



dugan production corp.

September 24, 1997

October 23, 1997
NMOCD Case No. 11863
Dugan Production Corp.
Exhibit No. 5

Mr. Ben Stone
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. Stone:

Attached for your review and file in considering the captioned application is a copy of the BLM's 9-22-97 approval of our application. In addition, I am attaching a copy of the return receipt card for 1 additional overriding royalty interest owner holding 0.32% in the O'Henry #1. Thus as an update to our 9-16-97 letter, we now have notice verification from all ownership for 5 of the wells (Camp David Com #1, Federal I #4, 5R, and 6, plus the Winifred #2), and for the O'Henry #1, we have receipts for 98.68% of the ownership. We still have not received, or have been unable to locate 5 overriding royalty interest owners with a combined interest of 1.32%. We will continue our efforts to locate these 5 parties.

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.

Please let me know if you have questions or need additional information.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachs.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

COPY

IN REPLY REFER TO:
NMSF-078110(WF)
3162.7-3

September 22, 1997

Mr. John Roe
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

Dear Mr. Roe:

Dugan submitted an application for off-lease measurement and surface commingling of gas production from the following wells:

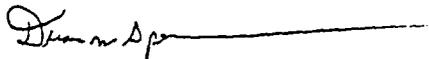
Well Name	QTR/QTR	Location	Lease Number	CA Number	Pool
1 Camp David Com	G	36-30N-14W	State	N/A	Fruitland Coal
4 Federal I	C	1-29N-14W	NMSF-078110	N/A	FR Sand -PC
5R Federal I	J	1-29N-14W	NMSF-078110	N/A	FR Sand -PC
6 Federal I	G	1-29N-14W	NMSF-078110	N/A	FR Sand -PC
1 O'Henry	N	36-30N-14W	State	N/A	Fruitland Coal
2 Winifred	G	35-30N-14W	Fee	SCR-141	FR Sand -PC

Based upon our review of your application and the supplemental data Dugan submitted September 19, 1997, your application for the Federal I Central Gathering System is approved, effective August 1, 1997. This approval for off-lease measurement and surface commingling is subject to the following conditions of approval:

1. Dugan is required to test the gas system integrity prior to initiating operations and submit the results for our files.
2. Dugan is required to comply with the applicable provisions of Onshore Orders No. 3, 4 and 5.

If you have any questions, please call Duane Spencer at (505) 599-6350.

Sincerely,


Duane W. Spencer
Team Lead, Petroleum Management

cc:
NMOCD, Aztec, NM
State Land Office, O&G Division, Santa Fe, NM



Send I.C.O.D.

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:

Martin A. Moe, Jr.
660 Palm Blvd.
Weston, TX 73326

4a. Article Number

P 358 631 188

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

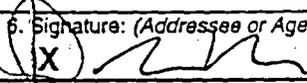
7. Date of Delivery

9/13/97

5. Received By: (Print Name)

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

6. Signature: (Addressee or Agent)



Thank you for using Return Receipt Service.

COPY

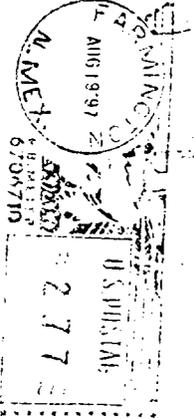
CERTIFIED

dugan production corp.

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

MAIL

P 358 644 423



EDWARD A. & JUANITA LOPEZ
782 NORTH BROAD STREET
SAN LUIS OBISPO, CA 93401

Name Ed Lopez
1st Notice 6-9-97
2nd Notice 9-1-97
Return 9-1-97

Handwritten: L1002041
8-28-97

Handwritten notes and stamps:
FARMINGTON, NM
AUG 19 1997
EDWARD A. & JUANITA LOPEZ
782 NORTH BROAD STREET
SAN LUIS OBISPO, CA 93401



to E-19-97 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
<u>Working Interest Owners</u>								
Dugan Production	1.0000	0.8326	1.0000	0.8750	1.0000	0.7024	1.0000	0.8650
<u>Royalty Interest Owners</u>								
USA-Federal				0.1250				0.0625
State of New Mexico		0.1250				0.1250		
Joseph O. & Cicily Muench								0.03125
Patricia Harbin								0.03125
<u>Overriding Royalty Owners</u>								
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

*0.0036 = interest ownership
 not yet located
 Total = 1.32%*

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