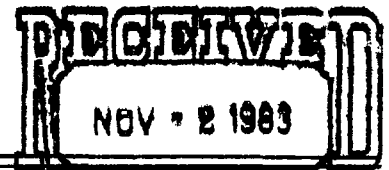


dugan production corp.



OIL CONSERVATION DIVISION
SANTA FE

October 31, 1983

Joe Ramey
New Mexico Oil Conservation Division
P O Box 2088
Santa Fe, New Mexico 87501

RE: Request for Surface Commingling
Dugan Production Corp.
Kinsale Well #1 (Undesignated Chacra) and
Kinsale Well #2 (Lybrook Gallup)
T23N, R7W, NMPM, Section 26: Units P & I
Sandoval County, New Mexico
Federal Lease No. NM 28748

Dear Mr. Ramey:

Regarding our October 17, 1983 Application for Administrative Approval to Commingle gas on the surface for the captioned wells, attached is a copy of a letter from the Bureau of Land Management indicating that they have no objection to this commingling, as required by NMOCD Rule #303 B. We trust this will complete all of the information requirements regarding our proposed surface commingling.

Should you have any questions regarding this matter, please feel free to call us.

Sincerely,

John D. Roe

JDR:fp

Attachment

cc: Frank Chavez, NMOCD, Aztec, NM
Jerome P. McHugh

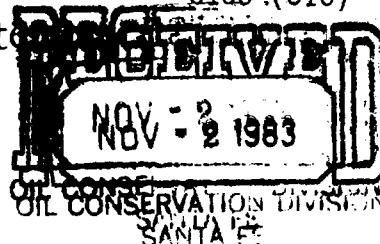


United States Department of the Interior

BUREAU OF LAND MANAGEMENT
CALLER SERVICE 4104
FARMINGTON, NEW MEXICO 87499

IN REPLY REFER TO:

3100 (016)



OCT 27 1983

Dugan Production Corporation
Attention: Mr. John D. Roe
P.O. Box 208
Farmington, New Mexico 87499

Dear Mr. Roe:

Reference is made to your application for approval to commingle gas production from your wells Nos. 1 and 2 Kinsale, sec. 26, T. 23 N., R. 7 W., Lease No. NM-28748. Federal regulations do not require formal approval for combining of production at the surface from two or more zones on a single Federal or Indian lease if royalty rates for all producing zones are identical and gravity and crude oil types are fairly similar.

Sincerely yours,

R. Bingham

ASST Area Manager (ACTING)