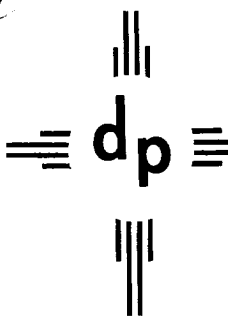


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dugan production corp.

December 6, 1996

New Mexico Oil Conservation Division
Attn: Ernie Busch
1000 Rio Brazos Road
Aztec, NM 87410

*Subject: Harvey #2
Unit F, Section 20, T24N, R9W, NMPM
San Juan County, NM
Administrative Order DHC-1366*

Dear Mr. Busch:

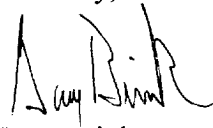
In October, 1996 the Bisti Lower Gallup pool was completed and downhole commingled with the Basin Dakota pool. Since the Dakota perforations were never fracture stimulated, this interval was treated along with the Gallup perforations in a single stage treatment.

In accordance with Administrative Order DHC-1366, the Aztec District Office shall determine proper allocation of production after the well has been completed. Following a thirty day production test, the combined flow rate has stabilized at 16 BOPD, 40 MCFD of gas and 4 BWPD. Prior to completion of the Gallup interval, the Dakota produced 6 MCFD with no oil or water. Since the Dakota was treated along with the Gallup, it is felt the Dakota production has increased slightly. It is recommended the production be allocated as follows:

<u>Formation</u>	<u>Oil Allocation</u>	<u>Gas Allocation</u>
Bisti Lower Gallup	100%	75%
Basin Dakota	0%	25%

As stated on the original application, ownership in both pools is common.

If additional information is needed, please contact me. Your help in this matter is appreciated.

Sincerely,

Gary Brink

GB/cg

cc: BLM, Farmington

