

State of New Mexico
Energy, Minerals and Natural Resources Department

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Oil Conservation Division



January 8, 2016

ADMINISTRATIVE POOL/LEASE COMMINGLING ORDER

Administrative Order PLC-438
Administrative Application Reference No. pMAM1535255141

Dugan Production Corporation
Attn: Mr. Kevin Smaka

Pursuant to your application received on December 18, 2015, Dugan Production Corporation (OGRID 6515) is hereby authorized to surface commingle **gas production only** from the following pools:

Basin Fruitland Coal (Gas)	(71629)
Basin Dakota (Prorated Gas)	(71599)

and from diversely owned wells identified in Attachment A, and made part of this order. These wells are located on federal, allottee, and state leases in Township 25 North, Range 10 West, NMPM, San Juan County, New Mexico.

Each well produces from only the pool or pools identified on Attachment A.

Each well will be equipped with an individual gas meter for allocation purposes. Further, the SWD well shall have its own two-phase separator, in which the gas production will be allocated back to each well based on the ratio of water produced for each well versus the total water produced for all of the wells that are serviced by that SWD. Gas that has passed through the well meters will be commingled in operator's Latex Gas Gathering System, and will be again measured, and sold, at the transfer point on Enterprise Field Services sales meter, located in the SE/4 SW/4 of Section 3, Township 25 North, Range 10 West, San Juan County, New Mexico.

The operator shall notify the transporter of this commingling authority.

For future additions of wells, leases, and pools to this commingling operation, notice shall only be given to those interest owners in the wells, leases or pools to be added, in accordance with Division Rule 19.15.12.10 C (4) (g) NMAC.

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

ATTACHMENT A
DUGAN PRODUCTION CORP. LATEX GATHERING SYSTEM AND CPD 12/15/15
CDP SALES METER @ SESW SECTION 3, T25N, R10W (ENTERPRISE METER NO. 99325)
SAN JUAN COUNTY, NEW MEXICO

Well Name	API No.	Well Location			CA Number	Pool ②	Completion Date	Current Production ①			Spacing Unit	Dates for SC, OLM & S ③			
		¼-Sec-Twn-Rng	Lease No.	Lse Type				BOPD	MCFD	BWPD		Application	BLM Approval	NMSLO Approval	NMOCD Approval
WELLS TO BE ADDED (17)															
Charger Com 1 ⑥	35444	SESE 7-25N-10W	NO-G-1003-1769	Nav Altd	NMNM130067	Basin FR Coal	4/10/13		179	250	S/2 - 318.87A				
Grigsby Federal 1 ⑥	21396	NWNW 7-25N-10W	NM-8007	Federal		Basin Dakota	3/29/74	0.47	53	0	N/2 - 318.97A				
Grigsby Federal 3 ⑥	21623	NWNW 8-25N-10W	NM-8007	Federal		Basin Dakota	11/20/74	0.23	26	0	N/2 - 320.0A				
Latex 1S	34021	SENE 9-25N-10W	NM-86080	Federal		Basin FR Coal	3/27/08		20	12	N/2 - 320.0A				
Latex 2S	34022	SWSE 9-25N-10W	NM-86080	Federal		Basin FR Coal	4/1/08		144	30	S/2 - 320.0A				
Neoprene Com 90	33994	NESE 17-25N-10W	NM-97838	Federal	NMNM119614	Basin FR Coal	1/25/07		65	33	S/2 - 320.0A				
Neoprene Com 91	34356	SESW 17-25N-10W	NM-8007	Federal	NMNM119614	Basin FR Coal	4/10/08		71	25	S/2 - 320.0A				
Spandex Com 90	30637	SWNE 16-25N-10W	VA-1496	State	State CA	Basin FR Coal	7/23/01		8	51	N/2 - 320.0A				
Spandex Com 90S	34000	NWNW 16-25N-10W	VA-1496	State	State CA	Basin FR Coal	4/8/08		12	9	N/2 - 320.0A				
Location A		NW/4 7-25N-10W	NM-8007	Federal		Basin FR Coal									
Location B		NE/4 7-25N-10W	NM-8007	Federal		Basin FR Coal									
Location C		SW/4 7-25N-10W	NM-8007	Federal		Basin FR Coal									
Location D		NW/4 8-25N-10W	NM-8007	Federal		Basin FR Coal									
Location E		NE/4 8-25N-10W	NM-8007	Federal		Basin FR Coal									
Location F		SE/4 8-25N-10W	NM-8007	Federal		Basin FR Coal									
Location G		NE/4 17-25N-10W	NM-8007	Federal		Basin FR Coal									
Location H		SW/4 16-25N-10W	VA-1496	State		Basin FR Coal									
WELLS PREVIOUSLY APPROVED FOR SYSTEM (2 WELLS)															
Latex 1	29244	NENE 9-25N-10W	NM-86080	Federal		Basin FR Coal	5/10/96		106	25	N/2 - 320.0A	8/15/97	8/22/97	N/A	8/18/97
Latex 2	29448	NWSW 9-25N-10W	NM-86080	Federal		Basin FR Coal	7/9/97		77	43	S/2 - 320.0A	8/15/97	8/22/97	N/A	8/18/97
SWD WELLS (1 WELL)															
Neoprene 1 SWD ④	22295	SWSW 17-25N-10W	SF-078155	Federal		Entrada SWD	1/30/08								

Footnotes:

N/A - Not applicable or not needed

- Current production data represents average for September, 2015
- Basin FR Coal = Basin Fruitland Coal (71629); Basin Dakota (71599)
- Dugan Production Corp. received initial approval for off-lease measurement for the Latex No. 1 from the BLM on 8/22/96 and the NMOCD on 9/11/96. The Latex No. 2 was added at a later time and was approved by OCD Order OLM-15 on 8/18/97 (amended 12/1/97), and BLM on 8/22/97. NMSLO approval was not required on original application, as both wells are located on a federal lease.
- NMOCD Administrative Order SWD-1098 dated 9/26/07 authorizes SWD by underground injection.
- Cumulative production for wells being added to gathering system (already connected to CDP):

Well Name	Date of 1st Delivery	Cumulative Production 12/1/15		
		MCF	BO	BW
Latex 1S	5/7/08	44,845	0	50,490
Latex 2S	4/3/08	68,431	0	39,584
Neoprene Com 90	5/10/07	191,853	0	102,172
Neoprene Com 91	4/23/08	131,103	0	73,276
Spandex Com 90	5/10/07	10,664	0	17,867
Spandex Com 90S	4/23/08	21,458	0	30,469

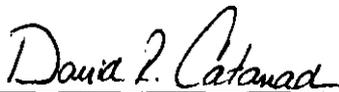
- Wells have not been connected to CDP as of 12/1/15. The Grigsby Federal No. 1 & No. 3 wells are currently directly connected to Enterprise; the Charger Com No. 1 is directly connected to Williams. Cumulative production for these wells is as follows:

Well Name	Date of 1st Delivery	Cumulative Production 12/1/15		
		MCF	BO	BW
Charger Com 1	5/15/13	67,216	0	158,214
Grigsby Federal 1	3/1/76	1,068,537	11,301	4,386
Grigsby Federal 3	3/1/76	366,870	8,788	5,172

This Order supersedes Administrative Order OLM-15-A, issued on December 1, 1997.

This approval is subject to like approval from the United States Bureau of Land Management and New Mexico State Land Office before commencement of the commingling operations.

Done at Santa Fe, New Mexico, on January 8, 2016.



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division District Office – Aztec
United States Bureau of Land Management - Farmington
New Mexico State Land Office – Oil, Gas, and Minerals