State of New Mexico
Energy, Minerals and Natural Resources Department

Surface Commingling Order PLC-149-F

September 17, 2012

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

Attention: John D. Roe:

By Order No. PLC-149-E, issued on May 11, 2012, the Division amended the existing Goodtimes Gas Gathering System by adding the following ten (10) wells producing from the Basin Fruitland Coal Gas Pool (**71629**) and the Bisti Lower Gallup Gas Pool (**5890**) to the previously approved 235 wells and 250 completions.

Well Name & Number	API N0.	Location				
Holly Com Well No. 90	30-045-35279	S/2	SWSW	16	24	9
Sanchez O'Brien Well No. 90S	35146	W/2	SWNW	6	24	9
Sixteen G's Well No. 90S	35143	N/2	NWNW	7	24	9
Sixteen G's Com Well No. 91	35144	S/2	SWSW	7	24	9
Sixteen G's Com Well No. 91S	35145	S/2	SWSE	7	24	9
Mary Anne Well No. 3	25050	W/2	NWSW	9	24	9
Encana Escrito P16-2409 Well No. 1H	35313	S/2	SESE	16	24	9
Encana Escrito I24-2409 Well No. 1H	35322	S/2	NESE	24	24	9
Encana Goodtimes A06-2310 Well No. 1H	35319	Section 6		6	23	10
Encana Goodtimes P32-2410 Well No. 1H	35315	S/2	SESE	32	24	10

Now Dugan Production Corporation requests to add the following two (2) wells (operated by Encana Oil & Gas USA, Inc.) producing from the Bisti Lower Gallup Oil Pool (**5890**), and the South Bisiti Gallup

Oil Pool (**5860**), to the previously approved 245 wells under the existing Goodtimes Gas Gatering System.

Good Times 132-2410 Well No. 1H, API No. 30-045-35361, NE/4SE/4, Section 32, T-24-N, R-10-W

Escrito 116-2409 Well No 1H, API No. 30-045-35362, NE/4SE/4, Section 16, T-24-N, R-9-W.

This request by Dugan Production Corporation is hereby approved, and off-lease measurement and sales of produced gas is also authorized. By this amendment, there shall be 247 wells authorized for surface commingling under this existing Goodtimes Gas Gathering System.

Liquid hydrocarbon production shall not be commingled

Gas Production from the wells shall be measured with allocation meters which shall be calibrated quarterly. Production shall be allocated back to each well using the procedures outlined in **attachment No.6,** and made a part of this order.

All the provisions of Surface Commingling Order Nos. PLC-149 through PLC-149-E shall continue to be in full force and effect.

The operator shall notify the supervisor of the Aztec District office prior to implementation of this commingling operation.

Done in Santa Fe, New Mexico. on this 17th day of September, 2012.

JAMI BAILEY
Division Director

JB/re

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

Attachment No. 6
Allocation Procedures (amended 4/11/12 to include gas from water disposal facility)
Dugan Production Corp.'s
Goodtimes Gas Gathering System
CDP #1 = Elm Ridge Resources - SE SE 22, T24N, R8W
CDP #2 = El Paso Field Services - SE NE 12, T24N, R10W
San Juan County, New Mexico

Base Data for Gas Allocations:

U=Water Volume (BWPD) from Periodic Well Test x days operated during allocation period.
V=Water Volume (bbl) at Central Battery during allocation period.
W=Gas Volume (MCF) from Well or Battery Allocation Meter
X = Total Gas Volume (MCF) from CDP Sales Meter (CDP1 + CDP2)
Y=Total BTU's from CDP Sales Meters (CDP1 + CDP2)
Y1=BTU's from CDP1 Sales Meter
Y2=BTU's from CDP2 Sales Meter

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = A+B+C+D+E+F

A = Allocated Sales Volume, MCF.
= (W/SUM W) x X

B = On-lease fuel usage, MCF. Determined from equipment specifications, operating conditions, and days operated.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by (W / Sum W) for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by (W / Sum W).

F = Allocated gas sales volume (MCF) associated with water production = (A) in mcf for the central battery separator multiplied by a factor of (U/Sum U) for all wells delivering gas and water to the central battery separator.

2. Individual Well Allocated BTU's=((W x Individual well BTU) / Sum (W x individual well BTU)) x Y.
Individual well gas heating values to be determined in accordance with BLM's On Shore Order No. 5. Computations to be based upon dry BTU @ 14.73 psi.

3. Individual Well Allocated Drip Volumes & Revenues. All liquid hydrocarbon volumes and revenues recovered from system drip traps will be allocated to the individual wells producing gas through the drip trap from which the hydrocarbons were recovered using a factor to be determined by dividing the individual well's theoretical liquids by the total theoretical liquids from all wells producing into the system from which liquids were recovered. The theoretical liquids will be calculated by multiplying the individual well's produced gas volumes by the individual wells gas stream liquids content (GPM) of isobutane and heavier. This allocation is to be made at the time the liquids are removed and will be based upon the most recent annual gas volumes produced from the wells involved and an average GPM during the same period. Using annual gas production rather than actual months of production will simplify this calculation and will not significantly affect the accuracy or validity of this factor.

Base Data for Drip Allocations:

S = Volume of drip (bbl) removed from system drip storage tank.
T = Revenue resulting from multiplying the volume of drip by the existing posted oil price in the field at the time of drip removal.
U = GPM (gallons per MCF) of isobutane and heavier from a current individual well gas analysis.
V = Most recent calendar year of gas production from the individual well - MCF. If a full 12 months is not available, an annual volume will be determined using an average production rate from the data available.

Individual Well Allocated Drip Volume, bbl = ((V x U)/Sum (V x U)) x S

Individual Well Allocated Drip Revenues, $ = F x current posted oil price

4. Individual Well Water Production: Allocated production volume, bbl = (U/Sum U) x V.