



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Surface Commingling Order PLC-317

October 23, 2008

Dugan Production Corporation
709 E. Murray Drive
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: John Roe:

Dugan Production Corporation is hereby authorized to surface commingle Basin Fruitland Coal Gas Pool (71629), and the WAW Fruitland Sand-Pictured Cliffs Gas Pool (**87190**) gas production from the following Federal leases.

Lease: **Federal Lease No. NM-10246**
Wells: Waterford Well No. 90 (**API No. 30-045-29453**) Unit B,
Section 20, Township 26 North, Range 12 West, NMPM, San Juan County,
New Mexico.

Mike Well No. 1J (**API No. 30-045-23415**) Unit D, Section 20
Township 26 North, Range 12 West, NMPM, San Juan County,
New Mexico.

Lease: **Federal Lease No. NM-12028**
Well: Waterford Com. Well No. 90S (**API No. 30-045-33781**) Unit F, Section 20
Township 26 North, Range 12 West, NMPM, San Juan County, New Mexico

Commingled gas production from the wells detailed above shall be measured and sold at the Waterford Well No. 90 (CDP) located in Unit B of Section 20, Township 26 North, Range 12 West, NMPM, San Juan County, New Mexico..

Gas production from all the wells shall be measured continuously with calibrated allocation meters installed in the wells prior to commingling with gas from other wells. Gas production shall then be allocated back to each well utilizing the **Allocation Procedures** as indicated in Attachment No. 6 included with this order.



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Gas is approved for off-lease measurement and sales after being metered on-lease. Any liquid hydrocarbons produced from the wells shall **NOT** be commingled. The allocation and the CDP meters shall be calibrated monthly.

NOTE: This installation shall be installed and operated in accordance with the applicable Division Rules and Regulations. It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division prior to implementation of commingling operations.

DONE at Santa Fe, New Mexico on October 23, 2008.



MARK E. FESMIRE, P.E.,
Division Director

MEF/re

cc: Oil Conservation Division – Aztec
Bureau of Land Management (BLM) – Farmington

ATTACHMENT No. 6
Proposed Allocation Procedures
Dugan Production Corp.'s
Proposed Waterford 90 CDP
CDP Gas Sales Meter: NWNE 20-26N-12W (Enterprise Meter #99451)
San Juan County, New Mexico

Base Data:

W = Gas Volume (MCF) from allocation meters at individual wells during allocation period.

X = Gas Volume (MCF) from CDP Sales Meter during allocation period.

Y = BTU's from CDP Sales Meter during allocation period.

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

A = Allocated Sales Volume, MCF. = $(W/\text{SUM } W) \times X$

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

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 $W/\text{SUM } W$ 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 $W/\text{SUM } W$.

2. Allocated Individual Well BTU's = $((W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU})) \times Y$.

Individual well gas heating values to be determined in accordance with BLM regulations (currently On shore Order No. 5).