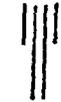




dugan production corp.



September 16, 1997

October 23, 1997
NMOCD Case No. 11863
Dugan Production Corp.
Exhibit No. 3

Mr. Bill LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Dugan Production's 8-19-97 Application
Surface Commingling and Off-Lease Measurement
Proposed Federal I Central Gathering System
San Juan County, New Mexico

Dear Mr. LeMay:

Attached for your review and file in considering the captioned application are copies of return receipts as evidence of notification to the interest ownership involved. Please note that of the 7 leases and 6 wells involved, we have receipts from all ownership for 5 of the wells (Camp David Com #1, Federal I # 4, 5R, and 6, plus the Winifred #2). However, for the O'Henry No. 1, we only have receipts for 98.32% of the ownership. To date, we have not received, or have been unable to locate 6 overriding royalty interest owners with a combined interest of 1.68%. We will continue to locate these 6 parties, however at this time believe we have made a reasonable effort to contact these parties.

To aid in this issue, I have attached the interest ownership detail (Attachment No. 7) included in our 8-19-97 application and have highlighted in blue the owners that we have been unable to locate. In addition, I'm attaching a copy of the 8-26-97 letter from the State Land Office approving our application. Please let me know if you have questions or need additional information.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachs.

to E-14-97 Application

COPY

ATTACHMENT NO. 7
 INTEREST OWNERSHIP
 PROPOSED FEDERAL I CENTRAL GATHERING SYSTEM
 DUGAN PRODUCTION CORP.
 SAN JUAN COUNTY, NEW MEXICO

	Camp David Com #1		Federal I Lease 1		O'Henry #1		Winifred #2	
	WI	NI	WI	NI	WI	NI	WI	NI
Working Interest Owners								
Dugan Production	1.0000	0.8326	1.0000	0.8750	1.0000	0.7024	1.0000	0.8650
Royalty Interest Owners								
USA-Federal				0.1250				0.0625
State of New Mexico		0.1250				0.1250		
Joseph O. & Cicily Muench								0.03125
Patricia Harbin								0.03125
Overriding Royalty Owners								
Conoco		0.0068				0.1504		
Anne B. Little		0.0051						
Sylvia Little		0.0051						
Texaco Exploration		0.0253						
Edward & Juanita Lopez						0.0036		
Ruby Maculsay						0.0012		
Martin A. Moe, Jr.						0.0036		
James W. & Ella E. Post						0.0036		
Harper L. & Nellie A. Proctor						0.0036		
Gisle W. Romo						0.0012		
Clara Sault						0.0012		
Ernest J. & Valene M. Sill						0.0042		
Winifred & Forest Jacobs								0.0100

Total 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000

*NI = interest owner
 Not located after
 a weeks of attempts.*

1 Federal I Wells No. 4, 5R & 6.

Federal I Central Bath. Sys.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Bureau of Land Management
Attn: Wayne Spencer
1235 La Plata Hwy
Birmingham, AL 35201

4a. Article Number
P 358 644 415 *Return receipt requested*

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
8-20-97

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
X *Wayne Spencer*

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1994 Domestic Return Receipt

Fed I Central Bath. System

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Ray Powell, Commissioner
77M State Land Office
P.O. Box 1148
Santa Fe, NM 87504-1148

4a. Article Number
P 358 644 416 *return receipt requested*

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
AUG 21 1997

5. Received By: (Print Name)
Ray Powell

6. Signature: (Addressee or Agent)
X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1994 Domestic Return Receipt

Fed I Central Bath. Sys.

Is your RETURN ADDRESS completed on the reverse side?

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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Joseph D. + Cicely M. Muench
Family Trust dtd 10/12/84
P.O. Box 779
Las Alamos, NM 87043-0779
J.D. Muench

4a. Article Number
P 358 644 417 *return receipt requested*

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
8-20-97

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
X *J.D. Muench*

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1994 Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
 Fed 1 Cent. both. Sep.
 • Complete items 1 and/or 2 for additional services.
 • Complete items 3, 4a, and 4b.
 • Print your name and address on the reverse of this form so that we can return this card to you.
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.
 • Write "Return Receipt Requested" on the mailpiece below the article number.
 • The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Patricia Harbin
 c/o Marilyn Adragna
 1708 Lutz Place, NE
 Albuquerque, NM 87112

4a. Article Number
 P 358 644 418 *return receipt requested*

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)
Marilyn D. Adragna

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
 Fed 1 Cent. both. Sep.
 • Complete items 1 and/or 2 for additional services.
 • Complete items 3, and 4a & b.
 • Print your name and address on the reverse of this form so that we can return this card to you.
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.
 • Write "Return Receipt Requested" on the mailpiece below the article number.
 • The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Conoco, Inc.
 Tax Revenue
 P.O. Box 951063
 Dallas, TX 75395-1063

4a. Article Number
 P 358 644 419 *return receipt requested*

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
AUG 22 1997

5. Signature (Addressee)

6. Signature (Agent)
Rose Costello

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
 Fed 1 Cent. both. Sep.
 • Complete items 1 and/or 2 for additional services.
 • Complete items 3, 4a, and 4b.
 • Print your name and address on the reverse of this form so that we can return this card to you.
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.
 • Write "Return Receipt Requested" on the mailpiece below the article number.
 • The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Anne D. Little
 P.O. Box 82277
 Albuquerque, NM 87198-2277

4a. Article Number
 P 358 644 420

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery

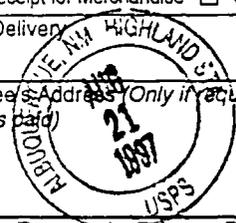
5. Received By: (Print Name)
Anne D. Little

6. Signature: (Addressee or Agent)
 X

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 **Domestic Return Receipt**

Thank you for using Return Receipt Service.



Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Sylvia J. Kettle
 TTEE UTAD 5-25-90
 P.O. Box 1254
 Farmington, NM 87499-1254

4a. Article Number
 358 644 421

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 8-20-97

5. Received By: (Print Name)
 Cheri Whitney

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X Cheri Whitney

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

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- Complete items 3, 4a, and 4b.
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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Syaco Exploration Prod. Inc.
 P.O. Box 20078
 Houston, TX 77216-0078

4a. Article Number
 358 644 422

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 AUG 23 1997

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X [Signature]

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Clara Sault
 Palmer W. Larson, Pres. Rep.
 Milwaukee, OR 97222

4a. Article Number
 358 644 429

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 67

5. Received By: (Print Name)
 PALMER W. LARSON

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X [Signature]

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Fed I Central bath. Sep.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Winifred + Forest Jacobs
 1000 SW Santa Fe Road
 Lawanda, KS 67144-9213

4a. Article Number
 P 358 644 431

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 8-22-97

5. Received By: (Print Name)
 Forest Jacobs

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X Paul Rogers

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Fed I CPD

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Ernest G. + Valerie M. Sill
 30269 Cave View St.
 Sun City, CA 92587

4a. Article Number
 P 358 626 295

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 9-11-97

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X Valerie M. Sill

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.



COPY

COMMERCIAL RESOURCES
(505)-827-5724

PUBLIC AFFAIRS
(505)-827-5765

SURFACE RESOURCES
(505)-827-5793

State of New Mexico
Commissioner of Public Lands

ADMINISTRATIVE MGMT.
(505)-827-5700

MINERAL RESOURCES
(505)-827-5744

Ray Powell, M.S., D.V.M.

310 Old Santa Fe Trall, P. O. Box 1148

Santa Fe, New Mexico 87504-1148

Phone (505)-827-5760, Fax (505)-827-5766



LEGAL
(505)-827-5715

ROYALTY
(505)-827-5772

PLANNING
(505)-827-5752

August 26, 1997

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

Attn: Mr. John D. Roe

Re: Application for Surface Commingling and Off-Lease Measurement
Proposed Federal I Central Gathering System NE/4NW/4 Sec. 1-29N-14W
Camp David Com #1, Federal I wells No. 4, 5R & 6, O'Henry #1, & Winifred #2
San Juan County, New Mexico

Dear Mr. Roe:

We have received your letter of August 19, 1997, wherein you requested our approval for the proposed surface commingling of production (natural gas and water) from the above-captioned 6 wells which are being operated by Dugan Production.

We understand that Dugan Production plans to install a central gathering system to collect natural gas and water from the 6 low volume gas wells and use a central facility to separate the gas and water. Natural gas will be delivered to El Paso Field Services at their CPD sales meter and will be allocated to each well using allocation factors determined from periodic individual well tests. The water production will be transferred by pipeline and will be disposed of at Dugan's water disposal well in the NW/4NW/4 of Section 36-30N-14W.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management. Our approval is also contingent upon Dugan Production securing the appropriate right-of-way and salt water disposal easements.

Please submit a copy of the Bureau of Land Management's approval and a copy of the New Mexico Oil Conservation Division's approval order.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm
encls.

xc: Reader file
OCD Attn: Mr. David Catanach, Mr. Ben Stone
BLM Farmington Attn: Mr. Duane Spencer
Debbie Padilla
Joseph Lopez

dugan production corp.

P. O. BOX 420
FARMINGTON, NEW MEXICO 87499-0420

SEP 1 9 00

1st Notice
2nd Notice

~~UNCLAIMED~~
8-23-97

CERTIFIED

P 358 644 424

MAIL

~~UNCLAIMED~~
LEBY MAOULSA
8767 SERIE STREET
OAKLAND, CA 94610

First Notice 8-22
Second Notice 8-30
Returned 8-30

FARMINGTON, N.M.
AUG 19 1997
U.S. POSTAGE
2 77

dugan production corp.

P. O. BOX 420
FARMINGTON, NEW MEXICO 87499-0420

1st Notice
2nd Notice
Return

~~UNCLAIMED~~
8-23-97

CERTIFIED

P 358 644 426

MAIL

JAMES W. & TILAE ROSS
1448 WEST 101ST STREET
LOS ANGELES, CA 90049

~~UNCLAIMED~~
TO RETURN TO SENIOR

FARMINGTON, N.M.
AUG 19 1997
U.S. POSTAGE
2 77

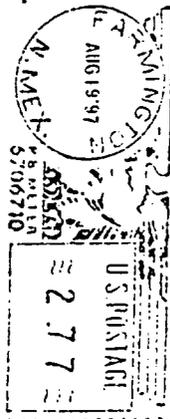
1st Notice
2nd Notice
Return

CERTIFIED

dugan production corp.
P. O. BOX 420
FARMINGTON, NEW MEXICO 87420

P 358 644 427

MAIL



1st Notice
2nd Notice
Return

HARPER I. & ...
402 MASONIC TOWER
JACKSONVILLE, FL 32205-9998

FOR RETURN TO SENDER
IF NO ADDRESSEE
OR RETURN TO SENDER
ADDRESS IS UNKNOWN
BY
32205-9998

INSID
ADD
BY

87420/0420



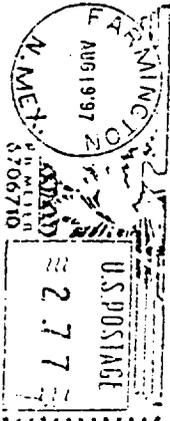
CERTIFIED

dugan production corp.

P. O. BOX 420
FARMINGTON, NEW MEXICO 87420

P 358 644 428

MAIL



- MOVED, LEFT NO ADDRESS
- NOT DELIVERABLE AS ADDRESSED
- UNABLE TO FORWARD
- UNCLAIMED - NOT KNOWN
- UNCLAIMED REFUSED
- NO SUCH STREET
- NO SUCH NUMBER
- NO SUFFICIENT ADDRESS



REMOVABLE

1st Notice
2nd Notice
Return

GISLE W. ROMO
5012 VENICE BLVD.
LOS ANGELES, CA 90019