dugan production corp.

November 29, 2001

DEC - 3 2001

Mr. David Catanach
NM Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: NMOCD 3rd Amended Commingling Order PLC-173
Dugan Production's Tabor Gathering System
San Juan County, NM

Dear Mr. Catanach:

We received the captioned commingling order on 11/28/01 and appreciate your prompt approval of our 10/31/01 application.

This order includes two items that may warrant clarification or correction.

1. Lease NM-101992 was not included in the listing of Federal Leases.

2. Leases E-2526 and E-3555 were not included in the listing of State Leases.

These three leases do not have wells upon them, but are included within spacing units through communitization agreements and were included in Attachment No. 3 of the 10/31/01 application.

For your reference, attached is a copy of the 3rd Amended Order PLC-173 on which I've added these two items.

Should you conclude these issues are cosmetic, I am ok using the order as issued. Should you have questions, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/sh

Attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

3rd *AMENDED COMMINGLING ORDER PLC-173*

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John D. Roe

The above named company is hereby authorized to commingle gas production from the following-described pools within the following-described area (hereinafter referred to as the Dugan Tabor Gas Gathering System Area):

Pool Name	**Pool Code**
Basin-Dakota Pool	(Prorated Gas – 71599)
Basin-Fruitland Coal Pool	(Gas – 71629)
Harper Hill Fruitland Sand-Pictured Cliffs Pool	(Gas – 78160)

Dugan Tabor Gas Gathering System Area

Township 30 North, Range 14 West, NMPM

Section 25: W/2
Section 26: All
Section 27: SE/4
Section 35: N/2, SE/4
Section 36: NW/4

Township 29 North, Range 14 West, NMPM

Section 2: All
Section 3: E/2
Section 10: E/2
Section 11: N/2, SE/4

This area contains all or portions of Federal Leases No. SF-078110, NM-33051, NM-0206995, NM-4465, NM-23072, NM-28761, NM-33050, and NM-0206994, all or portions of State Leases

No. E-6714, B-11571, B-11242, LG-3736, and V-5411 and multiple fee leases that comprise all or portions of Sections 26 and 35, Township 30 North, Range 14 West, and all or portions of Section 2 and 11, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

This area currently contains, or will contain, subsequent to completion of additional drilling operations, twenty-three wells that are singly completed within one of the pools described above. All wells within the area are operated by Dugan Production Corporation.

Production shall be allocated by metering the gas production from each of the wells within the Dugan Tabor Gas Gathering System Area utilizing individual allocation meters. Gas production shall then be commingled and transported to gas sales meter (El Paso Meter No. 90887) located in the NE/4 NE/4 of Section 2, Township 29 North, Range 14 West, NMPM. Production shall be allocated back to each well utilizing allocation and sales meter volume data, and shall be determined in accordance with the formula set forth within the application to commingle.

No liquids shall be commingled within the Dugan Tabor Gas Gathering System.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.

REMARKS: This amendment approves the consolidation of Dugan's Tabor and King Gas Gathering Systems. The King Gas Gathering System was approved by Division Order No. PLC-157, as amended, which shall be superseded by this order.

Lori Wrotenbery by DR

LORI WROTENBERY,
Division Director

LW/DRC
cc: Oil Conservation Division – Aztec
Bureau of Land Management-Farmington
State Land Office-Oil & Gas Division
File-PLC-157

30946759 AMEND PLC 173 11/22/01

dugan production corp.

October 31, 2001

Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Ray Powell, Commissioner
New Mexico State Land Office
PO Box 1148
Santa Fe, NM 87504-1148

Mr. Steve Henke, Field Manager
Bureau of Land Management - Farmington Field Office
1235 La Plata Highway
Farmington, NM 87401

Re: Consolidation of two gas gathering systems
Dugan Production Corp.'s
Tabor Gas Gathering System (Com 1E CDP @ NENE 2, T-29N, R-14W)
King Gas Gathering System (Com 91 CDP @ NWSW 2, T-29N, R-14W)
San Juan County, New Mexico

Dear Ms. Wrotenbery, Mr. Henke and Commissioner Powell,

We are writing to request your respective approvals to add the seven wells currently connected to Dugan Production's King Gas Gathering System to Dugan's Tabor Gas Gathering System.

The King Gas Gathering System is authorized by NMOCD order PLC-157 (1st Amended) and currently delivers natural gas from seven wells to the Com 91 CDP gas sales meter (El Paso's meter no. 98081, located in Unit L of Section 2, T-29N, R-14W). The Tabor Gathering System is authorized by NMOCD order PLC-173 (2nd Amended) and currently has 16 wells approved to deliver natural gas to Dugan's Com 1E CDP sales meter (El Paso's meter no. 90887, located in Unit A of Section 2, T-29N, R-14W). Upon consolidation of the two gathering systems, we will have one CDP location which will be the Com 1E CDP (El Paso meter 90887). The Com 91 CDP (El Paso meter 98081) will be removed from service. The consolidated system will be known as the Tabor Gas Gathering System and will have 23 wells approved for surface commingling and off-lease measurement and sale of natural gas.

The Tabor Gathering System currently delivers approximately 1,400 mcfd and has five wells or locations in the Basin Fruitland Coal Gas Pool (71629), three wells in the Basin Dakota Pool (71599), and eight wells in the Harper Hill Fruitland Sand-Pictured Cliffs Pool (78160). The King Gathering System currently delivers approximately 1,000 mcfd and has four wells in the Basin Fruitland Coal Gas Pool (71629), and three wells in the Harper Hill Fruitland Sand-Pictured Cliffs Gas Pool (78160). All production appears to

be compatible, and we do not anticipate any problems from adding production from the King Gathering System to the Tabor Gathering System.

Attachment No. 1 was reproduced from portions of the Young's Lake and Kirtland USGS Quadrangle Topography maps and presents the consolidated gathering system along with the wells connected to the system and Dugan's leases. Also presented on Attachment No. 1 is Dugan 's Federal I Gathering System which is separate from the consolidated Tabor Gathering System and is presented on Attachment No. 1 for informational purposes only since the systems are in close proximity to one another, and both systems send produced water to Dugan's Stella Needs A Com No. 1 and 1E SWD wells located in Units K and D, respectively, of Section 36, T-30N, R-14W. Information for wells on both gathering systems is presented on Attachment No. 2, and Attachment No. 3 presents a summary of the leases and acreage within the spacing units for each well.

In addition to consolidating the King and Tabor Gas Gathering Systems, we are also requesting approval for the off-lease measurement and sale of natural gas produced from Dugan's Com No. 91 well, which was not necessary for the Com 91 CDP sales meter located on lease at the Com No. 91 well site, but will be necessary once the CDP is moved off-lease to the Com 1E CDP sales meter.

There will be no change in operations for wells on either system, and the allocation procedures currently approved for both systems are identical and will continue to be used for the consolidated system. Attachment No. 4 presents the allocation procedure currently approved for both systems. We will continue to maintain allocation meters at each well and the allocation of CDP sales volumes, BTU's and revenues will continue to be based upon allocation factors computed monthly for each well using gas volumes recorded at each allocation meter and BTU's sampled from each well.

The wells on each system typically produce natural gas up the casing-tubing annulus and after metering the gas at the individual well site, the gas is transported to the central battery where it is collected and using a central compressor, compressed for delivery to the Com 1E CDP sales meter. The CDP sales meter is on El Paso Field Service's system and is maintained by El Paso.

The water from each well, plus any natural gas that is associated with the water production, is produced up the tubing (typically using rod pump artificial life equipment) and is transported to the central battery in a separate line. At the central battery, the produced water streams are commingled and any associated natural gas separated. The water is transferred to water storage tanks at the central battery and then transferred to Dugan Production's Stella Needs a Com water disposal system using a water injection pump also located at the central battery. The natural gas separated from the water at the central battery is metered using conventional gas metering equipment, and after metering, the gas is delivered to the central compressor for compression and sale. This meter is of similar design to the gas metering equipment located at each well. The gas recovered from the central battery water separator is allocated to the individual wells contributing water production to the separator based upon volumes of water each well produced. To date very little gas has been recovered from the produced water, and it appears that very little gas is being produced with the water. The proposed allocation procedures for water and gas are included on Attachment No. 4. The water production rates will be periodically tested at each well using Dugan's portable, 3 phase test unit. The test frequency will be based upon need as determined by volumes at the central battery; i.e. any changes of significance in the total volume will indicate the need for retesting each well.

Upon consolidating the two gathering systems, the King Gathering System compressor will be removed from service and it will be necessary to replace the existing compressor on the Tabor Gathering System with a larger and more efficient compressor.

The King Gathering System currently uses a 400 hp lean burn, low emission compressor and maintains a gathering system pressure of ±25 psig. The Tabor Gathering System currently uses a 230 hp compressor which is not a lean burn, low emission compressor and maintains a gathering system pressure of ±65 psig. The new compressor for the consolidated gathering system will be a 600 hp lean burn, low emission compressor and is designed to maintain a gathering system pressure of ±25 psi . Compressor fuel requirements should be reduced from the current total of 123.4 mcfd to 98.1 mcfd and wells on the Tabor Gather System should benefit from the ±40 psi reduction in the gathering system pressure. Wells on the King Gathering System should see little to no change in gathering system pressures.

The interest owners (working, royalty, and overriding royalty) in all wells connected to the King Gathering System are being notified of this application; however, since this application is basically only changing the gas sales point for wells on the King Gathering System (all of which have previously been approved for operation on the King Gathering System), we do not believe the interest owners need any notice other than for informational purposes. Attachment No 5 is a copy of our letter to the interest owners.

In summary, we are proposing to consolidate two existing gas gathering systems, both of which are operated by Dugan Production Corp. All wells on these systems are also operated by Dugan Production. There will be no changed in the operation of wells on either system, and both systems have previously been approved for operation. This consolidation will eliminate the Com 91 CDP and will transfer the gas currently being sold at the Com 91 CDP to the Com 1E CDP. This consolidation will allow the use of one central compressor compared to two currently being used and will reduce compressor fuel requirements with a corresponding increase in gas available for sale of ±25.3 mcfd. There should be no loss of production from any well, and wells currently on the Tabor Gathering System should benefit from a ±40 psi reduction in gathering system pressure. In addition, Dugan Production will need to maintain only one compressor, rather than two which should result in reduced operating expenses.

Should you have any questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR:sh

cc: NMOCD - Aztec

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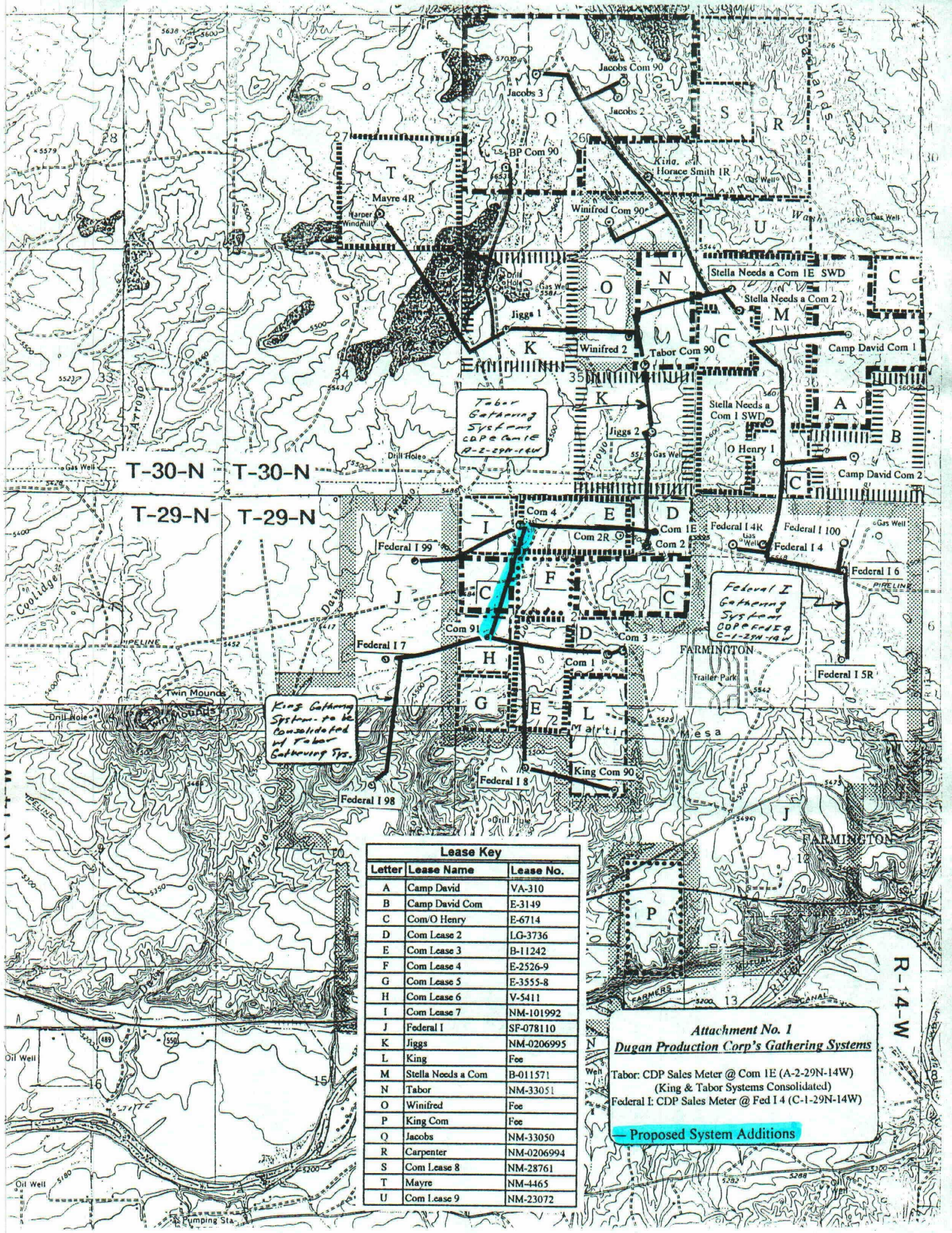

Lease Key		
Letter	Lease Name	Lease No.
A	Camp David	VA-310
B	Camp David Com	E-3149
C	Com/O Henry	E-6714
D	Com Lease 2	LG-3736
E	Com Lease 3	B-11242
F	Com Lease 4	E-2526-9
G	Com Lease 5	E-3555-8
H	Com Lease 6	V-5411
I	Com Lease 7	NM-101992
J	Federal I	SF-078110
K	Jiggs	NM-0206995
L	King	Fee
M	Stella Needs a Com	B-011571
N	Tabor	NM-33051
O	Winifred	Fee
P	King Com	Fee
Q	Jacobs	NM-33050
R	Carpenter	NM-0206994
S	Com Lease 8	NM-28761
T	Mayre	NM-4465
U	Com Lease 9	NM-23072

ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
KING & TABOR GATHERING SYSTEM CONSOLIDATION
SAN JUAN COUNTY, NEW MEXICO

Well Name	API No. 30-045-	Well Location UL-Sec-Twn-Rng	Well Location Lease No	Lse.Type	CA Number	Pool	Completion Date	Current Prod. 1 MCFD	BC/D	BWPD	Spacing Unit	Dates for SC, OLM & S 2 Application	BLM Approval	NMSLO Approval	NMOCD Approval
WELLS PREVIOUSLY APPROVED FOR TABOR GATHERING SYSTEM															
Beyond Petroleum Com No. 90 (Note 3)	30769	L-26-30N-14W	NM-33050	Federal	Pending	Basin Fruitland Coal	Location	200	0	150	W/2-320A	8/14/01	pending	8/29/01	9/4/01
Com No. 1E	23940	A-2-29N-14W	LG-3736	State	14080017765	Basin Dakota	12/8/79	54	0.08	0.1	E2-316.65A	7/12/96	7/30/96	7/17/96	8/19/96
Com No. 2 (Note 4)	23199	A-2-29N-14W	LG-3736	State	State C.A.	Harper Hill FrSd/PC	10/21/78	0	0	0	NE-156.65A	7/12/96	7/30/96	7/17/96	8/19/96
Com No. 2R (Note 4)	30576	B-2-29N-14W	B-11242	State	State C.A.	Harper Hill FrSd/PC	5/15/01	158	0	75	NE/4-156.65A	8/14/01	pending	8/29/01	9/4/01
Com No. 4	29986	C-2-29N-14W	B-11242	State	NMNM103068	Harper Hill FrSd/PC	12/7/99	179	0	60	NW-157.95A	3/29/00	7/5/00	4/27/00	5/25/00
Federal I No.99	29989	H-3-29N-14W	SF-078110	Federal	N/A	Basin Fruitland Coal	12/9/99	85	0	55	E2-318.45A	3/29/00	7/5/00	4/27/00	5/25/00
Horace Smith No. 1R	24346	I-26-30N-14W	NM-0206994	Federal	SCR248	Basin Dakota	1/18/81	55	0	0.2	S/2-320A	8/14/01	pending	8/29/01	9/4/01
Jacobs No. 2	23942	G-26-30N-14W	NM-33050	Federal	N/A	Basin Dakota	1/7/79	6	0.3	0.03	N/2-320A	8/14/01	pending	8/29/01	9/4/01
Jacobs No. 3	30590	C-26-30N-14W	NM-33050	Federal	N/A	Harper Hill FrSd/PC	6/5/01	34	0.03	100	NW/4-160A	8/14/01	pending	8/29/01	9/4/01
Jacobs Com No. 90 (Note 5)	30588	G-26-30N-14W	NM-33050	Federal	Pending	Basin Fruitland Coal	6/5/01	81	0	100	320A NSPU	8/14/01	pending	8/29/01	9/4/01
Jiggs No. 1	30183	E-35-30N-14W	NM-0206995	Federal	N/A	Harper Hill FrSd/PC	11/17/00	135	0	70	NW-160A	6/30/00	7/5/00	7/7/00	7/24/00
Jiggs No. 2	30177	I-35-30N-14W	NM-0206995	Federal	N/A	Harper Hill FrSd/PC	7/25/00	121	0	48	SE-172.49A	6/30/00	7/5/00	7/7/00	7/24/00
Mayre No. 4R	30591	O-27-30N-14W	NM-4465	Federal	N/A	Harper Hill FrSd/PC	6/5/01	42	0	75	SE/4-160A	8/14/01	pending	8/29/01	9/4/01
Stella Needs a Com No. 2	30574	D-36-30N-14W	B-11571	State	State C.A.	Harper Hill FrSd/PC	4/11/01	44	0	30	NW/4-160A	8/14/01	pending	8/29/01	9/4/01
Tabor Com No. 90	29994	H-35-30N-14W	NM-33051	Federal	NMNM102982	Basin Fruitland Coal	12/6/99	189	0	110	E2-332.49A	3/29/00	7/5/00	4/27/00	5/25/00
Winifred Com No. 90 (Note 5)	30577	O-26-30N-14W	FEE	FEE	Pending	Basin Fruitland Coal	5/15/01	13	0	12	320.36A NSPU	8/14/01	pending	8/29/01	9/4/01
WELLS PREVIOUSLY APPROVED FOR KING GATHERING SYSTEM															
Com #1	08722	J-2-29N-14W	LG-3736	State	NMNM91272	Basin Fruitland Coal	12/1/90	217	0	50	E/2-316.65A	9/1/99	10/1/99	9/9/99	9/22/99
Com #3	23267	J-2-29N-14W	LG-3736	State	SMR1419	Harper Hill FrSd/PC	3/14/79	1	0	0	SE/4-160A	9/1/99	10/1/99	9/9/99	9/22/99
Com #91	29935	L-2-29N-14W	V-5411	State	NMNM103067	Basin Fruitland Coal	12/6/99	126	0	80	W/2-317.95A	5/30/00	7/7/00	6/27/00	6/20/00
Federal I #7	30181	J-3-29N-14W	SF-078110	Federal	N/A	Harper Hill FrSd/PC	7/14/00	233	0	35	SE/4-160A	5/30/00	7/7/00	6/27/00	6/20/00
Federal I #8	30178	C-11-29N-14W	SF-078110	Federal	N/A	Harper Hill FrSd/PC	8/9/00	299	0	70	NW/4-160A	5/30/00	7/7/00	6/27/00	6/20/00
Federal I #98	30180	B-10-29N-14W	SF-078110	Federal	N/A	Basin Fruitland Coal	7/31/00	150	0	50	E/2-320A	5/30/00	7/7/00	6/27/00	6/20/00
King Com #90	29883	B-11-29N-14W	FEE	FEE	NMNM102963	Basin Fruitland Coal	6/15/99	37	0	10	E/2-320.13A	9/1/99	10/1/99	9/9/99	9/22/99

Notes: N/A = Not Needed

1) Average production presents data for August, 2001. For wells not drilled, production rates are anticipated/estimated.
2) Application for surface commingling (SC), off-lease measurement and sale (OLM & S) of natural gas. Applications are subject to approvals by the Bureau of Land Management (BLM), New Mexico State Land Office (NMSLO), and the New Mexico Oil Conservation Division (NMOCD). NMOCD's most recent order = 2nd Amended Commingling Order PLC-173 for wells on the Tabor Gathering Ssytem and 1st amended commingling order PLC-157 for wells on the King Gathering System.
3) An Application for Permit to Drill (APD) was submitted on 8/1/01, and approved on 10-17-01.
4) The Com No. 2R was drilled to replace the Com No. 2. Production from the Com No. 2 averaged ±7 mcfd and was shut in 7/14/01 with deliveries to the Tabor Gathering System being suspended during testing of the Com No. 2R. NMOCD rules will not allow both wells to produce simultaneously. It is our desire to have both wells approved for operation on the Tabor Gathering System; however until special pool rules are established that will allow both wells to produce simultaneously, we plan to leave the No. 2 shut in.
5) NMOCD Order R-11461 established ±320A non-standard spacing units for the Jacobs Com No. 90 (NE/4 Section 26 plus NW/4 Section 25), and the Winifred Com No. 90 (SE/4 Section 26 plus SW/4 Section 25).

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ATTACHMENT No. 3
Lease and Acreage Summary
Dugan Production Corp.'s
King & Tabor Gathering Systems
San Juan County, New Mexico

Leases within Spacing Units

King Gathering System:

Federal	NM-101992, SF-078110
State	B-11242-43, E-2526-9, E-3555-8, E-6714-4, LG-3736, V-5411
Fee	SWSE 2-29N-14W, NWNE 11-29N-14W, NESE 11-29N-14W, SESE 11-29N-14W

Tabor Gathering System:

Federal	NM-4465, NM-23072, NM-28761, NM-33050, NM-33051, NM-101992, NM-0206994, NM-0206995, SF-078110
State	B-011571, B-11242-43, E-2526-9, E-6714-4, LG-3736
Fee	SWSE 2-29N-14W, S/2SE/4 25-30N-14W, S/2SW/4 26-30N-14W, W/2NE/4 35-30N-14W

Acreage within Spacing Units

King Gathering System:

T-29N, R-14W:	Section 2 (all), Section 3 (SE/4), Section 10 (E/2), Section 11 (E/2, NW/4)

Tabor Gathering System:

T-29N, R-14W:	Section 2 (E/2, NW/4), Section 3 (E/2)
T-30N, R-14W:	Section 25 (W/2), Section 26 (all), Section 27 (SE/4), Section 35 (E/2, NW/4), Section 36 (NW/4)

ATTACHMENT No. 4
Allocation Procedures
Dugan Production Corp.'s
Tabor Gathering System
CDP : NENE-2-29N-14W (El Paso Meter No. 90887)
San Juan County, New Mexico

Base Data:

U = Water Volume (BWPD) from Periodic Well Test x days operated during allocation period.
V = Water Volume (bbl) at Central Battery during allocation period.
W = Gas Volume (MCF) from allocation meters at individual wells and central battery separator during allocation period.
X = Gas Volume (MCF) from CDP Sales Meter during allocation period.
Y = BTU's from CDP Sales Meter during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A + B + C + D + E + F
   A = Allocated Sales Volume, MCF. = (W/SUM W) x X

   B = Allocated gas sales volume (MCF) associated with water production = (A) in mcf for the central battery separator multiplied by a factor of (U/SUM U) for wells delivering gas and water to the central battery separator.

   C = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

   D = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

   E = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by W/SUM W for the wells involved.

   F = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by W/SUM W.

2. Allocated Individual Well BTU's=((W x Individual well BTU)/Sum (W x individual well BTU)) x Y. Individual well gas heating values to be determined in accordance with BLM regulations (currently On shore Order No. 5).

3. Individual Well Water Production =Allocated production volume, bbl=(U/Sum U) x V.

dugan production corp.

Attachment No. 5 Pg 1 of 3

October 30, 2001

To: Interest Owners of wells connected to
Dugan Production Corp.'s King Gas Gathering System (Address list attached)

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

Ladies and Gentlemen:

We are writing to let you know that we have filed an application with the New Mexico Oil Conservation Division, the New Mexico State Land Office, and the Bureau of Land Management to add the captioned seven wells to Dugan Production's Tabor Gas Gathering System. This will allow us to move the location of the central delivery sales meter for these wells from the Com No. 91 well site (NWSW of Section 2, T-29N, R-14W) to the Com No. 1E well site (NENE of Section 2, T-29N, R-14W), which is the central delivery sales meter for the Tabor Gas Gathering System. This will allow Dugan Production to use only one compressor to operate all wells on the King and Tabor Gas Gathering Systems and will reduce our operating costs and compressor fuel requirements by approximately 25 mcfd. Currently we have a 400 hp compressor on the King Gathering System and a 230 hp compressor on the Tabor Gathering System. Once the two systems are consolidated, we will discontinue using the King compressor and will replace the 230 hp Tabor compressor with a new 600 hp, low emission compressor. The new compressor will use less compressor fuel and will produce lower exhaust emissions than the two compressors currently being used.

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.

This matter does not require any action on your part. Dugan Production, as operator of both gathering systems, will pay all costs associated with this proposal. Should you have any questions, need additional information, or have any concern as to our proposal, please let me know. Should you desire to review the application, please let me know, and we will be happy to send a copy to you. Should you have an objection to our proposal, please let me know, or you can contact the New Mexico Oil Conservation Division directly at 1220 South St. Francis Drive in Santa Fe, New Mexico 87505, and we would appreciate receiving a copy of your objection.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/sh

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

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

Overriding Royalty Interest Owners

Harold Atkins (c)
c/o C.L. Clay, Guardian
P. O. Box 671
Brinkley, AR 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

A Hachmont
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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)
13620 SW Beef Bend Road
Portland, OR 97224

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