



dugan production corp.

Attachment D
Pg 1 of 1

April 7, 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Texon Energy Corporation
Dept. 1041, P.O. Box 4554
Houston, TX 77210-4554

RE: Dugan Production Corp.'s Application dated 3/29/2000
Surface commingling and off-lease measurement - San Juan County, NM

Ladies and Gentlemen:

Attached for your information, review and file is a copy of our 3-29-00 application to the New Mexico Oil Conservation Division (NMOCD), the New Mexico State Land Office, and the Bureau of Land Management to surface commingle and off lease measure natural gas produced from five wells all operated by DPC.. Our records indicate that you have a 1.899335% overriding royalty interest in the Com No. 4 well which is included in this application. Your interest was not included in our initial notification. We have amended pages No. 1 & 4 of Attachment No. 4 to reflect your interest and copies of the amended pages are attached. Please substitute these pages for the corresponding pages in our initial application. This proposal will allow us to place the Federal I No. 99 and Tabor Com No. 90 on production and will allow all 5 wells to share the cost of operating a central compressor and production facilities as opposed to separate facilities at each individual well.

This proposal should not affect your interest in the Com No. 4 and should allow your revenues to increase since less compressor fuel will be used which will increase the volumes of gas available for sale. In addition, our operating expenses will be lowered which will allow us to recover more of the gas reserves from each well.

Should you have any questions, need additional information or have any concern as to our proposal, please let me know. The NMOCD has scheduled our application for an examiner hearing beginning at 8:15 a.m. on 5/4/00. As an interest owner you may participate in this hearing and should you desire to do so, you should file a pre-hearing statement with the division by 4:00 p.m. on Friday April 28th, 2000 with a copy to Dugan Production. You may contact the NMOCD directly by phone @ 505/827-7131 or by mail at 2040 South Pacheco Street in Santa Fe, New Mexico 87505.

Sincerely,

John D. Roe
Engineering Manager

cc: NMOCD - Aztec & Santa Fe