



dugan production corp

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070 FARMINGTON, NM

June 28, 1995

Bureau of Land Management  
1235 La Plata Hwy.  
Farmington, NM 87401

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BLM DISTRICT  
MANAGER

Attention: Mr. Ken Townsend, Chief, Branch of Drilling

Re: NMNM-54978 3107.2-2 (07337)

Dear Mr. Townsend:

On June 28, 1994, we received the referenced letter giving us until July 1, 1995 to return the Ollie No. 1, 1790' fsl & 1790' fel, Sec. 30, T.24N, R.7W to production. This lease is in the extended term.

We told you that a water disposal well was being developed in the area that would allow resumption of production because of decreased water hauling costs. We have been unable to locate a well capable of disposal service that is close enough to effect this original plan. We have a secondary plan to attempt completion of the Fruitland Coal formation in this wellbore.

We ask that you postpone cancellation of this lease until December 31, 1995 to allow completion of the coal. We will immediately proceed with this plan unless we hear from you that this is unacceptable.

Please contact me at the letterhead address if you have questions.

Sincerely,

John Alexander  
Operations Manager

APPROVED

JUL 06 1995

DISTRICT MANAGER