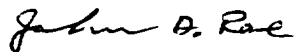


lines will be monitored using Dugan Production's portable gas detector. All interest owners are being sent a copy of this application by certified, return-receipt mail. Attachment No. 6 is a copy of the transmittal letter. Upon receiving the return-receipts, we will forward copies to the NMOCD as evidence of interest owner notice.

In summary, Dugan Production Corp. is proposing to consolidate two gathering systems currently being operated by Dugan Production. This will be achieved by redirecting the natural gas currently being sold at the State Com No. 2 CDP to the State Com No. 1 CDP. We plan to continue operation of each system as it is currently authorized with the exception that the State Com No. 1 and 1A wells which are currently authorized to use a common allocation meter and production facilities will each be equipped with separate allocation meters and production facilities. This will result in all wells having the same allocation procedure. A central compressor will be used for all five wells which will eliminate the use of three compressors currently being used.

Should there be questions or additional information needed, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "John D. Roe".

John D. Roe
Engineering Manager

JDR/tmf

cc: All interest owners (Attachment No. 6)
NMOCD – Aztec

Attachments