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dugan production corp.

September 5, 1997

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: Surface Commingling
NMOCD Commingling Order CTB-455
Dugan Production Corp.

Kenny # 1 (B-36-23N-7W) - 043-20808 -
Little Sis # 1 (K-31-23N-6W) - 043-20940 - 10000
Sandoval County, NM

RECEIVED
SEP - 8 1997

OIL CONSERVATION DIVISION
NEW MEXICO

Dear Mr. Chavez:

As stipulated in the subject commingling order, we are writing to advise that gas from the Little Sis #1 was first delivered into the Kenny CPD gas gathering system at 2:50 p.m. on 8-5-97 which initiated the commingling process.

Please let me know if you have questions or need additional information.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

NMNM-89021(WF)
3162.7-3 (07400)

August 28, 1997

Mr. John Roe
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

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OIL CON. DIV.
DIST. 3

Dear Mr. Roe:

Dugan submitted an application for off-lease measurement and surface commingling of gas production from the No. 1 Little Sis, NeSw, Section 31, T.23N., R.6W., lease NMNM-89021 and the No. 1 Kenny, NwNe, Section 36, T.23N., R.7W., located on a State lease. Based upon our review of your application and the corrected allocation formula Dugan submitted August 26, 1997, your application for off-lease measurement and surface commingling is approved, effective August 1, 1997. This approval for off-lease measurement and surface commingling is subject to the following conditions of approval:

1. Dugan is required to test the gas system integrity prior to initiating operations and submit the results for our files.
2. Dugan is required to comply with the applicable provisions of Onshore Orders No. 3 and 5.

If you have any questions, please call Duane Spencer at (505) 599-6350.

Sincerely,

/s/ Duane W. Spencer

Duane W. Spencer
Team Lead, Petroleum Management

cc:

NMOCD, Aztec, NM
State Land Office, O&G Division, Santa Fe, NM