NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

COMMINGLING ORDER PLC-149
3rd Amendment

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87505

Attention: Mr. John D. Roe:

The existing permitted gathering system is hereby amended and now reads as follows:

The above named company is hereby authorized to commingle, off-lease measure and sell gas and condensate from pools and within acreages as specified on the attached Exhibit 'A'. Future and existing wells producing from these pools and within these specified acreages are included in this commingle permit. The commingled gas production is transported by a system of pipelines known as the "Goodtimes Gas Gathering System". Gas production shall be allocated to each well and/or lease utilizing the method described in item 1) on Exhibit 'B' attached hereto.

Condensate (drip) production shall be separated and accumulated at drip traps located throughout the system where such production will be measured off-lease, picked up and sold separately. Allocation of condensate production shall be performed utilizing the method described in item 2), also on Exhibit 'B'.

NOTE: This permitted gathering system also includes (4 wells) 320 acres producing from the South Bisti-Gallup Oil Pool that is NOT operated by Dugan Production Corporation.

All wells currently connected to the Goodtimes Gas Gathering System as well as those to be connected to the system, are marginal in nature and qualify for alternative measurement methods as specified in Division Order R-9617. Future additions of marginal wells within new acreage or pools to this gathering system shall require an amendment of this permit from the New Mexico Oil Conservation "Division" but shall not require formal notice to existing revenue interest owners. It is the understanding of the Division that existing owners have been notified that additional wells will someday be added but the methods of allocating production shall remain the same.

It is the responsibility of the producer to notify the transporter of this commingling authority. The operator shall notify the supervisor of the Aztec district office prior to implementation of the commingling process.

Validation of this authority shall be accomplished by like approval by the U.S. Bureau of Land Management and New Mexico Commissioner of Public lands.

DONE at Santa Fe, New Mexico on this 17th day of August, 2003.

Lori Wrotenbery (wvjj)

LORI WROTENBERY,
Division Director

LW/wvjj

cc: Oil Conservation Division – Aztec
State Land Office – Minerals Management Division
Bureau of Land Management – Farmington
ATTACHMENTS

Exhibit 'A'

Permitted Area Operated by Dugan Production Corporation					
Pool Name (Type Number)	Spacing	Permitted Area	Sec	Twn	Rng
Basin-Dakota (Prorated Gas 71599)	320	S/2	13	24N	10W
Basin-Dakota (Prorated Gas 71599)	320	N/2	24	24N	10W
Basin-Dakota (Prorated Gas 71599)	320	S/2	16	24N	9W
Basin-Dakota (Prorated Gas 71599)	320	S/2	19	24N	9W
Basin-Dakota (Prorated Gas 71599)	320	N/2	20	24N	9W
Basin-Dakota (Prorated Gas 71599)	320	N/2	21	24N	9W
Basin-Dakota (Prorated Gas 71599)	320	ALL	30	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	E/2	11	23N	11W
Basin-Fruitland Coal (Gas 71629)	320	W/2	20	24N	10W
Basin-Fruitland Coal (Gas 71629)	320	E/2	25	24N	10W
Basin-Fruitland Coal (Gas 71629)	320	E/2	29	24N	10W
Basin-Fruitland Coal (Gas 71629)	320	ALL	32	24N	10W
Basin-Fruitland Coal (Gas 71629)	320	W/2	35	24N	10W
Basin-Fruitland Coal (Gas 71629)	320	S/2	36	24N	11W
Basin-Fruitland Coal (Gas 71629)	320	W/2	5	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	N/2	6	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	7	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	8	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	S/2	9	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	15	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	16	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	17	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	E/2	18	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	E/2	19	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	20	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	21	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	ALL	29	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	N/2	30	24N	8W
Basin-Fruitland Coal (Gas 71629)	320	N/2	1	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	ALL	5	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	ALL	6	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	N/2	7	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	ALL	10	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	ALL	12	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	W/2	19	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	W/2	21	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	S/2	24	24N	9W
Basin-Fruitland Coal (Gas 71629)	320	W/2	31	25N	8W

South Bisti-Gallup (Oil 5860)	80	SE/4	1	23N	10W
South Bisti-Gallup (Oil 5860)	40	SW/4 SW/4	1	23N	10W
South Bisti-Gallup (Oil 5860)	80	S/2	2	23N	10W
South Bisti-Gallup (Oil 5860)	80	NW/4	3	23N	10W
South Bisti-Gallup (Oil 5860)	80	S/2	3	23N	10W
South Bisti-Gallup (Oil 5860)	80	W/2 NE/4	3	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 SE/4	4	23N	10W
South Bisti-Gallup (Oil 5860)	80	N/2	4	23N	10W
South Bisti-Gallup (Oil 5860)	80	SW/4	4	23N	10W
South Bisti-Gallup (Oil 5860)	80	ALL	5	23N	10W
South Bisti-Gallup (Oil 5860)	80	ALL	6	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	9	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 NW/4	9	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 SE/4	9	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 SW/4	9	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	11	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 SE/4	11	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 SW/4	12	23N	10W
South Bisti-Gallup (Oil 5860)	80	N/2	12	23N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	1	23N	11W
South Bisti-Gallup (Oil 5860)	80	E/2 NW/4	1	23N	11W
South Bisti-Gallup (Oil 5860)	80	S/2	1	23N	11W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	11	23N	11W
South Bisti-Gallup (Oil 5860)	80	N/2 NW/4	12	23N	11W
South Bisti-Gallup (Oil 5860)	80	N/2	7	23N	9W
South Bisti-Gallup (Oil 5860)	80	N/2 SW/4	7	23N	9W
South Bisti-Gallup (Oil 5860)	80	W/2 SW/4	8	23N	9W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	16	23N	9W
South Bisti-Gallup (Oil 5860)	80	E/2 NW/4	16	23N	9W
South Bisti-Gallup (Oil 5860)	80	S/2 SW/4	26	24N	10W
South Bisti-Gallup (Oil 5860)	80	W/2 SW/4	27	24N	10W
South Bisti-Gallup (Oil 5860)	80	S/2	31	24N	10W
South Bisti-Gallup (Oil 5860)	80	NE/4	32	24N	10W
South Bisti-Gallup (Oil 5860)	80	S/2	32	24N	10W
South Bisti-Gallup (Oil 5860)	80	SW/4	33	24N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	34	24N	10W
South Bisti-Gallup (Oil 5860)	80	W/2 SW/4	35	24N	10W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	36	24N	10W
South Bisti-Gallup (Oil 5860)	80	N/2 SW/4	36	24N	10W
South Bisti-Gallup (Oil 5860)	80	SW/4	36	24N	11W
South Bisti-Gallup (Oil 5860)	80	W/2 SE/4	36	24N	11W

Bisti-Lower Gallup (Oil 5890)	80	S/2 NE/4	14	24N	10W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NE/4	24	24N	10W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SE/4	24	24N	10W
Bisti-Lower Gallup (Oil 5890)	40	NW/4 NE/4	25	24N	10W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	7	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	NW/4	7	24N	9W
Bisti-Lower Gallup (Oil 5890)	40	SE/4 SE/4	7	24N	9W
Bisti-Lower Gallup (Oil 5890)	40	NW/4 SW/4	8	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	S/2 SE/4	8	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	SW/4	9	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	16	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NE/4	17	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NW/4	17	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	18	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	19	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	S/2 NW/4	20	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NW/4	21	24N	9W
Bisti-Lower Gallup (Oil 5890)	40	NE/4 NE/4	22	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SE/4	27	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	28	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NW/4	29	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	29	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	30	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	S/2 NE/4	30	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	SE/4	30	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NW/4	31	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 SW/4	31	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	W/2 NE/4	31	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	E/2 NW/4	32	24N	9W
Bisti-Lower Gallup (Oil 5890)	80	N/2 NW/4	33	24N	9W

Bisti-Pictured Cliffs (Gas Pool)	160	NE/4	5	24N	9W

Cuervo-Gallup (Oil 15006)	40	NW/4 SW/4	19	24N	8W
Cuervo-Gallup (Oil 15006)	40	SW/4 SW/4	20	24N	8W
Cuervo-Gallup (Oil 15006)	40	SE/4 NW/4	29	24N	8W

Cuervo-Mesaverde (Oil 15010)	40	NE/4 NE/4	28	24N	8W

Lybrook-Gallup (Oil 42289)	40	SE/4 NW/4	21	24N	8W
Lybrook-Gallup (Oil 42289)	40	NW/4 SE/4	27	24N	8W

Lybrook-Gallup (Oil 42289)	40	NW/4 SW/4	27	24N	8W
Lybrook-Gallup (Oil 42289)	40	SE/4 NE/4	28	24N	8W

Potwin-Pictured Cliffs (Gas 83000)	160	NW/4	16	24N	8W
Potwin-Pictured Cliffs (Gas 83000)	160	SE/4	16	24N	8W
Potwin-Pictured Cliffs (Gas 83000)	160	NE/4	17	24N	8W
Potwin-Pictured Cliffs (Gas 83000)	160	SE/4	30	24N	8W

Wildcat-Fruitland Pictured Cliffs (Gas)	160	SW/4	30	24N	8W

Wildcat-Chacra (Gas)	160	SW/4	33	24N	9W

White Wash-Mancos Dakota (Oil 64290)	40	NW/4 SW/4	1	24N	9W
White Wash-Mancos Dakota (Oil 64290)	40	SE/4 NW/4	1	24N	9W
White Wash-Mancos Dakota (Oil 64290)	40	NE/4 NE/4	2	24N	9W
White Wash-Mancos Dakota (Oil 64290)	40	NW/4 SE/4	2	24N	9W
White Wash-Mancos Dakota (Oil 64290)	40	SE/4 SE/4	10	24N	9W

White Wash-Mesaverde (Oil 96552)	40	NW/4 SE/4	2	24N	9W

Witty Springs-Pictured Cliffs (Gas 96872)	160	SE/4	2	23N	10W
Witty Springs-Pictured Cliffs (Gas 96872)	160	SW/4	12	23N	10W

Permitted Area Not Operated by Dugan Production

South Bisti-Gallup (Oil 5860)	80	W/2 SE/4	3	23N	9W
South Bisti-Gallup (Oil 5860)	80	E/2 NE/4	10	23N	9W
South Bisti-Gallup (Oil 5860)	80	W/2 NW/4	10	23N	9W
South Bisti-Gallup (Oil 5860)	80	S/2 SW/4	10	23N	9W

Exhibit 'B'
Dugan Production Corporation
Good Times Gas Gathering System
Division Order PLC-149

1) Allocation Method for Gas Production

Base Data for Gas Allocation

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

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

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specification 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/(SumW)) for the wells involved.

E = Allocated volume of gas lost and/or vented form 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)).

Where:

W = Gas Volume (MCF) from Well or Battery Allocation Meter

X = Total Gas Volume (MCF) from CDP Sales Meters (CDP1 -- CDP2)

Therefore: Individual Well Gas Production = A+B+C+D+E

2) Allocation Method for Condensate Production

All liquid hydrocarbon volumes recovered from the 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 wells' 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 wells' 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.

Base Data for Condensate Allocation

S = Volume of drip condensate (bbl) removed from system drip storage tank.
T= Revenue resulting from multiplying the volume of condensate 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 reate from the data available.
F = Individual Well Allocated Condensate Volume (bbl),

Therefore: F= ((V x U) / Sum (V x U)) x S