



dugan production corp.

December 31, 2002

Mr. Will Jones
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

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

Re: Dugan Production Corp.'s
State Com wells No. 90S & 91S
State Com Gas Gathering System and CDP
NMOCD Commingling Order PLC-153-B
San Juan County, New Mexico

(DGRID
6515)

Dear Will and Pete,

I am writing to provide updated gathering system information for the planned addition of Dugan Production Corp.'s State Com wells No. 90S and 91S to Dugan's State Com Gas Gathering System and CDP. Both wells have been drilled and are currently waiting to be completed as Basin Fruitland Coal infill wells to Dugan Production's State Com Wells No. 90R and 91, respectively. From our prior phone conversations, it is my understanding that the State Com wells No. 90S and 91S are covered under existing NMOCD and State Land Office approvals since the proposed infill wells are within existing spacing units, both of which have been communitized for production from the Basin Fruitland Coal pool, and the parent wells to both spacing units (State Com No. 90R and No. 91) have been authorized to be connected to the State Com Gathering System and CDP.

Attachment No. 1 presents an updated map of the gathering system and Attachment No. 2 presents a listing of the wells currently connected and to be connected to the gathering system. Both wells will be equipped with conventional gas meters which will be used for allocation purposes and both wells will be operated in a manner consistent with the five other wells currently approved for the system.

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

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

ATTACHMENT NO. 2
DUGAN PRODUCTION CORP.
STATE COM GAS GATHERING SYSTEM
CDP Sales Meter @ N-16-32N-12W (El Paso Meter No. 87978)
SAN JUAN COUNTY, NEW MEXICO

Well Name	API #	Well Location			CA Number	Pool	Completion Date	Current Production ①			Spacing Unit	Dates for SC, OLM & S				
		UL-Sec-Twn-Rng	Lease No.	Lse.Type				MC/CD	BC/D	BW/D		Application	BLM Approval	NMSLO Approval	NMOCD Approval	
WELLS PREVIOUSLY APPROVED FOR STATE COM ORDER PC-1012 DATED 6/19/00																
State Com #1	21127	N-16-32N-12W	LG-0038	State	State CA	Blanco Mesaverde	09/05/73	39	0	6.1	S/2-320A	08/12/97	N/A	09/03/97	08/12/97	08/12/97
State Com #1A	22218	P-16-32N-12W	LG-0038	State	State CA	Blanco Mesaverde	12/28/76	97	0	1.6	S/2-320A	08/12/97	N/A	09/03/97	08/12/97	08/12/97
State Com #2	21128	G-16-32N-12W	B-11571	State	State CA	Blanco Mesaverde	09/18/74	85	0	0.2	N/2 - 320A	01/29/99	N/A	03/03/99	02/22/99	02/22/99
State Com #90 ③	29680	H-16-32N-12W	LG-0038-1	State	State CA	Basin Fruitland Coal	02/02/99	0	0	0.0	N/2 - 320A	01/29/99	N/A	03/03/99	02/22/99*	02/22/99*
State Com #90R ③	29739	B-16-32N-12W	B-11571	State	State CA	Basin Fruitland Coal	03/11/02	829	0	4.1	N/2 - 320A	03/05/02	N/A	04/02/02	03/28/02	03/28/02
State Com #91	29681	M-16-32N-12W	LG-0038	State	State CA	Basin Fruitland Coal	07/06/00	330	0	10.0	S/2-320A	6/15/2000	N/A	06/19/00	06/19/00	06/19/00
WELLS TO BE ADDED																
State Com #90S ④	31270	E-16-32N-12W	LG-0038-1	State	State CA	Basin Fruitland Coal	④	750	0	5	N/2-320A	④	N/A	④	④	④
State Com #91S ⑤	31263	J-16-32N-12W	B-11571	State	State CA	Basin Fruitland Coal	⑤	400	0	5	S/2-320A	⑤	N/A	⑤	⑤	⑤

Notes:

N/A - Not applicable or not needed.

1. Current production data represents daily average for 09/02 and 10/02. Production for the #90S & #91S represents anticipated production.
2. Application for surface commingling, off-lease measurement, and sale of natural gas. Applications are subject to approvals by the New Mexico State Land Office and the New Mexico Oil Conservation Division (there are no BLM leases involved). NMOCD's most recent order = Administrative Commingling Order PLC-153-B dated 6/25/02 authorizing the consolidation of the State Com No. 1 CDP (Order PC-1012 dated 6/19/00) with the State Com No. 2 CDP (Order PLC-153-A dated 3/28/02).
- 3*. NMOCD Commingling Order PLC-153-A dated 3/28/02 included a stipulation that upon completion of the #90R, the #90 would be dropped from commingling permit.
4. The State Com No. 90S was spudded on 12/11/02 as a Fruitland Coal infill well to the State Com No. 90R. The N/2, 320A spacing unit for the #90R is communitized for the Fruitland Coal and NMOCD Order PLC-153-A authorizes Fruitland Coal wells in the N/2 spacing unit to be connected to the State Com Gathering System CDP.
5. The State Com No. 91S was spudded on 12/5/02 as a Fruitland Coal infill well to the State Com No. 91. The S/2, 320A spacing unit for the #91 is communitized for the Fruitland Coal and NMOCD Order PC-1012 authorizes Fruitland Coal wells in the S/2 spacing unit to be connected to the State Com Gathering System CDP.