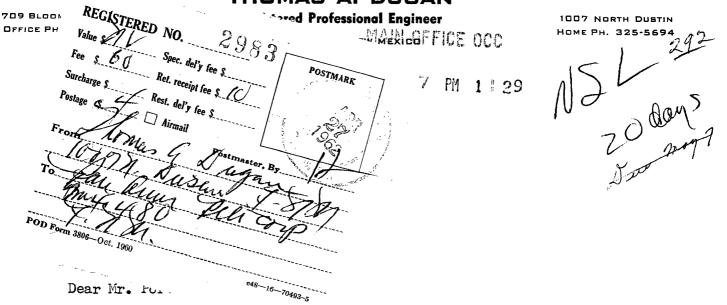
THOMAS A. DUGAN



Redfern & Herd, ... to drill a Dakota test in the SE/4 SE/4 of Section 11, T29N - R13W, ...n Juan County, New Mexico. The tentative location of the well is 700'/fsl and 790'/fel. This is an unorthodox location and the E/2 of Section 11 is to be dedicated to the well. This location is on the south side of the Animas River. North of the Animas River is an industrial area and does not offer a suitable drilling location. There are no possible drilling locations in the NE/4 of Section 11 because of housing developments and a school. East Main Street and San Juan Boulevard run through the N/2 of the SE/4 of Section 11 and does not offer a suitable drilling location. We have selected what we feel is the best possible location for the E/2 of Section 11.

Redfern & Herd is requesting administrative approval to drill the unorthodox location 700'/fsl and 790'/fwl Section 11, T29N - R13W, San Juan County, New Mexico.

Pan American is the operator of the proration unit to the south and east and we have sent a copy of this letter by registered mail to them.

Very truly yours,

T. A. Dugan

TAD:plm

cc: Mr. Emery Arnold
Pan American Petroleum Corp.
Redfern & Herd, Inc.