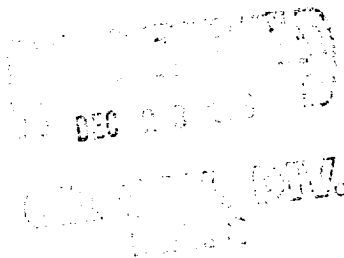


dugan production corp.

December 20, 1996

New Mexico Oil Conservation Division  
1000 Rio Brazos Road  
Aztec, NM 87410

Re: Dugan Production Corp.  
Lucerne #3  
Unit M, Sec. 8, T28N, R11W  
San Juan County, NM



Gentlemen:

Below are the deviations reported by the drilling contractor for the subject well:

$\frac{1}{2}^{\circ}$  @ 100'  
 $\frac{1}{4}^{\circ}$  @ 436'  
 $1^{\circ}$  @ 911'  
 $\frac{1}{4}^{\circ}$  @ 1666'

Sincerely,

John Alexander  
Vice-President

JA/cg

State of New Mexico) §  
County of San Juan )

Subscribed and sworn to before me this 20th day of December, 1996.

\_\_\_\_\_  
Notary Public

My commission expires: Aug. 11, 2000