

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



ADMINISTRATIVE ORDER OLM-22

October 02, 2008
Dugan Production Corporation
709 E. Murray Drive
P.O. Box 420
Farmington, New Mexico 87499-0420

RCVD OCT 7 '08
OIL CONS. DIV.
DIST. 3

Attention: Mr. John Roe:

 Coaly Well No. 90
API No. 30-045-33905
SE/4SE/4, Section 28, Township 27 North, Range 12 West,
NMPM, San Juan County, New Mexico
Basin Fruitland Coal Gas Pool (71629)

Reference is made to your request received by the Division on August 18, 2008, for an exception to Division Rule 303.A. to permit off-lease measurement of gas production from the Coaly Well No. 90. It is our understanding that Dugan Production Corporation holds 100% working interest in this well.

Your application has been duly filed in accordance with the Division Rules and Regulations. However, it is our understanding that you have not been able to make contact with Mission Resources Company.

Dugan Production Corporation is hereby authorized to utilize a gas sales meter located off-lease at the Enterprise Field Service's line located in the SE/4NE/4 of Section 29, Township 27 North, Range 12 West, NMPM, to meter the gas production originating from the Coaly Well No. 90, located in the SE/4SE/4 of Section 28, Township 27 North, Range 12 West, NMPM, San Juan County, New Mexico.

PROVIDED HOWEVER THAT, any oil production originating from the Coaly Well No. 90 shall be metered and stored in its own storage facility located on the originating lease and no commingling of production from other sources shall be allowed.

Should production revenues be ready for distribution prior to locating Mission Resources Company, Dugan Production Corporation shall place those revenues



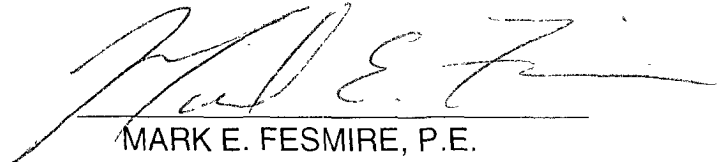
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attributable to Mission's interest in an escrow account for distribution to them at a later date.

NOTE: The operator shall notify the Aztec District Office upon implementation of off-lease measurement operations.

DONE at Santa Fe, New Mexico on this 2nd day of October, 2008.



MARK E. FESMIRE, P.E.
Director

MEF/re

Cc: Oil Conservation Division – Aztec
Bureau of Land Management (BLM) - Farmington