Juan		8. Well Number #1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) G.L. 6495'		9. OGRID Number 006515
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>		10. Pool name or Wildcat Mesaverde Salt Water Disposal
Pit type Drilling Depth to Groundwater +100 Distance from nearest fresh water well +1000 Distance from nearest surface water +200'		
Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls: Construction Material Synthetic		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Reserve pit for drilling (lined) <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐. Modified only as per BLM Conditions of Approval.

SIGNATURE Kurt Fagrelus TITLE Vice President, Exploration DATE 6-26-07
Kurt Fagrelus kufagrelus@duganproduction.com 505-325-1821

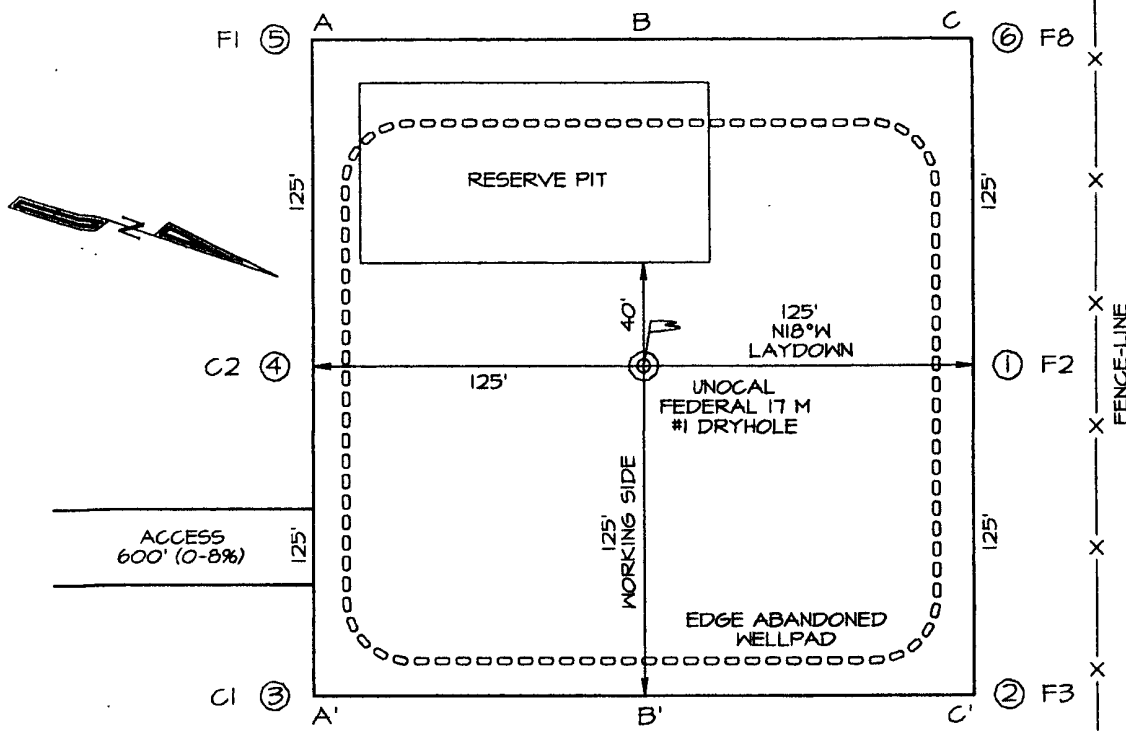
Type or print name E-mail address: Telephone No.

For State Use Only

APPROVED BY: [Signature] TITLE Deputy Oil & Gas Inspector, District #3 DATE AUG 06 2007
Conditions of Approval (if any):

DUGAN PRODUCTION CORPORATION NEOPRENE SWD #1
1105' FSL, 1185' FWL, SECTION 17, T25N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6495'

Plat 3.



LATITUDE: 36.39680° N
LONGITUDE: 107.92476° W
 DATUM: NAD1983

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management

A-A'						
6505'						
6495'						
6485'						

B-B'						
6505'						
6495'						
6485'						

C-C'						
6505'						
6495'						
6485'						

EXHIBIT B
OPERATIONS PLAN
Neoprene SWD #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	645'	Cliff House	2396'
Kirtland	750'	Menefee	2602'
Fruitland	1165'	Point Lookout	4025'
Pictured Cliffs	1525'	Mancos	4205'
Lewis	1642'	Total Depth	4345'
			4400

LOGGING PROGRAM:

Run cased hole GR-CCL from total depth to surface.

CASING PROGRAM:

This is an existing plugged and abandoned well. The following is the original casing and cement information.

Hole Size	Casing Size	Wt./ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	724'	J-55
7-7/8"	5-1/2"	15.5#	6201'	K-55

Previous operator drilled a 12-1/4" hole and set 724' of 8-5/8" OD, 24#, J-55 surface casing. A 7-7/8" hole was then drilled to total depth with gel-water mud program. Open hole IES and CDL/CNL logs were run. 5-1/2", 15.5# K-55 production casing was run and cemented in two stages with a DV tool set at 4302'. The Graneros (?) was perforated, the Dakota was perforated and frac'd and the Cliff House was perforated and frac'd. All zones were squeezed with cement and plugs were left inside casing (5700' and 2200') and at the surface.

CEMENTING PROGRAM:

Surface: Cement to surface with 490 sks regular cement with 2% CaCl and 1/4# Flocele/sk. Circulate 50-sks. to surface.

1st Stage Cement with 250 sks regular cement with 2% CaCl.
Projected top for 1st stage is 4400'.
Full returns while cementing.

2nd Stage Cement with 600 sks regular cement with 2% CaCl.
Projected top for 2nd stage is surface.
Full returns while cementing.

Total cement for both stages is 850 sks.

The well will be re-entered. The dry hole marker will be removed. A well head and a 2,000 psi standard BOP will be installed on the production casing. Cement plugs at

approximately 0-53' and 2200-2460 will be drilled out. Mechanical integrity of the 5-1/2" casing will be tested and if it passes, the injection interval (Lower Menefee and Point Lookout Sandstones, 3590'-4270') will be perforated and 2-7/8", plastic lined tubing will be set on a packer 50' above the uppermost perforation. If casing integrity can not be established, a 3-1/2" liner will be set at 4345' (cemented to surface), the injection interval will then be perforated and 2-3/8" plastic lined tubing will be set on a packer 50' above the uppermost perforation.

Cement Data for 3-1/2" Liner

3-1/2", 9.2#/ft, J-55 NEUE (collar OD 4.25") liner will be cemented inside of 5-1/2", 15.5#/ft K-55 casing (ID 4.95") with 320 cf or 147 sks of BJ Premium Lite High Strength FM with fluid loss and friction reducer (11.3 lb/gal & 2.18 cf/sk).

Maximum Anticipated Bottom Hole Pressure - 1300 psi.

Drilling Fluid - will be fresh water with bentonite (8.9#/gal).

WELLHEAD EQUIPMENT:

Huber 8-5/8"x5-1/2" casing head, 2000# WP, tested to 4000#.
Huber 5-1/2"x2-7/8" tubing head, 2000# WP, tested to 4000#.

BOP and Related Equipment will include for a 2000 psi system:

(Exhibit D)

Annular preventer, double ram, or 2 rams with one being blind and one being a pipe ram.

Kill line (2" minimum)

1 kill line valve (2" minimum)

1 choke line valve

2 chokes

Upper kelly cock valve with handle available

Safety valve and subs to fit all drill string connections in use.

Pressure gauge on choke manifold.

2" minimum choke line.

Fill-up line.

Contacts:

Dugan Prod.Corp. Office & Radio Dispatch: 325-1821

Mark Brown	327-3632 (H)
	320-8247 (M)

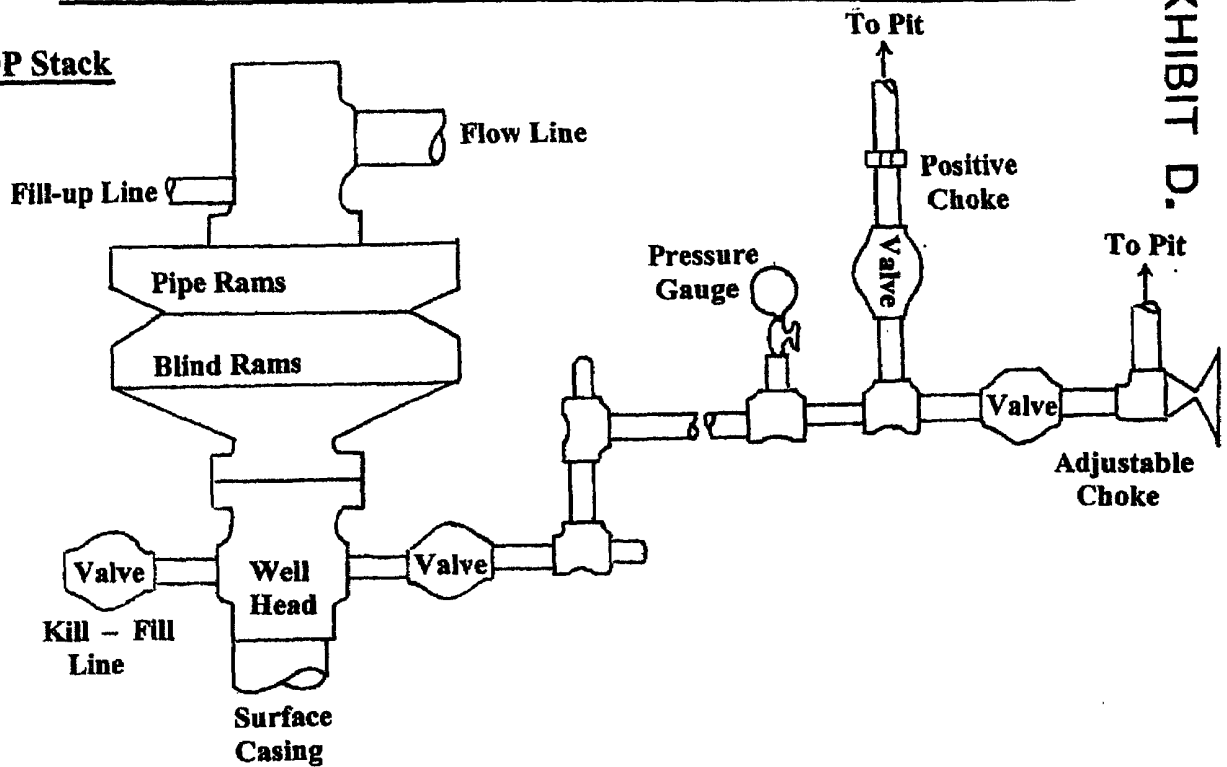
Kurt Fagrelus	325-4327 (H)
	320-8248 (M)

John Alexander	325-6927 (H)
	320-1935 (M)

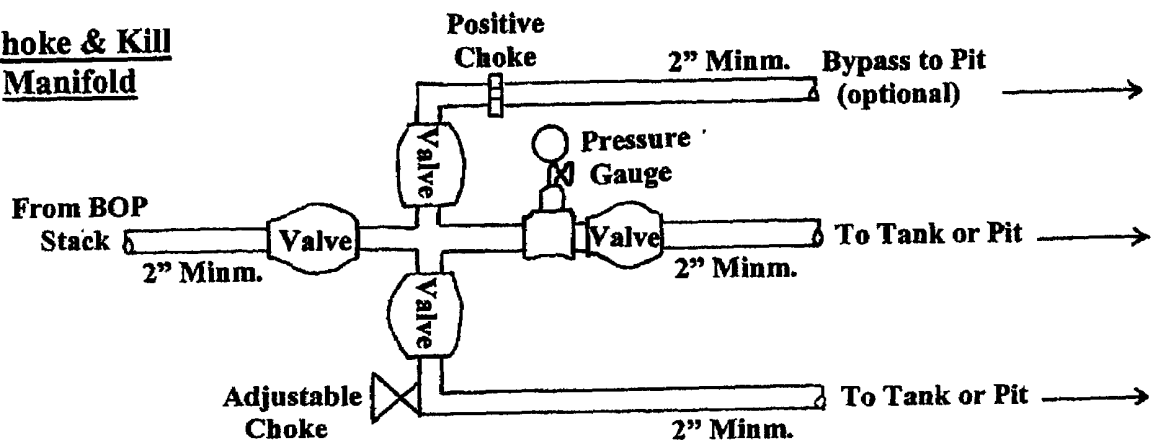
Well Control Equipment Schematic for 2,000 psi BOP

EXHIBIT D.

BOP Stack



Choke & Kill Manifold



Working Pressure for all equipment is 2,000 psi or greater

DUGAN PRODUCTION CORP.
NEOPRENE SWD #1