



STATE OF NEW MEXICO

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

February 10, 1993

Texaco, Inc.
3300 N. Butler
Farmington, NM 87401

Dugan Production, Inc.
P O Box 420
Farmington, NM 87499

Re: Douthit Browning #1 & #1J
Peggy Federal #1 & #1J

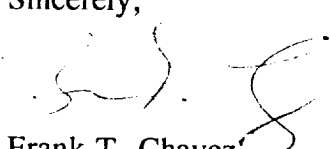
J. 05-23N-01W

Gentlemen:

It has come to our attention that the referenced wells have been divided in ownership, with Dugan purchasing and operating the Douthit Browning #1J and the Peggy Federal #1J, and Texaco operating the other two wells. We inadvertently approved the C-104s for these changes. Our rules do not allow two separate operators of the same drill tract or proration unit.

We need a decision right away as to who will operate and report the production for these wells. If we cannot receive clarification and new C-104's within 15 days we will have to cancel the existing C-104's.

Sincerely,


Frank T. Chavez
District Supervisor

FTC\sh

cc:BLM Farmington