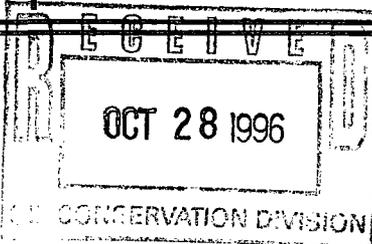


dugan production corp.



October 25, 1996

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

**Re: Administrative Approval of Unorthodox Location
Dugan Production Corp's Harvey #2
1640' FNL & 1850' FWL, Sec. 20, T24N, R9W, NMPM
Bisti Lower Gallup Pool
San Juan County, NM**

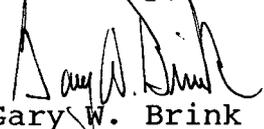
Dear Mr. Stogner:

Dugan Production Corp. requests administrative approval for an unorthodox location for its Harvey #2 well in the Bisti Lower Gallup Pool. The subject well is currently completed in the Basin Dakota Pool and it is intended to complete the Gallup interval and downhole commingle it with the Dakota as set forth in Administrative Order DHC-1366.

A copy of this application is being submitted to all offset operators by certified mail with a request that they furnish your office in Santa Fe a waiver of objection.

Attached is a well location plat showing dedicated acreage, a well location map and a plat showing all offsetting operators.

Sincerely,


Gary W. Brink
Petroleum Engineer

GB/cg

encs.

cc: New Mexico Oil Conservation Division, Aztec, NM
Bureau of Land Management, Farmington, NM
Offsetting Operators (BIA, Navajo Allotted)

District I
 PO Box 1908, Hobbs, NM 88241-1908
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1008 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

' API Number 30 045 24420		' Pool Code 05890		' Pool Name Bisti Lower Gallup	
' Property Code 003704		' Property Name Harvey			' Well Number 2
' OGRID No. 006515		' Operator Name Dugan Production Corp.			' Elevation 6844' GL

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
F	20	24N	9W		1640	North	1850	West	San Juan

11 Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

' Dedicated Acres 80	' Joint or Infill	' Consolidation Code	' Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 1640' 1850' Dugan Production NM-10755 Sec. 20	17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Gary Brink Printed Name Petroleum Engineer Title 8/21/96 Date	
	18 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> June 10, 1980 Date of Survey Signature and Seal of Professional Surveyor: Original plat surveyed & signed by Edgar L. Risenhoover, L.S. 5979 Certificate Number	

San Federal
San Prod.

Application for Unorthodox Location Dugan Production Corp.

Harvey #2

1640 FNL, 1850 FWL, Sec 20, T 24 N, R 9 W
San Juan Co. N.M.
Well Location Map

36

Abigail Adams

Dugan Prod.

Dugan Prod.

Dugan

Dugan

6
Skelly

5

4

3

2

Chaco
Magnolia

98
E.B.U.
Skelly

Abigail Adams
Skelly

Dugan

Dugan

Geo-I
Blanco Wash
Dugan

Wood Blanco Wash
Dugan Prod

112 113
104
116
E.B.U.

110
Dugan Prod 8

9

10

11

John Adams 2 Geo-I

117
126
127
125
E.B.U.
Sol Union Black
Metal

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Mary Anne

John Adams
Elwood
Jackson

Blanco Wash
Gulf

Federal

18

17

16

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14

13

Dugan

Whitley Schw

Gulf

Gulf

Largo Fed
Palmer D&G

24

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April Surprise

Kinetab Fed

Largo Fed

Navajo

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Reynolds

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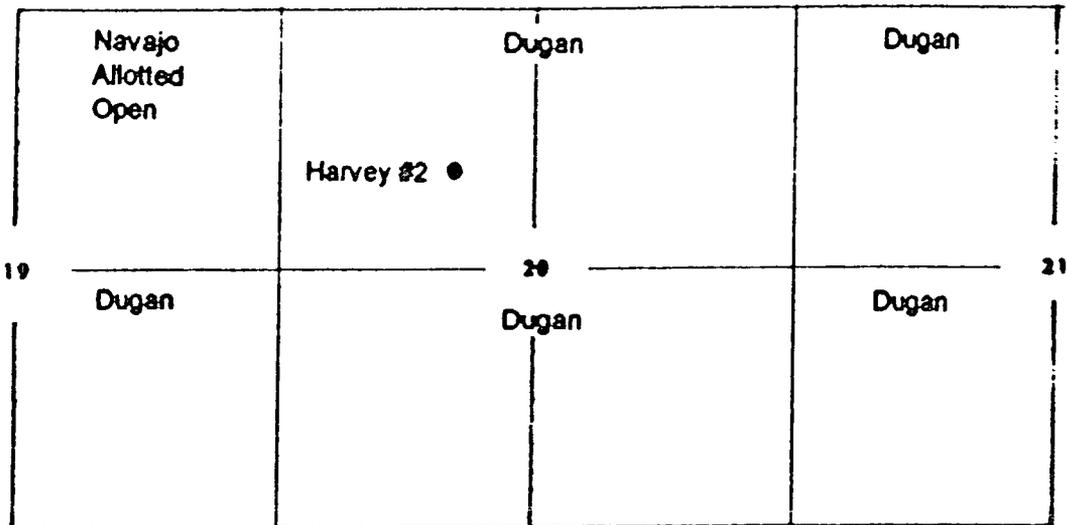
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So. Huertano

R-9-W

Application For Unorthodox Location
Offsetting Operators
Lower Bisti Gallup-Basin Dakota
Dugan Production Corp.
Harvey #2
Unit F, Sec 20, T 24 N, R 9 W
San Juan Co., N.M.



CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

11/20/96 14:13:43
OGOMES -EMFG
PAGE NO: 1

Sec : 20 Twp : 24N Rng : 09W Section Type : NORMAL

D 40.00 Federal owned	C 40.00 Federal owned	B 40.00 Federal owned	A 40.00 Federal owned
E 40.00 Federal owned	F 40.00 Federal owned A	G 40.00 Federal owned	H 40.00 Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

Sec : 20 Twp : 24N Rng : 09W Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Federal owned	Federal owned	Federal owned	Federal owned
M 40.00	N 40.00	O 40.00	P 40.00
Federal owned	Federal owned	Federal owned	Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12



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-1366

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

Attention: Mr. Gary Brink

*Harvey Well No.2 (API No.30-045-24420)
Unit F, Section 20, Township 24 North, Range 9 West, NMPM,
San Juan County, New Mexico.
Bisti Lower Gallup (5890) and
Basin Dakota (Prorated Gas - 71599) 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 160 B/D	Gas 320 Mcf/D	Water 320 B/D
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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.

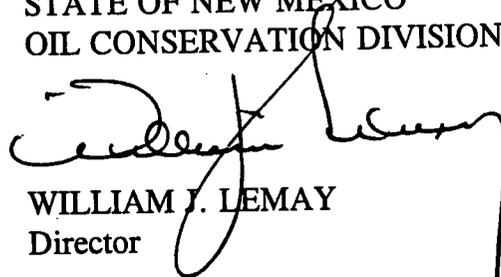
REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Administrative Order DHC-1366
Dugan Production Corporation
October 8, 1996
Page 2

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.

Approved at Santa Fe, New Mexico on this 8th day of October, 1996.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/BES

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

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8685
Order No. R-8090

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR THE CREATION OF A NEW
OIL POOL AND SPECIAL POOL RULES,
SAN JUAN COUNTY, NEW MEXICO.

*See Also Order
No. R-8090-A*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on August 28, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of December, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Dugan Production Corporation, seeks an order creating a new oil pool, the vertical limits to be from the top of the Gallup Sandstone member of the Mancos Formation to the top of the Greenhorn Limestone member of the Mancos Formation and for the promulgation of special pool rules therefor, including provisions for 80-acre spacing and proration units and well location requirements.
- (3) The applicant is the owner and operator of the December Dream Well No. 1 located 1060 feet from the North line and 1670 feet from the West line of Section 7, Township 23 North, Range 9 West, NMPM, San Juan County, New Mexico, plus twelve other wells in Township 23 North, Ranges 9 and 10 West, NMPM, San Juan County, New Mexico, all of which produce oil from the proposed new oil pool.
- (4) The evidence presently available from these wells indicates that the production from these thirteen wells is from a separate common source of supply within the vertical limits

as described in Finding Paragraph No. (2) above and that a new oil pool should therefore be created.

(5) The vertical limits of the new pool should be from the top of the Gallup Sandstone member of the Mancos Formation to the top of the Greenhorn Limestone member of the Mancos Formation from approximately 4095 feet to 5510 feet, respectively, as found on the type log from the aforesaid December Dream Well No. 1.

(6) The horizontal limits of said proposed pool should be as follows:

SAN JUAN COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 27: S/2 SW/4
Section 28: S/2 S/2
Section 32: E/2 E/2
Sections 33 and 34: All
Section 35: S/2

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Sections 1 through 3: All
Section 4: NE/4
Section 10: NE/4
Section 11: N/2, SE/4
Section 12: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 6: S/2
Sections 7 and 8: All

(7) The applicant proposes to designate the above-described pool as the Good Times Gallup Oil Pool, however, the name "Good Times" does not correspond to the Division's policy in referencing nearby geographical place names to a pool name and said pool should instead be designated the South Bisti-Gallup Oil Pool.

(8) In order to prevent the economic loss caused by the drilling of unnecessary wells, to encourage orderly development of the proposed pool, and to otherwise prevent waste and protect correlative rights, the evidence available indicates that the South Bisti-Gallup Oil Pool should be created with provisions for 80-acre spacing and proration units on a temporary basis.

(9) The Temporary Special Rules and Regulations should provide for limited well locations in order to assure orderly development of the pool and to protect correlative rights.

(10) Said Temporary Special Rules and Regulations should be established for a two year period in order to allow the operator in the South Bisti-Gallup Oil Pool to gather reservoir information to establish whether the Temporary Rules and Regulations should be made permanent.

(11) This case should be reopened at an examiner hearing in December 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Bisti Gallup Oil Pool should not be developed on 40-acre spacing and proration units.

(12) At the time of the hearing the applicant requested that a non-standard 40-acre oil spacing and proration unit, consisting of the SW/4 SW/4 of Section 1, Township 23 North, Range 10 West, NMPM, San Juan County, New Mexico, being contingent upon the approval of the South Bisti-Gallup Oil Pool Special Temporary Rules and Regulations, be granted to their Fairway Well No. 1, located 660 feet from the South and West lines of said Section 1.

(13) Said Fairway Well No. 1 was spudded January 14, 1985, and completed within the vertical limits of the proposed South Bisti-Gallup Oil Pool with a 40-acre dedication.

(14) Since no public notice of applicant's request for a non-standard 40-acre oil spacing and proration unit for said Fairway Well No. 1 was given, it is therefore beyond the scope of this case, and the request should therefore be denied.

(15) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the proposed South Bisti-Gallup Oil Pool shall have dedicated thereto 80 acres in accordance with the special Rules and Regulations; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may be granted non-standard spacing and proration units pursuant to Division rules and procedures.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in San Juan County, New Mexico, classified as an oil pool, is hereby created and designated the South Bisti-Gallup Oil Pool, with the vertical limits comprised of all formations from the top of the Gallup Sandstone member of

the Mancos Formation to the top of the Greenhorn Limestone member of the Mancos Formation as found from approximately 4095 feet to 5510 feet on the type log of the Dugan Production Corporation December Dream Well No. 1 located 1060 feet from the North line and 1670 feet from the West line of Section 7, Township 23 North, Range 9 West, NMPM, San Juan County, New Mexico; and with the horizontal limits consisting of the following described area:

SAN JUAN COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 27: S/2 SW/4
Section 28: S/2 S/2
Section 32: E/2 E/2
Sections 33 and 34: All
Section 35: S/2

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Sections 1 through 3: All
Section 4: NE/4
Section 10: NE/4
Section 11: N/2, SE/4
Section 12: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 6: S/2
Sections 7 and 8: All

(2) Temporary Special Rules and Regulations for the South Bisti-Gallup Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE
SOUTH BISTI-GALLUP OIL POOL
SAN JUAN COUNTY, NEW MEXICO

RULE 1. Each well completed to or recompleted in the South Bisti-Gallup Oil Pool or in the Gallup formation as defined for this pool and within one mile of the South Bisti-Gallup Oil Pool, and not nearer to or within another designated Gallup pool shall be spaced, operated, drilled, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section.

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without notice and

hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. To assure orderly development of the pool and to protect correlative rights each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the footage requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 222 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(1) The locations of all wells presently drilling to or completed in the South Bisti-Gallup Oil Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above within one mile thereof are hereby approved; the operator of any such well having an unorthodox oil well location shall notify the Aztec District Office of the Division in writing of the name and location of such well on or before January 31, 1986.

Case No. 8685
Order No. R-8090

(2) The request of the applicant, Dugan Production Corporation, for a 40-acre non-standard oil spacing and proration unit consisting of the SW/4 SW/4 of Section 1, Township 23 North, Range 10 West, NMPM, San Juan County, New Mexico, to be dedicated to their Fairway Well No. 1 located 660 feet from the South and West lines of said Section 1 is hereby denied.

(3) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the South Bisti-Gallup Oil Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the South Bisti-Gallup Oil Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above or within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(4) This case shall be reopened at an examiner hearing in December 1987, at which time the operators in the subject pool may appear and show cause why the South Bisti-Gallup Oil Pool should not be developed on 40-acre spacing units.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

S E A L

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE 8685 (REOPENED)
ORDER NO. R-8090-A

IN THE MATTER OF DIVISION
CASE NO. 8685 BEING REOPENED
PURSUANT TO THE PROVISIONS
OF DIVISION ORDER NO. R-8090,
WHICH ORDER CREATED AND
PROMULGATED SPECIAL RULES
AND REGULATIONS FOR THE
SOUTH BISTI-GALLUP OIL POOL,
SAN JUAN COUNTY, NEW MEXICO.

*See Also Order
No. R-8090*

ORDER OF THE DIVISION

BY THE DIVISION

This cause came on for hearing at 8:15 a.m. on December 2, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of March, 1988, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) By Division Order No. R-8090, dated December 4, 1985, temporary special rules and regulations were promulgated for the newly created South Bisti-Gallup Oil Pool, San Juan County, New Mexico, establishing, among other things, temporary 80-acre spacing and proration units and well location requirements.
- (3) Pursuant to the provisions of said Order No. R-8090, this case was reopened to allow the operators in the subject pool to appear and show cause why the South Bisti-Gallup Oil Pool should not be governed under the Division's General Rules and Regulations and be developed on 40-acre spacing units.
- (4) At the December 2, 1987 hearing, the applicant in the original case and the sole active operator in the pool, Dugan Production Corporation, appeared and presented evidence whereby it was established that one well in the South Bisti-Gallup Oil Pool can efficiently and economically drain and develop 80 acres.

(5) The applicant also requested that the standard well location requirements for the subject pool as promulgated by RULE 4 of said Order No. R-8090 which restricts well locations to be within 150 feet of the center of a quarter-quarter section or lot be amended so that a standard well location be no closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(6) Said pool is located approximately 10 to 15 miles from the Chaco Canyon National Park, consequently there are numerous archeological sites within the pool boundary. Bureau of Land Management requirements restrict "well pads" to be 100 feet away from any significant archeological site.

(7) The applicant is requesting a change in the well location requirements to allow greater flexibility in locating wells within this area, thereby alleviating the need for exceptions to the existing rules and regulations.

(8) No interested party appeared and/or objected to this case.

(9) Such an amendment to the well location requirement for the subject pool should be approved.

(10) The Special Rules and Regulations promulgated by said Order No. R-8090, along with said well location requirement amendments, have afforded and will afford to the owner of each property in the pool the opportunity to produce his or her just and equitable share of the oil in the pool.

(11) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by said Division Order No. R-8090 along with the amendments to the well location requirements in this pool should be made permanent and continued in full force and effect until further order of the Division.

(12) At the time of the hearing the applicant also requested that the name of this pool be changed to the Good Times-Gallup Oil Pool.

(13) Such a change is not based on any nearby geographical locality or place name, and it has been a long standing policy of this agency to name pools in much the same manner that geologic formations in the United States are named (see Gilluly, James. Principles of Geology, 3rd Edition, W.H. Freeman & Company, 1968, pg. 93 and Hedberg, Hollis D. (Editor), International Stratigraphic Guide, John Wiley & Sons, 1976, pg. 40-44.)

(14) Applicant's request for a name change should be denied.

IT IS THEREFORE ORDERED THAT:

(1) The request of Dugan Production Corporation to rename the South Bisti-Gallup Oil Pool to the Good Time-Gallup Oil Pool is hereby denied.

(2) RULE 4 of the Special Rules and Regulations for the South Bisti-Gallup Oil Pool, San Juan County, New Mexico as promulgated by Division Order No. R-8090, dated December 4, 1985, is hereby amended as follows:

"RULE 4. Each well shall be located no nearer than 330 feet to any quarter-quarter section or subdivision inner boundary."

(3) The Special Rules and Regulations governing the South Bisti-Gallup Oil Pool, San Juan County, New Mexico as promulgated by said Order No. R-8090, along with the amended Rule 4 as described above, are hereby made permanent and continued in full force and effect until further order of the Division.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

Mike Stogner

From: Ernie Busch
To: Mike Stogner
Subject: DUGAN PRODUCTION CORP HARVEY #2 (NSL)
Date: Friday, November 22, 1996 9:54AM
Priority: High

HARVEY #2
1640'FNL;1850'FWL
F-20-24N-09W
RCOMMEND: APPROVAL