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New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.

November 6, 2001

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

Attn: Mr. John D. Roe

Re: Consolidation of Two Gas Gathering Systems
Dugan Production Corp.'s
Tabor Gas Gathering System (Com 1E CDP@ NE4NE4 Sec. 2-29N-14W)
King Gas Gathering System (Com 91 CDP @ NW4SW4 Sec. 2-29N-14W)
San Juan County, New Mexico

Dear Mr. Roe:

We are in receipt of your letter of October 31, 2001. In your letter you requested our approval to consolidate the King and Tabor Gas Gathering Systems by connecting the seven wells in the King Gas Gathering System to Dugan's Tabor Gas Gathering system.

In addition to consolidating the King and Tabor Gas Gathering systems, you also requested approval for the off-lease measurement and sale of natural gas produced from Dugan's Com No. 91 well, to the sales meter located at the Com 1E CDP sales meter.

It is our understanding that there will be no change in operations for wells on either system, and the allocation procedures currently approved for both systems are identical and will continue to be used for the consolidated system.

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your \$30.00 dollar filing has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/jB/pm

pc: Reader File,

OCD-Attention: David Catanach, , BLM Farmington