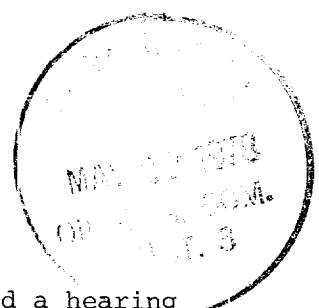


dugan production corp.

May 22, 1978

Al R. Kendrick
 Supervisor, District III
 New Mexico Oil Conservation Commission
 1000 Rio Brazos Road
 Aztec, NM 87410

Re: Big 8 Lease
 Big 8 #1 Well
 San Juan County, New Mexico



Dear Al:

As you are aware, we have made an NMOCC application and had a hearing in Santa Fe on the triple commingling of the captioned well from the Bisti Lower Gallup, Undesignated Greenhorn, and Basin Dakota formations. The order issued after the hearing stated that we should contact you after completing this well in the Gallup formation to arrive at an allocation formula for attributing production to each of these three formations.

We have not completed the Big 8 #1 Well in the Gallup formation at this time, but there is oil and gas production from this well. Prior to completing the well in the Gallup formation it is necessary to allocate this production to the Undesignated Greenhorn and Basin Dakota formations.

It is the professional opinion of Thomas A. Dugan after reviewing the well completion and current production histories that the allocation of the production from these two formations should be as follows:

Gas Production

Undesignated Greenhorn	2%
Basin Dakota	98%

Oil Production

Undesignated Greenhorn	10%
Basin Dakota	90%