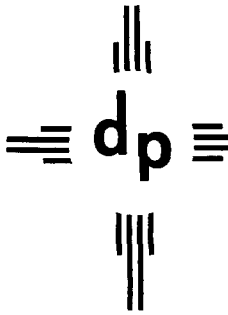
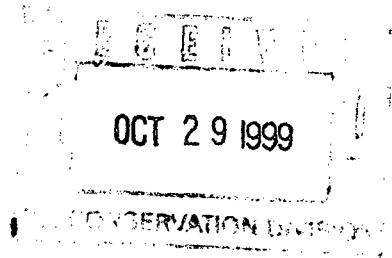


DHC 11/18/99



dugan production corp.

October 28, 1999



Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Mr. Lee Otteni
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

2500

Re: Approval to downhole commingle
Blanco Mesaverde & Basin Dakota Gas Pools
Dugan Production Corp.'s El Niño No. 6E
API #30 045 29639, Unit J, Sec. 11, T-26N, R-9W
San Juan County, New Mexico

Dear Ms. Wrotenbery and Mr. Otteni,

Attached is NMCOD Form C-107A with which we are requesting approval to downhole commingle production from the Blanco Mesaverde and Basin Dakota gas pools in our recently drilled El Niño No. 6E. The 320 acre spacing unit for both pools is the south half of Section 11 (T-26N, R-9W) and all interest ownership is common.

The subject well was spudded on 7-28-99 and is currently waiting to be completed with 4½" casing cemented at 6736' on 8-10-99. We are planning to complete the Dakota and Mesaverde and propose to downhole commingle production during the initial completion operations. Based upon our wellbore assessment and a review of the wells completed in these two pools in the immediate area (see Attachment No. 2), we anticipate marginal production from the Dakota and although the Mesaverde appears to be fairly productive, it has not been previously completed offsetting wells. The Dakota is the primary producing interval in this area and in the nine section area that includes Section No. 11 plus the eight adjacent sections, there are 24 Dakota completions. Production from these 24 wells currently ranges from 0 to 151 MCFD and averages 57 MCFD. Thirteen of the 18 Dakota spacing units in this nine section area have not been infill drilled.

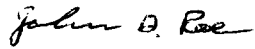
The Mesaverde has been completed in only four wells, all of which are to the northeast. The nearest Mesaverde completion is in Burlington's Huerfanito Unit No. 87 which is approximately 1½ miles away and production currently averages 165 MCFD.

We have proposed a fixed allocation factor based upon current producing rates in existing wells. We are aware that it is likely both zones will exhibit higher initial producing rates, however both zones should exhibit similar declines in producing rates and since the early production data (prior to 1970) is not available on most of the wells, we believe using current production to determine allocation factors will provide an accurate allocation of production for a majority of the producing life of the El Niño No. 6E and will also provide a very close approximation of the early time production allocation. All interest ownership is common in both zones.

By copy of this application, we are providing notice to the offset operators.

Should you have questions or need additional information, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "John D. Roe".

John D. Roe
Engineering Manager

JDR/tmf

xc: NMOCD - Aztec
Burlington Resources
Energen Resources

c:\en6edclt.wpd

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Dugan Production Corp.

Operator

P. O. Box 420, Farmington, NM 87499-0420

Address

El Niño

Lease

6E

Well No.

J-11-T26N-R9W

Unit Ltr. - Sec - Twp - Rge

San Juan

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 006515 Property Code 023504 API NO. 30-045-29639 Federal ☒ State ☐ (and/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde 72319		Basin Dakota 71599
2. Top and Bottom of Pay Section (Perforations)	proposed ±4200'-4400'		proposed ±6336'-6567'
3. Type of production (Oil or Gas)	Gas & Condensate		Gas & Condensate
4. Method of Production (Flowing or Artificial Lift)	Flow		Flow
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) ±1250 psi (est.) (Original) b. 1250 psia (est.) @ 4300' mid-perf datum	a. b.	a. ±1930 psia @ 6450' ±1812 psia @ 4300' datum b. ±2518 psia @ 6450' ±2368' psia @ 4300' datum
6. Oil Gravity (°API) or Gas BTU Content	±1200 BTU/SCF		±1300 BTU/CF
7. Producing or Shut-In?	Not completed		Not completed
Production Marginal? (yes or no)	Not completed		Anticipated yes - not completed
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: Anticipate Rates: 165 MCFD + 1.1 BC/D See Attachment #2	Date: Rates:	Date: Anticipate Rates: 57 MCFD + 0.3 BC/D See Attachment #2
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 79% Gas: 74%	Oil: % Gas: %	Oil: 21% Gas: 26%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☒ Yes ☐ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☐ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ☐ No11. Will cross-flow occur? ☒ Yes ☐ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☒ Yes ☐ No (If No, attach explanation)12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.-Attachment 1
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data. - Attachment 2
- * Data to support allocation method or formula.-Attachment No. 2
- * Notification list of all offset operators.-Attachments 3
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE John D. Roe TITLE Engineering Manager DATE October 26, 1999TYPE OR PRINT NAME John Roe TELEPHONE NO. (505) 325-1821

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Attachment
#1
Pg 1 of 2

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30 045 29639		2 Pool Code 72319		3 Pool Name Blanco Mesaverde	
4 Property Code 023504		5 Property Name El Nino			6 Well Number 6E
7 OGRID No. 006515		8 Operator Name Dugan Production Corporation			9 Elevation 6238' Estimated

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	11	26N	9W		1850	South	1850	East	San Juan

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
---------------------------	--------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature <u>John D. Roe</u> Printed Name <u>John D. Roe</u> Title <u>Engineering Manager</u> Date <u>October 26, 1999</u>	
Section 11					
Dugan Production NM 012737				18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey <u>May 14, 1998</u> Signature and Seal <u>Edgar R. Risen</u> Certificate Number <u>5979</u>	

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

A Harshment
#1
pg 2 of 2

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 71599		3 Pool Name Basin Dakota	
4 Property Code		5 Property Name El Nino			6 Well Number 6E
7 OGRID No. 006515		8 Operator Name Dugan Production Corporation			9 Elevation 6238' Estimated

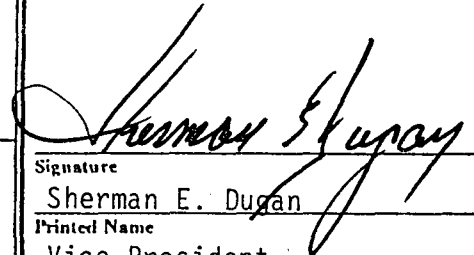
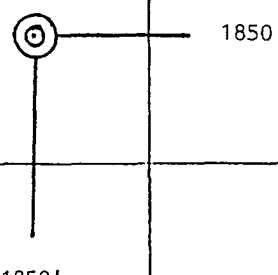
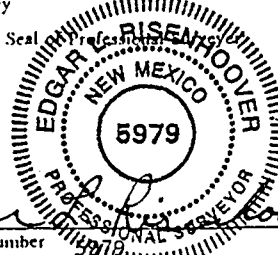
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	11	26N	9W	J	1850	South	1850	East	San Juan

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres 320		13 Joint or Infill		14 Consolidation Code		15 Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16						17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Sherman E. Dugan Printed Name Vice-President Title June 18, 1998 Date	
		Section 11					
Dugan NM 012737						18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. May 14, 1998 Date of Survey Signature and Seal  Certificate Number	

--	--	--	--	--

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
☐ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

John D. Roe
Print or Type Name

John D. Roe
Signature

Engineering Manager
Title

10/27/99
Date

OFFSET WELL DATA

DUGAN PRODUCTION'S EL NIÑO #6E

SECTION 11 & ADJACENT SECTIONS T-26N, R-9W

SAN JUAN COUNTY, NEW MEXICO

T-26N, R-9W Unit-Section	Operator	Well Name	Blanco Mesaverde				Basin Dakota			
			Cum. Prod. 6-1-99		Avg. prod. 1/99-5/99		Cum. prod. 6-1-99		Avg. prod. 1/99-5/99	
			Gas MMCF	Cond. bbl	Gas MCFD	condensate B/MMCF	Gas MMCF	Cond. bbl	Gas MCFD	condensate B/MMCF
B-1	Burlington Resources	Huerfanito Unit #90	3,221.7	13,808	239	6.1	1,253.2	12,981	93	14.5
F-1	Burlington Resources	Huerfanito Unit #87A	1,572.8	5,674	160	4.0				
K-1	Burlington Resources	Huerfanito Unit #87	3,832.7	18,918	165	10.9	1,740.8	14,700	74	6.4
A-2	Burlington Resources	Huerfanito Unit #101	3,805.4	19,202	261	6.6				
G-2	Burlington Resources	Huerfanito Unit #76					1,666.6	11,511	78	4.1
M-2	Burlington Resources	Huerfanito Unit #106					987.9	6,975	0	0.0
A-3	Burlington Resources	Huerfanito Unit #71					690.8	2,336	50	6.5
N-3	Burlington Resources	Huerfanito Unit #103					1,205.1	12,294	0	0.0
B-10	Burlington Resources	Huerfanito Unit #80					1,687.7	17,627	89	7.8
J-10	Dugan Production	Huerfanito Unit #5E					83.2	534	151	2.5
N-10	Dugan Production	Huerfanito Unit #5					1,996.6	28,175	0	0.0
A-11	* Burlington Resources	Huerfanito Unit #81					1,948.9	17,215	71	2.5
N-11	* Dugan Production	Huerfanito #6					1,112.7	14,344	0	0.0
B-12	Burlington Resources	Huerfanito Unit #91					1,177.9	14,067	64	6.5
L-12	* Burlington Resources	Huerfanito Unit #92					825.1	9,233	42	4.4
E-13	Energien Exploration	Tibbar Fed #1					1,037.3	19,282	51	17.1
M-13	Energien Exploration	Tibbar Fed #1E					79.0	1,124	17	3.1
P-13	Energien Exploration	Tibbar Fed #2					899.1	15,861	39	7.3
A-14	* Burlington Resources	Ballard #13E					429.9	5,207	48	9.2
E-14	Burlington Resources	Ballard #13					2,376.8	33,672	123	0.5
L-14	Burlington Resources	Ballard #14					1,610.8	40,533	72	23.1
D-14	Burlington Resources	Ballard #14E					448.0	5,453	34	8.9
B-15	Energien Exploration	Ballard #12E					440.0	5,249	93	8.5
D-15	Burlington Resources	Ballard #11					1,376.7	27,603	62	0.3
J-15	Energien Exploration	Ballard #12					1,547.7	22,871	81	6.6
L-15	Burlington Resources	Ballard #11E					369.3	7,002	42	5.2
Totals			12,432.6	57,602.0	825.0	27.6	26,991.1	345,849	1,374	145.0
Mesaverde - 4 well avg.			3,108	14,400	206	6.9	1,125	14,410	57	6.0
Dakota - 24 well avg.										

* - Direct offset to El Niño #6E on 160 Acre locations. Production curves attached.

c:\excel\6eoffset.xls

ATTACHMENT NO. 2
ANTICIPATED PRODUCTION
EL NIÑO NO. 6E
DUGAN PRODUCTION CORP.

	Gas - MCFD	Condensate - BPD
Blanco Mesaverde ①	165 (74%)	1.1 (79%)
Basin Dakota ②	57 (26%)	0.3 (21%)
Total	222	1.4

Notes:

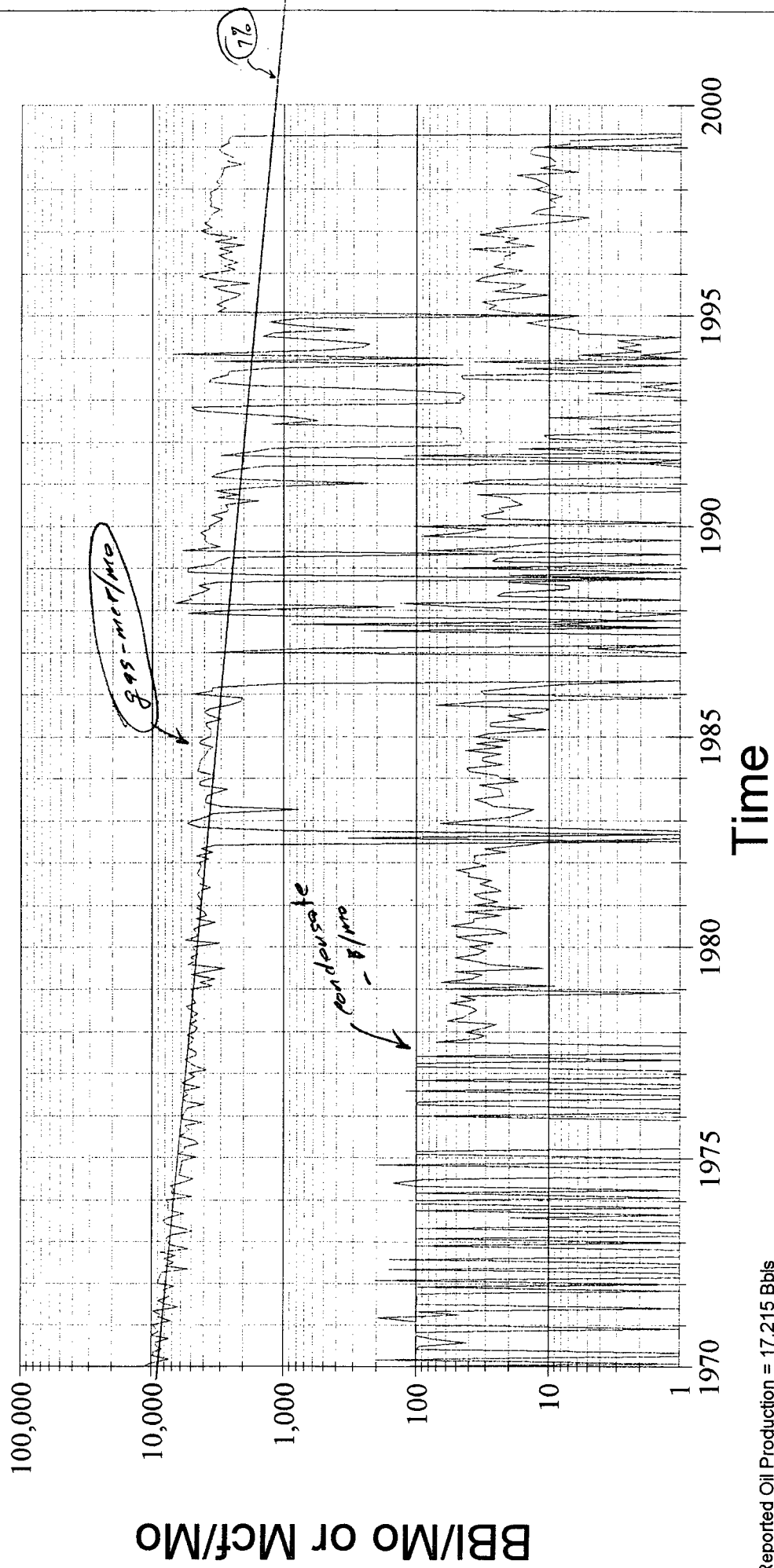
- ① Mesaverde Production - Nearest completion is the Huerfanito Unit No. 87 which is ± 1.5 miles to the NE. Anticipated gas production represents current average for Huerfanito Unit No. 87. Anticipated condensate production represents the average condensate yield of 6.9 bbl/mmcf for all four Mesaverde wells in the 9 section area of interest. Production curve presented on Page No. 7.
- ② Dakota Production - Within the 9 section area of interest, 24 Dakota completions exist and averaged 57 MCFD plus a condensate yield of 6.0 bbl/mmcf during the first five months of 1999. Production curves for the four wells directly offsetting El Niño No. 6 to the North, East, South and West are presented on Pages No. 3 through 6.
- ③ Nine section area of interest - Section No. 11 plus eight adjacent sections (Sections No. 1, 2, 3, 10, 12, 13, 14, 15) all in T-26N, R-9W of San Juan County, New Mexico.

Attachment #2
pg 3 of 7

Oil
Gas
Water
Wells

Field: BASIN - Dakota
Lease: HUERFANITO UNIT | Well #81 (A-11-22N-7W)
Operator: BURLINGTON RESOURCES OIL & GAS COMPA
Production Rate vs Time
For the Period 01/1970 to 12/1999 | API: 30045059720000

North offset to
El Nino #66



Reported Oil Production = 17,215 Bbls
Reported Gas Production = 1,948,921 Mcf
Reported Water Production = 99 Bbls

Attachment No. 2
 PG# 4 of 7

Oil
 Gas
 Water
 Wells

Field: BASIN Data

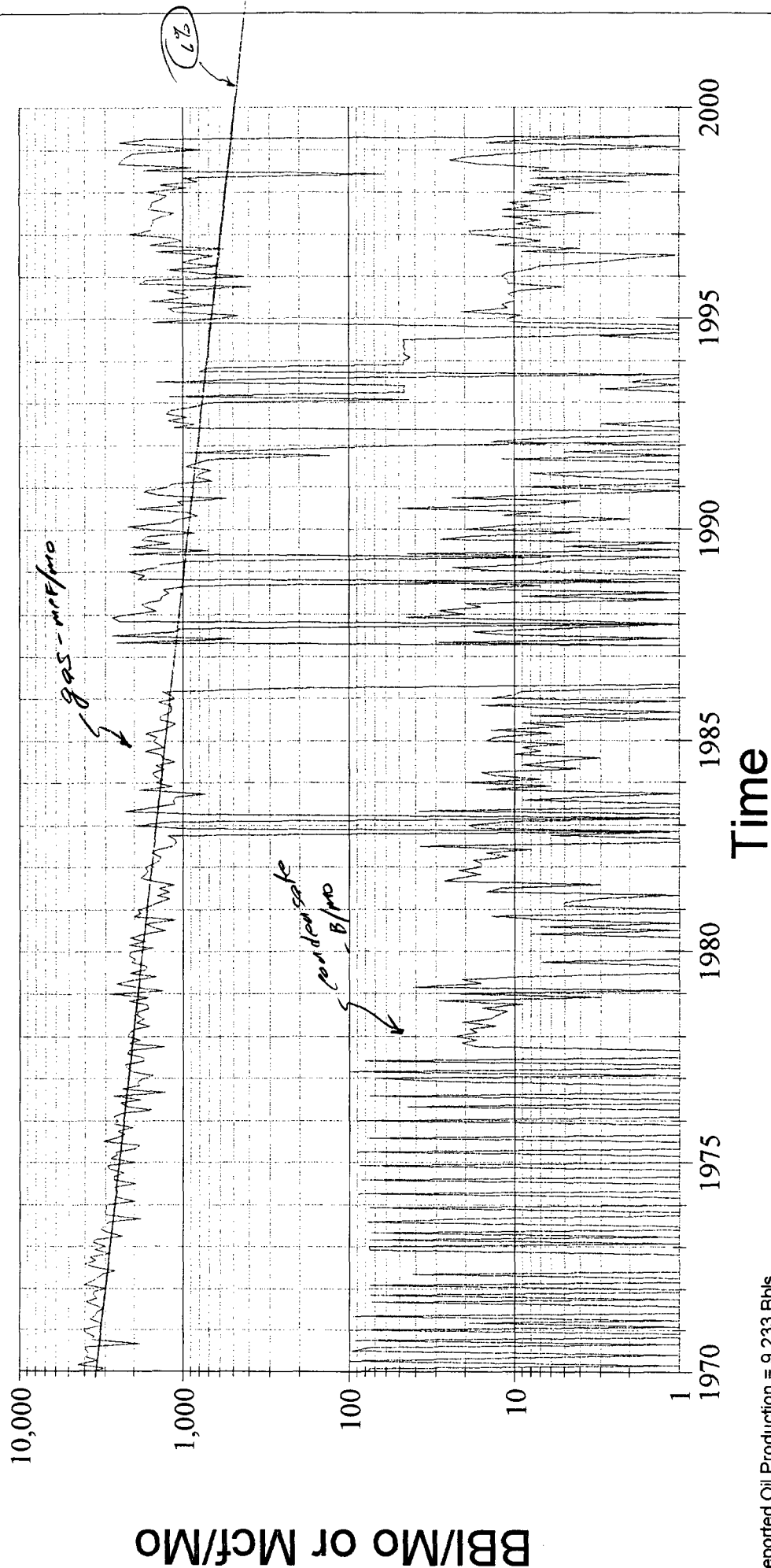
Lease: HUERFANITO UNIT | Well #92 (L-12-26N-9W)

Operator: BURLINGTON RESOURCES OIL & GAS COMPA

Production Rate vs Time

For the Period 01/1970 to 12/1999 | API: 30045059160000

East offset
 to El Niño #6E



Reported Oil Production = 9,233 Bbls
 Reported Gas Production = 825,053 Mcf
 Reported Water Production = 0 Bbls

Plot Displays Monthly Totals
 Copyright (C) 1999 by Petroleum Information/Dwights LLC

Attachment #2
 PG #5 of 7

Oil
 Gas
 Water
 Wells

Field: BASIN Dakota

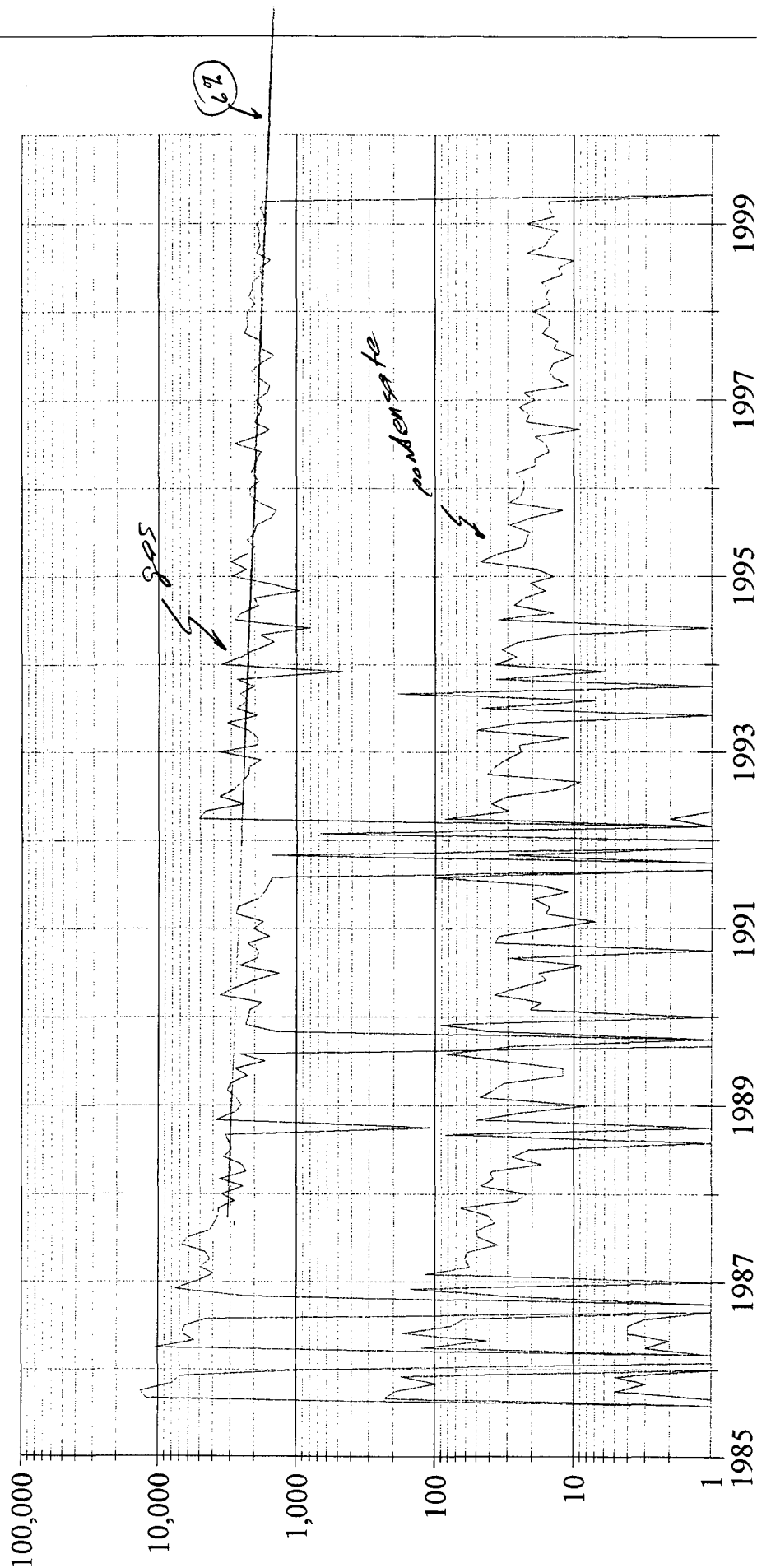
Lease: BALLARD | Well #13E (H-14-26N-9W)

Operator: BURLINGTON RESOURCES OIL & GAS COMPA

Production Rate vs Time

For the Period 01/1985 to 12/1999 | API: 30045263610000

South offset to
 F1 Nino #6E



Time

Reported Oil Production = 5,207 Bbls
 Reported Gas Production = 429,931 Mcf
 Reported Water Production = 152 Bbls

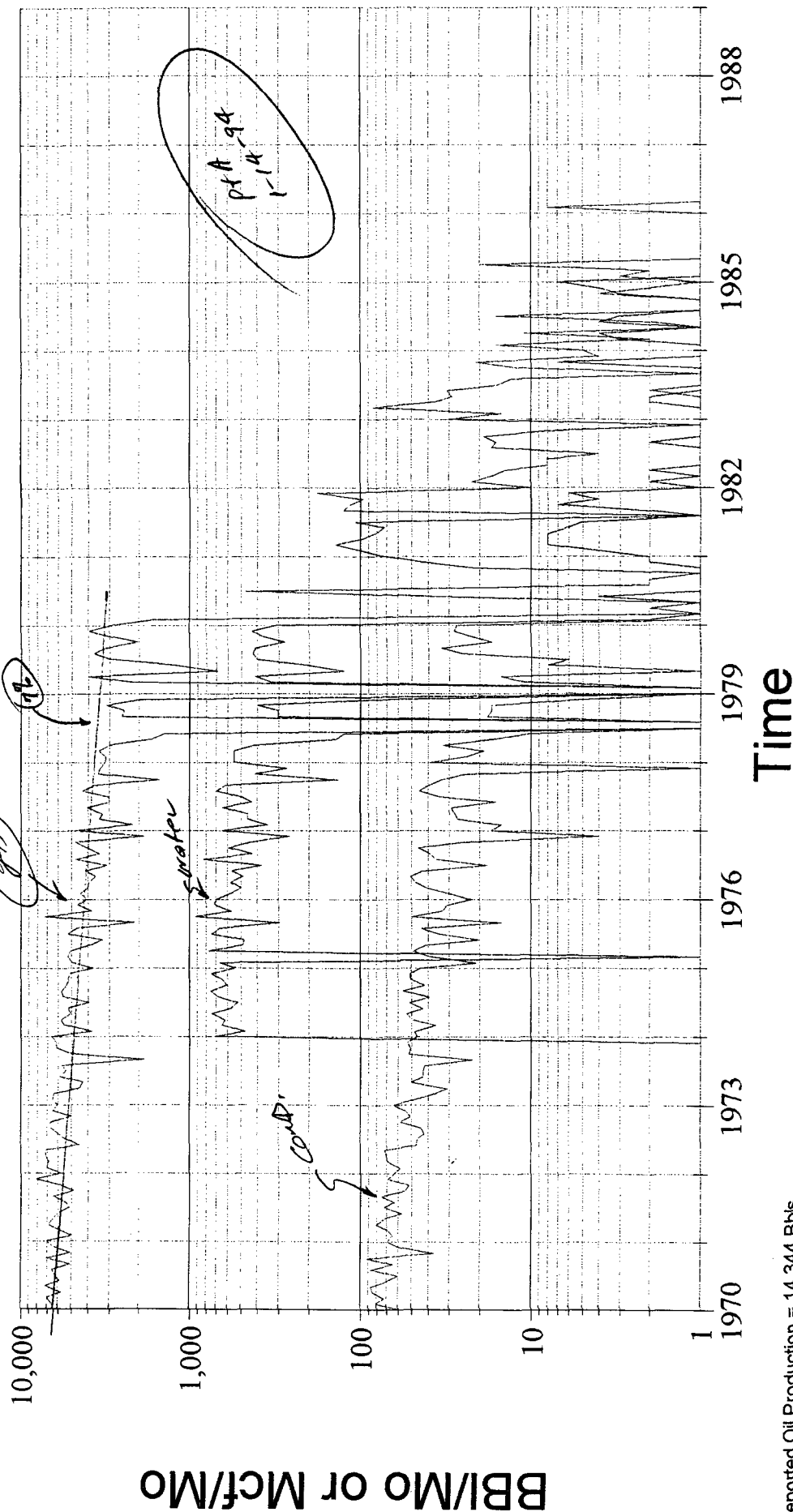
Attachment #2
pg #6 of 7

Oil
Gas
Water
Wells

Field: BASIN Dakota
Lease: HUEFANITO | Well #6 (N-11-26N-9W)
Operator: DUGAN PRODUCTION CORPORATION

first offset to
El Nino #6E

Production Rate vs Time
For the Period 01/1970 to 12/1988 | API: 30045059100000

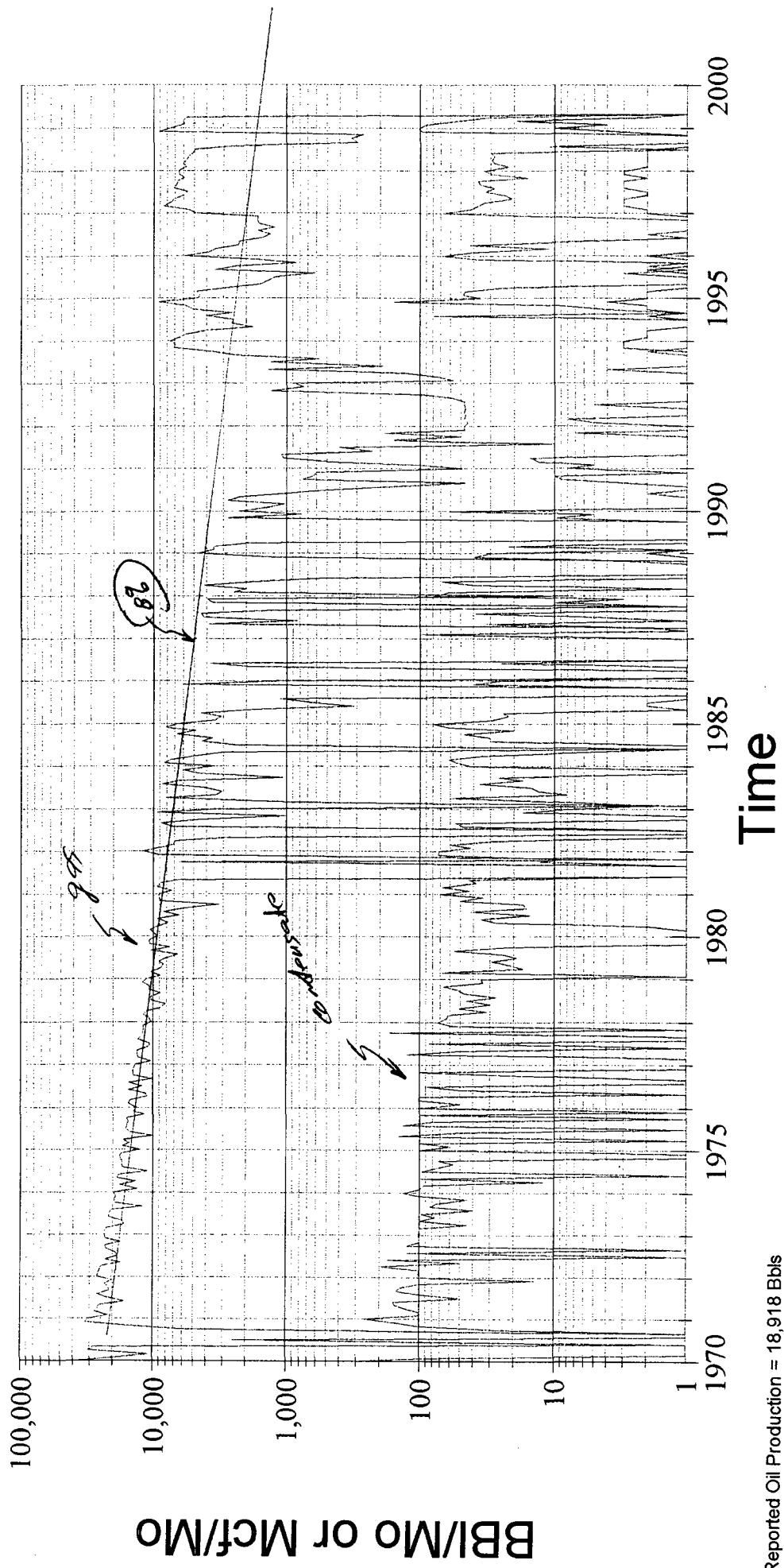


Reported Oil Production = 14,344 Bbls
Reported Gas Production = 1,112,737 Mcf
Reported Water Production = 33,696 Bbls

Attachment #2
pg #7 of 7

Oil
Gas
Water
Wells

Field: BLANCO *M-5000-1-de*
 Lease: HUERFANITO UNIT | Well #87 (K-1-26N-9W)
 Operator: BURLINGTON RESOURCES OIL & GAS COMPA
 Production Rate vs Time
 For the Period 01/1970 to 12/1999 | API: 30045060230000
± 1 1/2 miles NE of
El Niño #6E



Reported Oil Production = 18,918 Bbls
 Reported Gas Production = 3,832,717 Mcf
 Reported Water Production = 166 Bbls

Attachment No. 3

offset operators

Dugan production's El Nino #6E

1850' FSL + 1850' FEL (unit J), Sec. 11, T-26N, R-9W

Blanco Mesaverde + Basin Dakota Gas Pools.

R-9W

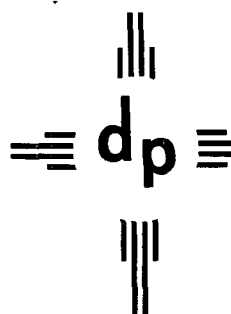
<p>3</p> <p>(A)</p> <p>Huerfano unit wells #71 + 103</p>	<p>2</p> <p>(A)</p> <p>Huerfano unit wells 76, 101, 106</p>	<p>1</p> <p>(A)</p> <p>Huerfano unit wells 87, 87A, 90</p>
<p>(A)</p> <p>Huerfano unit well #80</p>	<p>(A)</p> <p>Huerfano unit well #81</p>	<p>T 26 N</p>
<p>10</p> <p>(B)</p> <p>Huerfano S+SE</p>	<p>11</p> <p>(B)</p> <p>Huerfano 6 + El Nino #6E</p>	<p>12</p> <p>(A)</p> <p>Huerfano unit wells #91 + 92</p>
<p>(A)</p> <p>Ballard #11 + 15 11E</p> <p>(C)</p> <p>Ballard #12 + 12E</p>	<p>(A)</p> <p>Ballard #13 + 13E</p> <p>14</p> <p>(A)</p> <p>Ballard #14 + 14E</p>	<p>(C)</p> <p>Tibbar Fed #1 + 1E</p> <p>13</p> <p>(C)</p> <p>Tibbar Fed #2</p>

(A) Burlington Resources - P.O. Box 4289, Farmington, NM 87499

(B) Dugan production Corp. - P.O. Box 420, Farmington, NM 87499

(C) Energen Resources Corp - 2198 Bloomfield Hwy, Farmington, NM 87401

DHC-2520



dugan production corp.

NOV - 8 1999

NOV 8 1999

November 5, 1999

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Mr. Lee Otteni
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Re: Dugan's 10/28/99 application to downhole commingle
Blanco Mesaverde & Basin Dakota gas pools
Dugan Production Corp.'s El Niño No. 6E
API #30 045 29639, Unit J, Sec. 11, T-26N, R-9W
San Juan County, New Mexico

Dear Ms. Wrotenbery and Mr. Otteni,

Attached for your review and use in processing the subject application are signed statements from the two offset operators wherein each offset operator states they have no objection to our proposed downhole commingling of production from the Blanco Mesaverde and Basin Dakota gas pools in our El Niño No. 6E. The originals are being sent to the NMOCD and copies to the BLM.

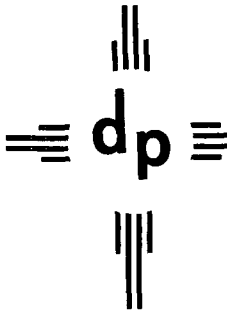
Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

SIGN & RETURN
THIS COPY



dugan production corp.

October 28, 1999

CERTIFIED - RETURN RECEIPT 1999



Burlington Resources
P. O. Box 4289
Farmington, NM 87499-4289

Energen Resources Corp.
2198 Bloomfield Highway
Farmington, NM 87401

Re: Proposed downhole commingling
Blanco Mesaverde and Basin Dakota Gas Pools
Dugan Production's El Niño No. 6E
Unit J, Section 11, T-26N, R-9W
San Juan County, NM

Dear Offset Operator,

Our records indicate that you are an offset operator to the captioned well. Attached for your review and file is a copy of our application to the NMOCD and BLM requesting administrative approval for our proposed downhole commingling of production from the Blanco Mesaverde and Basin Dakota gas pools. If you have no objection to this application, we would appreciate your signing the statement below on the attached copy of this letter and returning to Dugan Production in the enclosed envelope.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

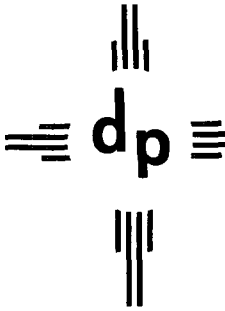
STATEMENT

GAS COMPANY
BURLINGTON RESOURCES OIL & GAS COMPANY has no objection to Dugan Production's proposed downhole commingling of production from the Blanco Mesaverde and Basin Dakota gas pools in their El Niño No. 6E well.

By: Dean Pica - Senior Staff Landman
Signature & Title

Date: 11/2/99

SIGN & RETURN
THIS COPY



dugan production corp.

October 28, 1999



CERTIFIED - RETURN RECEIPT

Burlington Resources
P. O. Box 4289
Farmington, NM 87499-4289

Energen Resources Corp.
2198 Bloomfield Highway
Farmington, NM 87401

Re: Proposed downhole commingling
Blanco Mesaverde and Basin Dakota Gas Pools
Dugan Production's El Niño No. 6E
Unit J, Section 11, T-26N, R-9W
San Juan County, NM

Dear Offset Operator,

Our records indicate that you are an offset operator to the captioned well. Attached for your review and file is a copy of our application to the NMOCD and BLM requesting administrative approval for our proposed downhole commingling of production from the Blanco Mesaverde and Basin Dakota gas pools. If you have no objection to this application, we would appreciate your signing the statement below on the attached copy of this letter and returning to Dugan Production in the enclosed envelope.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

STATEMENT

Energen Resources Corp. has no objection to Dugan Production's proposed downhole commingling of
production from the Blanco Mesaverde and Basin Dakota gas pools in their El Niño No. 6E well.

By: Richard Decoran / District Manager Date: 11-2-99
Signature & Title