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SWD-1046



dugan production corp.



2006 SEP 18 PM 12 42

30-045-33927

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

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--
7005 2570 0001 3771 6166

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

Dear Mr. Jones:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Sponge Bob 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
Burlington, Resources, P.O. Box 4289, Farmington, NM 87499
Lance Oil and Gas, P.O. Box 70, Kirtland, NM 87417
Questar Expl. And Prod., 1050 17th St., Suite 500, Denver, CO 80265
Four Star Oil and Gas, 11111 S. Willowcrest Dr., Houston, TX 77099
Mr. Tom Scarbrough-Conoco Phillips Co., 600 N. Dairy Ashford, 3WL-5059, Houston, TX 77079

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: _____ Secondary Recovery _____ Pressure Maintenance 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 No
If yes, give the Division order number authorizing the project: Not Applicable
- 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: Sept. 15, 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.

Sponge Bob 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 Sponge Bob SWD #1 well, located 2300' FSL & 1810' FWL, Sec. 36, Twn. 30N, Rng. 14W, San Juan Co., NM. Produced water will be injected into the Entrada Sandstone between 7085' and 7220'. The maximum injection pressure will be 1415 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.

Sponge Bob SWD #1

Part III. Well Data

A. Tabular Information

1. Name: Sponge Bob SWD #1

Location: 2300' FSL & 1810' FWL
Sec. 36, T30N, R14W
San Juan Co., NM
2. Surface Casing: 9-5/8" 36#, 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 @ 7425'.
Cement in three stages with stage tools at 1485' and 4185' using 850 cu.ft. in first stage and 700 cu.ft. in the second stage and 550 cu.ft. in the third stage.
Circulate cement to surface.
Hole size – 8-3/4".
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 7035' or 50' above the upper most perforation.

B. Additional Information

1. Injection Interval: Entrada Sandstone.
2. The injection interval (Entrada 7085' – 7225') will be perforated.
3. The well (Sponge Bob 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. 1250', Dakota Sandstone – Approx. 5880'.

INJECTION WELL DATA SHEET

OPERATOR: Dugan Production Corp.

WELL NAME & NUMBER: Sponge Bob SMD #1

WELL LOCATION: 2300' FSL & 1810' FML

FOOTAGE LOCATION

UNIT LETTER

SECTION

TOWNSHIP

RANGE

K

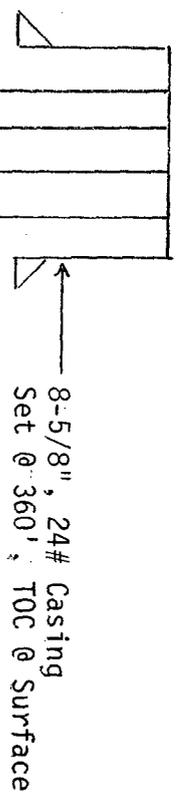
36

30N

14W

WELLBORE SCHEMATIC

WELL CONSTRUCTION DATA
Surface Casing



Hole Size: 12-1/4" Casing Size: 9-5/8"
 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: 8-3/4" Casing Size: 5-1/2"
 Cemented with: 955 sx. or 2100 ft³
 Top of Cement: Surface Method Determined: Will Circulate

Total Depth: 7425'
Injection Interval

_____ 7085 feet to _____ 7225

(Perforated or Open Hole; indicate which)

Total Depth 7425'

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: 7035' or 50' above uppermost perf.

Other Type of Tubing/Casing Seal (if applicable): Not 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.

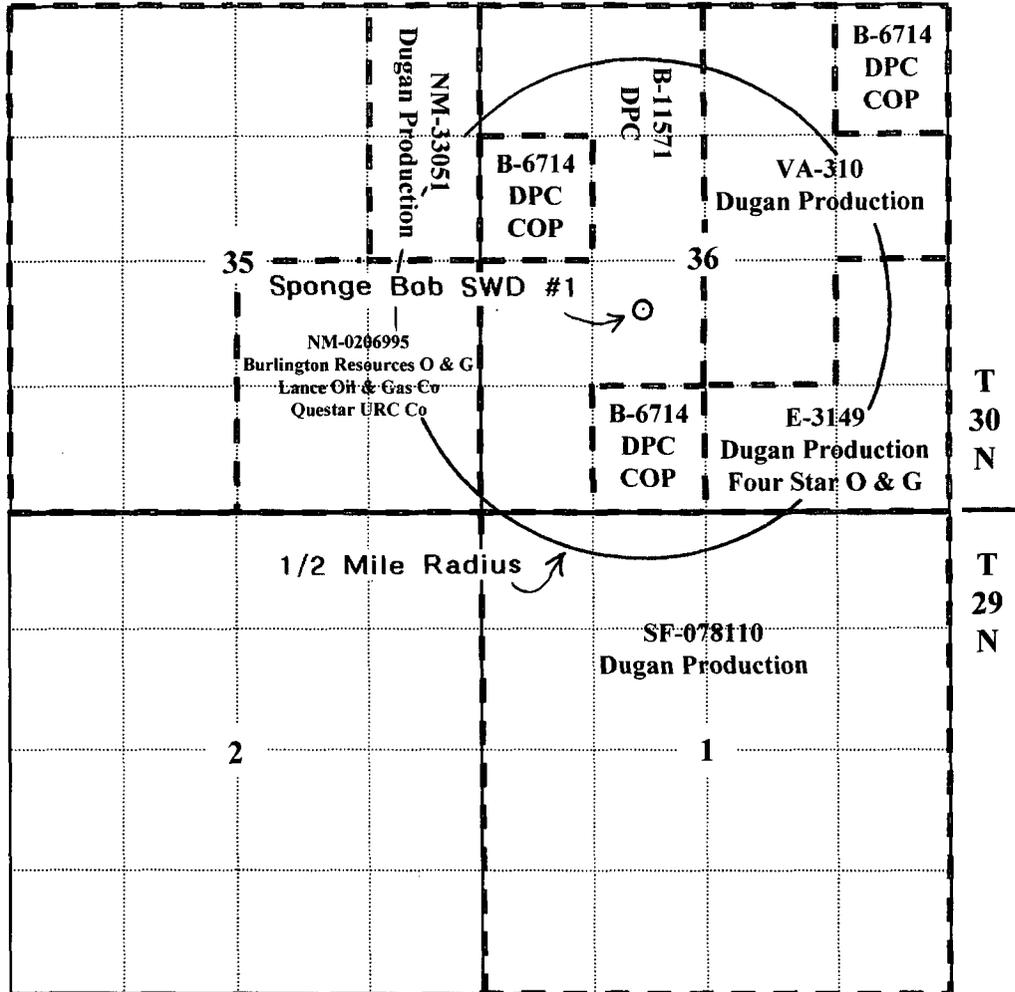
5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: Fruitland Coal 1240', Pictured Cliffs 1250'

Dakota Sandstone 5900'

Va. Lease Owner

TOWNSHIP 30 NORTH, RANGE 14 WEST
SAN JUAN COUNTY, NEW MEXICO

OFFSET OPERATOR/LESSEE



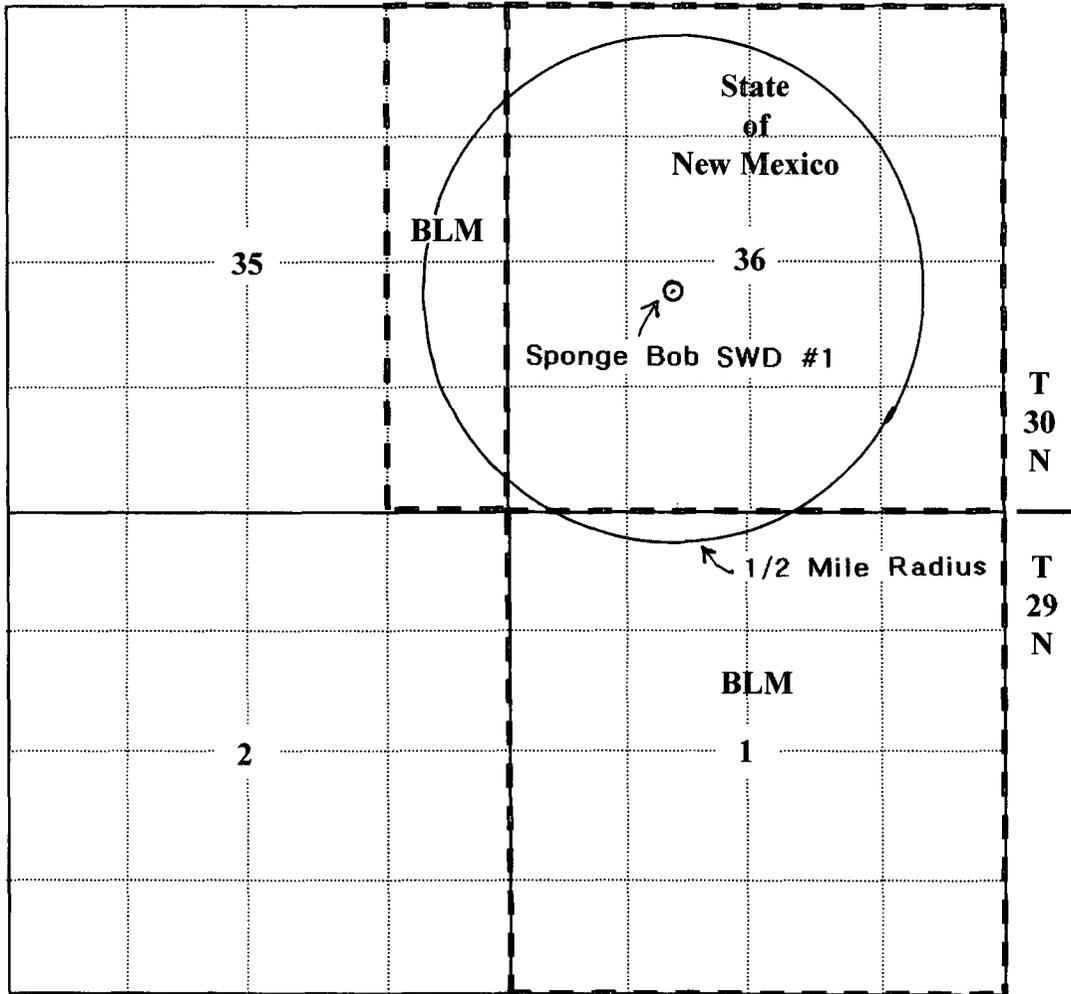
DPC Dugan Production Corp
COP ConocoPhillips

Dugan Production Corp.
Sponge Bob SWD #1
Sec. 36, T30N, R14W
2300' FSL and 1810' FWL
San Juan County, New Mexico
Salt Water Disposal Application

Vb. Surface Owner Map

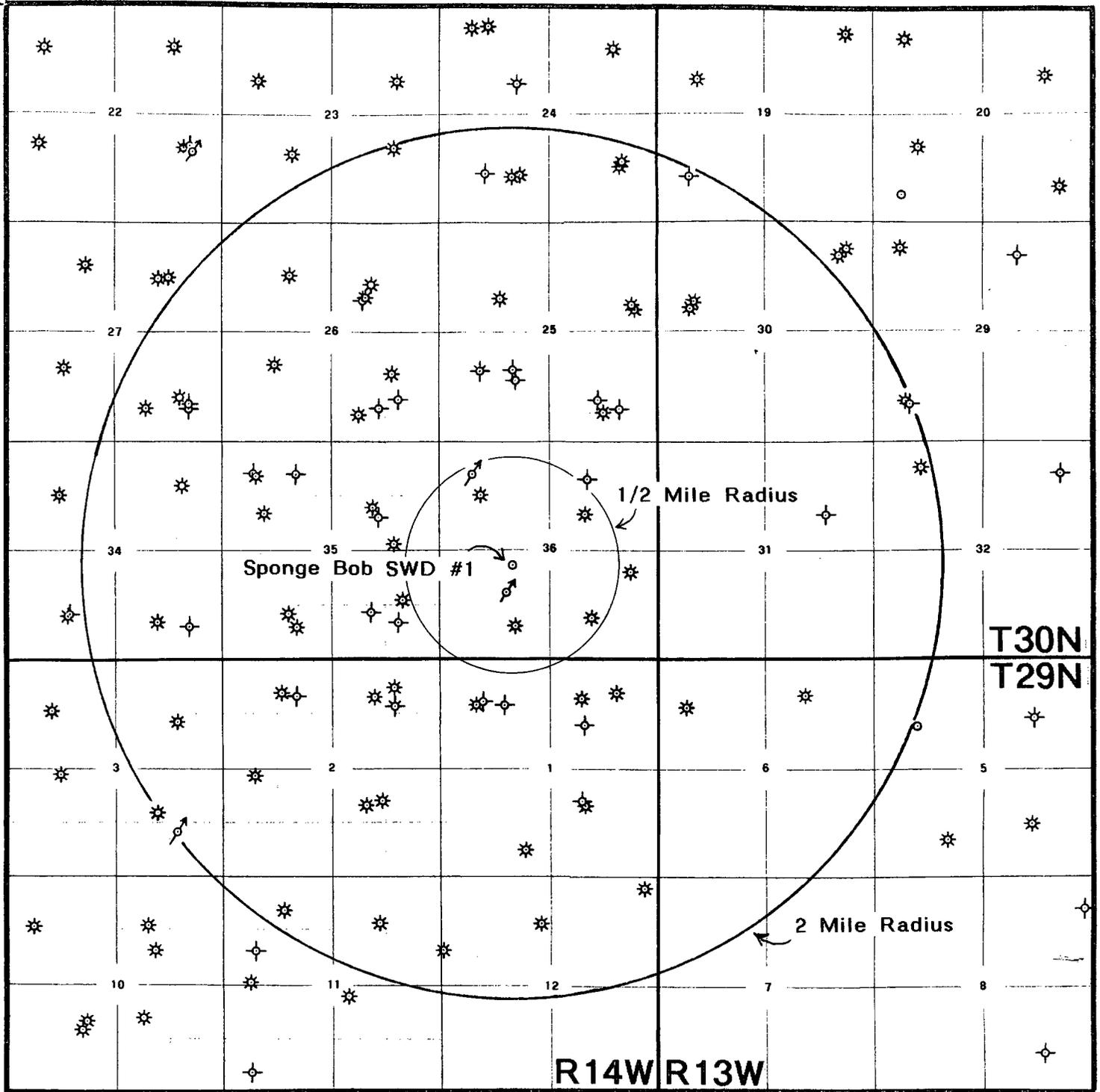
TOWNSHIP 30 NORTH, RANGE 14 WEST
SAN JUAN COUNTY, NEW MEXICO

SURFACE OWNER



Dugan Production Corp.
Sponge Bob SWD #1
Sec. 36, T30N, R14W
2300' FSL and 1810' FWL
San Juan County, New Mexico
Salt Water Disposal Application

Part Vc. Well Map



Dugan Production Corp.
Sponge Bob SWD #1
Sec. 36, T30N, R14W
2300' FSL and 1810' FWL
San Juan County, New Mexico
Salt Water Disposal Application

Application for Authorization to Inject

Dugan Production Corp.

Sponge Bob 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., Sponge Bob SWD #1, S.36, T30N, R14W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
LANGE OIL AND GAS	F LOG 5	3	29N	13W	5	N	920/S	1800/W	CO	FULCHER KUTZ PC	1553
MCELVAIN O&G PROP INC	WILDWOOD	1	29N	13W	5	G	1445/N	1420/E	SP	FULCHER KUTZ PC	1632
MCELVAIN O&G PROP INC	WILDWOOD	3	29N	13W	5	E	1650/N	1075/W	PE	FULCHER KUTZ PC	1374
LANGE OIL AND GAS	F LOG 5	4	29N	13W	5	O	1305/S	1495/E	CO	FULCHER KUTZ PC	1495
COMPASS EXPLORATION INC	SOUTHEAST MOUNDS 6	1	29N	13W	06	B	890/N	1680/E	PA	BASIN DAKOTA	6037
SYNERGY	MADRID 29 13 6	111	29N	13W	06	B	900/N	1640/E	CO	BASIN FRUITLAND COAL	1345
SYNERGY	MADRID 29 13 6	112	29N	13W	06	C	1215/N	715/W	CO	BASIN FRUITLAND COAL	1445
PIONEER PRODUCTION	AIRPORT	1	29N	13W	08	A	790/N	150/E	PA	BASIN DAKOTA	6020
PIONEER PRODUCTION	AIRPORT	2	29N	13W	08	P	990/S	1190/E	PA	BASIN DAKOTA	5996
DUGAN PRODUCTION CORP	FEDERAL 1	101	29N	14W	01	O	660/S	2085/W	CO	BASIN FRUITLAND COAL	1330
DUGAN PRODUCTION CORP	FEDERAL 1	2	29N	14W	01	A	790/N	990/E	CO	BASIN DAKOTA	6125
DUGAN PRODUCTION CORP	FEDERAL 1	100	29N	14W	01	B	950/N	1835/E	CO	BASIN FRUITLAND COAL	1350
DUGAN PRODUCTION CORP	FEDERAL 1	4	29N	14W	01	C	1100/N	1600/W	PA	HARPER HILL FT SAND PC	1274
DUGAN PRODUCTION CORP	FEDERAL 1	3	29N	14W	01	D	1030/N	1070/W	PA	BASIN DAKOTA	6002
DUGAN PRODUCTION CORP	FEDERAL 1	4R	29N	14W	01	D	1090/N	900/W	CO	HARPER HILL FR SAND PC	1335
DUGAN PRODUCTION CORP	FEDERAL 1	6	29N	14W	01	G	1590/N	1800/E	PA	HARPER HILL FT SAND PC	1415
DUGAN PRODUCTION CORP	FEDERAL 1	5	29N	14W	01	J	1850/S	1850/E	PA	HARPER HILL FT SAND PC	1265
DUGAN PRODUCTION CORP	FEDERAL 1	5R	29N	14W	01	J	1790/S	1820/E	CO	HARPER HILL FT SAND PC	1230
DUGAN PRODUCTION CORP	COM	2	29N	14W	02	A	1125/N	1070/E	SI	HARPER HILL FT SAND PC	1250
DUGAN PRODUCTION CORP	COM	1E	29N	14W	02	A	666/N	1097/E	CO	BASIN DAKOTA	5992
DUGAN PRODUCTION CORP	COM	2R	29N	14W	02	B	907/N	1575/E	CO	HARPER HILL FRUITLAND PC	1250
DUGAN PRODUCTION CORP	COM	4	29N	14W	02	C	790/N	1450/W	CO	HARPER HILL FT SD PC EXT	1190
DUGAN PRODUCTION CORP	SW MOUNDS COM	1	29N	14W	02	C	870/N	1790/W	PA	BASIN DAKOTA	6045
DUGAN PRODUCTION CORP	COM	3	29N	14W	02	J	1850/S	1450/E	CO	HARPER HILL FT SAND PC	1260
DUGAN PRODUCTION CORP	COM	1	29N	14W	02	J	1750/S	1820/E	CO	BASIN FRUITLAND COAL	5925
DUGAN PRODUCTION CORP	COM	91	29N	14W	02	L	2510/S	790/W	CO	BASIN FRUITLAND COAL	1180
LANGE OIL AND GAS	WF FEDERAL 3	1	29N	14W	03	D	1265/N	1095/W	CO	TWIN MOUNDS FT SD PC EXT	1206
DUGAN PRODUCTION CORP	FEDERAL 1	99	29N	14W	03	H	1488/N	1106/E	CO	BASIN FRUITLAND COAL	1170
DUGAN PRODUCTION CORP	FEDERAL 1	7	29N	14W	03	J	1560/S	1605/E	CO	HARPER HILL FR SD PC	1120
LANGE OIL AND GAS	WF FEDERAL 3	2	29N	14W	03	L	2495/S	1290/W	CO	BASIN FRUITLAND COAL	1211
DUGAN PRODUCTION CORP	LOCKE SWD	1	29N	14W	03	P	1120/S	1120/E	WD	SWD.MESAVERDE	6000
DUGAN PRODUCTION CORP	FEDERAL 1	98	29N	14W	10	B	1200/N	1850/E	CO	BASIN FRUITLAND COAL	1100
LANGE OIL AND GAS	ROPCO 10	1	29N	14W	10	D	1272/N	673/W	CO	HARPER HILL FT SAND PC	1000
ENERGEN RESOURCES CORP	LOCKE	2	29N	14W	10	G	1850/N	1650/E	CO	BASIN DAKOTA	5950
DUGAN PRODUCTION CORP	FEDERAL 1	10	29N	14W	10	J	1870/S	1960/E	CO	HARPER HILL FR SAND PC	1100

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., Sponge Bob SWD #1, S.36, T30N, R14W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TID
LANCE OIL AND GAS	MCWHORTER DUNCAN	1	29N	14W	10	K	1565/S	1820/W	CO	BASIN DAKOTA	5860
LANCE OIL AND GAS	ROPCO 10	2	29N	14W	10	K	1772/S	1948/W	CO	BASIN FRUITLAND COAL	1150
DUGAN PRODUCTION CORP	KING COM	90	29N	14W	11	B	1128/N	1511/E	CO	BASIN FRUITLAND COAL	1220
DUGAN PRODUCTION CORP	FEDERAL I	8	29N	14W	11	C	790/N	1530/W	CO	HARPER HILL FR SD PC EXT	1190
DUGAN PRODUCTION CORP	FEDERAL 1	1	29N	14W	11	E	1850/N	790/W	PA	WC D3:MEASVERDE	5921
DUGAN PRODUCTION CORP	FEDERAL I	90	29N	14W	11	E	2605/N	660/W	CO	BASIN FRUITLAND COAL	1180
DUGAN PRODUCTION CORP	KING COM	2	29N	14W	11	J	2385/S	2255/E	CO	HARPER HILL FR SAND PC	1210
SUNRAY DX OIL CO	NM FEDERAL I	7	29N	14W	11	M	510/S	684/W	PA	TOTAH GALLUP	5170
DUGAN PRODUCTION CORP	FEDERAL I COM	102	29N	14W	12	A	270/N	330/E	CO	BASIN FRUITLAND COAL	1320
DUGAN PRODUCTION CORP	FEDERAL I COM	9	29N	14W	12	C	1170/N	2440/W	CO	HARPER HILL FT SND PC	1280
DUGAN PRODUCTION CORP	FEDERAL I COM	103	29N	14W	12	E	1775/N	10/W	CO	BASIN FRUITLAND COAL	1300
YATES PETROLEUM CORP	VIERSON FEDERAL	1	30N	13W	19	A	660/N	660/E	CO	BASIN DAKOTA	6240
XTO ENERGY INC	BUTTE	1R	30N	13W	19	F	1790/N	970/W	CO	BASIN DAKOTA	6360
LADD PETROLEUM CORP	BUTTE	1	30N	13W	19	N	1060/S	790/W	PA	BASIN DAKOTA	6199
YATES PETROLEUM CORP	MILLER GAS COM	1E	30N	13W	20	D	820/N	840/W	CO	BASIN DAKOTA	6152
YATES PETROLEUM CORP	MILLER GAS COM	1	30N	13W	20	H	1710/N	1150/E	CO	BASIN DAKOTA	6231
YATES PETROLEUM CORP	MILLER GAS COM B	1E	30N	13W	20	L	1835/S	1120/W	CO	BASIN FRUITLAND COAL	6165
YATES PETROLEUM CORP	MILLER GAS COM B	2	30N	13W	20	M	683/S	711/W	PE	FULCHER KUTZ PC	1510
YATES PETROLEUM CORP	MILLER GAS COM B	1	30N	13W	20	P	840/S	790/E	CO	BASIN DAKOTA	6085
ENERGY RESERVES	KING GAS COM	1	30N	13W	29	B	790/N	1850/E	PA	BASIN DAKOTA	6100
POGO PRODUCING COCO	ERNIE	1	30N	13W	29	D	660/N	660/W	CO	FULCHER KUTZ PC	1531
EPNG	LA PLATA	1	30N	13W	29	M	910/S	905/W	PA	BASIN DAKOTA	6134
POGO PRODUCING COCO	BERT	1	30N	13W	29	M	930/S	815/W	CO	FULCHER KUTZ PC	1486
XTO ENERGY INC	FEDERAL C	1	30N	13W	30	A	790/N	790/E	CO	BASIN DAKOTA	6250
XTO ENERGY INC	FEDERAL C	2	30N	13W	30	F	2120/N	820/W	CO	BASIN DAKOTA	6179
XTO ENERGY INC	FEDERAL C	4	30N	13W	30	F	1955/N	920/W	CO	BASIN FRUITLAND COAL	1360
XTO ENERGY INC	FEDERAL C	3	30N	13W	30	C	665/N	665/E	CO	BASIN FRUITLAND COAL	1570
COMPASS EXPLORATION	FEDERAL C	3	30N	13W	31	H	1800/N	1140/E	PA	BASIN DAKOTA	5975
LADD PETROLEUM CORP	FARMINGTON COM	1	30N	13W	32	A	790/N	790/E	PA	BASIN DAKOTA	6125
MCCELLVAIN O&G PROP INC	PICWAY	1	30N	13W	32	D	660/N	1160/W	CO	FULCHER KUTZ PICT CLIFFS	1555
POGO PRODUCING CO	COOLIDGE COM	1	30N	14W	22	A	950/N	1190/E	CO	HARPER HILL FT SD PC	6190
POGO PRODUCING CO	COOLIDGE	2	30N	14W	22	D	1050/N	960/W	CO	HARPER HILL FT SND PC	1396
POGO PRODUCING CO	ROOSEVELT	1	30N	14W	22	I	1850/S	790/E	PA	BASIN DAKOTA	6160
POGO PRODUCING CO	ROOSEVELT	3	30N	14W	22	I	1880/S	850/E	CO	HARPER HILL FT SND PC	1430
POGO PRODUCING CO	ROOSEVELT SWD	1	30N	14W	22	I	1830/S	780/E	WD	SWD; MEASVERDE	4015

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., Sponge Bob SWD #1, S.36, T30N, R14W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
POGO PRODUCING CO	ROOSEVELT	2	30N	14W	22	L	1890/S	825/W	CO	HARPER HILL FT SD PC	1301
POGO PRODUCING CO	MORTON	3	30N	14W	23	E	1810/N	925/W	CO	HARPER HILL FR SND PC	1540
POGO PRODUCING CO	MORTON	1	30N	14W	23	H	1750/N	1030/E	CO	TWIN MOUNDS FRT SAND PC	6385
POGO PRODUCING CO	MORTON	2	30N	14W	23	I	1810/S	1100/E	CO	HARPER HILL FT SD PC	6250
POGO PRODUCING CO	MORTON	4	30N	14W	23	K	1650/S	1695/W	CO	HARPER HILL FT SD PC	1540
MCELVAIN O&G PROP INC	HAGOOD	1	30N	14W	24	A	1050/N	1040/E	CO	HARPER HILL FRT SND PC	6389
DUGAN PRODUCTION CORP	PAN AMERICAN FED	1E	30N	14W	24	D	500/N	800/W	CO	BASIN DAKOTA	6510
DUGAN PRODUCTION CORP	PAN AMERICAN FEDERAL	2	30N	14W	24	D	545/N	1215/W	CO	HARPER HILL FR SND PC	1755
MCELVAIN O&G PROP INC	HAGOOD	1E	30N	14W	24	I	1430/S	840/E	CO	BASIN DAKOTA	6129
HENRY S BIRDSEYE	USA CARPENTER 24	1	30N	14W	24	M	1160/S	1180/W	PA	WC D3;PICTURED CLIFFS	1422
DUGAN PRODUCTION CORP	PAN AMERICAN FED	1	30N	14W	24	N	1080/S	1835/W	CO	BASIN DAKOTA	6260
MCELVAIN O&G PROP INC	HAGOOD	3	30N	14W	24	I	1330/S	930/E	CO	HARPER HILL FRT SND PC	1710
DUGAN PRODUCTION CORP	PAN AMERICAN	3	30N	14W	24	N	1140/S	1980/W	CO	HARPER HILL FRT SND PC	1560
DUGAN PRODUCTION CORP	JACOBS COM	90-S	30N	14W	24	F	1915/N	1920/W	SP	HARPER HILL FRT SND PC	1380
DUGAN PRODUCTION CORP	WINIFRED COM	90-S	30N	14W	25	L	1670/S	1020/W	SP	HARPER HILL FRT SND PC	1360
DUGAN PRODUCTION CORP	CARPENTER	1E	30N	14W	25	F	1850/N	1480/W	CO	BASIN DAKOTA	6043
LANCE OIL AND GAS	TWIN MOUNDS	1E	30N	14W	25	H	2030/N	590/E	CO	BASIN DAKOTA	6065
LANCE OIL AND GAS	WF FEDERAL 25	1	30N	14W	25	H	2130/N	575/E	CO	HARPER HILL FT SND PC	1340
DUGAN PRODUCTION CORP	CARPENTER	1	30N	14W	25	K	1730/S	1800/W	PA	BASIN DAKOTA	6021
DUGAN PRODUCTION CORP	CARPENTER	2	30N	14W	25	K	1460/S	1850/W	PA	HARPERHILL FRT SAND PC	1300
LADD PET CORP	TWIN MOUNDS	1	30N	14W	25	O	1010/S	1450/E	PA	BASIN DAKOTA	6030
HENRY S BIRDSEYE	FED 25	1	30N	14W	25	P	790/S	910/E	PA	WC D3;PICTURED CLIFFS	1155
LANCE OIL AND GAS	WF FEDERAL 25	2	30N	14W	25	P	742/S	1306/E	CO	HARPER HILL FR SND PC	1330
DUGAN PRODUCTION CORP	JACOBS	3	30N	14W	26	C	1310/N	1654/W	CO	HARPER HILL FR SND PC	1425
DUGAN PRODUCTION CORP	JACOBS	2	30N	14W	26	G	1800/N	1800/E	CO	BASIN DAKOTA	6180
DUGAN PRODUCTION CORP	JACOBS	1	30N	14W	26	G	1850/N	1850/E	PA	HARPERHILL FRT SND PC EXT	1474
DUGAN PRODUCTION CORP	JACOBS COM	90	30N	14W	26	G	1440/N	1675/E	CO	BASIN FRUITLAND COAL	1425
DUGAN PRODUCTION CORP	HORACE SMITH	1R	30N	14W	26	I	1640/S	1120/E	CO	BASIN DAKOTA	6150
DUGAN PRODUCTION CORP	BEYOND PETROLEUM COM	90	30N	14W	26	L	1850/S	1285/W	CO	BASIN FRUITLAND COAL	1395
DUGAN PRODUCTION CORP	WINIFRED	1	30N	14W	26	O	790/S	1450/E	PA	HARPERHILL FRT SND PC EXT	1400
DUGAN PRODUCTION CORP	WINIFRED COM	90	30N	14W	26	O	660/S	1980/E	CO	BASIN FRUITLAND COAL	1315
DUGAN PRODUCTION CORP	HORACE SMITH	1	30N	14W	26	P	990/S	990/E	PA	HARPERHILL FRT SAND PC	6082
LANCE OIL AND GAS	WF FEDERAL 27	5	30N	14W	27	P	1030/S	1025/E	CO	BASIN FRUITLAND COAL	1323
LANCE OIL AND GAS	WF FEDERAL 27	4	30N	14W	27	A	133F/N	1330/E	CO	BASIN FRUITLAND COAL	1340
LANCE OIL AND GAS	WF FEDERAL 27	2	30N	14W	27	C	1021/N	1940/W	CO	HARPER HILL PC	1255

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., Sponge Bob SWD #1, S.36, T30N, R14W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
LANCE OIL AND GAS	WF FEDERAL 27	1	30N	14W	27	G	1350/N	1540/E	CO	HARPER HILL FT SND PC	1255
LANCE OIL AND GAS	WF FEDERAL 27	3	30N	14W	27	K	1775/S	1400/W	CO	BASIN FRUITLAND COAL	1250
DUGAN PRODUCTION CORP	MAYRE	4R	30N	14W	27	O	790/S	1850/E	CO	HARPER HILL FR SND PC	1240
DUGAN PRODUCTION CORP	MAYRE	4	30N	14W	27	P	790/S	800/E	PA	HARPER HILL FT SAND PC	1240
JEROME P MCHUGH	MAYRE	3	30N	14W	27	P	890/S	810/E	PA	WC D3:PICTURED CLIFFS	1270
CELSIUS ENERGY CO	GREG	1	30N	14W	27	P	1050/S	1060/E	PA	BASIN DAKOTA	6100
LANCE OIL AND GAS	WF FEDERAL 34	3	30N	14W	34	A	1060/N	975/E	CO	HARPER HILL FTSD PC	1366
LADD PET CORP	AZTEC 34	2	30N	14W	34	N	1120/S	1540/W	PA	HARPERHILL FRT SAND PC	1180
LANCE OIL AND GAS	WF FEDERAL 34	2	30N	14W	34	N	1055/S	1470/W	CO	HARPER HILL FT SD PC EXT	1295
LANCE OIL AND GAS	WF FEDERAL 34	1	30N	14W	34	O	895/S	1595/E	CO	HARPER HILL FT SD PC EXT	1260
COMPASS EXPLORATION	AZTEC 34	1	30N	14W	34	P	790/S	790/E	PA	BASIN DAKOTA	5991
LANCE OIL AND GAS	WF FEDERAL 34	4	30N	14W	34	C	1285/N	1330/W	CO	BASIN DAKOTA	1282
LANCE OIL AND GAS	PERF	91	30N	14W	35	D	825/N	855/W	CO	BASIN FRUITLAND COAL	1270
LADD PET CORP	AZTEC	1X	30N	14W	35	C	790/N	1850/W	PA	BASIN DAKOTA	6075
DUGAN PRODUCTION CORP	AZTEC 35	3	30N	14W	35	D	790/N	790/W	PA	HARPERHILL FRT SAND PC	1400
THOMAS A DUGAN	AZTEC	1	30N	14W	35	D	890/N	890/W	PA	HARPERHILL FRT SAND PC EXT	1028
DUGAN PRODUCTION CORP	JIGGS	1	30N	14W	35	E	1735/N	1010/W	CO	HARPER HILL FR SD PC	1290
DUGAN PRODUCTION CORP	WINIFRED	2	30N	14W	35	G	1850/N	1500/E	PA	HARPER HILL FT SAND PC	1250
LANCE OIL AND GAS	AZTEC	2E	30N	14W	35	G	1600/N	1600/E	CO	BASIN DAKOTA	6070
DUGAN PRODUCTION CORP	TABOR COM	90	30N	14W	35	H	2510/N	1100/E	CO	BASIN FRUITLAND COAL	1240
DUGAN PRODUCTION CORP	JIGGS	2	30N	14W	35	I	1450/S	910/E	CO	HARPER HILL FR SD PC	1250
LANCE OIL AND GAS	AZTEC	4	30N	14W	35	N	1120/S	1600/W	CO	HARPER HILL FT SAND PC	1210
LANCE OIL AND GAS	PERF	90	30N	14W	35	N	790/S	1800/W	CO	BASIN FRUITLAND COAL	1254
LADD PET CORP	AZTEC 35	5	30N	14W	35	O	1120/S	1640/E	PA	HARPERHILL FRT SAND PC	1240
LADD PET CORP	AZTEC	2	30N	14W	35	P	890/S	990/E	PA	BASIN DAKOTA	6100
DUGAN PRODUCTION CORP	STATE 36 COM	2	30N	14W	36	B	870/N	1700/E	PA	BASIN DAKOTA	6056
TEXACO INC	NEW/MEXICO COM K	1	30N	14W	36	B	870/N	1780/E	PA	BASIN DAKOTA	5981
DUGAN PRODUCTION CORP	STELLA NEEDS A COM	1E	30N	14W	36	D	790/N	790/W	WD	SWD MESAVARDE	6090
DUGAN PRODUCTION CORP	STELLA NEEDS A COM	2	30N	14W	36	D	1300/N	990/W	CO	HARPER HILL FT SND PC	1345
DUGAN PRODUCTION CORP	CAMP DAVID COM	1	30N	14W	36	G	1800/N	1740/E	CO	BASIN FRUITLAND COAL	1420
DUGAN PRODUCTION CORP	CAMP DAVID COM	1S	30N	14W	36	I	2150/S	660/E	CO	BASIN FRUITLAND COAL	1445
DUGAN PRODUCTION CORP	STELLA NEEDS A COM	1	30N	14W	36	K	1650/S	1650/W	WD	SWD MESAVARDE	6020
DUGAN PRODUCTION CORP	O HENRY	1	30N	14W	36	N	790/S	1850/W	CO	BASIN FRUITLAND COAL	1260
DUGAN PRODUCTION CORP	CAMP DAVID COM	2	30N	14W	36	O	970/S	1600/E	CO	HARPER HILL FT SND PC	1375
DUGAN PRODUCTION CORP	SPONGE BOB SWD	1	30N	14W	36	K	2300/S	1810/W	PE	BLUFF MORRISON, ENTRADA WD	7425

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.

Sponge Bob 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 1415 psi.
4. The source of injected water will be produced water from Fruitland Coal and Fruitland Ss./Pictured Cliffs wells in the area (T29N and T30N, R14W). Attachment VII-4a., VII-4b. and VII-4c. are analyses of the Fruitland Coal and Fruitland Ss./Pictured Cliffs 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 in not available.

Application for Authorization to Inject

Dugan Production Corp.

Sponge Bob SWD #1

Part VIII. Geologic Data

The proposed injection interval is the Entrada Sandstone from approximately 7085 - 7220 feet. The only known source of stock water in the area is encountered in existing arroyos at a depth of approximately 35 - 50. The Kirtland Shale is exposed at the surface, the Ojo Alamo has been removed by erosion. There are no known fresh water wells in the area. There are no known drinking water sources below the Mesaverde interval. The expected formation tops in the well are as follows:

Kirtland	Surface'	Skelly	5283'
Fruitland	820'	Greenhorn	5775'
Pictured Cliffs	1260'	Graneros	5830'
Lewis	1445'	Dakota	5880'
Cliff House	2790'	Morrison	6120'
Menefee	2950'	Bluff	6860'
Point Lookout	3690'	Todilto	7070'
Mancos	4045'	Entrada	7085'
Gallup	5020'	Chinle	7220'
		Total Depth	7425'

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.

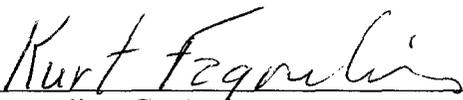
Application for Authorization to Inject

Dugan Production Corp.

Sponge Bob 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 Fagrelus, Geologist

September 15, 2006

Date

Application for Authorization to Inject

Dugan Production Corp.

Sponge Bob 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. 53998

STATE OF NEW MEXICO
County of San Juan:

COPY OF PUBLICATION

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):

Monday, September 11, 2006.

And the cost of the publication is \$50.58.

Legal Notices 102

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 Sponge Bob SWD #1, located 2300' fsl & 1810' fwl, Sec. 36, Twn. 30N, Rng. 14W, San Juan Co., NM. Water will be injected into the Entrada Sandstone between 7085' and 7220' below the surface. Maximum injection pressure is 1415 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. 53998 published in The Daily Times, Farmington, New Mexico on Monday, September 11, 2006.

Signed and notarized Affidavit

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

of Publication will be mailed

to Santa Fe office of O.C.D.

My Commission Expires November 17, 2008.

once it is received from newspaper
Kurt Fagrelus



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 6180

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Padilla:

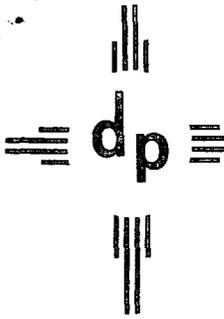
Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As a surface and oil and gas interest owner of the land the injection well is located on (Sec. 36, T30N, R14W) 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 Fagrelus
Geologist
Attachment



dugan production corp.

Mr. Tom Scarbrough
Conoco Phillips Company
600 N. Dairy Ashford
3WL-5058
Houston, TX 77079

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6234

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Tom Scarbrough:

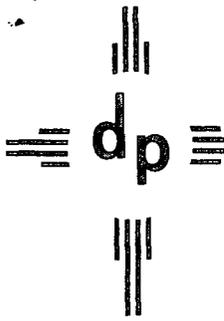
Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 36, T30N, R14W) Conoco Phillips 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. 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 6227

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

Dear Mr. Charlie Perrin:

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

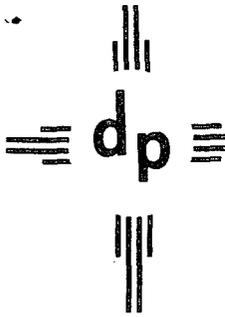
1. Form C-108, Application for Authorization to Inject.
2. Tabular and schematic data on proposed injection well.
3. Lease and surface owner maps identifying all wells and leases within 2-miles of proposed injection well with a one-half mile radius circle drawn around the proposed injection well.
4. 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.

Questar Exploration & Production
1050 17th St, Suite 500
Denver, CO 80265

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6203

Re: Notice of Intent to Complete Salt Water Disposal Well

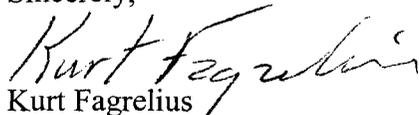
Dear Questar Exploration & Production:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) you are 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.

Lance Oil and Gas
P.O. Box 70
Kirtland, NM 87417

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6197

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Lance Oil and Gas:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) you are 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



dugan production corp.

Four Star Oil & Gas
11111 S. Willowcrest Dr.
Houston, TX 77099

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6210

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Four Star Oil & Gas.:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 36, T30N, R14W) you are 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.

Burlington Resources
P.O. Box 4289
Farmington, NM 87499

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6470

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Burlington Resources:

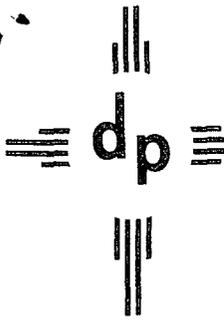
Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) Burlington Resources 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. 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 6173

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Mankiewicz:

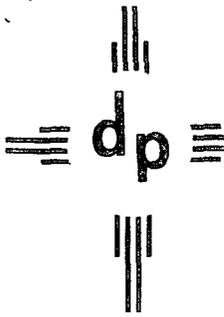
Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting surface and oil and gas interest owner, 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.

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 6180

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 Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As a surface and oil and gas interest owner of the land the injection well is located on (Sec. 36, T30N, R14W) 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 Fagrelus
Geologist
Attachment



dugan production corp.

Mr. Tom Scarbrough
Conoco Phillips Company
600 N. Dairy Ashford
3WL-5058
Houston, TX 77079

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6234

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Tom Scarbrough:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 36, T30N, R14W) Conoco Phillips 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. 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 6227

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

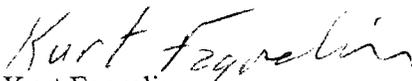
Dear Mr. Charlie Perrin:

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

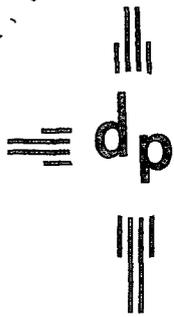
1. Form C-108, Application for Authorization to Inject.
2. Tabular and schematic data on proposed injection well.
3. Lease and surface owner maps identifying all wells and leases within 2-miles of proposed injection well with a one-half mile radius circle drawn around the proposed injection well.
4. 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.

Questar Exploration & Production
1050 17th St, Suite 500
Denver, CO 80265

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6203

Re: Notice of Intent to Complete Salt Water Disposal Well

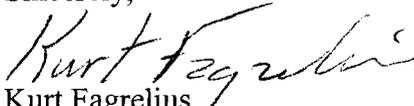
Dear Questar Exploration & Production:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) you are 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



dugan production corp.

Lance Oil and Gas
P.O. Box 70
Kirtland, NM 87417

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6197

Re: Notice of Intent to Complete Salt Water Disposal Well

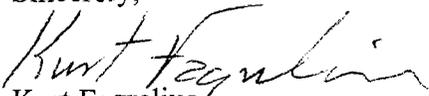
Dear Lance Oil and Gas:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) you are 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



dugan production corp.

Four Star Oil & Gas
11111 S. Willowercrest Dr.
Houston, TX 77099

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6210

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Four Star Oil & Gas.:

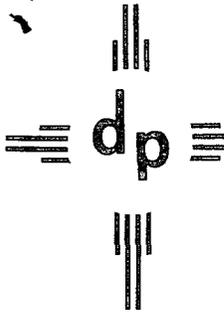
Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 36, T30N, R14W) you are 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



dugan production corp.

Burlington Resources
P.O. Box 4289
Farmington, NM 87499

September 15, 2006

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED--

7005 2570 0001 3771 6470

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Burlington Resources:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting operator (Sec. 35, T30N, R14W) Burlington Resources 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



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 6173

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Ms. Mankiewicz:

Dugan Production Corp. has filed an application for administrative approval to complete the Sponge Bob SWD #1 (Sec. 36, T30N, R14W, 2300' FSL and 1810' FWL) as a salt water disposal well. Injection will be into the Entrada Sandstone between 7085' and 7220'. A copy of the application is attached.

As an offsetting surface and oil and gas interest owner, 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 Fagrelius
Geologist
Attachment

Mr. Will Jones
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

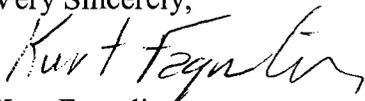
September 19, 2006

Re: Signed and notarized affidavit of publication for the Sponge Bob SWD #1

Hello Will: Enclosed you will find a signed and notarized affidavit of publication for the Sponge Bob SWD #1 Salt Water Disposal Application. Please put this with the application materials for the subject well sent to you on September 15, 2006.

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

Very Sincerely,



Kurt Fagrelus

RECEIVED

SEP 21 2006

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

AFFIDAVIT OF PUBLICATION

Ad No. 53998

**STATE OF NEW MEXICO
County of San Juan:**

COPY OF PUBLICATION

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):

Monday, September 11, 2006.

And the cost of the publication is \$50.58.



ON 9/19/06 ROBIN ALLISON
appeared before me, whom I know personally
to be the person who signed the above
document.


My Commission Expires November 17, 2008.

Legal Notices 132

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 Sponge Bob SWD #1, located 2300' fsl & 1810' fwl, Sec. 36, Twn. 30N, Rng. 14W, San Juan Co., NM. Water will be injected into the Entrada Sandstone between 7085' and 7220' below the surface. Maximum injection pressure is 1415 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. 53998 published in The Daily Times, Farmington, New Mexico on Monday, September 11, 2006.



Injection Permit Checklist

SWD Order Number 1046 Dates: Division Approved _____ District Approved _____

Information Request Letter or Email sent _____

Well Name/Num: SPONGE BOB SWD #1 Date Spudded: Now

API Num: (30-) 045-33927 County: SAN JUAN

Footages 2300 FSL/1810 FWL Sec 36 Tsp 30N Rge 14W

Operator Name: DUGAN PRODUCTION CORPORATION Contact KURT FAGERLINS
 Operator Address: PO Box 420 FARMINGTON, NM 87499-0420 (709 East MURRAY DR. 87401)

	Hole/Pipe Sizes	Depths	Cement	Top/Method
Surface	12 1/4 9 5/8	360'	(250 CF)	Surf.
Intermediate				
Production	8 3/4 5 1/2	7425	(850 CF) (700 CF) (550 CF)	CIRC
Last DV Tool		1485, 4185		
Open Hole/Liner				
Plug Back Depth				

Diagrams Included (Y/N): Before Conversion _____ After Conversion New Drill

Checks (Y/N): Well File Reviewed _____ ELogs in Imaging _____

Intervals:	Depths	Formation	Producing (Yes/No)
Salt/Potash			
Capitan Reef			
Cliff House, Etc:	1250	PC/FRC	
Formation Above	5880	DKTA	
Top Inj Interval	7085	ENTRADA	1417 PSI Max. WHIP
Bottom Inj Interval	7220		NO Open Hole (Y/N)
Formation Below			NO Deviated Hole (Y/N)

Fresh Water Site Exists (Y/N) None Analysis Included (Y/N): None

Salt Water Analysis: Injection Zone (Y/N/NA) NO Disposal Waters (Y/N/NA) Types: FRC/PC/FRS

Affirmative Statement Included (Y/N): Newspaper Notice Adequate (Y/N) Well Table Adequate (Y/N)

Surface Owner SLOJ Noticed (Y/N) Mineral Owner(s) _____

AOR Owners: 4STR, BR, CONCO, Questa, Luca, BLM Noticed (Y/N) _____

CID/Potash/Etc Owners: _____ Noticed (Y/N) _____

AOR Num Active Wells 0 Repairs? 0 Producing in Injection Interval in AOR _____

AOR Num of P&A Wells 0 Repairs? 0 Diagrams Included? _____

Data to Generate New AOR Table _____ New Table Generated? (Y/N) _____

	STR	E-W Footages	N-S Footages
Wellsite			
Northeast			
North			
Northwest			
West			
Southwest			
South			
Southeast			
East			

Conditions of Approval:

- Get sample of Entrada
- _____
- _____
- _____

RBDMS Updated (Y/N) _____

UIC Form Completed (Y/N) _____

This Form completed _____