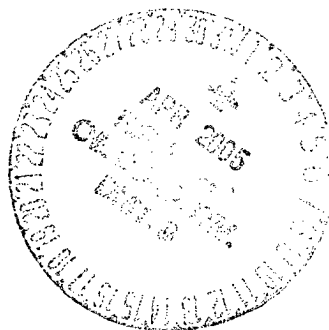


dugan production corp.

March 31, 2005

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



Re: Proposed drilling reserve pit closures
12 wells, San Juan County, New Mexico

Dear Denny,

Dugan Production Corp. is preparing to close the drilling reserve pits on the following 12 wells. All 12 reserve pits have been idle since completion and are currently partially filled in from blowing sand and weeds. All wells were completed in the Chacra, Fruitland Coal or Pictured Cliffs formations. No liquid hydrocarbons have been placed in any of the pits.

We hope to have all pits closed by May 15, 2005 and will submit C-144 forms for each upon closure. The 12 wells are listed below.

<u>Well Name</u>	<u>API No.</u>	<u>Location U-S-T-R</u>	<u>Spud Date</u>
Belushi #1	30-045-31257	J-5-22N-8W	2/28/03
Cochran #1	30-045-24465	A-16-22N-8W	8/22/80
Gaye #1	30-045-29063	P-1-22N-9W	4/25/94
Goodman #90	30-045-30780	J-23-22N-8W	5/2/03
Harrison #1	30-045-31087	I-24-22N-9W	11/19/02
Harrison Com #90	30-045-31092	A-24-22N-9W	12/3/02
Hendrix #2	30-045-29172	B-7-22N-8W	10/24/94
James #90	30-045-30779	I-24-22N-8W	4/25/03
Marley #1	30-045-29158	N-36-23N-9W	10/31/94
McCartney #1	30-045-29659	A-2-22N-9W	9/23/98
Presley #1	30-045-29061	P-7-22N-8W	4/11/94
Zappa #1	30-045-29062	F-20-22N-8W	3/31/94

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

Sincerely,
John D. Roe
John D. Roe
Engineering Manager

JDR/tmf

12/27
3/4/05