



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

COMMINGLING ORDER PC-1004

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

Attention: Mr. John Roe

LEASE: Sherman Edward Well No. 2B
DESCRIPTION: SW/4 SE/4 of Section 3, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

The above-named company is hereby authorized to commingle Gobernador-Pictured Cliffs (Gas - 77440) and Blanco-Mesaverde (Prorated Gas - 72319) Pool production from the above mentioned lease and to determine production from each pool by well test. This method is authorized only so long as all commingled production is 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 top allowable production, at which time the Division will amend this order or take such other action as may be appropriate. All commingled production must be of identical ownership including working interest, royalty interest and overriding royalty interest.

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.

REMARKS: The commingled natural gas production shall be delivered to the El Paso Field Services CDP located at the Sherman Edward Well No. 2B located in the SW/4 SE/4 of Section 3, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico

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

DONE at Santa Fe, New Mexico, on this 14th day of December, 1999.

A handwritten signature in cursive script, appearing to read "Lori Wrottenbery", written over a horizontal line.

LORI WROTENBERY,
Division Director

LW/MWA/kv

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