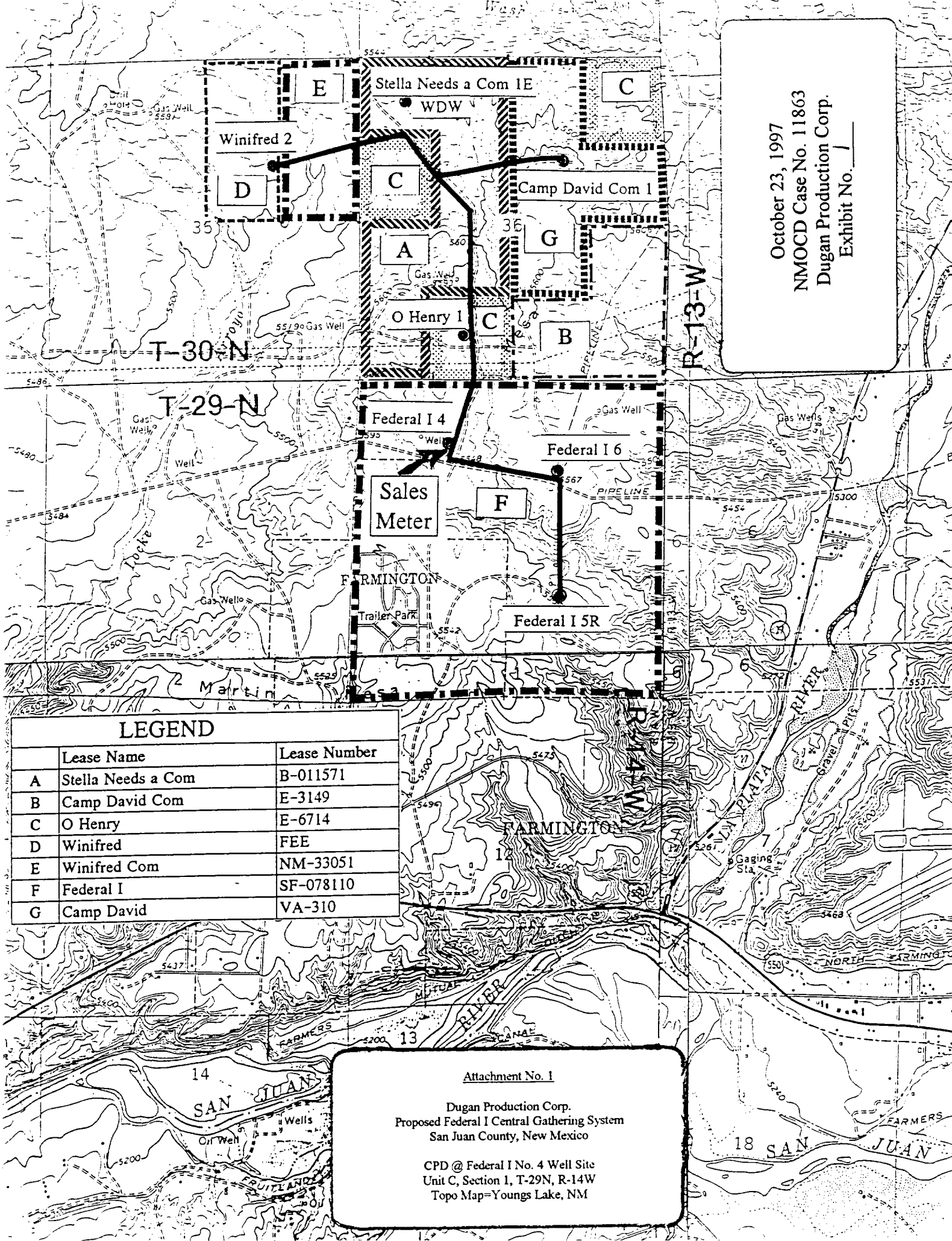


October 23, 1997  
 NMOCD Case No. 11863  
 Dugan Production Corp.  
 Exhibit No. 1



**LEGEND**

	Lease Name	Lease Number
A	Stella Needs a Com	B-011571
B	Camp David Com	E-3149
C	O Henry	E-6714
D	Winifred	FEE
E	Winifred Com	NM-33051
F	Federal I	SF-078110
G	Camp David	VA-310

Attachment No. 1

Dugan Production Corp.  
 Proposed Federal I Central Gathering System  
 San Juan County, New Mexico

CPD @ Federal I No. 4 Well Site  
 Unit C, Section 1, T-29N, R-14W  
 Topo Map=Youngs Lake, NM

**ATTACHMENT NO. 2  
DUGAN PRODUCTION CORP.  
PROPOSED FEDERAL I Central Gathering System and C.P.D.  
SAN JUAN COUNTY, NEW MEXICO**

Well Name	API Number	Well Location		Well Location		Communitization		Pool	Completion Date	Average Production 1st 6 months 1997		Spacing Unit
		Unit	Sec-Twn-Rng	Lease Number	Type Lease	Agreement Number	State			BOPD	MCFD	
Camp David Com #1	30-045-28428	G	36-30N-14W	VA-310	State	State		Basin Fruitland Coal	1/10/91	0	0	① E/2-323.59
Federal I #4	30-045-20397	C	1-29N-14W	SF078110	Fed.	N/A		Harper Hill FR Sand-PC	10/3/69	0	0	② NW/4-160
Federal I #5R	30-045-29351	J	1-29N-14W	SF078110	Fed.	N/A		Harper Hill FR Sand-PC	12/16/96	0	0	③ SE/4-160
Federal I #6	30-045-23207	G	1-29N-14W	SF078110	Fed.	N/A		Harper Hill FR Sand-PC	2/22/79	0	0	④ NE/4-160
O'Henry #1	30-045-08958	N	36-30N-14W	E6714	State	State		Basin Fruitland Coal	6/27/91	0	0	⑤ W/2-320
Winifred #2	30-045-23200	G	35-30N-14W	Fee	Fee	SCR-141		Harper Hill FR Sand-PC	3/15/79	0	0	⑥ NE/4-160

**NOTES**

N/A - Not Applicable

- ①- Well shut in waiting on pipeline connection. Cumulative production = 0 MCF. Test 4/97: SITP=350 psig, est. rate = 30 MCFD with light spray of water.
- ②- Well shut in pending water disposal system. Cumulative production=540,606 MCF. Test 4/97: SITP=230 psig, estimated rate=15 MCFD w/1-2 BWPD.
- ③- Well shut in waiting on pipeline connection. Cumulative production=0 MCF. Test 12/96: SITP=330 psig. Est. rate=30 MCFD.
- ④- Well shut in pending water disposal system. Cumulative production= 154,170 MCF. Test 4/97: SITP=270 psig, est. rate=30 MCFD + 1 BWPD.
- ⑤- Well shut in waiting on pipeline connection. Cumulative production= 0 MCF. Test 12/96: SITP=330 psig, est. rate=30 MCFD with light spray water
- ⑥- Well shut in waiting on water disposal system. Cumulative production=69,966 MCF. Test SITP=230 psig, est. rate=18 MCFD + 4.5 BWPD.

ATTACHMENT NO. 7  
INTEREST OWNERSHIP  
PROPOSED FEDERAL I CENTRAL GATHERING SYSTEM  
DUGAN PRODUCTION CORP.  
SAN JUAN COUNTY, NEW MEXICO

	Camp David Com #1		Federal I Lease ①		O'Henry #1		Winifred #2	
	WI	NI	WI	NI	WI	NI	WI	NI
<b><u>Working Interest Owners</u></b>								
Dugan Production	1.0000	0.8326	1.0000	0.8750	1.0000	0.7024	1.0000	0.8650
<b><u>Royalty Interest Owners</u></b>								
USA-Federal				0.1250				0.0625
State of New Mexico		0.1250				0.1250		
Joseph O. & Cicily Muench								0.03125
Patricia Harbin								0.03125
<b><u>Overriding Royalty Owners</u></b>								
Conoco		0.0068				0.1504		
Anne B. Little		0.0051						
Sylvia Little		0.0051						
Texaco Exploration		0.0253						
Edward & Juanita Lopez						0.0036		
Ruby Maculsay						0.0012		
Martin A. Moe, Jr.						0.0036		
James W. & Ella E. Post						0.0036		
Harper L. & Nellie A. Proctor						0.0036		
Gisle W. Romo						0.0012		
Clara Sault						0.0012		
Ernest J. & Valene M. Sill						0.0042		
Winifred & Forest Jacobs								0.0100

Total 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000 1.0000

① Federal I Wells No. 4, 5R & 6.

Attachment No. 4 (Revised 9-17-97)  
Allocation Procedures  
Dugan Production Corp.'s  
Proposed Surface Commingling & Off Lease Measurement  
Federal I Central Gathering System  
CPD: C-1-29N-14W  
San Juan County, New Mexico

**Base Data:**

U=Water volume (BWPD) from Periodic Well Test x days operated during allocation period  
V=Water volume (bbl) at Central Battery during allocation period  
W=Gas volume (MCFD) from Periodic Well Test x days operated during allocation period  
X=Gas volume (MCF) from CPD Sales Meter during allocation period  
Y=BTU's from CPD Sales Meter during allocation period  
Z=Gas Revenue (\$) from CPD Sales Meter during allocation period

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A+B+C+D+E
  - A = Allocated Sales Volume, MCF.  
=  $(W / \text{SUM } W) \times X$
  - B = On lease fuel usage, MCF. Determined from equipment specifications and operating conditions.
  - C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.
  - D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by  $W / \text{Sum } W$  for the wells involved.
  - E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by  $W / \text{Sum } W$ .
2. Allocated Individual Well BTU's =  $(W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU}) \times Y$ .  
Individual well gas heating values to be determined in accordance with BLM's On Shore Order No. 5.
3. Allocated Individual Well Gas Revenues =  $(\text{Allocated Individual well BTU's} / \text{Sum Allocated individual well BTU's}) \times Z$
4. Individual Well Water Production = Allocated production volume, bbl =  $(U / \text{Sum } U) \times V$