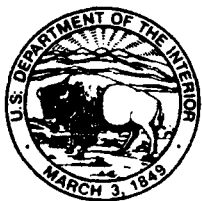


DHC-1309



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:

14-20-0603-1404 (WF)
3162.7-3 (07327)

June 7, 1996

Mr. Gary W. Brink
Petroleum Engineer
Dugan Petroleum Company
P.O. Box 420
Farmington, NM 87499-0420

RE: Downhole Commingling Application
Indian Lease 14-20-0603-1404
No. 1 Blanco Wash
1150' FSL and 1490' FEL Section 28-T24N-R8W
San Juan County, New Mexico

Dear Mr. Brink:

The Farmington District Office (FDO) of the Bureau of Land Management (BLM) has received your letter dated June 3, 1996, for downhole commingling of the Blanco Mesaverde and Basin Dakota Pools in the above referenced well.

Your application states that average daily production rates for the Mesaverde formation are 12 BOPD and 0 MCFPD and for the Mancos-Dakota formation they are 2 BOPD and 6.5 MCFPD. Estimated bottom hole pressure are 202 PSI and 228 PSI for the Mesaverde and Mancos-Dakota formations, respectively. The determined fixed percentage allocation factors for this well are shown below:

FORMATION	OIL PRODUCTION	GAS PRODUCTION
MESAVERDE	85%	0%
MANCOS-DAKOTA	15%	100%

Approval to downhole commingle is hereby granted.

If you have further questions regarding this matter, please contact Brian W. Davis at (505) 599-6367 or (505) 599-8900.

Sincerely,

Ad Duane Spencer

Duane W. Spencer
Team Leader, Petroleum Management

bcc:
NMOCD, Santa Fe
BIA, Window Rock
Well File (No. 1 Blanco Wash, 1150' FSL & 1490' FEL 28-T24N-R8W)
DOMR
Suspense (Brian)
AIRS

07237:BWDavis:06-06-96:x6367:duganblancowash1.ltr