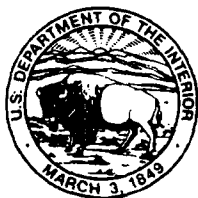


DH C - 1366



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway
Farmington, New Mexico 87401

IN REPLY REFER TO:

NM-10755 (WF)
3162.7-3 (07327)

September 9, 1996

Mr. Gary W. Brink
Petroleum Engineer
Dugan Petroleum Company,
P.O. Box 420
Farmington, NM 87499-0420

RE: No. 2 Harvey
1640' FNL and 1850' FWL
SENW Section 20-T24N-R9W
San Juan County, New Mexico

Dear Mr. Brink:

The Farmington District Office (FDO) of the Bureau of Land Management (BLM) has received your letter dated August 21, 1996, for downhole commingling of the Bisti Lower Gallup and Basin Dakota Pools in the above referenced well.

Your application states that the Dakota formation has an average daily production of 0 BOPD and 6 MCFPD, with an estimated bottom hole pressure of 1050 Psi. Also, the Gallup formation is to be completed and tested for sixty (60) days to establish a stabilized rate prior to determining the allocation formula for each producing horizon.

Approval to downhole commingle is hereby granted, contingent that allocation factors for this well must be submitted in a timely fashion.

If you have further questions regarding this matter, please contact Brian W. Davis at (505) 599-6367 or (505) 599-8900.

Sincerely,

/s/ Duane Spencer

Duane W. Spencer
Team Leader, Petroleum Management

bcc:
NMOCD, Santa Fe