

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

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Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



Administrative Order PLC-365-A

January 29, 2014

Dugan Production Corporation
P.O. Box 420
Farmington, 87499-0420

Attention: John Roe:

Dugan Production Corporation ("Dugan") requests amendment to Administrative Order PLC-365 to add Encana's Lybrook I02-2308 Well No. 2H producing from the Basin Mancos Gas Pool, to Dugan's Jeffers Federal Gas Gathering System (JFGS). The Division has reviewed the application and concludes that the requested amendment should be granted.

IT IS THEREFORE ORDERED THAT:

Dugan Production Corporation is hereby authorized to add Encana's Lybrook I02-2308 Well No. 2H producing from the Basin Mancos Gas Pool, to the Jeffers Federal Gas Gathering System, and surface commingle **gas production** from the following Pools located in Section 2, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico.

Basin Fruitland Coal Gas Pool (71629)
Nageezi Gallup Oil Pool (47540)
Basin Mancos Gas Pool (97232)

and from the following diversely owned wells located on State and Federal leases in San Juan County, New Mexico:

Well Name & Number	API No.	Well Location
Jeffers Federal 2 Well No. 23	30-045-24439	Section 2, T-23-N, R-8-W
Lybrook I02-2308 Well No. 1H	30-045-35365	Section 2, T-23-N, R-8-W
Lybrook I02-2308 Well No. 2H (* Added Well)	30-045-35492	Section 2, T-23-N, R-8-W*

The Jeffers Federal Gas Gathering System (JFGS) is hereby approved and shall be operated by Dugan Production Corporation.

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For future additions of wells, leases, and pools to the JFGS commingling operations, notice shall only be given to those interest owners in the wells, leases or pools to be added.

The fuel needed to operate equipment shall be considered to be in beneficial use, and shall be allocated to the wells benefitting from the equipment, and shall not be subject to royalty.

The commingled production shall be measured and sold at the Jeffers Federal Gas Gathering System Central Delivery Point located in the NW/4SE/4 of Section 3, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico. The gas production from the wells is approved for off lease measurement and sales.

The gas production from each well shall be continuously measured with allocation meters before commingling with production from other wells. The allocation meters shall be calibrated quarterly.

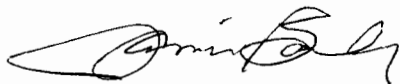
The oil production from the wells shall not be commingled.

The producer/operator shall notify the transporter of this commingling authority.

The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.

This Order supersedes Order No. PLC-365 issued by the Division on December 4, 2012.

DONE at Santa Fe, New Mexico, on January 29, 2014.



Jami Bailey
Division Director

JB/re

cc: Oil Conservation Division District Office – Aztec.
Bureau of Land Management (BLM) – Farmington
State Land Office (SLO) – Oil, Gas, and Minerals Division