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PATRICK H. LYONS COMMISSIONER

State of New Mexico Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148 SANTA FE, NEW MEXICO 87504-1148 COMMISSIONER'S OFFIC

Phone (505) 827-5760 Fax (505) 827-5766 www.nmstatelands.org

April 17, 2008

Dugan Production Corp.
P.O. Box 420
Farmington, New Mexico 87499-0420

Attn:

Mr. John Alexander

Re:

2007 Plan of Development

West Bisti Lower Gallup Sand Unit San Juan County, New Mexico

Dear Mr. Alexander:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS

COMMISSIONER OF PUBLIC LANDS

JAMI BAILEY, Director

Oil, Gas and Minerals Division

(505) 827-5744

PL/JB/jm

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