



dugan production corp.

October 28, 1997

Caulkins Oil Company
P.O. Box 340
Bloomfield, New Mexico 87413

Attn: Mr. Bobby Berquer

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702

Attn: Mr. Steve Daniels

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, OK. 73134-2600

Attn: Mr. Rusty Waters

RE: Well Proposal
Mona Lisa #2
Township 26 North, Range 7 West
Section 14: S2
Rio Arriba County, New Mexico

Gentlemen:

Dugan Production Corp. (DPC) is proposing to drill a Mesaverde-Dakota Well to an estimated depth of 7,000 feet, located 1,620' FSL and 1,850' FEL of Section 14, Township 26 North, Range 7 West, Rio Arriba County, New Mexico. You have previously received copies of the AFE and Operating Agreement. Enclosed is a revised "Exhibit A" and a revised signature page to the Operating Agreement.

The acreage falls within the Mesaverde and Dakota Pools which require 320.00 acre spacing units per well. Our proposed spacing will be the S1/2 of Section 14, in which you own collectively 50.0% interest by virtue of Federal Lease NM-03381. There have been discussions relating to the possibility of a non-standard proration unit which would allow 160.00 acre spacing but the New Mexico Oil Conservation Division has advised that this would not receive approval.

NMOCD Case Nos. 11897 & 11899
January 8, 1998
Dugan Production Corp.

Exhibit No. 6

Proposal: Mona Lisa #2
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As a working interest owner in the proposed spacing unit, we invite you to participate with DPC in drilling said well and request you execute and return one copy of the signature pages to the enclosed Operating Agreement, along with the AFE totaling \$420,500 to drill, complete and equip the captioned lease for production. It is our plan to drill this well at the earliest possible date to obtain as much of the winter prices as possible.

Thank you for your early attention to this matter. If there should be any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Poage", with a long, sweeping flourish extending to the right.

David M. Poage
Land Manager

DMP/tf

enclosures