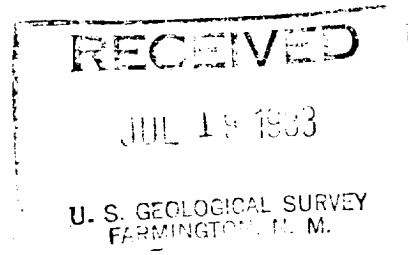


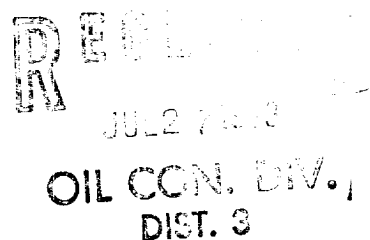
dugan production corp.

July 18, 1983

Bureau of Land Management
Attn: District Supervisor
P. O. Drawer 600
Farmington, New Mexico 87499



Re: Application to Vent Casinghead Gas
Dugan Production Corp.
Celsius #1
Lease No. NM-18946
SE/4 NE/4 Sec. 14, T23N, R6W NMPM
Counselors Gallup Field
Rio Arriba County, New Mexico



Gentlemen:


We are hereby making application to vent approximately 11 MCFD of casinghead gas from the captioned well, which was completed on May 26, 1983 with an initial potential of 129 BOPD, 120 BLWPD, with a GOR of 814. The initial potential was based upon a swab test during the completion process, and currently the well will not flow continuously. It is anticipated that we will have to intermittently flow the well and production will average approximately 13 BOPD plus 11 MCFD.

This well is located approximately 7,400' from the nearest pipeline which is operated by EPNG. We have several other wells in the area and have been working with Northwest Pipeline for several months in order to bring a gathering system into this area. We met with Northwest Pipeline in Salt Lake City on July 14, 1983 and anticipate that we will have a gathering system into this area in the very near future.

Dugan Production has surveyed and received the necessary right-of-ways for the gathering line to tie into EPNG's system, and should arrangements with Northwest Pipeline fall through, Dugan Production intends to install the system ourselves.

In the interim we request permission to vent a minor amount of casinghead gas for one year.

Sincerely,


Jim L. Jacobs

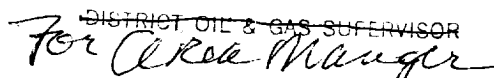
JDR:mba

APPROVED

JUL 25 1983

JAMES F. SIMS

DISTRICT OIL & GAS SUPERVISOR



NMCCD