dugan production corp.

RECEIVED
2007 SEP 10 AM 10 48

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

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—
7005 2570 0001 3771 9877

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

Dear Mr. Jones:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Neoprene 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.

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

Very Sincerely,

Kurt Fagrelius

Kurt Fagrelius

Attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

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
Mr. James Stockbridge-Federal Indian Minerals Office, 1235 La Plata Hwy, Farmington, NM 87401
Chaparral Energy, LLC, 701 Cedar Lake Blvd., Oklahoma City, OK 73114
Mr. Marty Babin-Chevron, Mid Cont. LP, 11111 So. Wilcrest Dr., Houston, TX, 77099
Mr. Marty Babin-Pure Resources, So. Wilcrest Dr., Houston, TX, 77099
XTO Energy Inc., 810 Houston St., Fort Worth, TX 76102-6298

DATE IN 9/10/07	SUSPENSE	W. Jones ENGINEER	LOGGED IN 9/11/07	TYPE SWD	APP NO. pTDS0725449882

ABOVE THIS LINE FOR DIVISION USE ONLY

(1098)

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kurt Fagrelius	Kurt Fagrelius	Geology	August 29, 2007
Print or Type Name	Signature	Title	Date

kfagrelius@duganproduction.com
e-mail Address

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

FORM C-108
Revised June 10, 2003

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: Geology

SIGNATURE: Kurt Fagrelius DATE: August 29, 2007

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: _____

DISTRIBUTION: Original [illegible] Santa Fe [illegible] Division Office

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.

Neoprene 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 Neoprene SWD #1 well, located 1105' FSL & 1185' FWL, Sec. 17, Twn. 25N, Rng. 10W, San Juan Co., NM. Produced water will be injected into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. The maximum injection pressure will be 720 psi and the maximum injection rate will be 3,000 barrels of water daily.

The well will be a re-entry of a plugged and abandoned well for the purpose of salt water disposal. The permit to drill has been approved and plans are to begin drilling in November or December of 2007. 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.

Neoprene SWD #1

Part III. Well Data

A. Tabular Information

1. Name: Neoprene SWD #1

   Location: 1105' FSL & 1185' FWL
   Sec. 17, T25N, R10W
   San Juan Co., NM

2. Surface Casing: 8-5/8" 24#, J-55 set @ 724'. Cemented with 490-sx.
   Hole size – 12-1/4".

   Production Casing: 5-1/2" 15.5#, J-55 set @ 6201'. Cement in two stages with stage tool at 4302' using 250-sx. in first stage and 600-sx. in the 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 3540' or 50' above the upper most perforation.

B. Additional Information

1. Injection Interval: Point Lookout and Lower Menefee Sandstone.

2. The injection interval (Point Lookout–Lower Menefee 3590' – 4270') will be perforated.

3. The well (Neoprene SWD #1) is an existing, previously drilled and P&A'd well that will be re-entered for the purpose of injection.

4. Only the injection interval is to be perforated.

5. Fruitland Coal / Pictured Cliffs Sandstone –1510', Gallup Sandstone 5050' and Dakota-6050'

Side 1

INJECTION WELL DATA SHEET

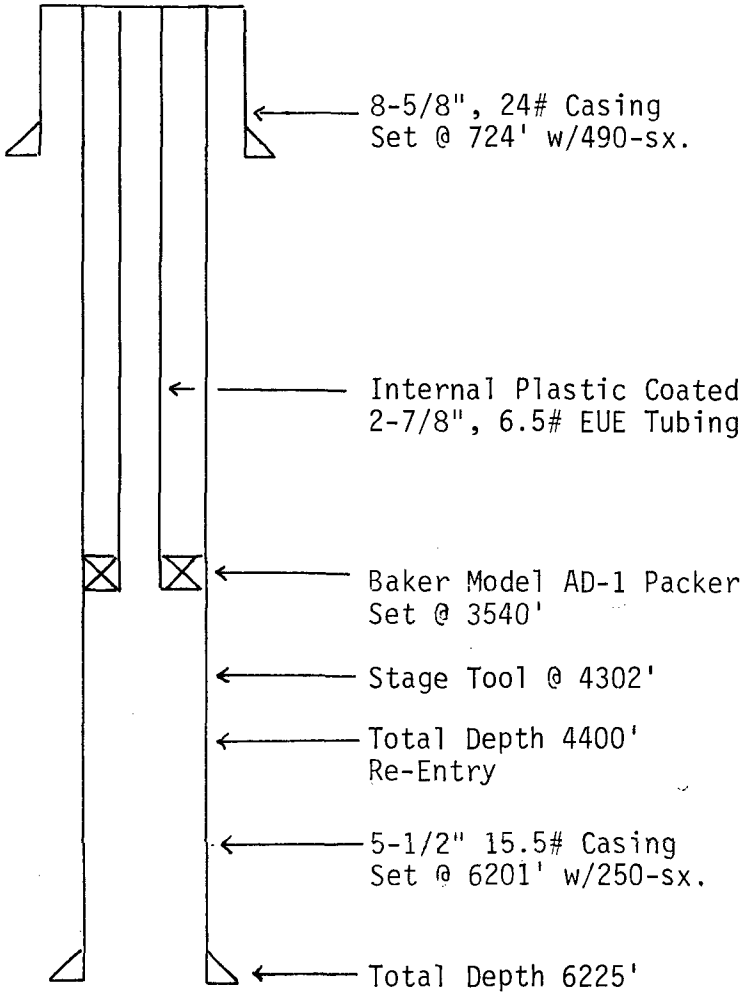
OPERATOR: Dugan Production Corp.

WELL NAME & NUMBER: Neoprene SWD #1

WELL LOCATION: 1105' FSL and 1185' FWL | M | 17 | 25N | 10W

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: 490-sx sx. *or* ft³

Top of Cement: Surface Method Determined: Calculate

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: 850 sx *or* ft³

Top of Cement: Surface Method Determined: Calculate

Total Depth: 4400'

Injection Interval

3590' feet to 4270 feet

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEET

Tubing Size: 2-7/8", EUE, 6.5# Lining Material: Plastic

Type of Packer: AD-1 set in tension (5-1/2")

Packer Setting Depth: 3540' or 50' above uppermost perforation

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

Additional Data

1. Is this a new well drilled for injection? ____Yes __X__No

   If no, for what purpose was the well originally drilled? Well was originally drilled to test the Dakota and Cliff House for production of commercial quantities of oil and or gas. Following production testing, the well was plugged and abandoned.

2. Name of the Injection Formation: Point Lookout and Lower Menefee 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.

   Dakota squeezed w/300 sx, Cliff House squeezed w/80 sx

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: Fruitland Coal - 1510'

   Gallup Sandstone - 5050'

   Dakota Sandstone – 6050'

Union Oil of California
Federal #1 (M17)
Sec.17, T25N, R10W
1100' FSL & 1185' FWL
Elev. 6493' G.L.

Spud Date - March 12, 1977
P&A'd - September 16, 1977

Cut wellhead off 4' below surfc.
place 10-sk cmnt plug in top
of csg & instal dry hole mrkr.

Drill 12-1/4" hole to 724'
8-5/8" Csg. Set @ 724'
Cmnt. w/490-sks Cl-B,
Circ. 50-sks to surface

PC
1525

Sqz perfs w/82-sks "Regular Cmnt"
TOC 2200'

Lewis
1642

Perforate Cliff House 2399-2409,
2425-27, 2431-33, 2441-43,
2447-55 & 2459 W/1-SPF
Acid w/1000-gls 15% HCL
Frac down Csg w/50,000 gls &
50,000#'s sd.

C.H.
2396

Menefee
2602

P.L.
4025

Set Cmnt Retainer @ 5984'
Sqz perfs w/75-sks Cl B followed by
75-sks CL B w/o additives.
135-sks in perfs, 15-sks in csg
Cmnt top displaced to 5700'

Mancos
4205

DV Tool set @ 4302'
Cmnt. 2nd Stage w/600-sks
Full returns while cmntg.

Perforate Dakota 6058, 6061, 6088-95
6098-6110 w/2spf.
Acid w/250-gls 15% HCL,
Frac down tbg. w/40,000 gls &
80,000#'s sd
Swab Wtr w/ 2-5% oil cut and Tr.Gas

Glp
5048

GH
5926

Gran
5990

Set Cmnt. Retainer @ 6130'
Sqz perfs w/150-sks, 122-sks blw ret.
? ?
Perforate Graneros 6142-6146' w-2spf
Acid w/250-gls 15% HCL
Swab Wtr w/5% oil cut and Tr. gas

Dkt
6038

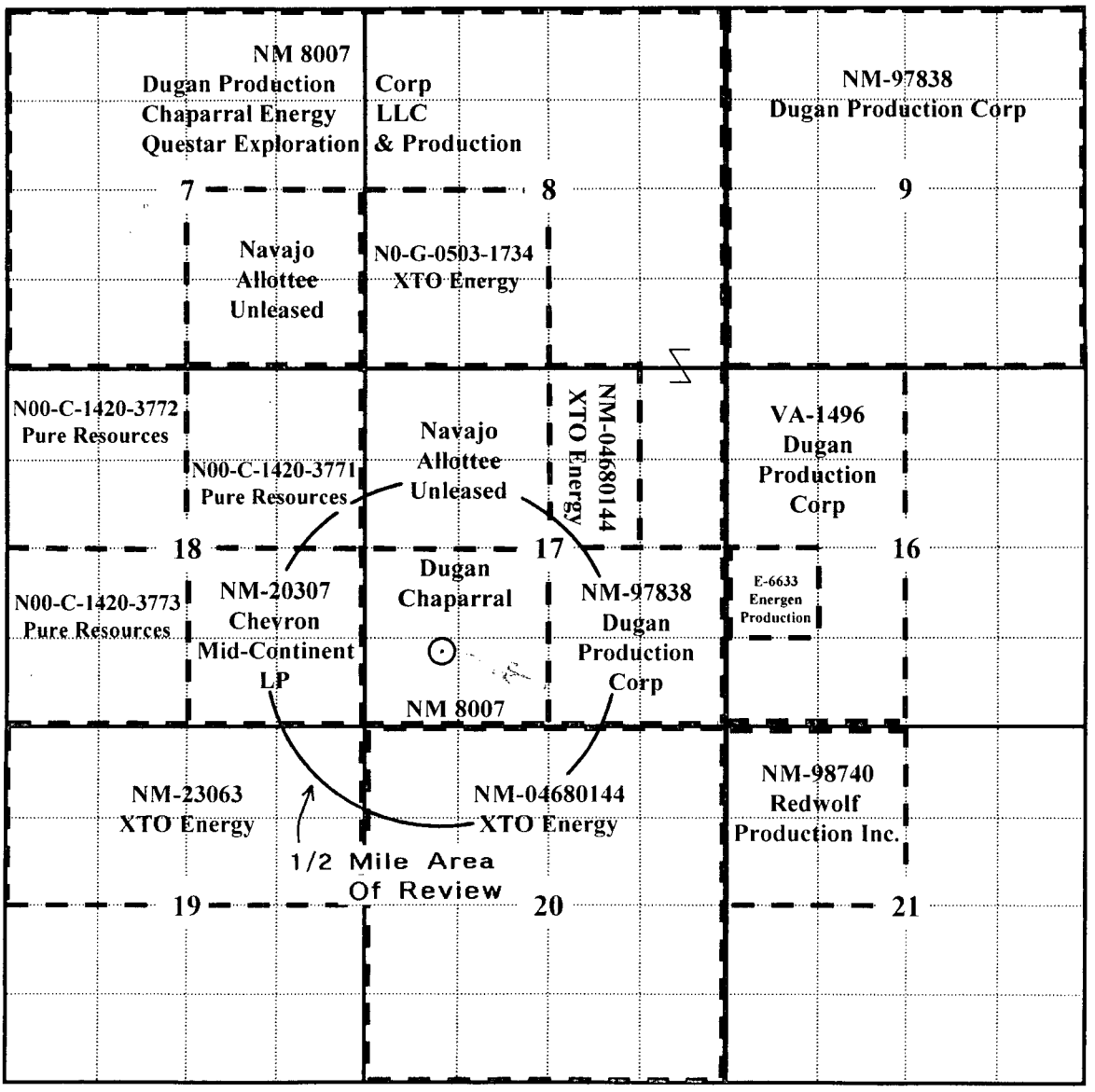
Drill 7-7/8" hole to 6225'
5-1/2" Csg set e @ 6201'
Cmnt. 1st Stage w/250-sks
Full returns while cmntg.

Total Depth 6225'

Va. Lease Owner Map

TOWNSHIP 25 NORTH, RANGE 10 WEST
SAN JUAN COUNTY, NEW MEXICO

OFFSET OPERATOR/LESSEE



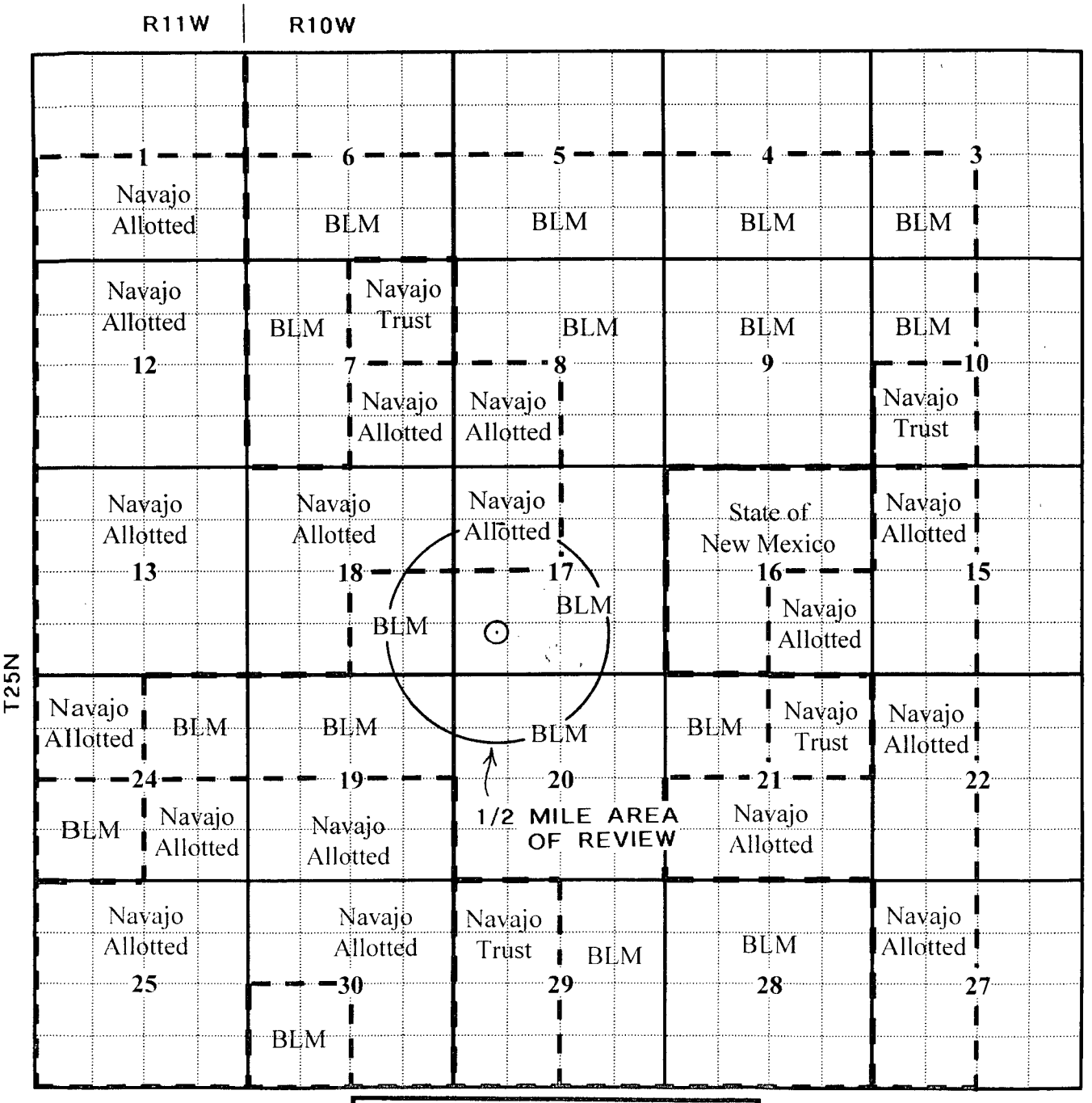
Dugan Production Corp.
Neoprene SWD #1
Sec. 17, T25N, R10W
1105' FSL and 1185' FWL
San Juan County, New Mexico

Salt Water Disposal Application

Vb. Surface Owner Map

TOWNSHIP 25 NORTH, RANGE 10/11 WEST
SAN JUAN COUNTY, NEW MEXICO

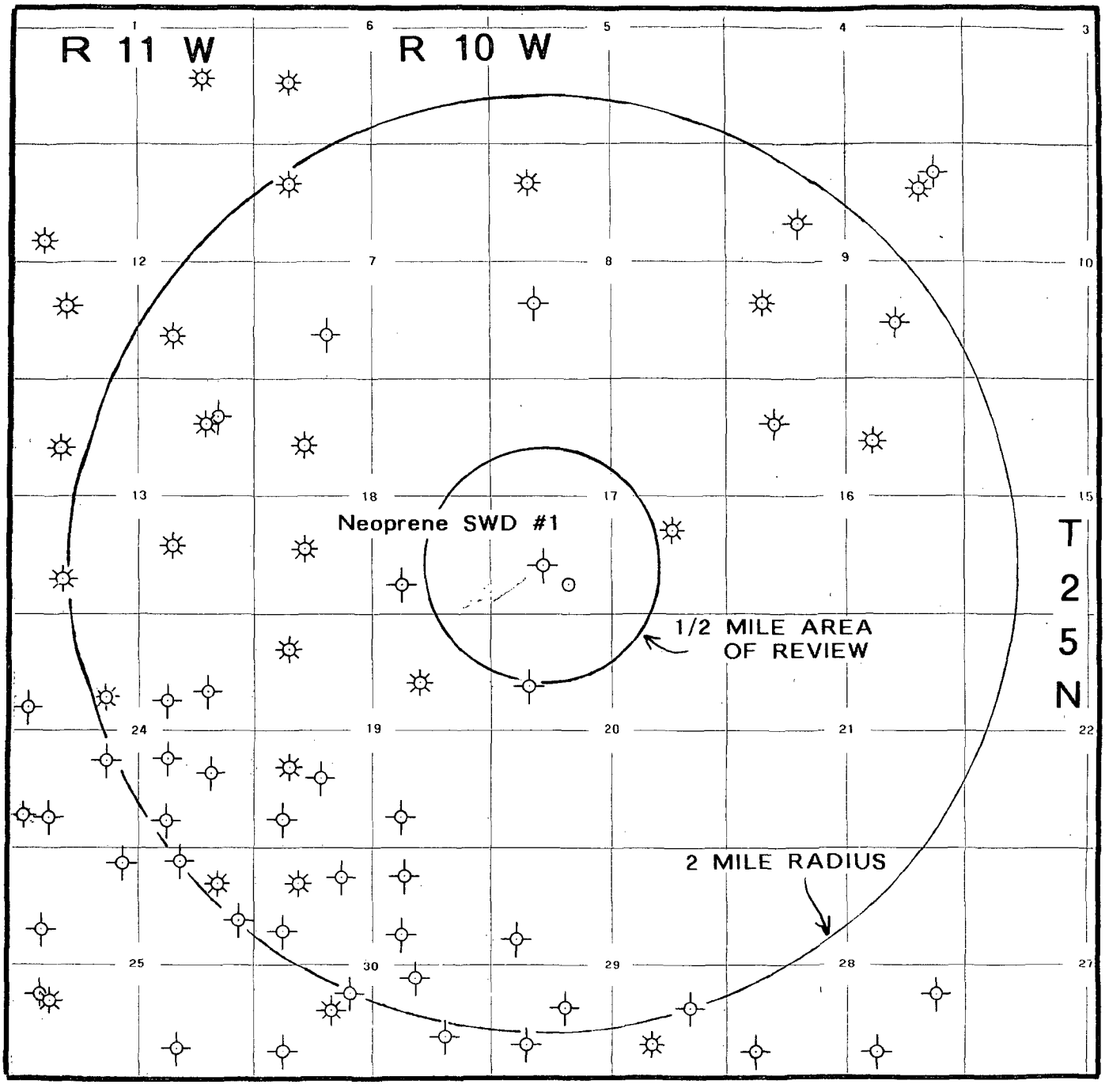
SURFACE OWNERSHIP



Dugan Production Corp.
Neoprene SWD #1
Sec. 17, T25N, R10W
1105' FSL and 1185' FWL
San Juan County, New Mexico

Salt Water Disposal Application

Vc. Well Map



Dugan Production Corp.
Neoprene SWD #1
Sec. 17, T25N, R10W
1105' FSL and 1185' FWL
San Juan County, New Mexico

Salt Water Disposal Application

Application for Authorization to Inject

Dugan Production Corp.

Neoprene 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.

Attachmnent VIa. Tabulation of data on offset wells. Dugan Production Corp., Neoprene SWD #1, S. 17, T25N, R10W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
XTO ENERGY INC	HANSON	2	25N	10W	06	L	1450/S	800/W	CO	BASIN DAKOTA	6370
DUGAN PRODUCTION CORP	GRIGSBY FEDERAL	1	25N	10W	07	D	890/N	790/W	CO	BASIN DAKOTA	6267
CHAPARRAL ENERGY LLC	GRIGSBY FEDERAL	2	25N	10W	07	N	1000/S	1640/W	PA	BASIN DAKOTA	6228
DUGAN PRODUCTION CORP	GRIGSBY FEDERAL	3	25N	10W	08	D	840/N	850/W	CO	BASIN DAKOTA	6375
UNIVERSAL RESOURCES	GRIGSBY FEDERAL	4	25N	10W	08	L	1650/S	990/W	PA	BASIN DAKOTA	6345
DUGAN PRODUCTION CORP	LATEX	1	25N	10W	09	A	990/N	990/E	CO	BASIN FRUITLAND COAL	1955
CORAL O&G CO	WAXMAN	1	25N	10W	09	A	660/N	660/E	PA	WC D3;GALLUP	5745
DUGAN PRODUCTION CORP	LATEX	2	25N	10W	09	L	1700/S	790/W	CO	BASIN FRUITLAND COAL	1800
DUGAN PRODUCTION CORP	LATEX	1-S	25N	10W	09	F	1745/N	1595/W	SP	BASIN FRUITLAND COAL	1940
DUGAN PRODUCTION CORP	LATEX	2-S	25N	10W	09	O	1275/S	1550/E	SP	BASIN FRUITLAND COAL	1980
DUGAN PRODUCTION CORP	SPANDEX COM	90	25N	10W	16	G	1400/N	2050/E	CO	BASIN FRUIT COAL	1830
DUGAN PRODUCTION CORP	SPANDEX COM	90-S	25N	10W	16	D	1010/N	1100/W	SP	BASIN FRUIT COAL	1815
DUGAN PRODUCTION CORP	NEOPRENE COM	90	25N	10W	17	I	1880/S	1200/E	CO	BASIN FRUIT COAL	1750
DUGAN PRODUCTION CORP	NEOPRENE COM	91	25N	10W	17	N	675/S	1715/W	PE	BASIN FRUIT COAL	1720
DUGAN PRODUCTION CORP	NEOPRENE SWD	1	25N	10W	17	M	1105/S	1185/W	PE	MESAVERDE SWD	4400
UNION OIL CO OF CA	FEDERAL	1	25N	10W	17	M	1105/S	1185/W	PA	BLANCO MESAVERDE	6225
PURE RESOURCES LP	NAVAJO E 18	5	25N	10W	18	E	1500/N	1150/W	CO	BASIN DAKOTA	6315
PURE RESOURCES LP	NAVAJO L 18	8	25N	10W	18	L	1500/S	1150/W	CO	BASIN DAKOTA	6225
PURE RESOURCES LP	NAVAJO O 18	10	25N	10W	18	O	660/S	1975/E	PA	BASIN DAKOTA	6233
XTO ENERGY INC	MOUNTVIEW	2	25N	10W	19	D	990/N	790/W	CO	BASIN DAKOTA	6240
XTO ENERGY INC	MOUNTVIEW	2E	25N	10W	19	G	1540/N	1550/E	CO	BASIN DAKOTA	6290
UNION OIL CO OF CA	NAVAJO K 19	4	25N	10W	19	K	1550/S	1500/W	PA	BASIN DAKOTA	6320
PURE RESOURCES LP	NAVAJO L 19	4Y	25N	10W	19	L	1800/S	790/W	CO	BASIN DAKOTA	6125

Wells within 1/2- mile area of review are shaded (grey). No wells within the area of review penetrate the proposed injection zone.

Attachmnent VIa. Tabulation of data on offset wells. Dugan Production Corp., Neoprene SWD #1, S. 17, T25N, R10W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
SKELLY OIL CO	EAST BISTI UNIT	25	25N	10W	19	M	660/S	660/W	PA	BISTI LOWER GALLUP	5205
SKELLY OIL CO	EAST BISTI UNIT	24	25N	10W	19	O	660/S	1980/E	PA	BISTI LOWER GALLUP	5205
BHP PETROLEUM INC	BROOKHAVEN	1	25N	10W	20	E	1620/N	875/W	PA	BASIN DAKOTA	6320
SKELLY OIL CO	EAST BISTI UNIT	48	25N	10W	28	I	1980/S	660/E	PA	BISTI LOWER GALLUP	5435
SKELLY OIL CO	EAST BISTI UNIT	50	25N	10W	28	M	660/S	660/W	PA	BISTI LOWER GALLUP	5396
SKELLY OIL CO	EAST BISTI UNIT	49	25N	10W	28	O	660/S	1980/E	PA	BISTI LOWER GALLUP	5448
SKELLY OIL CO	EAST BISTI UNIT	36	25N	10W	29	E	2080/N	560/W	PA	BISTI LOWER GALLUP	5290
SKELLY OIL CO	EAST BISTI UNIT	47	25N	10W	29	I	1600/S	800/E	PA	BISTI LOWER GALLUP	5345
SKELLY OIL CO	EAST BISTI UNIT	46	25N	10W	29	K	1650/S	1650/W	PA	BISTI LOWER GALLUP	5330
SKELLY OIL CO	EAST BISTI UNIT	52	25N	10W	29	M	800/S	800/W	PA	BISTI LOWER GALLUP	5600
HOLCOMB O&G INC	BROOKHAVEN A	2	25N	10W	29	O	790/S	1650/E	ZA	BISTI LOWER GALLUP	5350
MARALEX RESOURCES INC	BROOKHAVEN A	2	25N	10W	29	O	790/S	1650/E	CO	BASIN FRUITLAND COAL	5350
SKELLY OIL CO	EAST BISTI UNIT	35	25N	10W	30	B	660/N	1890/E	PA	BISTI LOWER GALLUP	5190
SKELLY OIL CO	EAST BISTI UNIT	34	25N	10W	30	C	660/N	1980/W	PA	BISTI LOWER GALLUP	5215
PURE RESOURCES LP	NAVAJO D 30	9	25N	10W	30	D	790/N	1000/W	CO	BASIN DAKOTA	6126
SKELLY OIL CO	EAST BISTI UNIT	38	25N	10W	30	E	1980/N	660/W	PA	BISTI LOWER GALLUP	5244
SKELLY OIL CO	EAST BISTI UNIT	37	25N	10W	30	G	1980/N	1980/E	PA	BISTI LOWER GALLUP	5182
SKELLY OIL CO	EAST BISTI UNIT	45	25N	10W	30	J	2310/S	1650/E	PA	BISTI LOWER GALLUP	5260
MARALEX RESOURCES INC	TRADING POST	1	25N	10W	30	K	1600/S	1750/W	SI	WILDCAT 25N10W30K;	1625
MARALEX RESOURCES INC	TRADING POST	1	25N	10W	30	K	1600/S	1750/W	CO	BASIN FRUITLAND COAL	1625
SKELLY OIL CO	EAST BISTI UNIT	44	25N	10W	30	K	1980/S	2140/W	PA	BISTI LOWER GALLUP	5250
SKELLY OIL CO	EAST BISTI UNIT	54	25N	10W	30	M	660/S	660/W	PA	BISTI LOWER GALLUP	5230
SKELLY OIL CO	EAST BISTI UNIT	53	25N	10W	30	P	990/S	660/E	PA	BISTI LOWER GALLUP	5275
PURE RESOURCES LP	NAVAJO I 1	3	25N	11W	01	I	1500/S	1150/E	CO	BASIN DAKOTA	6330

Wells within 1/2- mile area of review are shaded (grey). No wells within the area of review penetrate the proposed injection zone.

Attachmnent VIa. Tabulation of data on offset wells. Dugan Production Corp., Neoprene SWD #1, S. 17, T25N, R10W

OPERATOR	WELL_NAME	WELL_NO	TWN	RGE	SEC	UL	FTAGE_NS	FTAGE_EW	STATUS	POOL	TD
PURE RESOURCES LP	NAVAJO E 12	9	25N	11W	12	E	2120/N	700/W	CO	BASIN DAKOTA	6141
PURE RESOURCES LP	NAVAJO L 12	6	25N	11W	12	L	1650/S	1150/W	CO	BASIN DAKOTA	6220
PURE RESOURCES LP	NAVAJO O-12	2	25N	11W	12	O	990/S	1800/E	CO	BASIN DAKOTA	6157
XTO ENERGY INC	CANYON	12	25N	11W	13	A	1000/N	1060/E	CO	BASIN DAKOTA	6170
GIANT EXPLOR & PROD CO	BUENA SUER 13 A	1	25N	11W	13	A	790/N	790/E	PA	BASIN FRUITLAND COAL	1650
XTO ENERGY INC	CANYON	12E	25N	11W	13	E	1560/N	1050/W	CO	BASIN DAKOTA	6205
XTO ENERGY INC	CANYON	20E	25N	11W	13	J	1540/S	1840/E	CO	BASIN DAKOTA	6320
XTO ENERGY INC	CANYON	20	25N	11W	13	M	790/S	1100/W	CO	BASIN DAKOTA	6105
PRO NM ENERGY INC	BISTI MAX 24 F	1	25N	11W	24	F	1855/N	1960/W	CO	BASIN DAKOTA	6350
ATLANTIC RICHFIELD CO	KI YAH DE TAH	1	25N	11W	24	E	2110/N	330/W	PA	BISTI LOWER GALLUP	5196
SKELLY OIL CO	EAST BISTI UNIT	13	25N	11W	24	G	1980/N	1980/E	PA	BISTI LOWER GALLUP	5210
UNION OIL CO OF CA	FEDERAL	1	25N	11W	24	H	1730/N	1060/E	PA	BASIN DAKOTA	6181
UNION OIL CO OF CA	FEDERAL	1E	25N	11W	24	I	1650/S	940/E	PA	BASIN DAKOTA	6138
SKELLY OIL CO	EAST BISTI UNIT	23	25N	11W	24	J	1986/S	1972/E	PA	BISTI LOWER GALLUP	5180
SKELLY OIL CO	EAST BISTI UNIT	22	25N	11W	24	K	1980/S	1980/W	PA	BISTI LOWER GALLUP	5180
SKELLY OIL CO	EAST BISTI UNIT	27	25N	11W	24	M	715/S	840/W	PA	BISTI LOWER GALLUP	5120
SKELLY OIL CO	EAST BISTI UNIT	120	25N	11W	24	M	760/S	240/W	PA	WATER	2640
SKELLY OIL CO	EAST BISTI UNIT	26	25N	11W	24	O	660/S	1973/E	PA	BISTI LOWER GALLUP	5175
XTO ENERGY INC	CANYON	17	25N	11W	25	A	800/N	800/E	CO	BASIN DAKOTA	6215
SKELLY OIL CO	EAST BISTI UNIT	33	25N	11W	25	B	330/N	1650/E	PA	BISTI LOWER GALLUP	5141
SKELLY OIL CO	EAST BISTI UNIT	32	25N	11W	25	C	330/N	2310/W	PA	BISTI LOWER GALLUP	5170
SKELLY OIL CO	EAST BISTI UNIT	40	25N	11W	25	E	1882/N	660/W	PA	BISTI LOWER GALLUP	5175
SKELLY OIL CO	EAST BISTI UNIT	39	25N	11W	25	H	1650/N	330/E	PA	BISTI LOWER GALLUP	5280
MARALEX RESOURCES INC	TRADING POST 25	2	25N	11W	25	L	1800/S	840/W	CO	BASIN FRUITLAND COAL	1515
SKELLY OIL CO	EAST BISTI UNIT	43	25N	11W	25	L	1980/S	660/W	PA	BISTI LOWER GALLUP	5199
TENNECO OIL CO	NAVAJO KEYAZAH	1	25N	11W	25	O	735/S	1770/E	PA	WC D3;PICTURED	5204

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.

Neoprene SWD #1

Part VII. Operations Plan

1. Average Injection Rate: 2,500 bwpd with a maximum of 5,000 bwpd.

2. The system will be closed.

3. Average Injection Pressure: 650 psi and the maximum will be 720 psi.

4. The source of injected water will be produced water from Fruitland Coal wells in the immediate area (T25N, 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 (Point Lookout and Lower Menefee 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.

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

Client:	Dugan Prod Corp	Project #:	06094-003
Sample ID:	Neoprene Com #90	Date Reported:	09-04-07
Laboratory Number:	42947	Date Sampled:	08-30-07
Chain of Custody:	3345	Date Received:	08-31-07
Sample Matrix:	Water	Date Extracted:	N/A
Preservative:	Cool	Date Analyzed:	09-04-07
Condition:	Cool & Intact		

FRUITLAND COAL
SE/4, S.17, T25N, R10W

Parameter	Analytical Result	Units		
pH	7.38	s.u.		
Conductivity @ 25° C	38,800	umhos/cm		
Total Dissolved Solids @ 180C	21,830	mg/L		
Total Dissolved Solids (Calc)	21,640	mg/L		
SAR	157	ratio		
Total Alkalinity as CaCO3	458	mg/L		
Total Hardness as CaCO3	526	mg/L		
Bicarbonate as HCO3	458	mg/L	7.51	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	0.20	mg/L	0.00	meq/L
Nitrite Nitrogen	0.005	mg/L	0.00	meq/L
Chloride	12,880	mg/L	363.34	meq/L
Fluoride	0.99	mg/L	0.05	meq/L
Phosphate	<0.01	mg/L	0.00	meq/L
Sulfate	0.1	mg/L	0.00	meq/L
Iron	0.010	mg/L	0.00	meq/L
Calcium	166	mg/L	8.26	meq/L
Magnesium	27.4	mg/L	2.25	meq/L
Potassium	22.7	mg/L	0.58	meq/L
Sodium	8,270	mg/L	359.75	meq/L
Cations			370.84	meq/L
Anions			370.91	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: **Fruitland Coal - Wellhead**

Analyst

Review

5796 U.S. Highway 64 • Farmington, NM 87401 • Tel 505 • 632 • 0615 • Fax 505 • 632 • 1865

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

VII-4b.

Client:	Dugan Prod Corp	Project #:	06094-003
Sample ID:	Latex #2	Date Reported:	09-04-07
Laboratory Number:	42945	Date Sampled:	08-30-07
Chain of Custody:	3345	Date Received:	08-31-07
Sample Matrix:	Water	Date Extracted:	N/A
Preservative:	Cool	Date Analyzed:	09-04-07
Condition:	Cool & Intact		

FRUITLAND COAL
SW/4, S.9, T25N, R10W

Parameter	Analytical Result	Units		
pH	**7.48**	s.u.		
Conductivity @ 25° C	**63,200**	umhos/cm		
Total Dissolved Solids @ 180C	**38,400**	mg/L		
Total Dissolved Solids (Calc)	**35,670**	mg/L		
SAR	**145**	ratio		
Total Alkalinity as CaCO3	**280**	mg/L		
Total Hardness as CaCO3	**1,600**	mg/L		
Bicarbonate as HCO3	**280**	mg/L	4.59	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	**0.40**	mg/L	0.01	meq/L
Nitrite Nitrogen	**0.004**	mg/L	0.00	meq/L
Chloride	**21,540**	mg/L	607.64	meq/L
Fluoride	**1.00**	mg/L	0.05	meq/L
Phosphate	**<0.01**	mg/L	0.00	meq/L
Sulfate	**30.1**	mg/L	0.63	meq/L
Iron	**0.008**	mg/L	0.00	meq/L
Calcium	**430**	mg/L	21.44	meq/L
Magnesium	**128**	mg/L	10.57	meq/L
Potassium	**38.4**	mg/L	0.98	meq/L
Sodium	**13,330**	mg/L	579.86	meq/L
Cations			612.84	meq/L
Anions			612.92	meq/L
Cation/Anion Difference			**0.01%**	

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: **Fruitland Coal - Wellhead**

Analyst

Review

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ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

CATION / ANION ANALYSIS

Client:	Dugan Prod Corp	Project #:	06094-003
Sample ID:	Latex #1	Date Reported:	09-04-07
Laboratory Number:	42946	Date Sampled:	08-30-07
Chain of Custody:	3345	Date Received:	08-31-07
Sample Matrix:	Water	Date Extracted:	N/A
Preservative:	Cool	Date Analyzed:	09-04-07
Condition:	Cool & Intact		

FRUITLAND COAL
NE/4, S.9, T25N, R10W

Parameter	Analytical Result	Units		
pH	**6.98**	s.u.		
Conductivity @ 25° C	**68,000**	umhos/cm		
Total Dissolved Solids @ 180C	**41,310**	mg/L		
Total Dissolved Solids (Calc)	**39,240**	mg/L		
SAR	**146**	ratio		
Total Alkalinity as CaCO3	**508**	mg/L		
Total Hardness as CaCO3	**1,900**	mg/L		
Bicarbonate as HCO3	**508**	mg/L	8.33	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	**0.70**	mg/L	0.01	meq/L
Nitrite Nitrogen	**0.007**	mg/L	0.00	meq/L
Chloride	**23,620**	mg/L	666.32	meq/L
Fluoride	**0.85**	mg/L	0.04	meq/L
Phosphate	**0.90**	mg/L	0.03	meq/L
Sulfate	**0.5**	mg/L	0.01	meq/L
Iron	**1.10**	mg/L	0.04	meq/L
Calcium	**506**	mg/L	25.23	meq/L
Magnesium	**156**	mg/L	12.82	meq/L
Potassium	**28.8**	mg/L	0.74	meq/L
Sodium	**14,620**	mg/L	635.97	meq/L
Cations			674.75	meq/L
Anions			674.74	meq/L
Cation/Anion Difference			**0.00%**	

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: **Fruitland Coal - Wellhead**

Analyst

Review

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Application for Authorization to Inject

Dugan Production Corp.

Neoprene SWD #1

Part VIII. Geologic Data

The proposed injection interval is the Point Lookout and Lower Menefee Sandstone from approximately 3590 – 4270 feet. The only known source of stock water in the area is encountered in existing arroyos at a depth of approximately 35 – 50 feet below the surface. There are no known fresh water wells within a 2 mile radius of the proposed injection well. The Ojo Alamo is at a depth of 645', covered by cement behind both surface and production casing. There are no known drinking water sources below the Mesaverde interval. The expected formation tops in the well are as follows:

Ojo Alamo	645'	Cliff House	2396'
Kirtland	750'	Menefee	2602'
Fruitland	1165'	Point Lookout	4025'
Pictured Cliffs	1525'	Mancos	4270'
Lewis	1642'	**Total Depth**	**4400'**

Part IX. Stimulation Program

Following injection rate tests, it may be necessary to stimulate the Point Lookout and Lower Menefee 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 known water wells within a 2-mile radius of the proposed water injection well.

Application for Authorization to Inject

Dugan Production Corp.

Neoprene 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 Fagrelius

Kurt Fagrelius, Geologist

September 7, 2007
Date

Application for Authorization to Inject

Dugan Production Corp.

Neoprene 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. 55616

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):

Sunday, September 2, 2007

And the cost of the publication is $42.54

ON 9/7/07 ROBIN ALLISON appeared before me, whom I know personally to be the person who signed the above document.

My Commission Expires November 17, 2008

COPY OF PUBLICATION

Dugan Prodution 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 Fagrelius, phone 505-325-1821. The proposed disposal site is the Neoprene SWD #1, located 1105' fsl & 1185' fwl, Sec. 17, Twn. 25N, Rng. 10W, San Juan Co., NM. Water will be injected into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270' below the surface. Maximum injection pressure is 720 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. 55616, published in The Daily Times, Farmington, New Mexico on Sunday, September 2, 2007

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MR. WILL JONES
NEW MEXICO OIL CONSERVATION DIVISIOI
ENGINEERING BUREAU
1220 SOUTH SAINT FRANCIS STREET
SANTA FE, NM 87505

PS Form 3800, June 2002 See Reverse for Instructions

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MR. CHARLIE PERRIN
NEW MEXICO OIL CONSERVATION DIVISIOI
1000 RIO BRAVO RD
AZTEC, NM 87410

PS Form 3800, June 2002 See Reverse for Instructions

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Seni MR. JAMES STOCKBRIDGE
FEDERAL INDIAN MINERALS OFFICE
Stre 1235 LA PLATE HIGHWAY
or P
City FARMINGTON, NM 87401

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Seni MR. DAVID MANKIEWICZ
BUREAU OF LAND MANAGEMENT
Stre 1235 LA PLATE HIGHWAY
or P
City FARMINGTON, NM 87401

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CHAP ARRAL ENERGY, LLC
701 CEDAR LAKE BLVD
OKLAHOMA CITY, OK 73114

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Total Po

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MARTY BABIN-SENIOR LAND REP.
Street, Ap or PO Box 11111 S. WILCREST DR.
City, State HOUSTON, TX 77099

PS Form 3800, June 2002 See Reverse for Instructions

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Street or P
810 HOUSTON ST.
City,
FORT WORTH, TX 76102-6298

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MARTY BABIN-SENIOR LAND REP.
Street, A
or PO B
11111 S. WILCREST DR.
City, Sta
HOUSTON, TX 77099

PS Form 3800, June 2002 See Reverse for Instructions

dugan production corp.

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

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—
7005 2570 0001 3771 9884

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

Dear Mr. Charlie Perrin:

Enclosed, is Dugan Production Corp.'s application for disposal of produced water in the Neoprene 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 owner and a copy of the Affidavit of Publication of the notice as it appeared in the Farmington Daily Times.

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

Very Sincerely,

Kurt Fagrelius

Kurt Fagrelius

Attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

dugan production corp.

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

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7005 2570 0001 3771 9914

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 Neoprene SWD #1 (Sec. 17, T25N, R10W, 1105' FSL and 1185' FWL) as a salt water disposal well. Injection will be into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. A copy of the application is attached.

As surface owner of offsetting land on which the injection well is to be located 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

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX # (505) 327-4613

dugan production corp.

James Stockbridge
Federal Indian Minerals Office
1235 La Plata Highway
Farmington, NM 87401

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7005 2570 0001 3771 9921

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. James Stockbridge:

Dugan Production Corp. has filed an application for administrative approval to complete the Neoprene SWD #1 (SW/4, Sec. 17, T25N, R10W, 1105' FSL and 1185' FWL) as a salt water disposal well. Injection will be into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. A copy of the application is attached.

As an offsetting surface and lease owner (Sec. 17 and 18, T25N, R10W) of the land on which the injection well is to be located 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 Fagrelius

Kurt Fagrelius
Geologist
Attachment

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

dugan production corp.

Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114
Houston, Texas 77099

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7005 2570 0001 3771 9952

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Chaparral Energy LLC:

Dugan Production Corp. has filed an application for administrative approval to complete the Neoprene SWD #1 (Sec. 17, T25N, R10W, 1105' FSL and 1185' FWL) as a salt water disposal well. Injection will be into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. A copy of the application is attached.

As operator (SW/4, Sec. 17, T25N, R10W) of the land the injection well is to be located on, 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

Kurt Fagrelius
Geologist

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX # (505) 327-4613

dugan production corp.

Chevron, Mid Continent LP
Marty Babin, Senior Land Rep.
11111 South Wilcrest Drive
Houston, Texas 77099

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7005 2570 0001 3771 9938

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Marty Babin:

Dugan Production Corp. has filed an application for administrative approval to complete the Neoprene SWD #1 (Sec. 17, T25N, R10W, 1105' FSL and 1185' FWL) as a salt water disposal well. Injection will be into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. A copy of the application is attached.

As an offsetting operator (Sec. 18, T25N, R10W) 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

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

dugan production corp.

Pure Resources
Marty Babin, Senior Land Rep.
11111 South Wilcrest Drive
Houston, Texas 77099

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7005 2570 0001 3771 9945

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear Mr. Marty Babin:

Dugan Production Corp. has filed an application for administrative approval to complete the Neoprene SWD #1 (Sec. 17, T25N, R10W, 1105' FNL and 1185' FWL) as a salt water disposal well. Injection will be into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. A copy of the application is attached.

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

Sincerely,

Kurt Fagrelius
Geologist

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

dugan production corp.

XTO Energy Inc.
810 Houston Street
Fort Worth, Texas 76102-6298

September 7, 2007

--CERTIFIED MAIL, RETURN RECEIPT REQUESTED—

7005 2570 0001 3771 9907

Re: Notice of Intent to Complete Salt Water Disposal Well

Dear XTO Energy Inc.:

Dugan Production Corp. has filed an application for administrative approval to complete the Neoprene SWD #1 (Sec. 17, T25N, R10W, 1105' FSL and 1185' FWL) as a salt water disposal well. Injection will be into the Point Lookout and Lower Menefee Sandstone between 3590' and 4270'. A copy of the application is attached.

As an offsetting operator (Sec. 17 and 18, T25N, R10W) 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

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Injection Permit Checklist 2/8/07

SWD Order Number 1098 Dates: Division Approved _____ District Approved _____

Well Name/Num: NEOPRENE SWD #1 Date Spudded: 3/12/77

API Num: (30-) 045-22295 County: San Juan

Footages 1105 FSL / 1185 FWL Sec 17 Tsp 25 N Rge 10 W

Operator Name: DUGAN PRODUCTION CORP Contact KURT FAGRELIUS

Operator Address: 709 E. MURRAY DR. Farmington, NM 87401

Current Status of Well: P&A (9/16/77) Planned Work: RE-enter Inj. Tubing Size: 2 7/8

	Hole/Pipe Sizes	Depths	Cement	Top/Method
Surface	12 1/4 8 5/8	724	490 SX	CIRC 505 X
Intermediate				
Production	7 7/8 5 1/2	6201	250/600	
Last DV Tool		4302'		
Open Hole/Liner			CLIFFHOUSE	WOC SQZED W/80 SX
Plug Back Depth		6225'		

Diagrams Included (Y/N): Before Conversion ✓ After Conversion ✓

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

Intervals:	Depths	Formation	Producing (Yes/No)	
Salt/Potash				
Capitan Reef				
Cliff House, Etc:				
Formation Above	2399 – 2459	CLIFF HOUSE	SQZED	
Top Inj Interval	3590	Menefee	NO	718 PSI Max. WHIP
Bottom Inj Interval	4270	PLO.	NO	NO Open Hole (Y/N)
Formation Below	5050'	Gallup		NO Deviated Hole (Y/N)

3590 / 7180

Fresh Water: Depths: 0-50' OTA @ 645' Wells(Y/N) NO Analysis Included (Y/N): NO Affirmative Statement ✓

Salt Water Analysis: Injection Zone (Y/N/NA) _____ DispWaters (Y/N/NA) _____ Types: FRC.

Notice: Newspaper(Y/N) ✓ Surface Owner BLM Mineral Owner(s) _____

Other Affected Parties: XTO, PURE, Chevron, Chaparral, BLM, BIA,

AOR/Repairs: NumActiveWells 0 Repairs? — Producing in Injection Interval in AOR —

AOR Num of P&A Wells 0 Repairs? — Diagrams Included? — RBDMS Updated (Y/N) _____

Well Table Adequate (Y/N) Y/02 AOR STRs: Sec_____ Tsp_____ Rge_____ UIC Form Completed (Y/N) 9/17/07

New AOR Table Filename _____ Sec_____ Tsp_____ Rge_____ This Form completed 9/17/07

Conditions of Approval: Sec_____ Tsp_____ Rge_____ Data Request Sent _____

Get water analysis after perfg

AOR Required Work: _____

Required Work to this Well: _____