

dp dugan production corp.

October 9, 1998

Ms. Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: Administrative Order DHC-1966  
Dugan Production's Garrett Federal Com No. 1E  
API No. 30-045-24302 (B-12-29N-11W)  
Basin Dakota (Prorated Gas - 71599) and  
Blanco Mesaverde (Prorated Gas - 72319)

RECEIVED  
OCT 13 1998  
OIL CON. DIV.  
DIST. 3

Dear Ms. Wrotenbery:

We are writing in response to an inquiry by Mr. Mark Ashley of your office and to request approval for the temporary surface commingling of the Blanco Mesaverde and Basin Dakota production streams in Dugan's Garrett Federal Com No. 1E. In our application dated 5-12-98, we requested approval for the downhole commingling of these pools and Administrative Order DHC-1966 was subsequently issued. In a letter dated 9-24-98, Dugan Production advised that we had "completed the surface commingling" in the subject well. As discussed with Mr. Ashley, we still intend to downhole commingle this well, however until the downhole commingling work is performed, we have temporarily commingled the two production streams on the surface which allows the Dakota to also benefit from operation of a wellhead compressor that was previously connected only to the Mesaverde. In addition to both formations benefiting from wellhead compression, we will have a better idea of what to expect from the commingled production stream and will be able to better plan our workover and design of the commingled production equipment.

Dugan Production holds 100% of the working interest in this well and all ownership in both pools is common. For allocating the surface commingled production, we propose to use the allocation factors approved for the downhole commingled production. Upon completion of the downhole commingling, we will advise the NMOCD along with the BLM.

Should you have questions or need additional information, please let me know.

Sincerely,

*John D. Roe*

John D. Roe  
Engineering Manager

JDR/tmf

cc: BLM - Duane Spencer; NMOCD - Aztec