

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

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

RCVD JUN 29 '07
OIL CONS. DIV.
Form C-103
May 27, 2004

WELL API NO. 30-045-34000	
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. VA-1496	
7. Lease Name or Unit Agreement Name Spandex Com	
8. Well Number 90-S	
9. OGRID Number 006515	
10. Pool name or Wildcat Basin Fruitland Coal	
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.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator Dugan Production Corp.	
3. Address of Operator 709 East Murray Drive, Farmington, NM	
4. Well Location Unit Letter <u>D</u> : <u>1010</u> feet from the <u>north</u> line and <u>1100</u> feet from the <u>west</u> line Section <u>16</u> Township <u>25N</u> Range <u>10W</u> NMPM County <u>San Juan</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GL-6524'	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type <u>Drilling</u> Depth to Groundwater <u>+100'</u> Distance from nearest fresh water well <u>+1000'</u> Distance from nearest surface water <u>+200'</u>	
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>bbls</u> ; Construction Material <u>Synthetic</u>	

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

Experimental test to dispose of drilling
OTHER: mud and produced water ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

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 or recompletion.

Operator would like to conduct experimental tests to dispose of drilling mud and produced water using a newly developed atomization process. Temporary facilities including an air compressor, containment screens, piping and venturi jets have been installed. Drilling mud from the subject well and Dugan's Latex #1-S (SENW, S.9, T25N, R10W) and produced water from Dugan's Neoprene Com #90 (NESE, S.17, T25N, R10W) will be used in the tests. Approximately 500-bbls of drilling mud will be transferred from the Latex #1-S and 500-bls of produced water will be transferred from the Neoprene Com #90 to the reserve pit on the Spandex #90-S well site. This water will be atomized and evaporated by pumping compressed air and mud/water through the venturi jets. Containment screens are designed and constructed to confine vapor cloud and all precipitated solids to pit area. Operator requests 21-days from date of approval for test period. Produced water in pits will be kept free of all hydrocarbons.

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 NMOCDD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Kurt Fagrelus TITLE Vice President, Exploration DATE June 29, 2007
Kurt Fagrelus kfagrelus@duganproduction.com 505-325-1821
Type or print name E-mail address: Telephone No.

For State Use Only

APPROVED BY: Brandon Powell TITLE Environmental Specialist DATE 6-29-07
Conditions of Approval (if any):

* No more than 1000 bbls of produced water can be transferred to this site.
* Project reports will be required at the end of the project, reports must include total fluids transferred, average hourly rate of evaporation, and any other project information.