

dugan production corp.

November 8, 2001

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: PUN Numbers 1219639 (FC) & 1219645 (PC)
Dugan's Phillips No. 1 (API No. 30-045-26803)
Basin Fruitland Coal (71629) & Bisti Pictured Cliffs (97073) gas pools
Unit H, Section 5, T-24N, R-9W
San Juan County, NM

Dear Mr. Chavez:

I'm writing to follow-up our telephone conversation during which I requested you extend the C-104 approval dates for the subject well and pools from the current 8/3/01 to 10/2/00. This will then allow the New Mexico Tax & Revenue Department to have PUN numbers for the small amount of production reported and produced into Dugan's Goodtimes Gas Gathering System prior to receiving approved C-104's on 8/3/01. As you may recall, this is the well for which I was attempting to obtain a Basin Fruitland Coal non-standard 160 acre spacing unit since the well was completed on a 160 acre spacing unit prior to the Basin Fruitland Coal pool being established. Ultimately, after exhausting that effort, we established a standard 320 acre unit and received NMOCD approval of our C-104 on 8/3/01. During the ±11 months we were working to resolve this issue, approximately 1458 mcf of gas was reported on our C-115 production reports (for the months of 10/00 thru 8/01) and was included in our reports to the Tax & Revenue Department. They currently have this gas in suspense awaiting a PUN number.

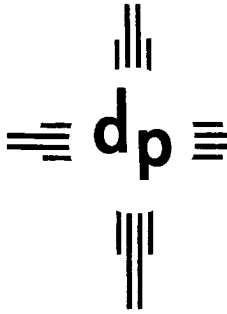
Thanks for your help on this.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

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January 28, 2002

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410



Re: PUN Numbers 1219639 (FC) & 1219645 (PC)
Dugan's Phillips No. 1 (API No. 30-045-26803)
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Unit H, Section 5, T-24N, R-9W
San Juan County, NM

Dear Mr. Chavez:

We have received the New Mexico Taxation and Revenue Department's January 2002 report of suspended wells. They are carrying production we've reported for Dugan's Phillips No. 1 for the months 12/00 through 07/01 in suspense because there is no PUN number. The C-104 for this well was approved 08/03/01. In earlier discussions, you had indicated you could make the C-104 approval retroactive to 10/02/00 (the date of first delivery), which will allow the New Mexico Taxation and Revenue Department to remove the production taxes (totaling \$147.75) from suspense for the 1339 mcf reported production during the period 10/00 through 07/01.

For your reference, I've attached a copy of Dugan's 11/08/01 letter regarding this. Please let me know if you need additional information.

Thanks for your help.

Sincerely,

John D. Roe
Engineering Manager

JDR:sh

Attachment

1/29/02 - Fixed effective dates in AGE
memo + called TRD to fix date
in PUN to get well out of
suspense. Called + left msg
for John D. Roe w/ Dugan.

MEU