



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

COMMINGLING ORDER CTB-455

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499-0402

Attention: Mr. John Roe

The above named company is hereby authorized to commingle Lybrook Gallup (42289) Pool production from the following leases:

Lease: Kenny Well No.1 (State Lease LG-3925)
Description: NW/4 NE/4 of Section 36, Township 23 North, Range 7 West, and,

Lease: Little Sis Well No.1 (Federal Lease NM-89021)
Description: NE/4 SW/4 of Section 31, Township 23 North, Range 6 West,

both NMPM, Sandoval County, New Mexico.

Gas production shall be allocated to each lease by separately metering the production from each well prior to commingling. The central delivery point meter, shall be installed after commingling, separation and compression, at the Kenny Well No.1 location. Gas volumes will be allocated to each well based on a ratio derived from individual well allocation meter volumes to total of both allocations meters and multiplying by the central delivery point sales meter volume. Any gas lost shall be determined by standard industry procedure and allocated to each well accordingly.

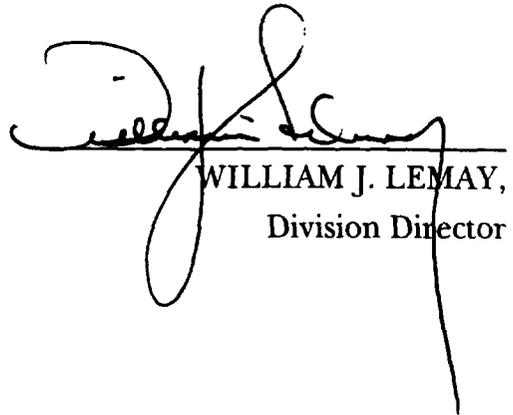
REMARKS: Commingling of liquid production will not occur as it will separated, metered and stored separately.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office upon implementation of the commingling process.

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DONE at Santa Fe, New Mexico, on this 31st day of July, 1997.



WILLIAM J. LEMAY,
Division Director

WJL/BES/lb

cc: Oil Conservation Division – Aztec
State Land Office – Oil & Gas Division
Bureau of Land Management - Farmington