

Robert L. Bayless, Producer

P.O.Box 168

Farmington, NM 87499

FAX

Date: 2/12/96

Number of pages including cover sheet: 3

To: WINDO
WINNIE STOCHER

Phone: _____

Fax phone: 505 326 6911

CC: _____

From: Bob Bayless

Phone: 505/326-2659

Fax phone: 505/326-6911

REMARKS: Urgent For your review Reply ASAP Please comment

ROBERT L. BAYLESS

P O. BOX 168
FARMINGTON, NM 87499

FAX NO
(505) 326-6911

OFFICE NO
(505) 326-2659

February 12, 1996

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

Attn: Michael Stogner

Re: Horn Canyon #1
Case #11463

Dear Mike:

Enclosed please find a waiver executed by Dugan Production Company. The lease held by Petro Corp. has been subsequently sold to Meridian Oil Company who have previously waived any objection and also own 25% working interest in the referred to well.

Please advise if you need further documentation.

Yours Truly,


Robert L. Bayless
Producer

enc.

ROBERT L. BAYLESS

P. O. BOX 168
FARMINGTON, NM 87499

FAX NO
1505) 326-6911

OFFICE NO
1505) 326-2659

December 20, 1995

CERTIFIED MAIL - RETURN RECEIPT REQUESTED #P565392391

Dugan Production Company
P.O. Box 420
Farmington, N.M. 87499

RE: Proposed Downhole Commingling
Robert L. Bayless
Horn Canyon #1
Unit D, Sec. 15, T28N, R11W
San Juan County, New Mexico

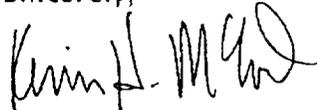
Gentlemen:

Our records indicate your company owns offset acreage to our Horn Canyon #1 well. We plan to downhole commingle the Pictured Cliffs and Fruitland Sand formations in this well and have requested the New Mexico Oil Conservation Division to administratively approve this commingling of production. A copy of this application is enclosed.

In order to obtain approval from the Oil Conservation Division Director, we must obtain waivers of objection from offset lease holders. If you have no objection to our plans, please execute the waiver portion of this letter and return one copy to us at the above address and another copy to the Division Director, Oil Conservation Division, 2040 South Pacheco, Santa Fe, NM 87505.

If you require additional information, please advise.

Sincerely,



Kevin H. McCord
Petroleum Engineer

I have no objection to the above stated plans.

Dugan Production Company

By Thomas A. Pugs Title: President Date: 12-28-95



January 18, 1996

Robert L. Bayless
P.O. Box 168
Farmington, NM 87499

Attn: Mr. Kevin H. McCord

**Re: Horn Canyon #1
Unit D, Sec. 15-28N-11W
San Juan County, NM**

Dear Mr. McCord:

In accordance with our previous conversation regarding the above captioned well, please be advised that PetroCorp Incorporated has sold all of its interest in acreage offsetting the subject well.

Should you have any questions and/or need any additional information, please feel free to contact the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike Sargent", written over a horizontal line.

Michael S. (Mike) Sargent, RLP
Property Records Supervisor

xc: Mr. Tommy Hardisty

Mr. William J. LeMay, Chairman
New Mexico Oil Conservation Division
2040 south Pacheco
Santa Fe, NM 87505

6011#1.LET

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Suite 300, North Atrium
Houston, Texas 77060-2391
(713) 875-2500