

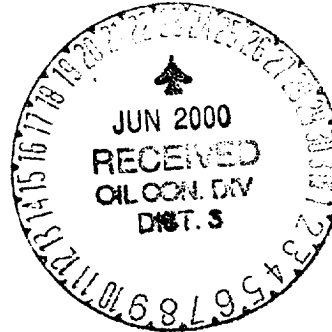


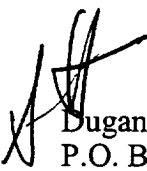
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

COMMINGLING ORDER PC-1012




Dugan Production Corp.
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John D. Roe

Lease: State Com Lease (State Leases B-11571, E-4426 and LG-0038)
Description: S/2 of Section 16, Township 32 North, Range 12 West, NMPM, San Juan County,
New Mexico.

The above-named company is hereby authorized to commingle Basin-Fruitland Coal (Gas – 71629) and Blanco-Mesaverde (Prorated Gas – 72319) Pool production from the above mentioned lease. The production from the Basin-Fruitland Coal Gas Pool and the Blanco-Mesaverde Prorated Gas Pool shall be separately metered by allocation meters. The Blanco-Mesaverde Prorated Gas Pool volume shall be allocated to the State Com Well No. 1 and 1A based upon allocation factors derived from well test. This method is authorized only so long as all commingled production is of marginal nature; further the operator shall notify the Santa Fe office of the Division in the event any well on the commingled battery becomes capable of top allowable production, at which time the Division will amend this order or take such other action as may be appropriate. All commingled production must be of identical ownership including working interest, royalty interest and overriding royalty interest.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

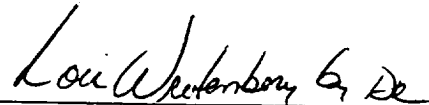
REMARKS: The commingled production shall be delivered to the CDP meter located at the State Com Well No. 1 located in the SE/4 SW/4 of Section 16, Township 32 North, Range 12 West, NMPM, San Juan County, New Mexico.

FURTHER: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

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PROVIDING: Like approval from the State Land Office is also required.

DONE at Santa Fe, New Mexico, on this 19th day of June, 2000.



LORI WROTENBERY,
Division Director

LW/MWA/kv

cc: Oil Conservation Division- Aztec /
State Land Office – Oil & Gas Division