dugan production corp.

April 2, 2002

HAND DELIVERED

Mr. Jim Lovato
Bureau of Land Management
Farmington Field Office
1235 La Plata Highway
Farmington, NM 87401

Re: Supplemental Information
Dugan Production's 2-11-02 Application
Proposed Leah Marie Gas Gathering System

Dear Mr. Lovato,

Attached is a tabulation presenting the lease equipment that is either installed or anticipated to be installed for each of the six wells plus the CDP facility for the proposed Leah Marie Gas Gathering System. Much of the equipment is not yet installed since five of the wells are new and are either recently completed or not yet completed. The Leah Marie No. 1 is the only well with established production. The Leah Marie No. 2, 3, and 4 were all perforated on 03-01-02, fracture stimulated on 03-05-02, and are currently being evaluated for productive capacity. Rod pump artificial lift equipment was installed in the No. 2 and 3 on 03-28-02, and both wells are now waiting on pump units to be installed. The Mitzi No. 1 has been completed, and the Mitzi Com No. 90 is drilled, but has not been completed. Both wells are shut in waiting for the necessary pipeline rights-of-way to be approved prior to doing additional work.

The anticipated fuel requirements for each well is also presented, and currently we anticipate the only fuel requirements to be for pumping unit engines and for the compressor engine.

Upon installation of the gathering system and placing the Mitzi No. 1 and Mitzi Com No. 90 on production, we will obtain a gas sample and submit copies of the gas analysis for each well.

I hope this completes the information needed for your consideration of our application. Attached for your file and information is a copy of the New Mexico Oil Conservation Division's approval (Commingling Order PLC-198) dated 03-22-02. Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR:sh

Attachments

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TABLE NO. 1
DUGAN PRODUCTION CORP.
WELL & GATHERING SYSTEM EQUIPMENT
PROPOSED LEAH MARIE GAS GATHERING SYSTEM

Well Name	Well Location UL-Sec-Twn-Rng	Gas Measurement	Engine HP Ⓓ	Separator	Water Storage	Anticipated Fuel Requirements
WELLS						
Leah Marie No. 1	C-23-26N-12W	Ⓐ	12	Ⓔ	Ⓕ	3.02 mcfd
Leah Marie No. 2	L-23-26N-12W	Ⓑ	12	Ⓔ	Ⓕ	3.02 mcfd
Leah Marie No. 3	E-23-26N-12W	Ⓑ	12	Ⓔ	Ⓕ	3.02 mcfd
Leah Marie No. 4	O-23-26N-12W	Ⓑ	12	Ⓔ	Ⓕ	3.02 mcfd
Mitzi No. 1	A-23-26N-12W	Ⓑ	12	Ⓔ	Ⓕ	3.02 mcfd
Mitzi Com No. 90	G-23-26N-12W	Ⓑ	12	Ⓔ	Ⓕ	3.02 mcfd
SYSTEM EQUIPMENT						
CDP Compressor		---	125	---	---	31.5 mcfd
CDP Separator		---	---	Ⓔ	100 bbl.	0
CDP Sales Meter		Ⓒ	---	---	---	0

Ⓐ Currently El Paso Sales Meter No. 99403. A 2" meter run with Bristol Electronic Flow Meter (500# - 150"). Upon connecting the Leah Marie No. 1 to Leah Marie Gathering System, El Paso's meter run will be removed from service, and a Dugan Production allocation meter, consisting of a 4" meter run and a Barton dry flow (or similar) meter, will be installed.

Ⓑ It is intended to install an allocation meter consisting of a conventional 2" or 4" (depending upon gas volume) meter run with a Barton dry flow (or similar) meter.

Ⓒ El Paso installed, operated, and maintained conventional 4" meter run with an electronic flow meter.

Ⓓ Each well will likely require rod pump artificial lift equipment, which is anticipated to be powered with a 12hp natural gas engine. An electric motor is being considered for the Leah Marie No. 1, since electric power is available. The engine for the CDP compressor will initially be a Caterpillar 3306NA natural gas engine, operating at 125hp. The compressor will initially be a rental unit. At some future date, when the system gas volumes are somewhat stabilized, it is likely a compressor will be purchased, and the engine size may change. Fuel requirements for all natural gas engines will be calculated using manufacturer specifications. If an electric motor is used, there will be no fuel gas requirements.

Ⓔ Each well and the CDP facility will be equipped with a 2 phase (gas/water) separator. Under normal operations, we do not intend to use the burner in any of the separators. It is possible that some of the separators could be heated during winter months should freezing become a concern. If the burner in any of the separators is used, fuel requirements will be calculated using the rated heating capacity of the burner and will be included in the total lease fuel requirements.

Ⓕ Each well will be equipped with a 300 to 500 bbl. steel tank for on-site storage of produced water.