

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:

3162.7-3

Leah Marie Gas Gathering System

Dugan Production Corporation

Attn.: John Roe

P.O. Box 420

Farmington, New Mexico 87499-0420

JUN 11 2002

Dear Mr. Roe:

Reference is made to your application for surface commingling and off-lease measurement and sales of gas from the Leah Marie Gas Gathering System CDP. You propose to measure production from the attached list of wells at the El Paso Field Services meter located in the:

NWSW Section 23, T. 26N., R. 12W., San Juan County, New Mexico at the Leah Marie No 2 well site.

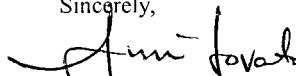
Your application indicates that measurement at a central delivery point is necessary to effectively and economically operate these wells and extend the economic life of the properties. We have reviewed your application and the supplemental information you supplied and concur with these findings. As such, you are hereby authorized to measure natural gas in accordance with the procedures outlined in your application. The following are conditions of this approval:

- Allocation methodology must be made on an MMBTU basis.
- Measurement of gas at the CDP must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site Security, Onshore Order No. 4, Oil Measurement, and Onshore Order No. 5, Gas Measurement.
- In order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- No other wells can be added to this system of measurement without the prior approval of this office.
- Contact this office in the event of any lost hydrocarbons between the wells and the central delivery point.

Failure to operate this facility in accordance with the conditions outlined above may subject this approval to revocation. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that Federal or Allottee royalties would be reduced.

Attached is a list of the wells recognized as contributing to the Leah Marie Gas Gathering System. If you have any questions regarding the above contact me (505) 599-6367.

Sincerely,



Jim Lovato

Team Leader, Petroleum Management Team

FIMO

NMOCD: Santa Fe

Attachment (List of Contributing wells)

**Leah Marie Gas Gathering System CDP
Well List**

Well Name and No.	API No.	Lease #	Formation	Location
Leah Marie No. 1	3004527126	NM-55113	Fruitland Coal	NENW 23-26N-12W
Leah Marie No. 2	3004529831	NM-55113	FR Sand/PC	NWSW 23-26N-12W
Leah Marie No. 3	3004530314	NM-55113	FR Sand/PC	SWNW 23-26N-12W
Leah Marie No. 4	3004530315	NM55113	FR Sand/PC	SWSE 23-26N-12W
Mitzi No. 1	3004524811	NOG-9909-1356	FR Sand/PC	NENE 23-26N-12W
Mitzi Com No. 90	3004530093	NOG-9909-1356	Fruitland Coal	SWNE 23-26N-12W