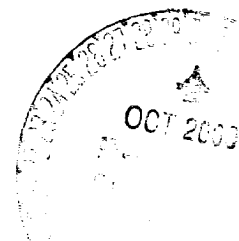


dugan production corp.

October 27, 2000

Mr. David Catanach, Examiner
NMOCD
2040 S. Pacheco St.
Santa Fe, NM 87505



Re: Step Rate Test, Stella Needs A Com No. 1E

Dear Mr. Catanach:

Dugan Production Corp. request permission to conduct a step rate test at the Stella Needs A Com No. 1E salt water disposal. The well is located 790' fnl & 790' fwl, S.36-T.30N-R.14W, San Juan Co., NM. It was authorized for salt water disposal by Administrative Order SWD-595 on June 7, 1995.

PROCEDURE:

1. Notify NMOCD 24 hrs. prior to beginning test.
2. Shut in for 24 hours prior to commencement of step rate test.
3. Well has 2-7/8" 6.4 lb/ft. internally plastic lined Armco NuLoc tubing set in a Baker Model AD-1 tension packer at 3566'. Injection interval is in the Point Lookout Mesaverde from 3635' - 3780'.
4. A history of injection rates and pressures is attached.
5. The Point Lookout Mesaverde in this well or any surrounding wells has not been hydraulically fractured.
6. Run bottom hole pressure device to top perforation depth (3635').
7. Use pump truck connected to 500 bbl. water storage tank to conduct test. Injected water will be that normally injected into the well.
8. Install adequate pressure recorder on tubing. Pressure on casing/tubing annulus and bradenhead will be monitored.
9. Anticipate .125 bpm (180 bbls/day) steps at 15 minutes per step. This will be adjusted as dictated by conditions at time of test.

Please contact me if you have any questions. Bruce Martin with your Aztec office has provided me with the "Guidelines for conducting step-rate test".

Sincerely Yours,

John Alexander
Vice President

CC:
Mr. Bruce Martin
NMOCD
1000 Rio Brazos Rd.
Aztec, NM 87410

**STELLA NEEDS A COM #1E
INJECTION HISTORY**

DATE	MONTHLY RATE/VOLUME	PRESSURE
August 1999	14733	535
September 1999	17304	535
October 1999	16817	535
November 1999	16729	535
December 1999	19867	535
January 2000	17041	535
February 2000	18311	535
March 2000	20352	535
April 2000	20059	535
May 2000	19298	535
June 2000	15174	535
July 2000	20260	535
August 2000	26228	535