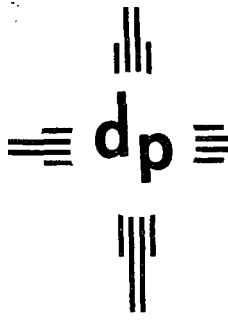


9/14/06 10/4/06 SWD-1048 P TDS 0626/50875



dugan production corp.

2006 SEP 18 PM 12 42

30-045-33865
(1325 PSI)
September 15, 2006

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

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--
7005 2570 0001 3771 6142

BLM

Re: Application to Class 2, water disposal well, Frazzle SWD #1 San Juan County, NM

Dear Mr. Jones:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Frazzle SWD #1. 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 surface owners and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times. Signed and notarized copy will be sent once received.

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
Ms. Debbie Padilla-New Mexico State Land Office, PO Box 1148, Santa Fe, NM 87504-1148
Mr. James Miles-Federal Indian Minerals Office, 1235 La Plata Hwy, Farmington, NM 87401
Navajo Nation Minerals Dept., PO Box 1910, Window Rock, AZ 86515
Coleman Oil and Gas Co., Drawer 3337, Farmington, NM 87499-3337
Mr. Ty Stillman-EOG Resources Inc., 600 17th St., Suite 1100 N, Denver, CO 80202
Ms. Melissa Wittler-North American Petr. Corp., 1401 17th St., Suite 310, Denver, CO 80202
Mr. Rich Corcoran-Well Fleet Drlg. LLC, 2010 Afton Place, Farmington, NM 87401

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage
Application qualifies for administrative approval? 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 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: Kurt Fagrelius

TITLE: V.P. Exploration

SIGNATURE: Kurt Fagrelius

DATE: 9/1/2006

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: _____

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

Dugan Production Corp.

Frazzle SWD #1

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 Frazzle SWD #1 well, located 795' FNL & 2180' FWL, Sec. 30, Twn. 24N, Rng. 10W, San Juan Co., NM. Produced water will be injected into the Entrada Sandstone between 6625' and 6825'. The maximum injection pressure will be 1325 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 plans are to begin drilling rig September or October of 2006. 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.

Frazzle SWD #1

Part III. Well Data

A. Tabular Information

1. Name: Frazzle SWD #1

Location: 795' FNL & 2180' FWL
Sec. 30, T24N, R10W
San Juan Co., NM
2. Surface Casing: 8-5/8" 24#, J-55 set @ 360'. Cemented with 250-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 @ 6875'.
Cement in two stages with stage tool at 3620' using 630 cu.ft. in first stage and 800 cu.ft in the second stage. Circulate cement to surface on second stage.
Hole size – 7-7/8".
3. Injection Tubing: 2-7/8", EUE, 6.5#, plastic lined tubing.
4. Packer: Baker Model AD-1 tension packer, plastic lined, will be set at 6575' or 50' above the upper most perforation.

B. Additional Information

1. Injection Interval: Entrada Sandstone.
2. The injection interval (Entrada 6625' – 6825') will be perforated.
3. The well (Frazzle SWD #1) will be drilled for the purpose of injection.
4. Only the injection interval is to be perforated.
5. Fruitland Coal / Pictured Cliffs Sandstone – Approx. 990', Gallup Sandstone – Approx. 4425'.

INJECTION WELL DATA SHEET

OPERATOR: Dugan Production Corp.

WELL NAME & NUMBER: Frazzle SMD #1

WELL LOCATION: 795' FNL and 2180' FNL

FOOTAGE LOCATION

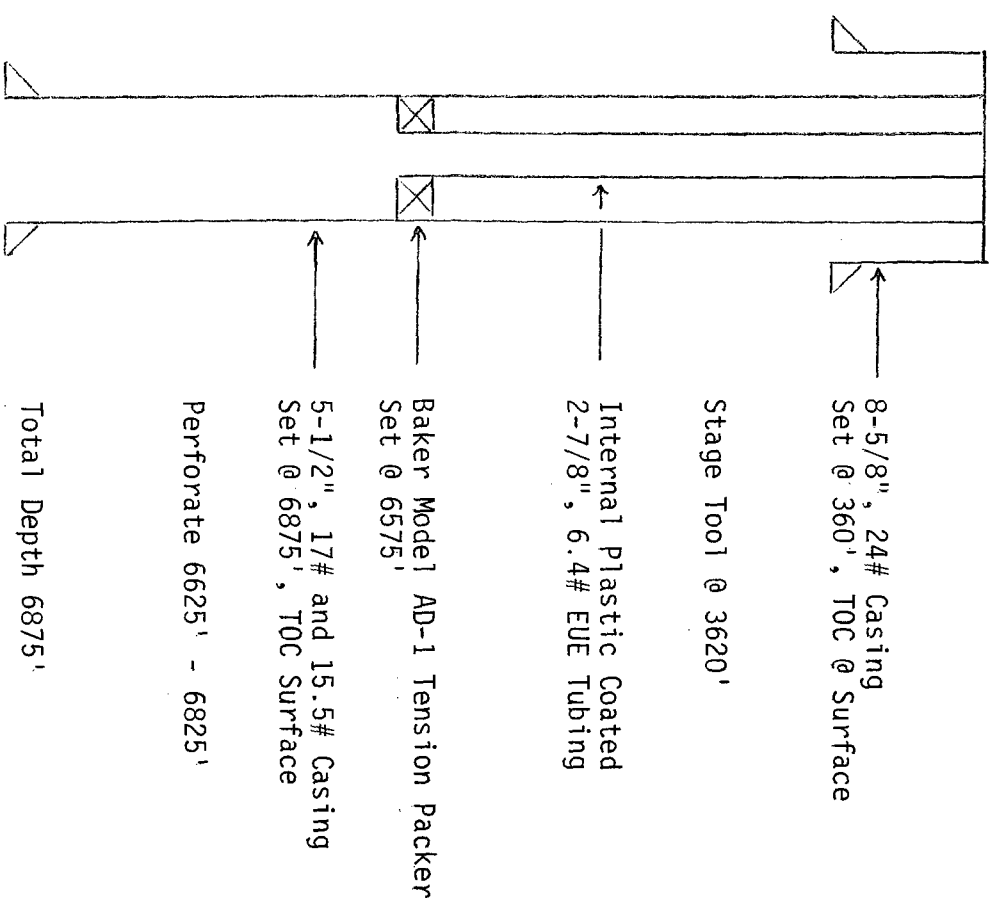
UNIT LETTER

SECTION

TOWNSHIP

RANGE

WELLBORE SCHEMATIC



WELL CONSTRUCTION DATA

Surface Casing

Hole Size: 12-1/4" Casing Size: 8-5/8"
Cemented with: 180 sx. or 250 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: 650 sx. or 1430 ft³
Top of Cement: Surface Method Determined: Will Circulate
Total Depth: 6875'

Injection Interval

6625' feet to 6825'

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEETTubing Size: 2-7/8" Lining Material: PlasticType of Packer: Baker Model AD-1 set in tension (5-1/2")Packer Setting Depth: 6575' (50' above uppermost perforation)

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

Additional Data

1. Is this a new well drilled for injection? ☒ 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

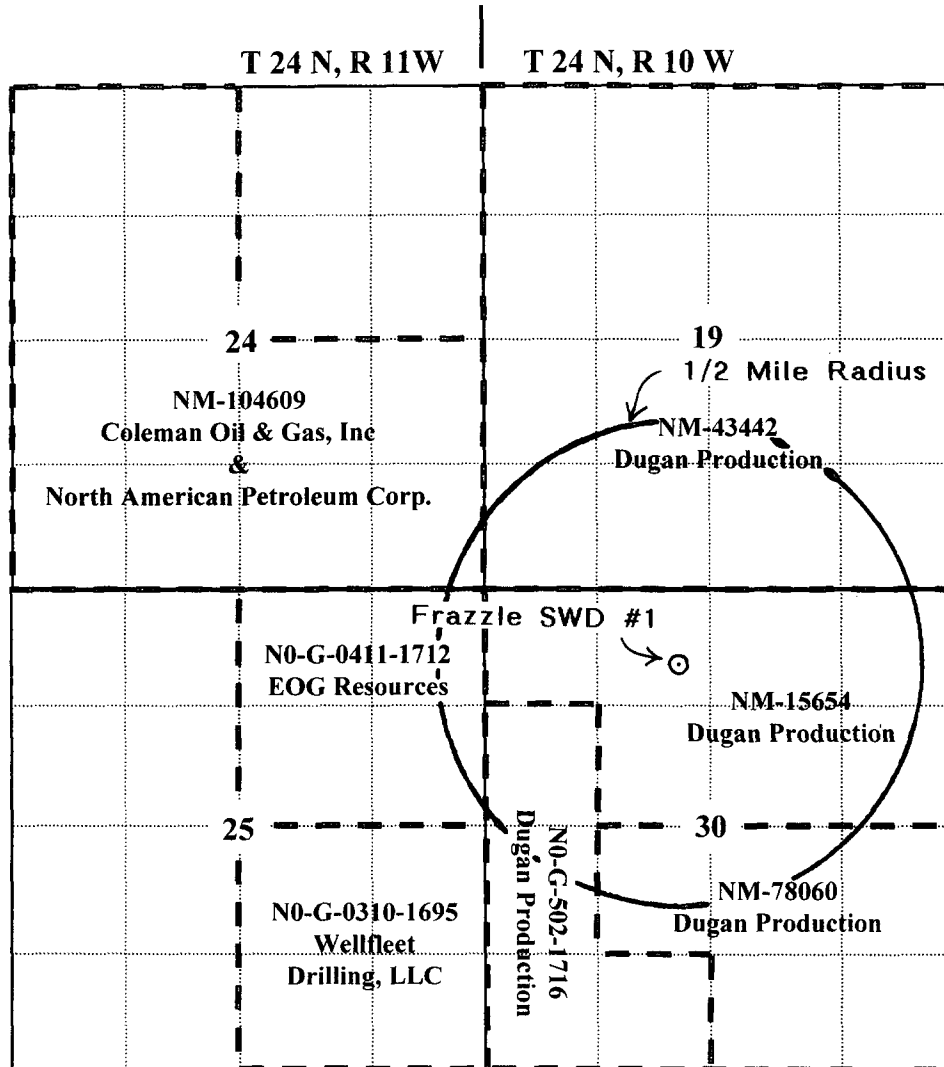
4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. New well will be drilled for purpose of injection into Entrada Ss., no other zones will be perf'd.

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: Fruitland Coal 950', Gallup Ss. 4425'.

Va. Lease Owner Map

TOWNSHIP 24 NORTH, RANGE 10 WEST
SAN JUAN COUNTY, NEW MEXICO

OFFSET OPERATOR/LESSEE



Dugan Production Corp.

Frazzle SWD #1

Sec. 30, T24N, R10W

795' FNL and 2180' FWL

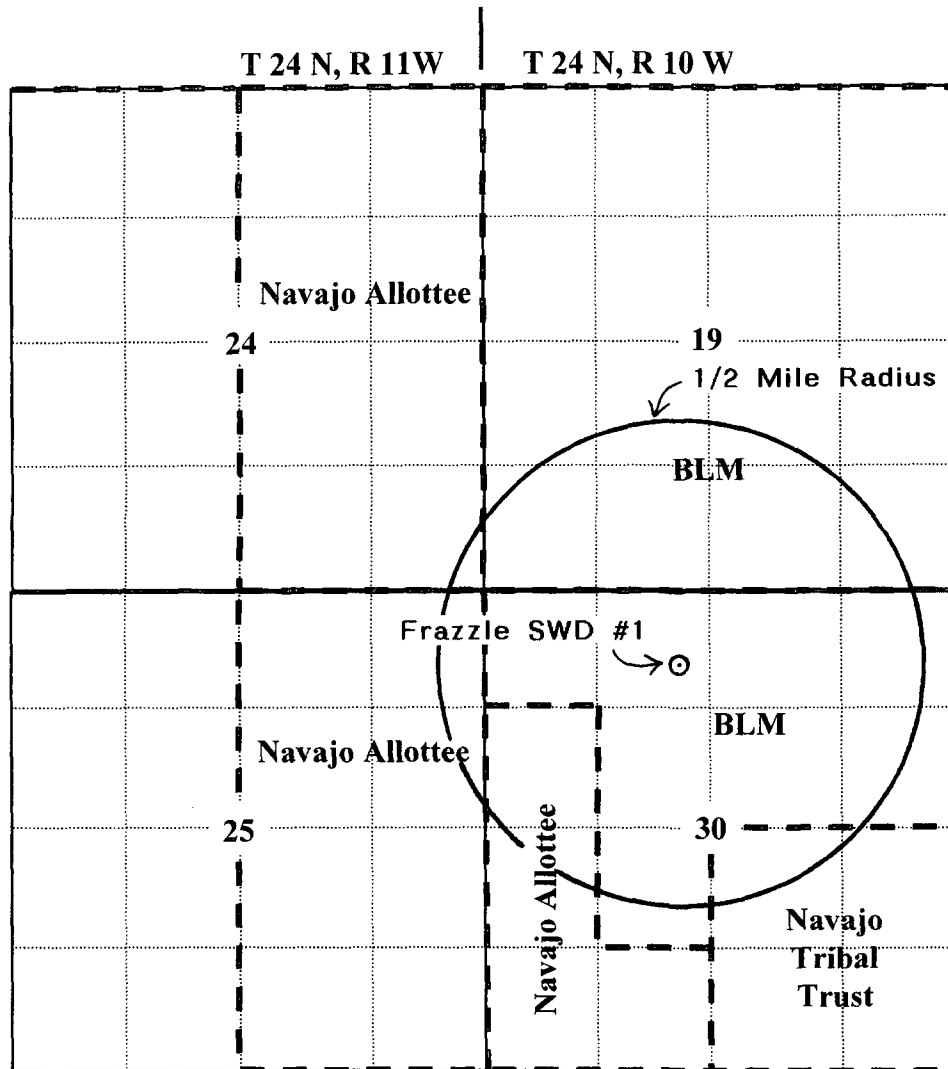
San Juan County, New Mexico

Salt Water Disposal Application

.Vb. Surface Owner Map

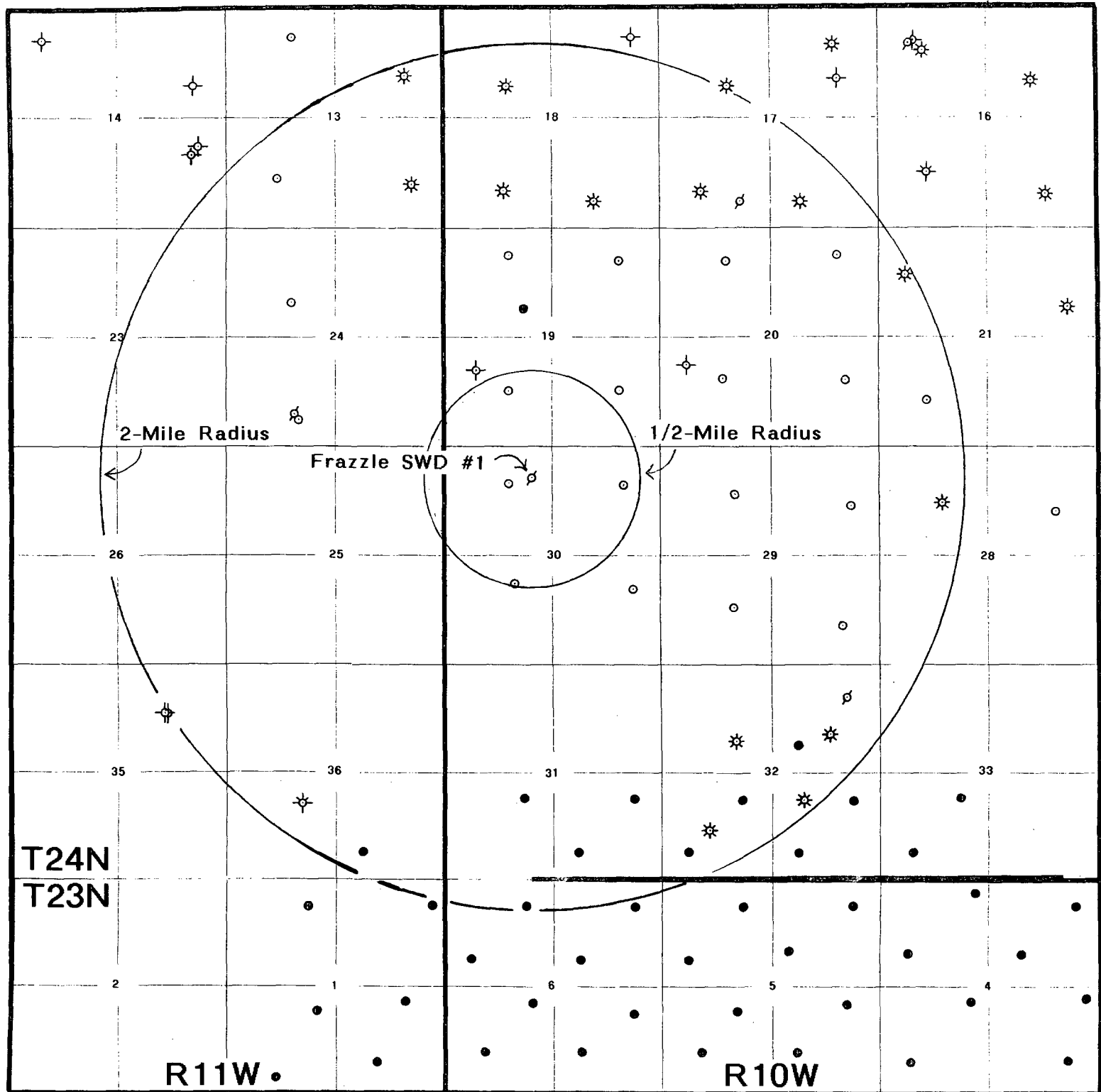
**TOWNSHIP 24 NORTH, RANGE 10 WEST
SAN JUAN COUNTY, NEW MEXICO**

SURFACE OWNERSHIP



Dugan Production Corp.
Frazzle SWD #1
Sec. 30, T24N, R10W
795' FNL and 2180' FWL
San Juan County, New Mexico

Part Vc. Well Map



Dugan Production Corp.
Frazzle SWD #1
Sec. 30, T24N, R10W
795' FNL and 2180' FWL
San Juan County, New Mexico
Salt Water Disposal Application

Application for Authorization to Inject

Dugan Production Corp.

Frazzle SWD #1

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

Dugan Production Corp., Frazzle SWD #1, S.30, T24N, R10W

OPERATOR	WELL NAME	WELL NO	TWN	RGE	SEC	UL	FTAGE NS	FTAGE EW	STATUS	POOL	TD
COLEMAN O&G CO	JUNIPER SWD	1	24N	10W	16	D	880/N	730/W	CO	SWD; MESAVERDE	4125
COLEMAN O&G CO	JUNIPER	11	24N	10W	16	D	975/N	1075/W	CO	BASIN FRUITLAND COAL	1550
TENNECO OIL CO	MONUMENT	2	24N	10W	16	D	800/N	800/W	PA	WC D3;DAKOTA	6190
COLEMAN O&G CO	JUNIPER 16	32	24N	10W	16	G	1750/N	1545/E	CO	BASIN FRUITLAND COAL	1640
COLEMAN O&G CO	JUNIPER	1	24N	10W	16	M	1310/S	1200/W	SI	BASIN FRUITLAND COAL	1473
COLEMAN O&G CO	JUNIPER 16	44	24N	10W	16	P	800/S	1200/E	CO	BASIN FRUITLAND COAL	1590
COLEMAN O&G CO	JUNIPER COM 17	41	24N	10W	17	A	900/N	1140/E	CO	BASIN FRUITLAND COAL	1550
LYNCO OIL CORP	MONUMENT	1	24N	10W	17	H	1650/N	990/E	PA	WC D3;DAKOTA	6100
COLEMAN O&G CO	JUNIPER COM 17	14	24N	10W	17	M	900/S	1050/W	CO	BASIN FRUITLAND COAL	1345
COLEMAN O&G CO	JUNIPER COM 17	22	24N	10W	17	F	1830/N	1655/W	CO	BASIN FRUITLAND COAL	1425
COLEMAN O&G CO	JUNIPER SWD	4	24N	10W	17	N	660/S	2015/W	CO	SWD; MESAVERDE	3939
COLEMAN O&G CO	JUNIPER COM 17	34	24N	10W	17	O	660/S	1900/E	CO	BASIN FRUITLAND COAL	1378
HL FANNIN JR	WOODARD	1	24N	10W	18	A	660/N	660/E	PA	WC D3;GALLUP	5053
COLEMAN O&G CO	JUNIPER COM 18	22	24N	10W	18	F	1890/N	1570/W	CO	BASIN FRUITLAND COAL	1300
COLEMAN O&G CO	JUNIPER COM 18	24	24N	10W	18	N	950/S	1500/W	CO	BASIN FRUITLAND COAL	1265
COLEMAN O&G CO	JUNIPER 17	34	24N	10W	18	O	660/S	1600/E	CO	BASIN FRUITLAND COAL	1328
BENSON MIN. GRP. INC	FEDERAL 19-24-10	1	24N	10W	19	L	1840/S	800/W	PA	WC D3;CHACRA	1850
DUGAN PROD. CORP	ZOE	91	24N	10W	19	A	790/N	970/E	PE	BASIN FRUITLAND COAL	1335
DUGAN PROD. CORP	ZOE	90-S	24N	10W	19	C	660/N	1600/W	PE	BASIN FRUITLAND COAL	1270
DUGAN PROD. CORP	ZOE	90	24N	10W	19	L	1350/S	1600/W	PE	BASIN FRUITLAND COAL	1200
DUGAN PROD. CORP	ZOE	91-S	24N	10W	19	I	1350/S	990/E	PE	BASIN FRUITLAND COAL	1260
DUGAN PROD. CORP	TARGET	1	24N	10W	20	F	1980/N	1980/W	CO	BIST LOWER GALLUP	4930
DUGAN PROD. CORP	BIFF	90-S	24N	10W	20	C	800/N	1600/W	PE	BASIN FRUITLAND COAL	1390
DUGAN PROD. CORP	BIFF	90	24N	10W	20	K	1650/S	1550/W	PE	BASIN FRUITLAND COAL	1325
DUGAN PROD. CORP	BIFF	91-S	24N	10W	20	I	1600/S	790/E	PE	BASIN FRUITLAND COAL	1380
DUGAN PROD. CORP	BIFF	91	24N	10W	20	A	660/N	990/E	PE	BASIN FRUITLAND COAL	1450
PAUL CASE	CASE	1	24N	10W	20	L	1980/S	660/W	PA	WC D3;GALLUP	4900
COLEMAN O&G CO	JUNIPER 21	11	24N	10W	21	D	1125/N	660/W	CO	BASIN FRUITLAND COAL	1420
COLEMAN O&G CO	JUNIPER COM 21	44	24N	10W	21	P	1100/S	1200/E	PE	BASIN FRUITLAND COAL	1540
COLEMAN O&G CO	JUNIPER 21	42	24N	10W	21	H	1900/N	660/E	CO	BASIN FRUITLAND COAL	1500
COLEMAN O&G CO	JUNIPER COM 28	42	24N	10W	28	H	1600/N	950/E	PE	BASIN FRUITLAND COAL	1365
COLEMAN O&G CO	JUNIPER COM 28	22	24N	10W	28	F	1375/N	1520/W	CO	BASIN FRUITLAND COAL	1345
COLEMAN O&G CO	JUNIPER COM 28	90	24N	10W	29	K	1400/S	1850/W	PE	BASIN FRUITLAND COAL	1195
DUGAN PROD. CORP	HOMER COM	91-S	24N	10W	29	P	960/S	900/E	PE	BASIN FRUITLAND COAL	1225
DUGAN PROD. CORP	HOMER COM	90-S	24N	10W	29	C	1150/N	1850/W	PE	BASIN FRUITLAND COAL	1250

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

Dugan Production Corp., Frazzle SWD #1, S.30, T24N, R10W

OPERATOR	WELL NAME	WELL NO	TWN	RGE	SEC	UL	FTAGE NS	FTAGE EW	STATUS	POOL	TD
DUGAN PROD. CORP	HOMER COM	91	24N	10W	29	H	1450/N	660/E	PE	BASIN FRUITLAND COAL	1300
DUGAN PROD. CORP	FRAZZLE COM	91	24N	10W	30	A	990/N	900/E	PE	BASIN FRUITLAND COAL	1200
DUGAN PROD. CORP	FRAZZLE COM	90-S	24N	10W	30	C	900/N	1600/W	PE	BASIN FRUITLAND COAL	1120
DUGAN PROD. CORP	FRAZZLE SWD	1	24N	10W	30	C	795/N	2180/W	PE	ENTRADA SWD	6875
DUGAN PROD. CORP	FRAZZLE COM	90	24N	10W	30	K	1995/S	1815/W	PE	BASIN FRUITLAND COAL	1100
DUGAN PROD. CORP	FRAZZLE COM	91-S	24N	10W	30	H	1865/S	660/E	PE	BASIN FRUITLAND COAL	1125
DUGAN PROD. CORP	GOLD MEDAL	3	24N	10W	31	I	1980/S	660/E	CO	SOUTH BISTI GALLUP	4743
DUGAN PROD. CORP	GOLD MEDAL	6	24N	10W	31	K	1980/S	1980/W	CO	SOUTH BISTI GALLUP	4720
DUGAN PROD. CORP	GOLD MEDAL	5	24N	10W	31	O	660/S	1980/E	CO	SOUTH BISTI GALLUP	4736
DUGAN PROD. CORP	MARY LOU	1	24N	10W	32	A	800/N	800/E	CO	SWD MESAVERDE	4815
DUGAN PROD. CORP	MARY LOU	1	24N	10W	32	A	800/N	800/E	CO	SWD MESAVERDE	4815
DUGAN PROD. CORP	MARY LOU	1	24N	10W	32	A	800/N	800/E	ZA	SOUTH BISTI GALLUP	4815
DUGAN PROD. CORP	MARY LOU	91S	24N	10W	32	F	1965/N	1850/W	CO	BASIN FRUITLAND COAL	1180
DUGAN PROD. CORP	MARY LOU	2	24N	10W	32	G	1980/N	1980/E	CO	SOUTH BISTI GALLUP	4840
DUGAN PROD. CORP	MARY LOU	91	24N	10W	32	H	1700/N	1200/E	CO	BASIN FRUITLAND COAL	
DUGAN PROD. CORP	MARY LOU	3	24N	10W	32	I	1980/S	660/E	CO	SOUTH BISTI GALLUP	4825
DUGAN PROD. CORP	MARY LOU	90S	24N	10W	32	J	1955/S	1850/E	CO	BASIN FRUITLAND COAL	1185
DUGAN PROD. CORP	MARY LOU	5	24N	10W	32	K	1980/S	1980/W	CO	SOUTH BISTI GALLUP	4810
DUGAN PROD. CORP	MARY LOU	90	24N	10W	32	M	1200/S	1200/W	CO	BASIN FRUITLAND COAL	1100
DUGAN PROD. CORP	MARY LOU	6	24N	10W	32	M	660/S	660/W	CO	SOUTH BISTI GALLUP	4770
DUGAN PROD. CORP	MARY LOU	4	24N	10W	32	O	660/S	1980/E	CO	SOUTH BISTI GALLUP	4810
DUGAN PROD. CORP	GOLD MEDAL	2	24N	10W	33	K	1980/S	1980/W	CO	SOUTH BISTI GALLUP	4834
DUGAN PROD. CORP	GOLD MEDAL	4	24N	10W	33	M	660/S	810/W	CO	SOUTH BISTI GALLUP	4800
COLEMAN O&G CO	JUNIPER WEST COM 13	42	24N	11W	13	H	1550/N	900/E	CO	BASIN FRUITLAND COAL	1265
COLEMAN O&G CO	JUNIPER WEST COM 13	44	24N	11W	13	P	1050/S	750/E	CO	BASIN FRUITLAND COAL	1225
COLEMAN O&G CO	JUNIPER WEST COM 13	14	24N	11W	13	M	1200/S	1250/W	PE	BASIN FRUITLAND COAL	1260
COLEMAN O&G CO	JUNIPER WEST COM 13	21	24N	11W	13	C	665/N	1600/W	PE	BASIN FRUITLAND COAL	1350
DUGAN PROD. CORP	OSCAR THE GROUCH	1	24N	11W	14	D	790/N	790/W	PA	WC D3:CHACRA	1815
DUGAN PROD. CORP	MEAN BETTY JEAN	1	24N	11W	14	H	1850/N	790/E	PA	WC D3:CHACRA	1780
PHILLIPS PETRO. CO	GALLEGOS	1	24N	11W	14	I	1980/S	660/E	PA	WC D3:GALLUP	4838
TENNECO OIL CO	GROVER	2	24N	11W	14	I	1790/S	850/E	PA	WC D3:PICTURED CLIFFS	1280
COLEMAN O&G CO	JUNIPER WEST COM 24	22	24N	11W	24	F	1850/N	1605/W	PE	BASIN FRUITLAND COAL	1215
COLEMAN O&G CO	JUNIPER WEST COM 24	24	24N	11W	24	N	670/S	1810/W	PE	BASIN FRUITLAND COAL	1150
COLEMAN O&G CO	JUNIPER WEST SWD	1	24N	11W	24	N	700/S	1715/W	PE	SWD, MESAVERDE	3640
NORTHSTAR O&G CORP	FEDERAL STRAT TEST C	1C	24N	11W	35	B	1214/N	1478/E	PA	STRAT TEST MANCOS	1981
NORTHSTAR O&G CORP	FEDERAL STRAT TEST C	1Y	24N	11W	35	B	1214/N	1443/E	PA	MANCOS	2110

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

Dugan Production Corp., Frazzle SWD #1, S.30, T24N, R10W

OPERATOR	WELL NAME	WELL NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
DUGAN PROD. CORP	ROAD RUNNER	90	24N	11W	36	K	1850/S	1850/W	TA	BASIN FRUITLAND COAL	1030
DUGAN PROD. CORP	ROAD RUNNER	1	24N	11W	36	O	660/S	1980/E	CO	SOUTH BISTI GALLUP	4700
DUGAN PROD. CORP	MARATHON	1	23N	10W	4	A	630/N	550/E	CO	SOUTH BISTI GALLUP	4825
DUGAN PROD. CORP	MONTREAL	1	23N	10W	4	C	330/N	2310/W	CO	SOUTH BISTI GALLUP	4800
DUGAN PROD. CORP	LAKE PLACID	1	23N	10W	4	I	2310/S	330/E	CO	SOUTH BISTI GALLUP	4800
DUGAN PROD. CORP	SQUAW VALLEY	1	23N	10W	4	K	2310/S	2210/W	CO	SOUTH BISTI GALLUP	4760
DUGAN PROD. CORP	MONTREAL	2	23N	10W	4	E	1830/N	660/W	CO	SOUTH BISTI GALLUP	4705
DUGAN PROD. CORP	MARATHON	2	23N	10W	4	G	1830/N	1830/E	CO	SOUTH BISTI GALLUP	1820
DUGAN PROD. CORP	SQUAW VALLEY	2	23N	10W	4	M	810/S	730/W	CO	SOUTH BISTI GALLUP	4640
DUGAN PROD. CORP	CHAMP	3	23N	10W	5	O	660/N	660/E	CO	SOUTH BISTI GALLUP	4755
DUGAN PROD. CORP	CHAMP	1	23N	10W	5	C	660/N	1980/W	CO	SOUTH BISTI GALLUP	4720
DUGAN PROD. CORP	CHAMP	2	23N	10W	5	E	1980/N	660/W	CO	SOUTH BISTI GALLUP	4708
DUGAN PROD. CORP	CHAMP	4	23N	10W	5	G	1740/N	2235/E	CO	SOUTH BISTI GALLUP	4715
DUGAN PROD. CORP	CHAMP	5	23N	10W	5	I	2150/S	800/E	CO	SOUTH BISTI GALLUP	4641
DUGAN PROD. CORP	CHAMP	7	23N	10W	5	K	1980/S	1830/W	CO	SOUTH BISTI GALLUP	4655
DUGAN PROD. CORP	CHAMP	8	23N	10W	5	M	990/S	900/W	CO	SOUTH BISTI GALLUP	4670
DUGAN PROD. CORP	CHAMP	6	23N	10W	5	O	990/S	1980/E	CO	SOUTH BISTI GALLUP	4630
DUGAN PROD. CORP	CALGARY	88	23N	10W	6	A	660/N	660/E	CO	SOUTH BISTI GALLUP	4715
DUGAN PROD. CORP	CALGARY	3	23N	10W	6	C	660/N	1980/W	CO	SOUTH BISTI GALLUP	4660
DUGAN PROD. CORP	CALGARY	4	23N	10W	6	E	1980/N	660/W	CO	SOUTH BISTI GALLUP	4625
DUGAN PROD. CORP	CALGARY	2	23N	10W	6	G	1980/N	1980/E	CO	SOUTH BISTI GALLUP	4670
DUGAN PROD. CORP	CALGARY	5	23N	10W	6	I	1980/S	660/E	CO	SOUTH BISTI GALLUP	4660
DUGAN PROD. CORP	CALGARY	6	23N	10W	6	K	2205/S	2205/W	CO	SOUTH BISTI GALLUP	4620
DUGAN PROD. CORP	CALGARY	8	23N	10W	6	M	990/S	990/W	CO	SOUTH BISTI GALLUP	4590
DUGAN PROD. CORP	CALGARY	7	23N	10W	6	O	990/S	1980/E	CO	SOUTH BISTI GALLUP	4655
DUGAN PROD. CORP	FLO JO	1	23N	11W	1	A	660/N	330/E	CO	SOUTH BISTI GALLUP	4670
DUGAN PROD. CORP	FLO JO	2	23N	11W	1	C	660/N	1980/W	CO	SOUTH BISTI GALLUP	4646
DUGAN PROD. CORP	FLO JO	4	23N	11W	1	I	2225/S	975/E	CO	SOUTH BISTI GALLUP	4625
DUGAN PROD. CORP	FLO JO	6	23N	11W	1	K	1990/S	2230/W	CO	SOUTH BISTI GALLUP	4650
DUGAN PROD. CORP	FLO JO	7	23N	11W	1	M	330/S	1190/W	CO	S BISTI GALLUP	4630
DUGAN PROD. CORP	FLO JO	5	23N	11W	1	O	725/S	1650/E	CO	SOUTH BISTI GALLUP	4570

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.

Frazzle SWD #1

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: 1100 psi and the maximum will be 1325 psi.
 4. The source of injected water will be produced water from Fruitland Coal wells in the area (T24N and T23N, R10W). 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.
-

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

VII-4a.

Client:	Dugan Production	Project #:	06094-003
Sample ID:	Elmo Com #90	Date Reported:	09-06-06
Laboratory Number:	38357 Sec.11, T24N, R11W	Date Sampled:	09-05-06
Chain of Custody:	1424	Date Received:	09-05-06
Sample Matrix:	Water	Date Extracted:	N/A
Preservative:	Cool	Date Analyzed:	09-06-06
Condition:	Cool & Intact		

Parameter	Analytical Result	Units
pH	7.13	s.u.
Conductivity @ 25° C	20,370	umhos/cm
Total Dissolved Solids @ 180C	12,600	mg/L
Total Dissolved Solids (Calc)	13,020	mg/L
SAR	115	ratio
Total Alkalinity as CaCO3	730	mg/L
Total Hardness as CaCO3	353	mg/L

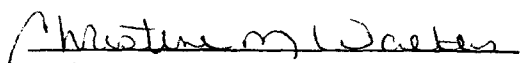
Bicarbonate as HCO3	730	mg/L	11.96	meq/L
Carbonate as CO3	<0.1	mg/L	0.00	meq/L
Hydroxide as OH	<0.1	mg/L	0.00	meq/L
Nitrate Nitrogen	0.1	mg/L	0.00	meq/L
Nitrite Nitrogen	0.002	mg/L	0.00	meq/L
Chloride	7,480	mg/L	211.01	meq/L
Fluoride	0.42	mg/L	0.02	meq/L
Phosphate	1.40	mg/L	0.04	meq/L
Sulfate	<0.1	mg/L	0.00	meq/L
Iron	1.30	mg/L	0.05	meq/L
Calcium	106	mg/L	5.27	meq/L
Magnesium	21.8	mg/L	1.79	meq/L
Potassium	19.2	mg/L	0.49	meq/L
Sodium	4,950	mg/L	215.33	meq/L

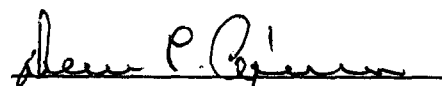
Cations	222.88	meq/L
Anions	223.04	meq/L

Cation/Anion Difference 0.07%

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments:


Analyst


Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

VII-4b.

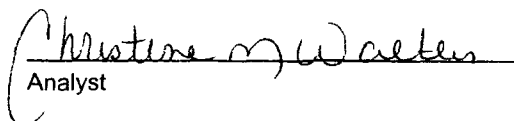
Client: Dugan Production
 Sample ID: Mary Lou Corn #91
 Laboratory Number: 38358 **Sec.32, T24N, R10W**
 Chain of Custody: 1424
 Sample Matrix: Water
 Preservative: Cool
 Condition: Cool & Intact

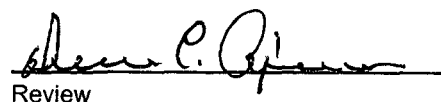
Project #: 06094-003
 Date Reported: 09-06-06
 Date Sampled: 09-05-06
 Date Received: 09-05-06
 Date Extracted: N/A
 Date Analyzed: 09-06-06

Parameter	Analytical Result	Units		
pH	7.08	s.u.		
Conductivity @ 25° C	20,900	umhos/cm		
Total Dissolved Solids @ 180C	13,550	mg/L		
Total Dissolved Solids (Calc)	13,330	mg/L		
SAR	117	ratio		
Total Alkalinity as CaCO3	700	mg/L		
Total Hardness as CaCO3	355	mg/L		
Bicarbonate as HCO3	700	mg/L	11.47	meq/L
Carbonate as CO3	<0.1	mg/L	0.00	meq/L
Hydroxide as OH	<0.1	mg/L	0.00	meq/L
Nitrate Nitrogen	0.6	mg/L	0.01	meq/L
Nitrite Nitrogen	0.011	mg/L	0.00	meq/L
Chloride	7,680	mg/L	216.65	meq/L
Fluoride	0.77	mg/L	0.04	meq/L
Phosphate	2.60	mg/L	0.08	meq/L
Sulfate	<0.1	mg/L	0.00	meq/L
Iron	15.0	mg/L	0.54	meq/L
Calcium	98.9	mg/L	4.93	meq/L
Magnesium	26.4	mg/L	2.17	meq/L
Potassium	25.4	mg/L	0.65	meq/L
Sodium	5,070	mg/L	220.55	meq/L
Cations			228.30	meq/L
Anions			228.26	meq/L
Cation/Anion Difference			0.02%	

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.
 Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments:


 Analyst


 Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

VII-4C.

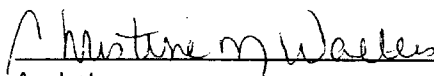
Client: Dugan Production
Sample ID: Harry Monster #91S
Laboratory Number: 38360 Sec.12, T24N, R11W
Chain of Custody: 1424
Sample Matrix: Water
Preservative: Cool
Condition: Cool & Intact

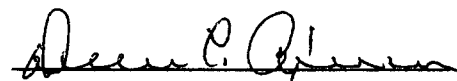
Project #: 06094-003
Date Reported: 09-06-06
Date Sampled: 09-05-06
Date Received: 09-05-06
Date Extracted: N/A
Date Analyzed: 09-06-06

Parameter	Analytical Result	Units		
pH	7.28	s.u.		
Conductivity @ 25° C	20,460	umhos/cm		
Total Dissolved Solids @ 180C	13,330	mg/L		
Total Dissolved Solids (Calc)	13,080	mg/L		
SAR	113	ratio		
Total Alkalinity as CaCO3	760	mg/L		
Total Hardness as CaCO3	368	mg/L		
Bicarbonate as HCO3	760	mg/L	12.46	meq/L
Carbonate as CO3	<0.1	mg/L	0.00	meq/L
Hydroxide as OH	<0.1	mg/L	0.00	meq/L
Nitrate Nitrogen	0.3	mg/L	0.00	meq/L
Nitrite Nitrogen	0.005	mg/L	0.00	meq/L
Chloride	7,500	mg/L	211.58	meq/L
Fluoride	0.53	mg/L	0.03	meq/L
Phosphate	2.20	mg/L	0.07	meq/L
Sulfate	<0.1	mg/L	0.00	meq/L
Iron	0.753	mg/L	0.03	meq/L
Calcium	106	mg/L	5.29	meq/L
Magnesium	25.2	mg/L	2.07	meq/L
Potassium	18.4	mg/L	0.42	meq/L
Sodium	4,970	mg/L	216.20	meq/L
Cations			224.03	meq/L
Anions			224.13	meq/L
Cation/Anion Difference			0.05%	

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments:


Analyst


Review

Application for Authorization to Inject

Dugan Production Corp.

FRAZZLE SWD #1

Part VIII. Geologic Data

The proposed injection interval is the Entrada Sandstone from approximately 6625 – 6825 feet. The only known source of stock water in the area is encountered in existing arroyos at a depth of approximately 35 – 50. The Ojo Alamo is approximately 50 - 100 feet below the surface, however, there are no known water wells producing from the Ojo Alamo in the area. There are no known drinking water sources below the Mesaverde interval. The expected formation tops in the well are as follows:

Ojo Alamo	50'		
Kirtland	165'	Skelly	4545'
Fruitland	690'	Greenhorn	5325'
Pictured Cliffs	990'	Graneros	5380'
Lewis	1095'	Dakota	5405'
Cliff House	1740'	Morrison	5685'
Menefee	2270'	Bluff	6239'
Point Lookout	3450'	Todilto	6610'
Mancos	3590'	Entrada	6625'
Gallup	4425'	Total Depth	6875'

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 and field survey for existing water wells in the vicinity of the proposed disposal well were conducted. There are no shallow water wells were located within 2-miles of the proposed disposal well.

Application for Authorization to Inject

Dugan Production Corp.

Frazzle SWD #1

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 Fagrelis
Kurt Fagrelis, Geologist

September 15, 2006
Date

Application for Authorization to Inject

Dugan Production Corp.

Frazzle SWD #1

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.

AFFIDAVIT OF PUBLICATION

Ad No. 53981

STATE OF NEW MEXICO County of San Juan:

ROBIN ALLISON, being duly sworn says:
That she is the CLASSIFIED 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):

Wednesday, September 6, 2006.

And the cost of the publication is \$49.78.

Robin Allison

ON 9/14/06 ROBIN ALLISON
appeared before me, whom I know personally
to be the person who signed the above
document.

Wynell Corey
My Commission Expires November 17, 2008.

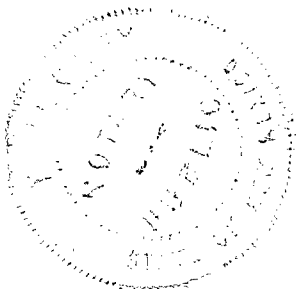
COPY OF PUBLICATION

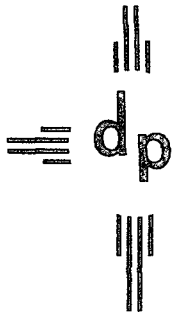
NOTICE

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 Fagrelus, phone 505-325-1821. The proposed disposal site is the Frazzle SWD #1, located 795' fml & 2180' fwl, Sec.

30, Twn. 24N, Rng. 10W,
San Juan Co., NM.
Water will be injected
into the Entrada Sand-
stone between 6625' and
6825' below the surface.
Maximum injection pres-
sure is 1325 psi. Maxi-
mum injection rate is
3,000 barrels of water
daily. Any interested par-
ties must file objection or
requests for hearing with
the Oil Conservation Di-
vision 1220 South Saint
Francis Drive, Santa Fe,
NM 87505 within 15
days.

Legal No. 53981 pub-
lished in The Daily
Times, Farmington, New
Mexico on Wednesday,
September 06, 2006.





dugan production corp.

Ms. Melissa Wittler
North American Petroleum Corp.
1401 17th St, Suite 310
Denver, CO 80202

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6135

Re: Notice of Intent to Complete Salt Water Disposal Well


Dear Ms. Melissa Wittler:

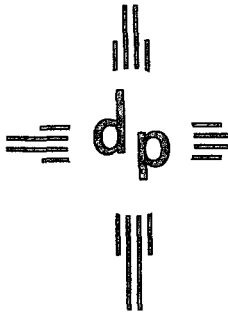
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As an offsetting operator (Sec. 24, T24N, R10W) North American Petroleum Corp. is being notified of this application. If you wish to object or request the matter for hearing ~~you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.~~

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

Sincerely,


Kurt Fagrelis
Geologist



dugan production corp.

The Navajo Nation Minerals Dept.
P.O. Box 1910
Window Rock, AZ 86515

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6111

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Navajo Nation Minerals Dept.:

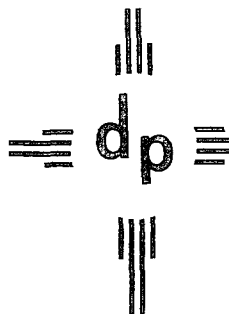
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As a surface owner of offsetting land to the injection well the Navajo Nation Minerals Dept. is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrehus
Geologist
Attachment



dugan production corp.

Mr. David Mankiewicz
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6067

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Mankiewicz:

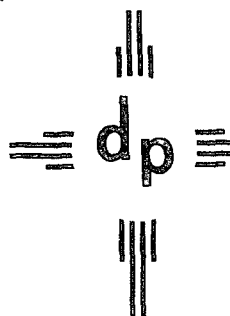
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As a surface and oil and gas interest owner of offsetting land to the injection well the Bureau of Land Management is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrelus
Geologist
Attachment



dugan production corp.

Mr. Ty Stillman
EOG Resources, Inc
600 17th St, Suite 1100 N
Denver, CO 80202

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6104

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Ty Stillman:

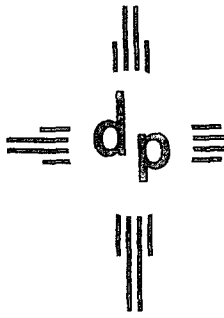
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As an offsetting operator (Sec. 25, T24N, R10W) EOG Resources, Inc is being notified of this application. ~~If you wish to object or request the matter for hearing you must~~ contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrelus
Geologist



dugan production corp.

Mr. Charlie Perrin
New Mexico Oil Conservation Division
1000 Rio Bravo Rd
Aztec, New Mexico 87410

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--
7005 2570 0001 3771 6159

Re: Application to Class 2, water disposal well, Frazzle SWD #1 San Juan County, NM


Dear Mr. Charlie Perrin:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Frazzle SWD #1. In fulfilling the requirements of application, the following materials are provided herein:

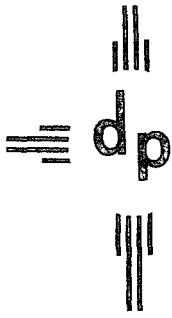
1. Form C-108, Application for Authorization to Inject.
2. Tabular and schematic data on proposed injection well.
3. Lease and surface owner maps identifying all wells and leases within 2-miles of proposed injection well with a one-half mile radius circle drawn around the proposed injection well.
4. 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 surface owners and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times. Signed and notarized copy will be sent once received.

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

Very Sincerely,


Kurt Fagrelus

Attachments



dugan production corp.

Coleman Oil & Gas Company
Drawer 3337
Farmington, NM 87499-3337

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6098

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Coleman Oil & Gas Company:

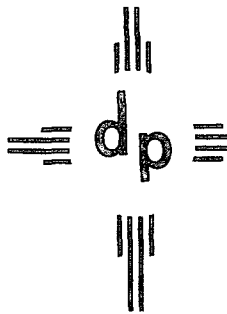
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As an offsetting operator (Sec. 24, T24N, R10W) Coleman Oil & Gas Company is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrelus
Geologist



dugan production corp.

Mr. Rich Corcoran
Well Fleet Drilling, LLC
2010 Afton Place
Farmington, NM 87401

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6128

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Mr. Rich Corcoran:

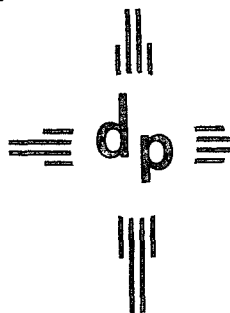
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As an offsetting operator (Sec. 25, T24N, R10W) Well Fleet Drilling, LLC is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrelus
Geologist



dugan production corp.

Mr. James Miles
Federal Indian Minerals Office
1235 La Plata Highway
Farmington, New Mexico 87401

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6074

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Miles:

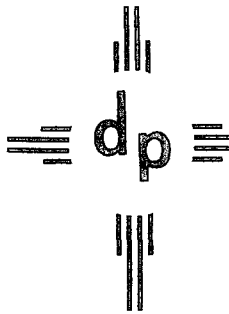
Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As a surface and oil and gas interest owner of offsetting land to the injection well the Federal Indian Minerals Office is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrelus
Geologist
Attachment



dugan production corp.

Ms. Debbie Padilla
New Mexico State Land Office – Surface Resources
PO Box 1148
Santa Fe, New Mexico 87504-1148

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6081

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Padilla:

Dugan Production Corp. has filed an application for administrative approval to complete the Frazzle SWD #1 (Sec. 30, T24N, R10W, 795' FNL and 2180' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 6625' and 6825'. A copy of the application is attached.

As a surface and oil and gas interest owner of offsetting land to the injection well (Sec. 32, T24N, R10W) the New Mexico State Land Office is being notified of this application. If you wish to object or request the matter for hearing you must contact the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505 within 15 days.

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

Sincerely,

Kurt Fagrelius
Geologist
Attachment