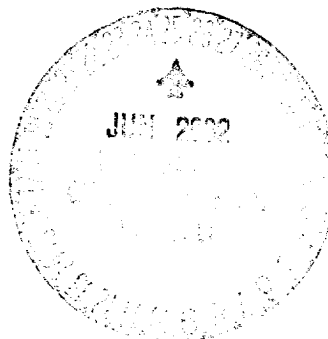


dugan production corp.

June 24, 2002

New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Dugan Production Corp.
Pan American Federal #2
API #30 045 30918
Unit D, Sec. 24, T30N, R14W
San Juan County, NM



Gentlemen:

Below are the deviations reported by the drilling contractor for the subject well:

1/4° @ 500'
1/2° @ 1,000'
3/4° @ 1,500'

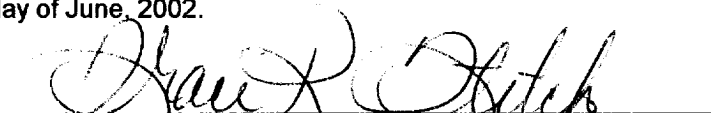
Sincerely,


John Alexander
Vice-President

JA:sh

State of New Mexico) ss
County of San Juan)

Subscribed and sworn to before me this 24th day of June, 2002.


Notary Public

My Commission Expires: 9/8/05