



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: 43 CFR 3160

New Mexico Oil Conservation Division
1220 south St. Francis Drive
Santa Fe, NM 87505

Dugan Production Corp. filed an application for administrative approval for a non-standard location on the Federal I Com #103 (S.12, T29N, R14W, 1775' FNL & 10' FWL with the New Mexico Oil Conservation Division ((NMOCD). The location is inside the Farmington City limits and is required due to a lack of unavailable land to place a standard location and restrictions created from working within the City of Farmington. There were no objections from affected offsetting working interest owners on the original application, however, the NMOCD set the matter for examiner hearing on Thurs. February 17, 2005. Dugan has noticed all offsetting working and royalty interest owners of the upcoming examiner hearing and again, no objections have been received.

The Bureau of Land Management in the Farmington Field Office has reviewed the proposed action and has no objections to the non-standard location. It is becoming increasingly more difficult to properly located wells in the urban interface and especially within city limits (see attached map). The proposed location will facilitate mineral resource recovery and have no impact on the royalty revenue. If you have any questions, please call Jim Lovato at (505) 599-6767.

Sincerely,

David J. Mankiewicz
Assistant Field Manager, Minerals

cc. Dugan Production
Well File

NMOCD CASE NO. 13399

February 17, 2005

Dugan Production Corp.

Exhibit No. 10

