



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

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

Attention: Mr. John Roe

AMENDED ADMINISTRATIVE ORDER OLM-15

*Latex Well Nos. 1 and 2
Unit Letter A, Section 9, Township 25 North, Range 10 West
San Juan County, New Mexico
Basin Fruitland Coal (Gas - 71629) Pool*

Reference is made to your request dated August 21, 1997 for an exception to Division Rule 309 to permit off lease measurement of gas production from the subject well. Inasmuch that duplicate measurement would constitute economic waste, the above named company is hereby authorized to meter gas production from the subject well at the off lease connection to the El Paso Field Services transportation system. Such system, located in Unit Letter H, Section 10, Township 19 South, Range 29 East, shall be set and maintained by the transporter.

PROVIDING THAT:

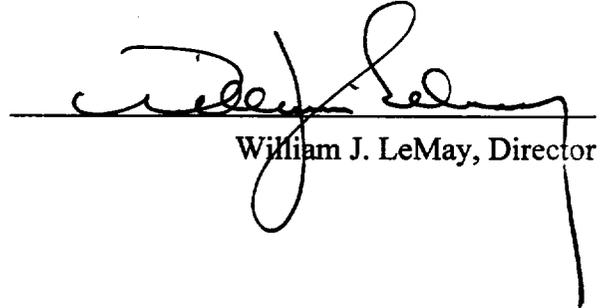
- 1) Allocation shall be accomplished by use of annual well tests to determine an allocation factor proportional to the total rate for all wells connected to the central point of delivery, and;
- 2) All flow lines shall be maintained in a safe and adequate condition and any leaks or failures must be reported to the Division, and;
- 3) All separation and liquids and storage facilities shall be located on the originating lease, and;
- 4) The meters shall be read and maintained by the transporter, and;
- 5) It is the responsibility of the operator to notify the transporter of this approval.

FURTHER: All production, storage, transportation, sales and other operations shall comply with applicable Division Rules and Regulations not inconsistent herewith.

NOTE: The operator shall notify the Aztec district office upon implementation of off lease measurement operations.

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DONE at Santa Fe, New Mexico on this 17th day of September, 1997.



William J. LeMay, Director

WJL/BES

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