



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



November 4, 2008

John D. Roe
Engineering Manager
Dugan Production Corporation
709 E. Murray Drive
P.O. Box 420
Farmington, New Mexico 87499-0420
Re: Surface Commingling Order No. PLC-317

Dear Mr. Roe:

The Division received your letter of October 31, 2008 on November 3, 2008 regarding the above referenced subject. As you know, Division Rule 19.15.5.303.B,4 (b)(ii) NMAC requires meter proving and calibration frequencies for surface commingling operations depending on the amount of gas being moved through the meters.

The Division inadvertently imposed a monthly calibration frequency instead of quarterly calibration frequency based on the production rate of 200M cubic feet of gas per day.

Please find enclosed a revised order No. PLC-317-A that requires quarterly calibration frequency on the meters. This order supersedes order No. PLC-317.

Sincerely,

Mark E. Fesmire, P.E.
Director





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Surface Commingling Order PLC-317-A

November 04, 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.



November 4, 2008

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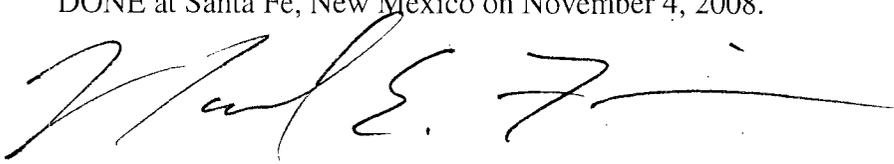
Gas is approved for off-lease measurement and sales after being metered on-lease. Any liquid hydrocarbons produced from the wells shall **NOT** be commingled. The allocation and the CDP meters shall be calibrated quarterly.

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.

This order supersedes order No. PLC-317 issued on October 23, 2008.

DONE at Santa Fe, New Mexico on November 4, 2008.



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

MEF/re

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