



P.O. DRAWER 1318 FARMINGTON, N.M. 87499, PH. (505) 327-5251, FAX (505) 326-3152

John Alexander
Dugan Production Corporation
709 E. Murray Dr
P.O. Box 420
Farmington, NM 87499-0420

00-OMSC-05
February 29, 2000

#12365

Re: Application to Convert West Bisti Unit No. 153 to Salt Water Disposal

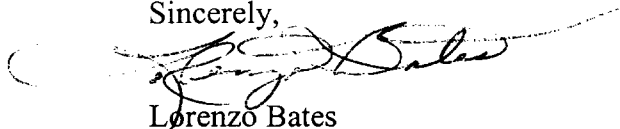
Dear John;

Navajo Agricultural Products Industry (NAPI) is in receipt of your letter dated February 15, 2000 regarding Dugan Production Corporation's proposal for converting the West Bisti Unit No. 153 (T26N, R13W, S35) to a Salt Water disposal service.

NAPI objects to the conversion of West Bisti Unit No. 153 to a salt water disposal service. NAPI is concerned that the injection well is located in an area of proposed future NAPI irrigated fields. The proposed fields are part of the block 9 development of the Navajo Indian Irrigation Project.

The proposed injection well is in lands that are under the trust responsibility of the United States Government. Any authorization would have to conform to applicable laws of both the Navajo Nation and the United States Government (CFR 25).

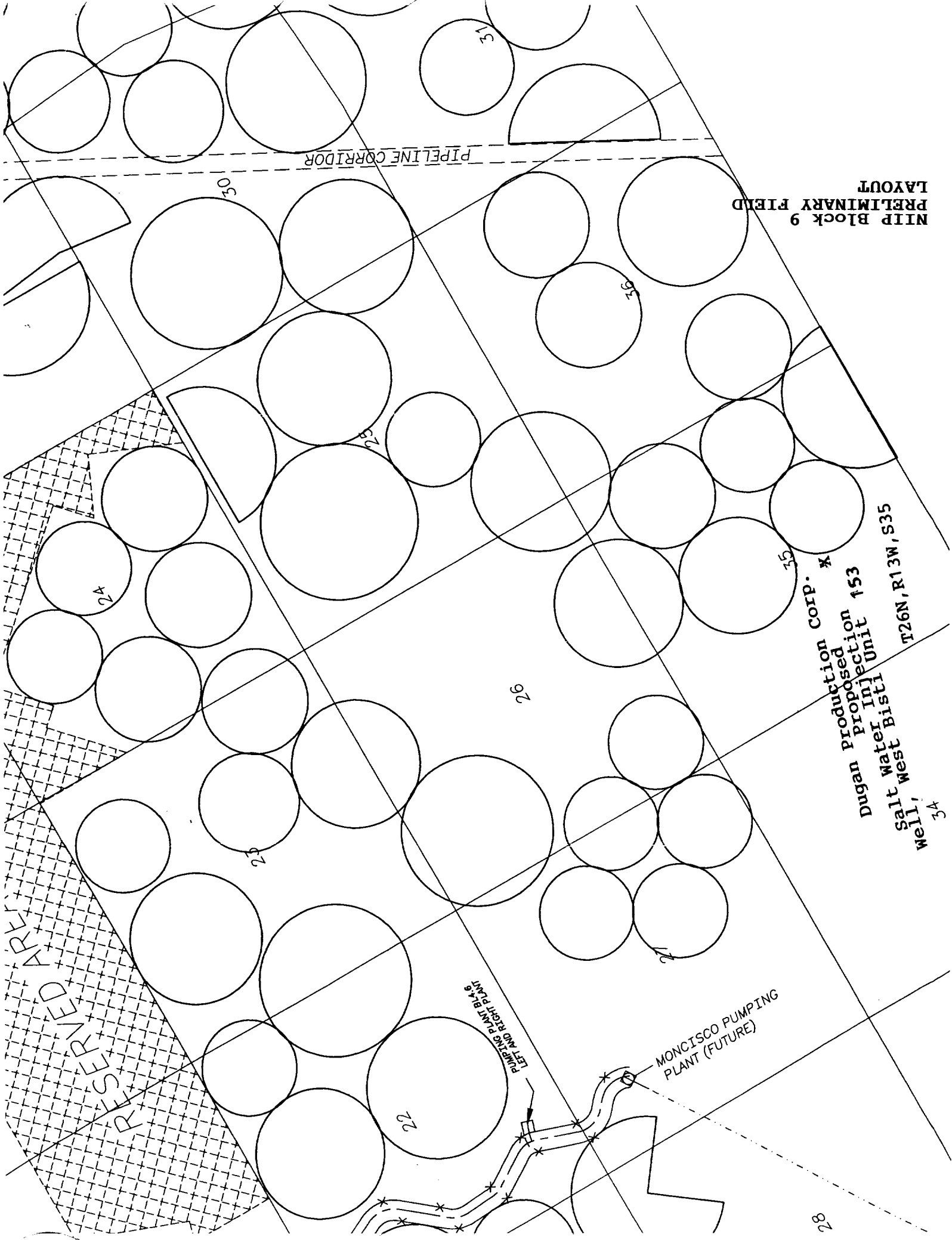
Sincerely,


Lorenzo Bates
NAPI, General Manager

cc:files

Michael Francis, NAPI, O&M Director Intern
Harrison Tsosie, NAPI, Legal Counsel
Arvin Trujillo, NN Executive Director,
Div. of Natural Resources
Florene Davidson, Staff Specialist,
NM Oil Conservation Division

RESERVED AREA

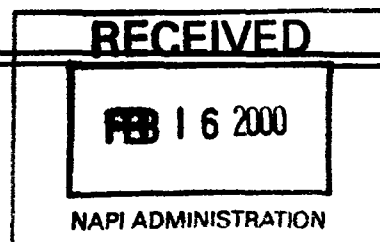
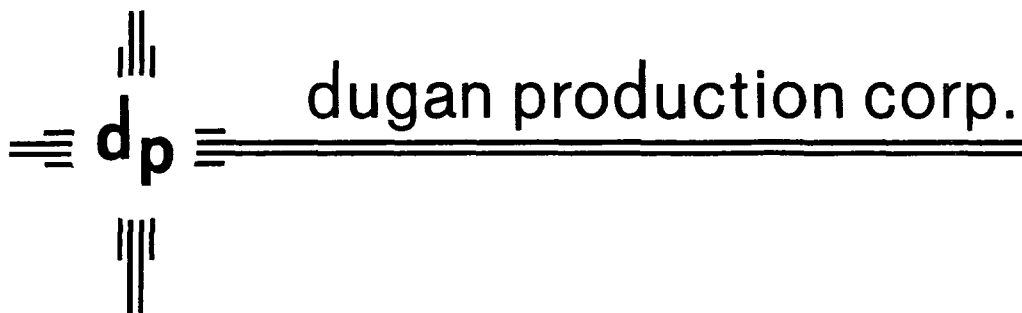


NIPP Block 9 FIELD
PRELIMINARY FIELD
LAYOUT

Dugan Production Corp. x
Dugan Proposed Injection 153
Salt Water Injection Unit
T26N, R13W, S35
well, 34

MONCISCO PUMPING
PLANT (FUTURE)

PUMPING PLANT Bldg
LEFT AND RIGHT PUMP



February 15, 2000

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Lorenzo Bates
General Manager
NAPI
P.O. Drawer 1318
Farmington, NM 87499

Re: Application to Convert West Bisti Unit No. 153 to Salt Water Disposal

Gentlemen:

Please accept this as your notification as surface owner that Dugan Production Corp. has made application to the New Mexico Oil Conservation Division and The United States Environmental Protection Administration for conversion of the West Bisti Unit No. 153 to salt water disposal service. The well is located 1990' fsl & 1960' fwl, S.35-T.26N-R.13W, San Juan Co., NM. The proposed injection interval is the Mesaverde formation at 2747'. Maximum injection rate will be 700 barrels of water daily at a maximum pressure of 550 psi. Interested parties must file objections or request for hearing with the Oil Conservation Division, 2040 S. Pacheco, Santa Fe, NM 87505 within 15 days.

Please contact John Alexander at the letterhead address if you have any questions.

Sincerely Yours,

John Alexander
Vice President

*** TRANSMISSION REPORT ***

MAR-01-00 10:38 ID:

NAPI HEADQUARTERS

JOB NUMBER 659
 INFORMATION CODE OK
 TELEPHONE NUMBER 15058278177
 NAME(ID NUMBER)
 START TIME MAR-01-00 10:37
 PAGES TRANSMITTED 003 TRANSMISSION MODE EMMR
 RESOLUTION STD REDIALING TIMES 00
 SECURITY OFF MAILBOX OFF
 MACHINE ENGAGED 00'59

THIS TRANSMISSION IS COMPLETED.

LAST SUCCESSFUL PAGE 003



Post-It™ brand fax transmittal memo 7671		# of pages = 3
To: Florene Davidson	From: Daniel Lopez	
Co: NM Oil Conservation Div	Co: NAPI	
Dept:	Phone #	505-326-2970
Fax # 505-827-8177	Fax #	505-326-3152

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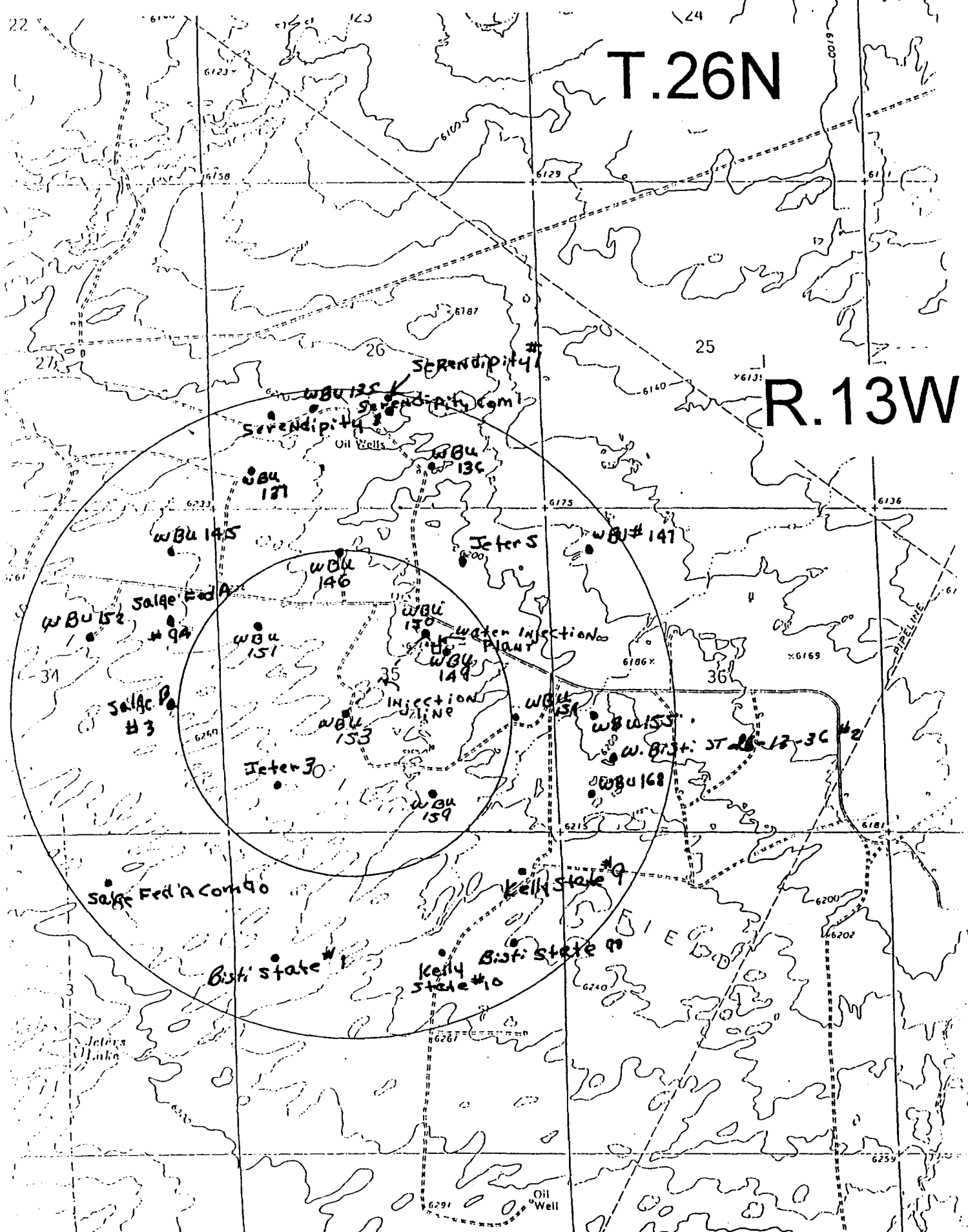
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 Div. of Natural Resources
 Florene Davidson, Staff Specialist,
 NM Oil Conservation Division

Dugan Production Corp.
Application to Convert West Bisti Unit 153 to SWD

Attachment V
Area of review = 1/2 mile radius from WBU 153 Wellbore



Well	No.	Formation	S.	T.	R.	U.	N/S	E/W
WEST BISTI UNIT	146	BISTI LOWER GALLUP	35	26N	13W	C	660/N	1980/W
WEST BISTI UNIT	151	BISTI LOWER GALLUP	35	26N	13W	E	1880/N	660/W
WEST BISTI UNIT	149	WATER WELL	35	26N	13W	G	2310/N	1650/E
WEST BISTI UNIT	150	BISTI LOWER GALLUP	35	26N	13W	G	1980/N	1980/E
WEST BISTI UNIT	153	BISTI LOWER GALLUP	35	26N	13W	K	1990/S	1960/W
WEST BISTI UNIT	159	BISTI LOWER GALLUP	35	26N	13W	O	660/S	1980/E
JETER	3	BASIN FRUITLAND COAL	35	26N	13W	M	790/S	790/W