



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:

3162.7-3
NMNM91272
NMNM76020

RECEIVED
OCT - 4 1999
OIL CON. DIV.
DIST. 3

OCT 1 1999

Dugan Production Company
Attn.: John Roe
P.O. Box 420
Farmington, New Mexico 87499-0420

Dear Mr. Roe:

Reference is made to your application dated September 1, 1999 and the amendment dated September 7, 1999, for off-lease measurement and surface commingling of natural gas from the following wells administered under Federal Communitization Agreement Nos. NMNM91272 and NMNM76020:

- 1) Com #1, located 1750' FSL and 1820' FEL in section 2, T. 29N., R. 14W., (fee).
- 2) Com #3, located 1850' FSL and 1450' FEL section 2, T. 29N., R. 14W., (fee).
- 3) King Com #90, located 1128' FNL and 1511' FEL section 11, T. 29N., R. 14W., (fee).

The referenced wells are located in the Basin Fruitland Coal, Harper Hill Fruitland Sand/Pictured Cliffs, and the Basin Fruitland Coal pools respectively.

Your application indicates that measurement at a common facility is necessary to economically operate these wells and extend the economic life of the properties. We have reviewed your application and concur with your findings. As such, you are hereby authorized to measure commingled gas production at the Central Delivery Point (CDP) located at the Com # 1 well site and allocate production back to each well based on measurement from individual well site meters.

The following are conditions of this approval:

- If alternative measurement procedures are necessary, approval will be required prior to commencing that method of measurement.
- Measurement of gas at the CDP must be conducted in accordance with the requirements outlined in Onshore Orders No. 3 Site Security, No. 4 Oil Measurement, and No. 5 Gas Measurement. Once the well site meters are installed, file your calibration schedule accordingly.
- No other wells can be added to this system of measurement without the prior approval of this office.
- Allocated sales must be made on an MMBTU adjusted basis using weight averaging to account for any differences in gas quality.
- This office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that the federal royalties would be reduced.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

Wayne Townsend
Acting Team Leader, Petroleum Management Team

cc:
NMOCD (Aztec & Santa Fe)