

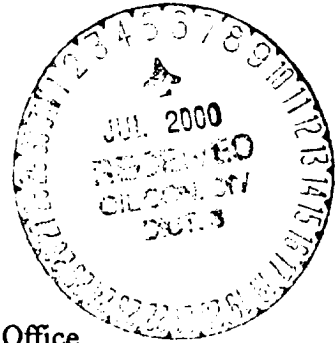


dugan production corp.



CDP

June 30, 2000



Mr. Mark Ashley  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Mr. Pete Martinez  
New Mexico State Land Office  
PO Box 1148  
Santa Fe, NM 87504-1148

Mr. Richard Dembowski  
Bureau of Land Management - Farmington Field Office  
1235 La Plata Highway  
Farmington, NM 87401

Re: Add 2 wells to Dugan's Com 1E CDP (Tabor Gathering System)  
Plus Surface Commingling, off-lease measurement and Sale of Natural Gas  
Dugan Production's Jiggs No. 1 & Jiggs No. 2  
Federal Lease No. NM-0206995  
San Juan County, New Mexico

Dear Mr. Ashley, Mr. Martinez, and Mr. Dembowski,

We are writing to request approvals to add two wells, Dugan's Jiggs No. 1 and Jiggs No. 2 to the central delivery sales meter (CDP) initially authorized for Dugan's Com No. 1E and No. 2 and recently expanded to include Dugan's Com No. 4, Federal I No. 99 and Tabor Com No. 90 wells. This will also require the surface commingling of natural gas and water, plus the off lease measurement and sale of natural gas produced from the Jiggs No. 1 and 2. We do not anticipate any condensate or oil to be produced from either of these wells but should any ever occur, it will be separated, stored and sold at the individual well sites and will not be included in the Tabor Gathering System.

The Com No. 1E CDP (located in Unit A, Section 2, T-29N, R-14W, at the Com No. 1E well site) and surface commingling of natural gas from the Com No. 1E and Com No. 2 was approved by the New Mexico State Land Office (NMSLO) on 7-17-96, the Bureau of Land Management (BLM) on 7-30-96 and the New Mexico Oil Conservation Division (NMOCD) on 8-19-96 (NMOCD Order R-10655). This CDP was initially placed into service during 9/96 and has allowed the Com No. 1E and Com No. 2 to be produced using only one compressor. By application dated March 29, 2000 we proposed the addition of three wells to the Com 1E CDP; Dugan Production's Com No. 4, Federal I No. 99 and Tabor Com No. 90. The addition of these three wells was approved by the NMSLO on 4/27/00, the NMOCD on 5/25/00 (Order R-10655-A) and is pending with the BLM. Since this application to add Dugan's Jiggs No. 1 and No. 2 wells only involves one Federal lease, it is our understanding that this application only requires approvals from the BLM and NMOCD. There will be no changes to the gathering system with regards to State leases and thus we are providing this application to the NMSLO to update their records regarding the Com 1E CDP,