

dugan production corp.

Attachment
No. 9
pg 1 of 1

May 30, 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Lee Atchison
P. O. Box 15069
Farmington, NM 87499-5069

Re: Surface Commingling & Off-lease Measurement
Dugan Production Corp.'s
Com No. 1 (J-2-29N-14W) Federal I No. 7 (J-3-29N-14W)
Com No. 3 (J-2-29N-14W) Federal I No. 8 (C-11-29N-14W)
Com No. 91 (L-2-29N-14W) Federal I No. 98 (B-10-29N-14W)
King Com No. 90 (B-11-29N-14W)
San Juan County, New Mexico

Dear Mr. Atchison:

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division, the New Mexico State Land Office, and the Bureau of Land Management to surface commingle and off-lease measure natural gas produced from the captioned wells. This will allow us to place the Federal I No. 7, 8 and 98 wells on production and will allow all seven wells to share the cost of operating a central compressor and production facilities as opposed to separate facilities at each individual well. The Com No. 1, Com No. 3 and King Com No. 90 wells are currently authorized for surface commingling. This application will add the Com No. 91, and Federal I wells No. 7, 8 and 98 to that system.

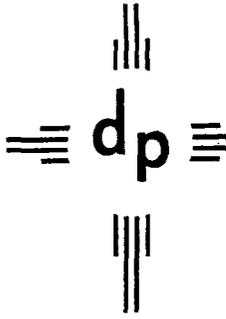
Our records reflect that you have a 0.117140% working and net interest in Dugan's King Com No. 90. This proposal should not affect your interest and should allow your revenues to increase since less compressor fuel will be used which will increase the volumes of gas available for sale from each well. In addition, our operating expenses will be lowered which will allow all interest owners to recover more of the gas reserves from each well. The installation costs for connecting the King Com No. 90 should not exceed the pipeline installation costs included in the drilling AFE.

Should you have any questions, need additional information or have any concern as to our proposal, please let me know. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 2040 South Pacheco Street in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf



dugan production corp.

Attachment
No. 10
Pg 1 of 3

May 30, 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Royalty and Overriding Royalty Interest Owners (Address list attached)
Dugan Production Corp.'s
Com No. 1 (J-2-29N-14W)
Com No. 3 (J-2-29N-14W)
Com No. 91 (L-2-29N-14W)
King Com No. 90 (B-11-29N-14W)
Federal I No. 7 (J-3-29N-14W)
Federal I No. 8 (C-11-29N-14W)
Federal I No. 98 (B-10-29N-14W)
San Juan County, New Mexico

Ladies and Gentlemen:

Attached for your information, review and file is a copy of our application to the New Mexico Oil Conservation Division, the New Mexico State Land Office, and the Bureau of Land Management to surface commingle and off-lease measure natural gas produced from the captioned wells in which you have a royalty or overriding interest ownership in one or more of the subject wells. This will allow us to place the Federal I No. 7, 8 and 98 wells on production and will allow all seven wells to share the cost of operating a central compressor and production facilities as opposed to separate facilities at each individual well. The Com No. 1, Com No. 3 and King Com No. 90 wells are currently authorized for surface commingling. This application will add the Com No. 91, and Federal I wells No. 7, 8 and 98 to that system.

This proposal should not affect your interest in these wells and should allow your revenues to increase since less compressor fuel will be used which will increase the volumes of gas available for sale from each well. In addition, our operating expenses will be lowered which will allow all interest owners 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. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 2040 South Pacheco Street in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

Interest Owner Address List

(a = Com No. 1, b = Com No. 3, c = Com No. 91, d = King Com No. 90, e = Federal I Lease - wells No. 7, 8, 98)

Royalty Interest Owners

Betty Jane Akins (d)
1309 Dewey Lane
Alamogordo, NM 88310

Larry Dimmick (d)
650 W. Main, Suite C
Farmington, NM 87401

Joseph E. & Twila M. Goodding Living Trust (d)
c/o Twila M. Goodding, Trustee
1009 Crestview Circle
Farmington, NM 87401

Bill Jensen (d)
613 Merino Kraal
Farmington, NM 87401

Robert F. Johnston & Janice A. Johnston (d)
605 Parkland Drive
Aztec, NM 87410

Rilla E. King (a,b,d)
P. O. Box 186
Dolores, CO 81325

Colleen McSparron (d)
3960 Higuera
San Luis Obispo, CA 93401

Motor Property Partners (d)
6515 Tevis Drive
Bakersfield, CA 93309

Randall E. Presley (d)
P. O. Box 2200
Newport Beach, CA 92663

LaRue Schenck (d)
3016 Crestridge
Farmington, NM 87401

State Highway Department (d)
P. O. Box 1149
Santa Fe, NM 87504-1149

State of New Mexico (a,b,c)
State Land Office
Attn: Pete Martinez
P. O. Box 1148
Santa Fe, NM 87504-1148

Geraldine Sterling (d)
Box 74
Farmington, NM 87499-0074

USA-Bureau of Land Management (a,b,c,d,e)
1235 La Plata Highway
Farmington, NM 87401

*Attachment
No. 10
Pg 2-f3*

Overriding Royalty Interest Owners

Harold Atkins (c)
P. O. Box 671
Brinkley, AZ 72021-0671

Thelma Atkins (c)
1028 Santa Florencia
Solano Beach, CA 92075

W.H. Atkins (c)
2209 N. Parkwood
Harlingen, TX 78550

John W. Barringer (c)
1054 Lynwood Blvd.
Nashville, TN 37215

Lewis T. Barringer, Jr. (c)
192 Sayre Drive
Princeton, NJ 08540

James A. & H.H. Borland (c)
222 Fourteenth St. NW
Albuquerque, NM 87104

Dr. Jo Anne Callan (c)
1028 Santa Florencia
Solano Beach, CA 92075

Conoco, Inc. (a,c)
10 Conoco Plaza, 10 Desta Drive
Midland, TX 79705

Marsha M. Daniels (a,c)
c/o Clotilda M. Pope
5028 River Road
Bethesda, MD 20016

Evco Development (c)
10 Starboard Court
Mill Valley, CA 94941

Louise Adair McDougal Hadley (a,c)
2 Bluff Road
Swansboro, NC 28584

Anne S. Henderson (a,c)
7611 Maple Ave., Apt. 811
Silver Spring, MD 20912

Attachment
No. 10
Pg 3 of 3

Overriding Royalty Interest Owners (cont.)

Robin Thomas Henderson (a,c)
5028 River Road
Bethesda, MD 20016

Russell Stewart Henderson, Jr. (a,c)
5028 River Road
Bethesda, MD 20016

Elsye L. Kilgore Trust (c)
c/o Sunwest Bank Trust Dept./Don Kerby
P. O. Box 26900
Albuquerque, NM 87125

Lee W. Kilgore Trust (c)
c/o Sunwest Bank Trust Dept./Don Kerby
P. O. Box 26900
Albuquerque, NM 87125

Charles Alan McDougal (a,c)
7928 Rooksley Ct.
Raleigh, NC 27615

Robert Bruce McDougal (a,c)
6608 Penny Lane
Bartlesville, OK 74006

Clotilda M. Pope (a,c)
5028 River Road
Bethesda, MD 20016

Virginia D. Scarborough (c)
215 N. Hudson
Altus, OK 73521

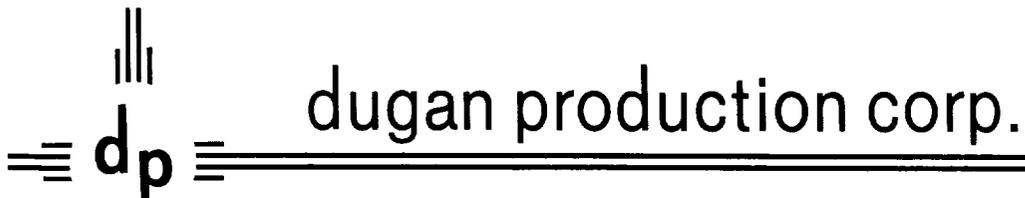
Lynn M. Shaw (c)
525 SE 27th Ave.
Portland, OR 97214

Texon Energy Corp. (c)
Department 1041
P. O. Box 4554
Houston, TX 77210-4554

Working Interest Owners

Lee Atchison (d)
P. O. Box 15069
Farmington, NM 87499-5069

Dugan Production Corp. (a,b,c,d,e)
P. O. Box 420
Farmington, NM 87499-0420



June 27, 2000

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

Re: NMOCD Commingling Order PLC-157; 1st Amendment
Dugan Production's King Gathering System
San Juan County, New Mexico

Dear Mr. Ashley,

We appreciate your prompt approval of our application and issuing the captioned commingling order. The lease descriptions set out in this order for three of the wells should be modified to include our fee leases as follows:

Com Well No. 1 (State Leases No. LG-3736, NM B-11242-43, NM E-6714-4, Federal Lease No. SF 078110 and fee lease comprising the SWSE).

Com Well No. 3 (State Lease No. LG-3736, Federal Lease No. SF 078110 and fee lease comprising the SWSE).

King Com Well No. 90 (Federal Lease No. SF 078110 and fee leases comprising the NWNE and E/2 SE/4).

In addition, the spacing unit description for the Com Well No. 91 should be changed from E/2 to W/2.

Mark, to assist you with these modifications, I've included a copy of the order on which I've indicated these changes.

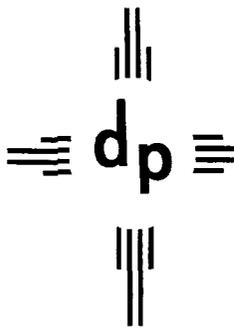
Please let me know if you have any questions, and thanks again for your efforts in this matter.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachment



dugan production corp.

July 7, 2000

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

Mr. Pete Martinez
New Mexico State Land Office
P. O. Box 1148
Santa Fe, NM 87504-1148

Mr. Richard Dembowski
Bureau of Land Management - Farmington Field Office
1235 La Plata Highway
Farmington, NM 87401

Re: Corrected System Map - Dugan's Com 1/Com 91 CDP
Units J & L, Section 2, T-29N, R-14W
King Gathering System
San Juan County, NM

Dear Mr. Ashley, Mr. Martinez, Mr. Dembowski,

Attached is a revised map of Dugan Production Corp.'s King Gathering System. This map revises the map presented as Attachment No. 1 in our 5/30/00 application to add four wells to the Com No. 1 CDP and to move the CDP location from the Com No. 1 well site (J-2-29N-14W) to the Com No. 91 well site (L-2-29N-14W).

These changes in our gathering system pipelines were necessary to connect the Federal I No. 8 and King Com No. 90 wells to the gathering system and other than right-of-ways, should have no affect upon our application as initially submitted. I have highlighted the pipeline changes in blue.

Since the New Mexico State Land Office (on 6-27-00) and the NMOCD (on 6-20-00 with Commingling Order PLC-157 1st Amendment) have already approved our application as submitted, hopefully these changes will have no affect upon these approvals and this map will serve as an update of the gathering system pipeline locations. For the BLM, please consider this map as a replacement of Attachment No. 1 in our 5-30-00 application.

Please let me know if there are any questions or additional information is needed.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

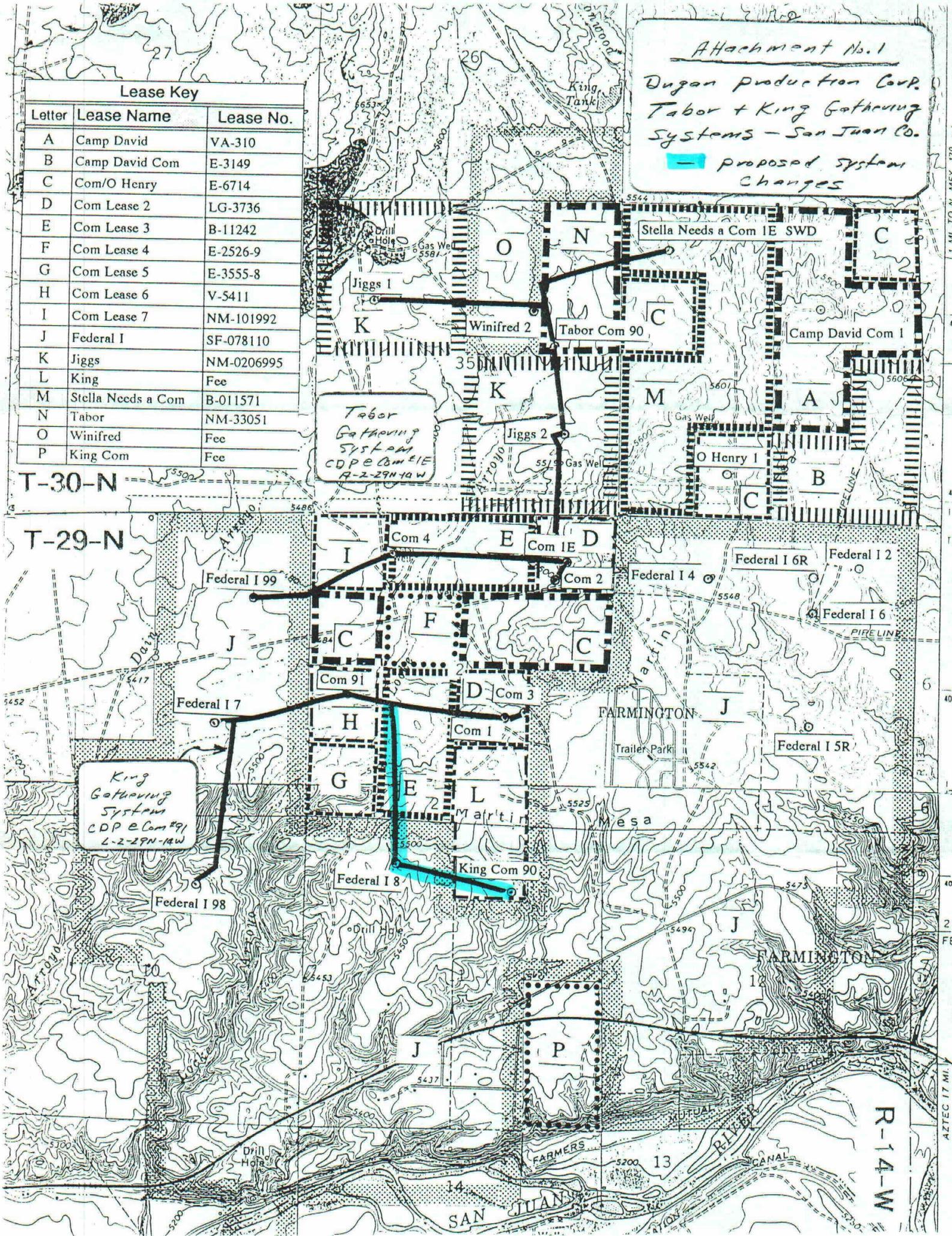
attachments

xc: NMOCD- Aztec

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Attachment No. 1
Dugan Production Corp.
Tabor + King Gathering
Systems - San Juan Co.
 *proposed system changes*

Lease Key		
Letter	Lease Name	Lease No.
A	Camp David	VA-310
B	Camp David Com	E-3149
C	Com/O Henry	E-6714
D	Com Lease 2	LG-3736
E	Com Lease 3	B-11242
F	Com Lease 4	E-2526-9
G	Com Lease 5	E-3555-8
H	Com Lease 6	V-5411
I	Com Lease 7	NM-101992
J	Federal I	SF-078110
K	Jiggs	NM-0206995
L	King	Fee
M	Stella Needs a Com	B-011571
N	Tabor	NM-33051
O	Winifred	Fee
P	King Com	Fee



Tabor Gathering System
CDP # Com # E
4-2-29N-14W

King Gathering System
CDP # Com # 91
L-2-29N-14W

Stella Needs a Com IE SWD

Tabor Com 90

Camp David Com 1

O Henry 1

Com 4

Com IE D

Federal I 6R

Federal I 2

Federal I 99

Com 2

Federal I 4

Federal I 6

Federal I 7

Com 3

FARMINGTON

Federal I 5R

King Gathering System
CDP # Com # 91
L-2-29N-14W

King Com 90

Federal I 8

Federal I 8

R-14-W

SAN JUAN

1 MI. TO N. MEX. 170 51
 407
 407
 6
 407C
 20
 FEE
 AZTEC 17 MI.