



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1304

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

Attention: Mr. Gary W. Brink

*Sapp Well No.2
Unit H, Section 28, Township 24 North, Range 8 West, NMPM,
San Juan County, New Mexico.
Cuervo Mesaverde (15010) and
Lybrook Gallup (42289) Pools*

Dear Mr. Brink:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the subject well to commingle production from multiple pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the subject zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303.C., the daily allowable producing rates from the subject well are hereby established as follows:

| | | |
|------------|---------------|---------------|
| Oil 80 B/D | Gas 160 Mcf/D | Water 160 B/D |
|------------|---------------|---------------|

In accordance with the provisions of Rule 303.C., the supervisor of the Aztec District Office of the Oil Conservation Division shall determine the proper allocation of production from the subject well following its completion.

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

Pursuant to Rule 303.H., the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Administrative Order DHC-1304

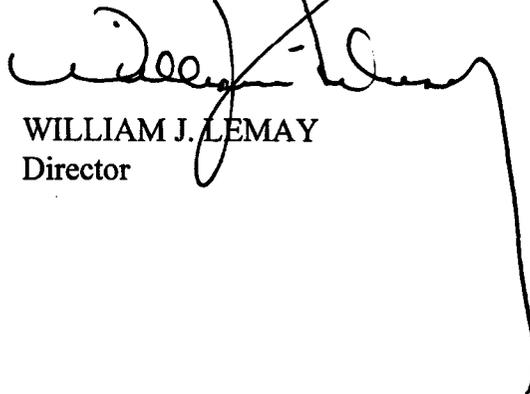
Amoco Production Company

July 24, 1996

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Approved at Santa Fe, New Mexico on this 24th day of July, 1996.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'W. J. Lemay', is written over the typed name and extends downwards with a long, thin vertical stroke.

WILLIAM J. LEMAY
Director

SEAL

WJL/BES

cc: Oil Conservation Division - Aztec
Bureau of Land Management - Farmington