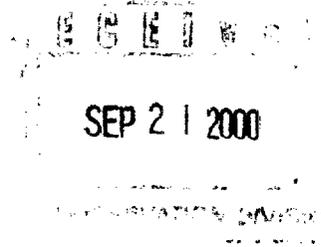


dugan production corp.



September 19, 2000

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Dugan Production's Application dated 8/25/00
Proposed Surface Commingling
Dugan Production Corp.'s Mucho Deal No. 1 (API No. 30-045-22570)
Dugan Production Corp.'s Mucho Deal No. 14 (API No. 30-045-30179)
Unit F, Section 14, T-30N, R-14W
Federal Leases NM-26052, NM-2555, NM-13213 & NM-15272
Basin Dakota & Harper Hill Fruitland Sand-Pictured Cliffs gas pools

Dear Ms. Wrotenbery,

Attached, for your consideration of the captioned application is a copy of the BLM's approval dated 9-14-00.

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

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachment

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SEP 2000
RECEIVED

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

<p>1. Type of Well</p> <p><input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other</p>	<p>5. Lease Designation and Serial No. NM-26052</p> <p>6. If Indian, Allotted or Tribe Name</p>
<p>2. Name of Operator Dugan Production Corp.</p>	<p>7. If Unit or CA, Agreement Designation SMR1154</p>
<p>3. Address and Telephone No. P.O. Box 420, Farmington, NM 87499 (505) 325 - 1821</p>	<p>8. Well Name and No. Mucho Deal CDP</p>
<p>Location of Well (Footage, Sec., T., R., M., or Survey Description) Multiple - see below</p>	<p>9. API Well No. Multiple - see below</p> <p>10. Field and Pool, or Exploratory Area Basin Dakota/ Harper Hill FrSd/PC</p> <p>11. County or Parish, State San Juan, NM</p>

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Surface commingling</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

In the attached application dated 8/25/00, Dugan Production Corp. has proposed to convert the existing gas sales meter for Dugan's Mucho Deal No. 1 to a central delivery sales meter for Dugan's Mucho Deal No. 1 and No. 14 wells. This will require the surface commingling of gas from the Harper Hill Fruitland Sand/PC and Basin Dakota gas pools. Pertinent data for the wells and CDP sales meter is:

Well/Meter	API No.	Location	Lease or CA No.
Mucho Deal No. 1	30-045-22570	SENW-14-30N-14W	NM-CA #SMR1154
Mucho Deal No. 14	30-045-30179	SENW-14-30N-14W	NM-26052
CDP Sales Meter	none	SENW-14-30N-14W	NM-26052

14. I hereby certify that the foregoing is true and correct

Signed John D. Roe Title Engineering Manager Date 8/25/2000
John D. Roe

(This space for Federal or State office use)

Approved by Ernst G. Becher Title Supervisor, BJM 770 Date SEP 14 2000

Conditions of approval, if any: