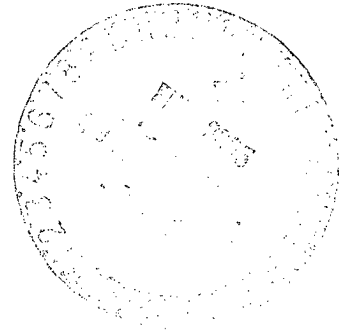


dugan production corp.

February 14, 2005



Mr. Denny Foust
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Pit & Below Grade Tank Inventory
Anderson Oil, Ltd.

#1 30-045-10311
#2 30-045-23619
#3 30-045-23620
#4 30-045-24463

Dear Denny,

In our letter dated 4-22-04 we provided an inventory of earthen pits for Federal wells no. 1, 2, 3 & 4 operated by Anderson Oil, Ltd. and advised we would be preparing applications to continue using these pits beyond 6-30-05.

I am writing to advise that Anderson Oil, Ltd. has elected to close these earthen pits and replace them with sub-grade tanks. We will not be using these earthen pits beyond 6-30-05 and do plan to close them as soon as we can.

Should you have questions, please let me know.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

cc: Anderson Oil, Ltd.