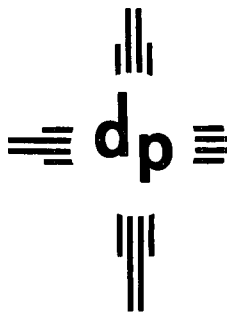
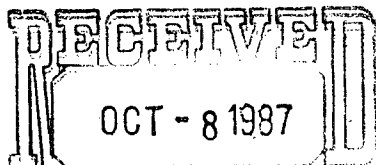


*Release Immediately
Under processing
R-5359*

By DEC



dugan production corp.



October 6, 1987

OIL CONSERVATION DIVISION
SANTA FE

Mr. William LeMay
New Mexico Oil Conservation Division
P O Box 2088
Santa Fe, NM 87504-2088

Re: Request for Administrative Approval for Downhole Commingling
Dugan Production Corp.
Blanco Wash #2
Navajo Indian Allotted Lease No. 14-20-0603-1403
SE/4 NW/4, Section 2, T24N, R9W, NMPM
San Juan County, New Mexico
Undesignated Pictured Cliffs Gas Pool and
Undesignated Fruitland Gas Pool

Dear Mr. LeMay:

We are writing to request administrative approval for downhole commingling of the above captioned well. The pools to be commingled are the Undesignated Fruitland (SJ) and the Undesignated Pictured Cliffs (SJ). We are requesting approval under NMOCD Order No. R-5359, Authorizing Commingling of Fruitland and Pictured Cliffs Production in a Certain Area in San Juan County, New Mexico, January 25, 1977.

The above captioned well was originally completed on December 21, 1977 in the White Wash Mancos-Dakota formation, with an initial potential of 34 BOPD and 75 MCFD. The production from the White Wash Mancos-Dakota had become increasingly marginal to uneconomical. Dugan Production Corp. evaluated the potential in the Fruitland and Pictured Cliffs formations and on August 3, 1987 the well was plugged back to an estimated depth of 2035'. The well was perforated with 6 holes in the Fruitland formation (1642 - 48') and 4 holes in the Pictured Cliffs formation (1652 - 56'). It was frac'd with a total of 19,500 gallons 70 quality foam and 21,000 lbs. 12/20 sand.

Dugan is expecting the Fruitland formation to produce approximately 10 to 11 MCFD with pressures in the 200 to 250 psi range. From our experience in the area, we anticipate production from the Pictured Cliffs to be 1 to 2 MCFD with pressures of approximately 300 psi.

Sincerely,

Jim L. Jacobs
Geologist

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87499-0208 • PHONE: (505) 325-1821

cc: NMOCD - Aztec