

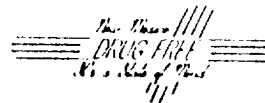


BRUCE KING
GOVERNOR

STATE OF NEW MEXICO
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

ANITA LOCKWOOD
CABINET SECRETARY

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February 10, 1993

Texaco, Inc.
3300 N. Butler
Farmington, NM 87401

Dugan Production, Inc.
P O Box 420
Farmington, NM 87499

Re: Douthit Browning #1 & #1J
Peggy Federal #1 & #1J

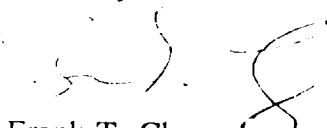
5-05-23N-01W
C-5-23N-01W
A-08-23N-01W
B-08-23N-01W

Gentlemen:

It has come to our attention that the referenced wells have been divided in ownership, with Dugan purchasing and operating the Douthit Browning #1J and the Peggy Federal #1J, and Texaco operating the other two wells. We inadvertently approved the C-104s for these changes. Our rules do not allow two separate operators of the same drill tract or proration unit.

We need a decision right away as to who will operate and report the production for these wells. If we cannot receive clarification and new C-104's within 15 days we will have to cancel the existing C-104's.

Sincerely,


Frank T. Chavez
District Supervisor

FTC\sh

cc:BLM Farmington