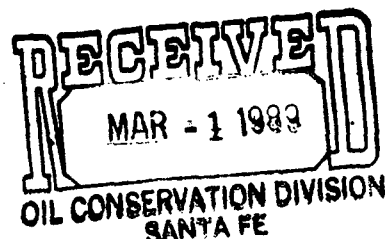


# dugan production corp.

February 24, 1989

New Mexico Oil Conservation District  
P. O. Box 2088  
Santa Fe, New Mexico 87504



Attention: Mr. Michael Stogner

RE: Request for Non-Standard Spacing Units  
Pet, Inc. #5, 6, 9, 10, 13-17 Wells  
T28N-R15W, Secs. 25, 26, 35 and 36  
Western Federal #7 and 9 Wells  
T26N-R11W, Sec. 7  
Elwood P. Dowd #1 Well  
T24N-R9W, Sec. 10: SE/4  
Gibraltar #1 Well  
T30N-R14W, Sec. 9: NE/4

Dear Mr. Stogner:

Reference is made to our earlier communications regarding Dugan Production Corp.'s request for administrative approval of various 160 acre non-standard spacing units in the Basin Fruitland Coal Gas Pool.

This is to advise that after a meeting in Dugan Production Corp.'s office on February 23, 1989 with a representative of the NMOC (Mr. E. Busch), we have decided to withdraw our request for 160 acre non-standard spacing units covering the Pet, Inc. #5, 6, 9, 10, 13, 14, 15, 16, and 17 wells. We will be submitting C102's for 320 acres on each of these wells except the Pet, Inc. #9 which will be 280 acres.

As to our request covering the Elwood P. Dowd #1 and Western Federal #7 and #9 Wells; although we own an interest in the offsetting 160 acre tract that could be spaced with the existing proration unit for these wells, the working interest and overriding royalty interest ownership that would result under the new spacing unit would be different.

New Mexico Oil Conservation District  
Page 2  
February 24, 1989

In the case of the Gibraltar #1, the overriding royalty interest ownership would change if the spacing unit is expanded.

Consequently we ask that our earlier request for non-standard 160 acre spacing units for these wells be approved.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script, reading "Richard Corcoran". The signature is written in dark ink and is positioned to the left of the typed name.

Richard Corcoran  
Landman

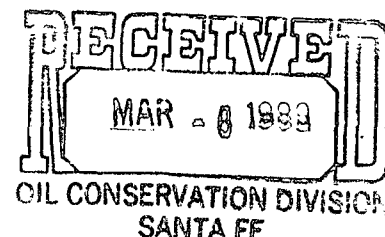
RC/mm



# dugan production corp.

March 3, 1989

New Mexico Oil Conservation Division  
ATTN: Mr. Michael Stogner  
P. O. Box 2088  
Santa Fe, New Mexico 87504



RE: Request for Non-Standard Spacing Units  
Western Federal #7 and #9 Wells  
T26N-R11W, Sec. 7: NW/4 and SW/4  
Elwood P. Dowd #1 Well  
T24N-R9W, Sec. 10: SE/4  
San Juan County, New Mexico

Dear Mr. Stogner:

Reference is made to our phone conversation of March 1, 1989 regarding the approval of the captioned non-standard spacing units.

As we discussed, enclosed are copies of Communitization Agreements and Divisions of Interest for each well indicating in excess of 80 overriding royalty owners, in addition to the royalty and working interest owners. Changing the spacing from 160 acres to 320 acres would require each of these parties to execute new division orders. Further, the existing Operating Agreement would need to be changed and ratified by the working interest owners. Additionally, revised Communitization Agreements would need to be drawn up and approved by the Bureau of Land Management.

It was my understanding that if there were no objections from surrounding interest owners and if the change in spacing would result in any difference in ownership of the well, then the NMOCD would administratively approve the non-standard spacing unit request.

As the circumstances concerning the captioned wells fit the above mentioned criteria for administrative approval of non-standard spacing units, it is requested you approve our application.

Also enclosed is a copy of a letter we submitted concerning the unorthodox location of the Elwood P. Dowd #1 Well.

If there should be any questions, please contact me.

Very truly yours,

Richard Corcoran, Landman

RC/mm  
Enclosures

DATE RUN : 03/02/89

REVENUE AND ROYALTY  
DIVISION OF INTEREST

PAGE 1

LEASE : 3 06 96221 2 0

NAME : WESTERN FEDERAL #7 50-409252

| OWNER<br>NUMBER | TYPE<br>INT. | OWNER<br>NAME                  | SUSP<br>CODE | TAX<br>CODE | REVENUE<br>INTEREST | EXPENSE<br>INTEREST |
|-----------------|--------------|--------------------------------|--------------|-------------|---------------------|---------------------|
| 10470           | 3            | GLEND A EARL AKE               |              | 2           | .00020400           | .00000000           |
| 10610           | 3            | RICHARD ALEXANDER, ADM. OF THE | 2            | 2           | .00080560           | .00000000           |
| 10620           | 3            | HUGH G. ALEXANDER LAST WILL &  |              | 2           | .00061180           | .00000000           |
| 10960           | 3            | AMOCO PRODUCTION CO.           |              | 1           | .00122370           | .00000000           |
| 11100           | 3            | ALMA BEAMON ANDERSON           |              | 2           | .00095580           | .00000000           |
| 11230           | 3            | JERRY J. ANDREW                |              | 2           | .00145440           | .00000000           |
| 13860           | 1            | ROBERT L. BAYLESS              |              | 2           | .12472440           | .00000000           |
| 13970           | 3            | ROBERT BEAMON                  |              | 2           | .00141880           | .00000000           |
| 16830           | 3            | HARRY B. BOTTS                 |              | 2           | .00015300           | .00000000           |
| 17260           | 3            | HAZEL BRACKEN                  |              | 2           | .00007140           | .00000000           |
| 17580           | 3            | KATHRYN E. BRAY                |              | 2           | .00024470           | .00000000           |
| 17930           | 3            | DOROTHY OLDT BRENNER           |              |             | .00015300           | .00000000           |
| 20710           | 3            | LYLE E. CARBAUGH               |              | 2           | .00009790           | .00000000           |
| 21665           | 3            | ALTO B. CERVIN                 |              | 2           | .00061180           | .00000000           |
| 23290           | 3            | JACK L. COKE                   |              | 2           | .00061180           | .00000000           |
| 23291           | 3            | ROBERT C. COKE                 |              | 2           | .00061180           | .00000000           |
| 26500           | 3            | HORTENSE E. DAVANT ESTATE      |              | 2           | .00061180           | .00000000           |
| 26640           | 3            | J. P. DAVIS                    |              | 2           | .00044750           | .00000000           |
| 26644           | 3            | JEREMY S. DAVIS                |              | 2           | .00028040           | .00000000           |
| 28445           | 3            | BARBARA REESE DINGES           |              |             | .00002678           | .00000000           |
| 28930           | 3            | ANN HANCOCK DORIE              |              | 2           | .00003710           | .00000000           |
| 29585           | 3            | ELVA KALB DUMAS, TRUSTEE FOR   |              | 2           | .00061180           | .00000000           |
| 29590           | 3            | ELVA KALB DUMAS                |              | 2           | .00122370           | .00000000           |
| 29591           | 3            | ROBERT DUMBLE                  |              | 2           | .00027970           | .00000000           |
| 32020           | 3            | ALBERT E. FAGAN                |              | 2           | .00079540           | .00000000           |
| 32021           | 3            | M. E. FAGAN                    |              | 2           | .00024470           | .00000000           |
| 33550           | 3            | FONDREN OIL CO.                |              | 1           | .00122370           | .00000000           |
| 34010           | 3            | ELLA BOYCE FOX                 |              | 2           | .00020400           | .00000000           |
| 34425           | 3            | W. H. FREDERKING               |              | 2           | .00040280           | .00000000           |
| 35915           | 3            | TEXAS COMM. BANK, N.A., ATT/F  |              | 2           | .00056080           | .00000000           |
| 38560           | 3            | MARY RUTH GRAHAM/W. WILSON     | 2            | 2           | .00061180           | .00000000           |
| 39745           | 3            | LAURA M. R. GUGENHEIM          |              | 2           | .00061180           | .00000000           |
| 41020           | 3            | JAMES D. HANCOCK, JR.          |              | 2           | .00003700           | .00000000           |
| 41021           | 3            | JOHN L. HANCOCK                |              | 2           | .00003700           | .00000000           |
| 41880           | 3            | STANLEY HARRIS, JR.            |              | 2           | .00122370           | .00000000           |
| 42340           | 3            | WILLIAM O. HASLBAUER           |              | 2           | .00020390           | .00000000           |
| 43510           | 3            | ALLISON A. HENDERSON           |              | 2           | .00007140           | .00000000           |
| 43920           | 3            | WILBUR E. HESS                 |              | 2           | .00120840           | .00000000           |
| 47650           | 3            | MARY DOLL INGRAM               |              | 2           | .00083910           | .00000000           |
| 49380           | 3            | TOM E. JOHNSON                 |              | 2           | .00018360           | .00000000           |
| 49420           | 3            | DOUGLAS E. JOHNSTON            |              | 2           | .00040280           | .00000000           |
| 49421           | 3            | EULA MAY JOHNSTON TRUST, #661  |              | 2           | .00240820           | .00000000           |
| 49440           | 3            | JAMES J. JOHNSTON              |              | 2           | .00145440           | .00000000           |
| 49460           | 3            | V. A. JOHNSTON FAMILY TRUST    |              | 2           | .00060200           | .00000000           |
| 51060           | 3            | L. B. KELLY, TRUSTEE U/W/O     |              | 2           | .00467170           | .00000000           |
| 52560           | 3            | WILLIAM RAY KITCHEL ESTATE     |              | 2           | .00041670           | .00000000           |

LEASE : 3 06 96221 2 0

NAME : WESTERN FEDERAL #7 50-409252

| OWNER<br>NUMBER | TYPE<br>INT. | OWNER<br>NAME                  | SUSP<br>CODE | TAX<br>CODE | REVENUE<br>INTEREST | EXPENSE<br>INTEREST |
|-----------------|--------------|--------------------------------|--------------|-------------|---------------------|---------------------|
| 57230           | 3            | GWINN M. LEWIS                 |              | 2           | .00053540           | .00000000           |
| 59640           | 3            | PATTIE B. LUNDELL              |              | 2           | .00074750           | .00000000           |
| 61605           | 3            | THOMAS V. MCMAHAN              |              | 2           | .00053540           | .00000000           |
| 64195           | 3            | IDA MEHR                       |              | 2           | .00022380           | .00000000           |
| 64647           | 1            | MERRION OIL & GAS CORP.        |              |             | .12472440           | .00000000           |
| 66715           | 3            | CLYDE W. MORGAN                |              | 2           | .00061180           | .00000000           |
| 69530           | 3            | PEARL N. NORDAN                |              | 2           | .00061180           | .00000000           |
| 69535           | 3            | THE NORDAN TRUST               |              | 2           | .00061180           | .00000000           |
| 70315           | 3            | ALTA OLD&INTERFIRST BNK DALLA  |              | 2           | .00000000           | .00000000           |
| 72145           | 3            | GLADYS D. PEARSON ACCOUNT      |              | 2           | .00030590           | .00000000           |
| 74135           | 3            | ESTATE OF PEARSON O. PORTER, J | 4            | 2           | .00007650           | .00000000           |
| 74675           | 3            | PRESBYTERIAN HOSPITAL OF DALLA |              |             | .00007650           | .00000000           |
| 76249           | 3            | DAVID ELBERT REESE             |              |             | .00002678           | .00000000           |
| 76250           | 3            | DAVID E. REESE, IND. EXEC. OF  |              | 2           | .00000000           | .00000000           |
| 76251           | 3            | ELIZABETH GOODWIN REESE        |              |             | .00002677           | .00000000           |
| 76252           | 3            | JEAN A. REESE                  |              | 2           | .00007140           | .00000000           |
| 76254           | 3            | JEAN ASHLEY REESE              |              | 2           | .00010700           | .00000000           |
| 76600           | 1            | 1ST REPUBLIC BNK-ENERGY OPERAT |              | 2           | .16629920           | .00000000           |
| 77240           | 3            | KATHRYN BURGER RICHARDSON      |              | 2           | .00007650           | .00000000           |
| 77242           | 3            | KATHRYN BURGER RICHARDSON      |              | 2           | .00007650           | .00000000           |
| 78435           | 3            | ROGERS-GIBBARD TRUST           |              | 2           | .00060200           | .00000000           |
| 80783           | 3            | DOROTHY WAITE SAXER            |              |             | .00015290           | .00000000           |
| 82445           | 3            | JOHN R. SCOTT ESTATE, 010841-0 |              | 2           | .00030590           | .00000000           |
| 85645           | 3            | J. DOYLE SMITH                 |              | 2           | .00006120           | .00000000           |
| 85895           | 3            | MILDRED P. SNOWDEN             | 4            | 2           | .00018360           | .00000000           |
| 91170           | 3            | RAYBOURNE THOMPSON             |              | 2           | .00117480           | .00000000           |
| 93095           | 3            | UNION OIL CO. OF CALIFORNIA    |              | 1           | .00481630           | .00000000           |
| 93115           | 3            | UNIVERSITY OF NEBRASKA         |              |             | .00007650           | .00000000           |
| 93125           | 3            | UNIVERSITY OF ST. THOMAS       |              | 2           | .00335660           | .00000000           |
| 93170           | 2            | MMS;BIA;SO.UTE;ST.OF NM & UTAH |              | C           | .12500000           | .00000000           |
| 94227           | 3            | DONALD MCCLURE WAITE           |              |             | .00015290           | .00000000           |
| 94495           | 3            | SECURITY PACIFIC NATIONAL BANK | 2            | 2           | .00195790           | .00000000           |
| 94745           | 3            | REBECCA ANN REESE WARD         |              |             | .00002677           | .00000000           |
| 94800           | 3            | GRACE KELLER WARE              |              | 2           | .00045880           | .00000000           |
| 95035           | 3            | GLADYS WATFORD                 |              | 2           | .00000000           | .00000000           |
| 95036           | 3            | GLADYS WATFORD TRUST           |              |             | .00036100           | .00000000           |
| 97300           | 3            | DORIS WILLIAMS                 |              |             | .00042830           | .00000000           |
| 99999           | 1            | DUGAN PRODUCTION CORPORATION   |              |             | .40925200           | .00000000           |
| TOTAL           |              |                                |              |             | 1.00000000          | .00000000           |

LEASE : 3 06 96230 1 0

NAME : WESTERN FEDERAL#9 5045-4162125

| OWNER<br>NUMBER | TYPE<br>INT. | OWNER<br>NAME                  | SUSP<br>CODE | TAX<br>CODE | REVENUE<br>INTEREST | EXPENSE<br>INTEREST |
|-----------------|--------------|--------------------------------|--------------|-------------|---------------------|---------------------|
| 10470           | 3            | GLEND A EARL AKE               |              | 2           | .00020400           | .00000000           |
| 10610           | 3            | RICHARD ALEXANDER, ADM. OF THE | 2            | 2           | .00080560           | .00000000           |
| 10620           | 3            | HUGH G. ALEXANDER LAST WILL &  |              | 2           | .00061180           | .00000000           |
| 10960           | 3            | AMOCO PRODUCTION CO.           |              | 1           | .00122370           | .00000000           |
| 11100           | 3            | ALMA BEAMON ANDERSON           |              | 2           | .00095580           | .00000000           |
| 11230           | 3            | JERRY J. ANDREW                |              | 2           | .00145440           | .00000000           |
| 13860           | 1            | ROBERT L. BAYLESS              |              | 2           | .12263600           | .00000000           |
| 13970           | 3            | ROBERT BEAMON                  |              | 2           | .00141880           | .00000000           |
| 16830           | 3            | HARRY B. BOTTS                 |              | 2           | .00015300           | .00000000           |
| 17260           | 3            | HAZEL BRACKEN                  |              | 2           | .00007140           | .00000000           |
| 17580           | 3            | KATHRYN E. BRAY                |              | 2           | .00024470           | .00000000           |
| 17930           | 3            | DOROTHY OLDT BRENNER           |              |             | .00015300           | .00000000           |
| 20710           | 3            | LYLE E. CARBAUGH               |              | 2           | .00009790           | .00000000           |
| 21665           | 3            | ALTO B. CERVIN                 |              | 2           | .00061180           | .00000000           |
| 23290           | 3            | JACK L. COKE                   |              | 2           | .00061180           | .00000000           |
| 23291           | 3            | ROBERT C. COKE                 |              | 2           | .00061180           | .00000000           |
| 26500           | 3            | HORTENSE E. DAVANT ESTATE      |              | 2           | .00061180           | .00000000           |
| 26640           | 3            | J. P. DAVIS                    |              | 2           | .00044750           | .00000000           |
| 26644           | 3            | JEREMY S. DAVIS                |              | 2           | .00028040           | .00000000           |
| 28445           | 3            | BARBARA REESE DINGES           |              |             | .00002678           | .00000000           |
| 28930           | 3            | ANN HANCOCK DORIE              |              | 2           | .00003710           | .00000000           |
| 29585           | 3            | ELVA KALB DUMAS, TRUSTEE FOR   |              | 2           | .00061180           | .00000000           |
| 29590           | 3            | ELVA KALB DUMAS                |              | 2           | .00122370           | .00000000           |
| 29591           | 3            | ROBERT DUMBLE                  |              | 2           | .00027970           | .00000000           |
| 32020           | 3            | ALBERT E. FAGAN                |              | 2           | .00079540           | .00000000           |
| 32021           | 3            | M. E. FAGAN                    |              | 2           | .00024470           | .00000000           |
| 33550           | 3            | FONDREN OIL CO.                |              | 1           | .00122370           | .00000000           |
| 34010           | 3            | ELLA BOYCE FOX                 |              | 2           | .00020400           | .00000000           |
| 34425           | 3            | W. H. FREDERKING               |              | 2           | .00040280           | .00000000           |
| 35915           | 3            | TEXAS COMM. BANK, N.A., ATT/F  |              | 2           | .00056080           | .00000000           |
| 38560           | 3            | MARY RUTH GRAHAM/W. WILSON     | 2            | 2           | .00061180           | .00000000           |
| 39745           | 3            | LAURA M. R. GUGENHEIM          |              | 2           | .00061180           | .00000000           |
| 41020           | 3            | JAMES D. HANCOCK, JR.          |              | 2           | .00003700           | .00000000           |
| 41021           | 3            | JOHN L. HANCOCK                |              | 2           | .00003700           | .00000000           |
| 41880           | 3            | STANLEY HARRIS, JR.            |              | 2           | .00122370           | .00000000           |
| 42340           | 3            | WILLIAM O. HASLBAUER           |              | 2           | .00020390           | .00000000           |
| 43510           | 3            | ALLISON A. HENDERSON           |              | 2           | .00007140           | .00000000           |
| 43920           | 3            | WILBUR E. HESS                 |              | 2           | .00120840           | .00000000           |
| 47650           | 3            | MARY DOLL INGRAM               |              | 2           | .00083910           | .00000000           |
| 49380           | 3            | TOM E. JOHNSON                 |              | 2           | .00018360           | .00000000           |
| 49420           | 3            | DOUGLAS E. JOHNSTON            |              | 2           | .00040280           | .00000000           |
| 49421           | 3            | EULA MAY JOHNSTON TRUST, #661  |              | 2           | .00240820           | .00000000           |
| 49440           | 3            | JAMES J. JOHNSTON              |              | 2           | .00145440           | .00000000           |
| 49460           | 3            | V. A. JOHNSTON FAMILY TRUST    |              | 2           | .00060200           | .00000000           |
| 51060           | 3            | L. B. KELLY, TRUSTEE U/W/O     |              | 2           | .00467170           | .00000000           |
| 52560           | 3            | WILLIAM RAY KITCHEL ESTATE     |              | 2           | .00041670           | .00000000           |

EASE : 3 06 96230 1 0

NAME : WESTERN FEDERAL#9 5045-4162125

| OWNER<br>NUMBER | TYPE<br>INT. | OWNER<br>NAME                  | SUSP<br>CODE | TAX<br>CODE | REVENUE<br>INTEREST | EXPENSE<br>INTEREST |
|-----------------|--------------|--------------------------------|--------------|-------------|---------------------|---------------------|
| 57230           | 3            | GWINN M. LEWIS                 |              | 2           | .00053540           | .00000000           |
| 59640           | 3            | PATTIE B. LUNDELL              |              | 2           | .00074750           | .00000000           |
| 61605           | 3            | THOMAS V. MCMAHAN              |              | 2           | .00053540           | .00000000           |
| 64195           | 3            | IDA MEHR                       |              | 2           | .00022380           | .00000000           |
| 64647           | 1            | MERRION OIL & GAS CORP.        |              |             | <u>.12263600</u>    | .00000000           |
| 66715           | 3            | CLYDE W. MORGAN                |              | 2           | .00061180           | .00000000           |
| 69530           | 3            | PEARL N. NORDAN                |              | 2           | .00061180           | .00000000           |
| 69535           | 3            | THE NORDAN TRUST               |              | 2           | .00061180           | .00000000           |
| 70315           | 3            | ALTA OLD&INTERFIRST BNK DALLA  |              | 2           | .00000000           | .00000000           |
| 72145           | 3            | GLADYS D. PEARSON ACCOUNT      |              | 2           | .00030590           | .00000000           |
| 74135           | 3            | ESTATE OF PEARSON O. PORTER, J | 4            | 2           | .00007650           | .00000000           |
| 74675           | 3            | PRESBYTERIAN HOSPITAL OF DALLA |              |             | .00007650           | .00000000           |
| 76249           | 3            | DAVID ELBERT REESE             |              |             | .00002678           | .00000000           |
| 76250           | 3            | DAVID E. REESE, IND. EXEC. OF  |              | 2           | .00000000           | .00000000           |
| 76251           | 3            | ELIZABETH GOODWIN REESE        |              |             | .00002677           | .00000000           |
| 76252           | 3            | JEAN A. REESE                  |              | 2           | .00007140           | .00000000           |
| 76254           | 3            | JEAN ASHLEY REESE              |              | 2           | .00010700           | .00000000           |
| 76600           | 1            | 1ST REPUBLIC BNK-ENERGY OPERAT |              | 2           | <u>.16351500</u>    | .00000000           |
| 77240           | 3            | KATHRYN BURGER RICHARDSON      |              | 2           | .00007650           | .00000000           |
| 77242           | 3            | KATHRYN BURGER RICHARDSON      |              | 2           | .00007650           | .00000000           |
| 78435           | 3            | ROGERS-GIBBARD TRUST           |              | 2           | .00060200           | .00000000           |
| 80783           | 3            | DOROTHY WAITE SAXER            |              |             | .00015290           | .00000000           |
| 82445           | 3            | JOHN R. SCOTT ESTATE, 010841-0 |              | 2           | .00030590           | .00000000           |
| 85645           | 3            | J. DOYLE SMITH                 |              | 2           | .00006120           | .00000000           |
| 85895           | 3            | MILDRED P. SNOWDEN             | 4            | 2           | .00018360           | .00000000           |
| 91170           | 3            | RAYBOURNE THOMPSON             |              | 2           | .00117480           | .00000000           |
| 93095           | 3            | UNION OIL CO. OF CALIFORNIA    |              | 1           | .00481630           | .00000000           |
| 93115           | 3            | UNIVERSITY OF NEBRASKA         |              |             | .00007650           | .00000000           |
| 93125           | 3            | UNIVERSITY OF ST. THOMAS       |              | 2           | .00335660           | .00000000           |
| 93170           | 2            | MMS;BIA;SO.UTE;ST.OF NM & UTAH |              | C           | .12500000           | .00000000           |
| 94227           | 3            | DONALD MCCLURE WAITE           |              |             | .00015290           | .00000000           |
| 94495           | 3            | SECURITY PACIFIC NATIONAL BANK | 2            | 2           | .00195790           | .00000000           |
| 94745           | 3            | REBECCA ANN REESE WARD         |              |             | .00002677           | .00000000           |
| 94800           | 3            | GRACE KELLER WARE              |              | 2           | .00045880           | .00000000           |
| 95035           | 3            | GLADYS WATFORD                 |              | 2           | .00000000           | .00000000           |
| 95036           | 3            | GLADYS WATFORD TRUST           |              |             | .00036100           | .00000000           |
| 97300           | 3            | DORIS WILLIAMS                 |              |             | .00042830           | .00000000           |
| 99999           | 1            | DUGAN PRODUCTION CORPORATION   |              |             | <u>.41621300</u>    | .00000000           |
| TOTAL           |              |                                |              |             | 1.00000000          | .00000000           |