



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

AMENDED COMMINGLING ORDER PC-936

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

Attention: Mr. John D. Roe

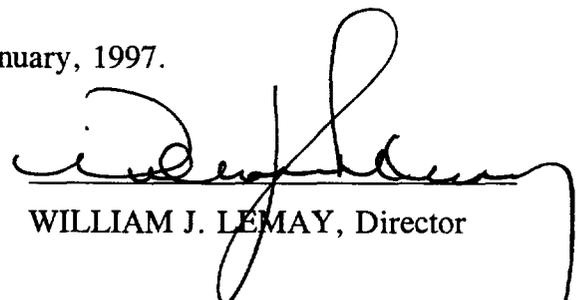
LEASE NAME: Davis Federal Well No.1 (Federal Lease No.SF-078937)
DESCRIPTION: NW/4 SW/4 (Gallup) and S/2 (Dakota)
Section 24, Township 26 North, Range 11 West,
NMPM, San Juan County, New Mexico

The above-named company is hereby authorized to commingle Gallegos Gallup (Associated - 26980) and Basin Dakota (Prorated Gas - 71599) Pool condensate production in a common tank battery and to determine production from each pool by annual well tests. (If this method is to be authorized, all commingled production must be of marginal nature; further the operator shall notify the Santa Fe office of the Division in the event any well on the commingled battery becomes capable of the allowable production, at which time the Division will amend this order or take such other action as may be appropriate.) **Gas production from the subject well shall also be commingled and allocation shall be based upon factors derived from the annual GOR test of the Gallup pool with production from the Dakota pool being determined by the subtraction method.**

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

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.

DONE at Santa Fe, New Mexico, on this 15th day of January, 1997.


WILLIAM J. LEMAY, Director

WJL/BES

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



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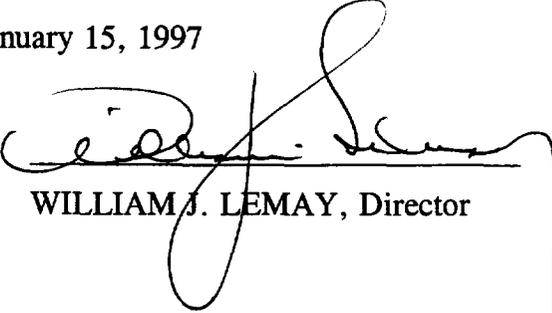
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The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

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.

DONE at Santa Fe, New Mexico, on this 15th day of January 15, 1997


WILLIAM J. LEMAY, Director

WJL/BES

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