



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401

IN REPLY REFER TO:  
NMNM57445  
3162.7 (07100)

August 2, 2000

Mr. John D. Roe  
Dugan Production Company  
P.O. Box 420  
Farmington, NM 87499-0420

RE: Zappa No. 3  
790' FSL & 1190' FEL  
Sec. 27, T. 22 N., R. 8 W.  
San Juan County, NM



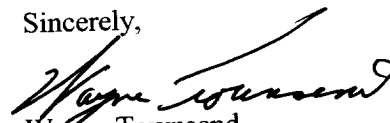
Dear Mr. Roe:

This correspondence is in confirmation of our telephone conversation on July 21, 2000 in which Dugan Production Company was granted verbal approval to downhole commingle the Basin Fruitland Coal and the Bisti Chacra gas pools in the above referenced well. (A Notice of Intent Sundry Notice and approval is required for the operational portion of the workover.) Also as per our conversation, the allocation factors that were submitted in your application dated February 11, 2000 are to be initially utilized. If the commingled production volume varies more than 50% after twelve (12) months of production from the 60 mcf/d that was predicted for the total commingled volume of gas for this well, the allocation factors will need to be adjusted. To adjust these factors, well testing of the individual formations may be necessary. This requirement is consistent with your "NOTE" on page three (3) contained within your application. The approved initial allocation factors are:

<b>Bisti Chacra</b>	<b>N/A OIL</b>	<b>50% GAS</b>
<b>Basin Fruitland Coal</b>	<b>N/A OIL</b>	<b>50% GAS</b>

If you have any questions, please contact Wayne Townsend with this office at (505) 599-6359.

Sincerely,

  
Wayne Townsend  
Petroleum Engineer  
Petroleum Management Team

cc: NMOCD, Santa Fe, NM  
NMOCD, Aztec, NM