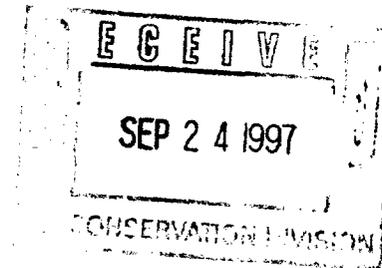


dugan production corp.

September 22, 1997



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

Re: Dugan's 8-1-97 application
Proposed surface commingling
Five of Diamonds CPD
San Juan Co., NM

Dear Mr. Stone:

Attached for your review in consideration of the subject application is a letter from the Bureau of Land Management (BLM) advising that BLM approval is not necessary since the spacing units for each well involves only one Federal lease.

Please let me know if you need any additional information.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attach



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

September 10, 1997

IN REPLY REFER TO:
NMNM-030555A(WF)
3172.7-3 (07400)

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

Dear Mr. Roe:

You applied for approval to surface commingle production from Well No. 2S Five of Diamonds and Well No. 90 Five of Diamonds. Both wells are located on lease NMNM-030555A and consists of spacing units comprised totally of this lease. Per 43 CFR 3162.7-3, no approval to surface commingle production on a single lease is necessary. We have retained your application in our files for information purposes only.

Sincerely,

Duane W. Spencer
Team Lead, Petroleum Management

