



dugan production corp.

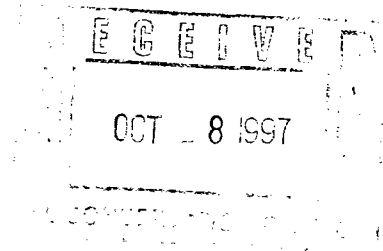
Certified-Return Receipt



October 3, 1997

Case 11863

To: Royalty and Overriding Royalty Interest owners of
Dugan Production Corp.'s
Camp David Com #1, Federal I wells #4, #5R, #6,
O'Henry #1, and Winifred #2
San Juan County, New Mexico



Re: Application of Dugan Production Corp.
for Surface Commingling and Off-Lease Measurement
6 wells connected to Dugan's proposed
Federal I Central Gathering System
San Juan County, New Mexico

Dear Interest Owner:

We are writing to advise that the New Mexico Oil Conservation Division (NMOCD) is requiring Dugan Production's subject application dated 8-19-97 to be considered at an examiner hearing scheduled for October 23, 1997 (NMOCD Case No. 11863). The hearing will be held at the Commission Hearing room, located at 2040 South Pacheco, Santa Fe, New Mexico. Notice of our 8-19-97 application has been previously sent to each interest owner and the subject application has been approved by the New Mexico State Land Office, Bureau of Land Management and is supported by the NMOCD, however NMOCD rules will not allow the NMOCD to approve our application administratively. Dugan Production holds all working interest in all 6 wells plus the gathering system.

As a royalty or overriding royalty interest owner in one or more of the 6 wells connected to Dugan's Federal I Central Gathering System, you have the right to participate in this hearing and register any concerns or objections you may have.

Should you desire to participate in this hearing, you should file a pre-hearing statement with the Division by 4:00 pm on Friday, October 17, 1997, with a copy to Dugan Production. Please direct any questions to me at the letterhead address, or you may contact the NMOCD directly by phone at (505)827-7131, or mail at 2040 South Pacheco, Santa Fe, New Mexico 87505.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

cc: NMOCD-Aztec & Santa Fe