

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Bureau of Land Management
Farmington Field Office

APR 11 2011

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐

Oil
Well

☐

Gas
Well

☒

Entrada saltwater disposal well
Other

2. Name of Operator

Dugan Production Corp.

3. Address and Telephone No.

P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821

Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec. 13, T22N, R9W
1350' FNL & 365' FEL
NMPM

5. Lease Designation and Serial No.
NMNM-90477

6. If Indian, Allotted or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Morrison SWD #2

9. API Well No.
30-045-33684

10. Field and Pool, or Exploratory Area
Entrada SWD

11. County or Parish, State
San Juan, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

☒

Notice of Intent

☐

Subsequent Report

☐

Final Abandonment Notice

TYPE OF ACTION

☐

Abandonment

☐

Recompletion

☐

Plugging Back

☐

Casing Repair

☐

Altering Casing

☒

Other

APD Extension

☐

Change of Plans

☐

New Construction

☐

Non-Routine Fracturing

☐

Water Shut-Off

☐

Conversion to Injection

☐

Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Operator requests a 1-year extension for the APD on the Morrison SWD #2 Entrada salt water disposal well. This extension will enable the operator the time necessary to finish permitting a second disposal well. Both of which are needed in order to continue prudent development of the marginal Fruitland Coal gas reserves in the area. Both of the wells will be drilled with the same drilling-rig later this year.

See accompanying letter.



*

APD will expire 4/11/2012

MUST HAVE SWD ORDER PRIOR TO DISPOSAL

14. I hereby certify that the foregoing is true and correct

Signed

Kurt Fegelin

Title

Geology

Date

4-11-2011

(This space for Federal or State office use)

Approved by

Troy L. Salyers

Title

Petroleum Engineer

Date

4/11/2011

Conditions of approval, if any:



April 11, 2011

To, the Bureau of Land Management, Farmington, NM Field Office,

Dugan Production Corp. respectfully requests an APD extension for the Morrison SWD #2 salt water disposal well. This well is needed to handle produced water from 9-existing wells on Federal acreage and 3-wells currently in the permit process on Navajo Allotted lands (which have been in the permitting stage since 2007). This well will also reduce water pressure in all wells currently connected to the "Big Band" gas and water gathering system and should allow for increased gas production in the area.

Five wells on Federal acreage and four on Navajo Allotted acreage have been drilled, completed and tied into the existing gas and water gathering system in the last two years. Also, older Fruitland Coal gas wells have started to de-water and the gas production has increased. These new developments have outgrown the capacity of existing production facilities.

To handle the increased volumes of gas, over 30,000-feet of an old gas sales pipeline was replaced with larger pipe, two 6" lines 15,000-feet in length for compressor suction and water collection were installed and a new compressor station was put into commission this year. Also, to handle the increased volumes of produced water, 2-water transfer stations were constructed. However, existing water production is over-loading the only disposal well on the system and much of the water has to be trucked due to topographical and pipeline pressure limitations.

The Morrison SWD #2 salt water disposal well was permitted to handle water production on the west end of the "Big Band" gathering system. It has not been drilled yet because Dugan has been upgrading facilities for handling gas and water production and waiting on permit approvals for the Navajo Allotted wells in the area. The permits for the Navajo Allotted wells (APD's and R-O-W's) will be approved within the next 2-3 months and Dugan plans to drill them in late summer or early fall of this year (2011). Once the new wells are drilled and completed and all (includes 6-older wells) wells on the system are outfitted with pumping units Dugan will need to have the Morrison SWD #2 salt water disposal well in operation.

Dugan is currently in the permit process for a new salt water disposal well (St. Moritz SWD #2) that will be located south of Blanco Trading Post. Once permitting is complete on that project, Dugan Production will drill the Morrison SWD #2 and St. Moritz SWD #2 with the same drilling rig. Both wells will be drilled and completed within 1-year from now.

The APD extension for the Morrison SWD #2 (for a term of 1-year) is respectfully requested to enable continued and prudent development of the marginal reserves in the subject area.

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

Sincerely,

Kurt Fagrelis
Dugan Production Corp.