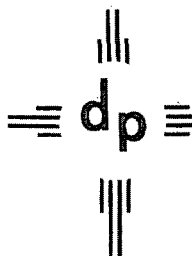


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SWD-884-A



dugan production corp.

RECEIVED

JAN 06 2004

OIL CONSERVATION
DIVISION

December 31, 2003

Mr. William V. Jones
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Re: Addition of Cliff House Interval to Mary Lou No. 1 SWD, Administrative Order SWD-884

Dear Mr. Jones:

I request that Administrative Order SWD-884 be amended to include the Cliff House interval of the Mesaverde formation. The Cliff House will be perforated between 1850 and 1950 (approximately). The injection packer will be set at about 1800'.

The referenced order granted Dugan Production Corp. to dispose of produced water into the Point Lookout member of the Mesaverde between 3450 and 3570. The original filing included the Cliff House also. My letter of July 10, 2003 amended the application to inject into the Point Lookout only with the provision that if adequate rate could not be established, the Cliff House interval would be added. Your email of July 9, 2003 stated that if a determination of the need to add the Cliff House could be made quickly, no additional notification would be required. Completion and equipping of the well took until mid-November. Recent testing shows that only 360 bwpd +/- is capable of being injected while keeping the surface pressure below the mandated limit. This rate is inadequate. Instead of running a step-rate-test to establish a higher surface pressure, I would like to add the Cliff House interval. While this will reduce the allowed surface pressure, the additional rate should be substantial. I may still have to run a step-rate-test, but the additional interval is the path I choose at this time.

Please let me know as soon as possible of your decision in this matter.

Sincerely,

John Alexander
Vice President