



dugan production corp.

28 000

August 26, 1998

Ms. Lori Wrotenbery, Director
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Mr. Ray Powell, Commissioner
New Mexico State Land Office
P. O. Box 1148
Santa Fe, NM 87504-1148

Mr. Lee Otteni, District Manager
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Supplemental Information
Re: Dugan Production's 8-17-98 Application Requesting Approval for
Surface Commingling, plus Off-lease Measurement and Sale of Produced Natural Gas
Rusty Chacra Gas Gathering System Operated by Dugan Production Corp.
Sandoval County, New Mexico

Dear Ms. Wrotenbery, Mr. Powell, and Mr. Otteni:

In the captioned application we did not describe how oil production from wells connected to the Rusty Chacra Gas Gathering System would be handled. There are currently six wells producing from the Gallup formation (Alamito, Rusty and South Rusty Gallup oil pools) and during 1997 production averaged 1.0 BOPD plus 15.0 MCFD per well. There is no oil production associated with the 29 wells producing from the Chacra formation.

All oil production will be separated, stored and sold at each well site. There will be no commingling of oil production. Only natural gas produced in association with the oil will enter the Rusty Chacra Gas Gathering System and be subject to our application for surface commingling and off-lease measurement.

Should additional information be needed or there be questions, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

cc: NMOCD - Aztec; Hicks Oil & Gas



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

**COMMINGLING ORDER PLC-147
CORRECTED**

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

Attention: Mr. John D. Roe:

The above named company is hereby authorized to commingle Alamito-Gallup (1039-Oil) Rusty-Chacra (84360-Gas) Rusty-Gallup (52860-Gas) and Wildcat Rusty South-Gallup (96236-Gas) Pool gas production from the following leases:

Lease: Chacra Federal Lease (Federal Lease No. NM-25821)
Description: NW/4 NW/4 of Section 10, SW/4 SE/4 of Section 21, Township 22 North, Range 7 West, NMPM, and;

Lease: Dome Federal Lease (Federal Lease Nos. NM- 15649, NM-6680, NM-8899, NM-2 1455, NM-6676, NM-8641)
Description: SE/4 NE/4 of Section 1, Township 21 North, Range 7 West, SE/4 NE/4 of Section 10, SE/4 SE/4 of Section 15, Township 22 North, Range 7 West, SW/4 NW/4 of Section 18, SW/4 SW/4 of Section 19, NE/4 SW/4, SE/4 NE/4 of Section 29, NE/4 NW/4 of Section 30, Township 22 North, Range 6 West, NMPM, and;

Lease: Dome Navajo Allotted Lease (Lease Nos. NOOC-14-20-5555, NOOC-14-20-5382, NOOC- 14-20-5595, NOOC- 14-20-5046, NOOC- 14-20-5044, NOOC- 14-20-5045, NOOC- 14-20-5050, NOOC- 14-20-5048, NOOC- 14-20-505 1)
Description: NW/4 SE/4 of Section 3, NE/4 SW/4 of Section 17, SE/4 NE/4 of Section 20, Township 22 North, Range 7 West, SW/4 SW/4 of Section 27, NE/4 SE/4, NE/4 SW/4 of Section 28, NE/4 NE/4, SE/4 SW/4 of Section 33, NE/4 NW/4 of Section 34, Township 22 North, Range 6 West, NMPM, and;

Lease: Dome Navajo Federal Lease (Federal Lease No. NM-5452)
Description: SW/4 SE/4, of Section 18, Township 22 North, Range 6 West, NMPM, and;

Lease: Dome Rusty Federal Lease (Federal Lease Nos. NM-7262, NM-6680, NM-6676)
Description: SE/4 SE/4 of Section 20, NW/4 SE/4 of Section 24, Township 22 North,

Range 7 West, NW/4 NE/4 of Section 30, Township 22 North, Range 6 West, NMPM, and;

Lease: Dome State Lease (State Lease No. LG-3923)

Description: NE/4 NE/4 of Section 32, Township 22 North, Range 6 West, NMPM, and;

Lease: Dome Tesoro Lease (Lease Nos. NOOC-14-20-5356, NOOC-14-20-5360, NOOC- 14-20-5365)

Description: NE/4 NW/4 of Section 22, NW/4 SW/4 of Section 23, NW/4 NW/4 of Section 27, Township 22 North, Range 7 West, NMPM, and;

Lease: Federal Lease (Federal Lease Nos. NM-8899, NM-6676, NM-7776)

Description: NE/4 SE/4 of Section 29, SW/4 NW/4 of Section 29, NW/4 SE/4 of Section 31, Township 22 North, Range 6 West, NW/4 NE/4 of Section 25, NE/4 NE/4 of Section 26, Township 22 North, Range 7 West, NMPM, and;

Lease: Navajo Lease (Navajo Lease Nos. NOOC-14-20-5048, NOOC-14-20-5594)

Description: SE/4 SW/4 of Section 33, Township 22 North, Range 6 West, SE/4 SW/4 of Section 10, Township 22 North, Range 7 West, NMPM, and;

Lease: Navajo Federal Lease (Federal Lease Nos. NM-5452, NM-6680)

Description: SE/4 SW/4 of Section 18, Township 22 North, Range 6 West, NE/4 NE/4 of Section 21, Township 22 North, Range 7 West, NMPM, and;

Lease: State Lease (State Lease No. LG-3923)

Description: NW/4 NW/4 of Section 32, Township 22 North, Range 6 West, NMPM, and;

Lease: Dana State Lease (State Lease No. K-04844)

Description: SW/4 NE/4 of Section 16, Township 22 North, Range 7 West, NMPM,

all in Sandoval County, New Mexico.

Each well and/or lease shall be equipped with metering equipment which will be used to allocate gas volumes recorded at the CDP sales meter to the individual wells for determining individual well production as described in the application.

NOTE: The commingled natural gas production shall be delivered to a CDP sales meter on El Paso Field Service's Pipeline in the SE/4 NW/4 of Section 12, Township 22 North, Range 7 West, NMPM, Sandoval County, New Mexico.

Administrative Commingling Order PLC-147

Dugan Production Corp.

October 26, 1999

Page 3

NOTE: Oil production shall be separated, stored, and sold at each wellsite.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B 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 supervisor of the Aztec district office prior to implementation of the commingling process.

PROVIDING: Validation of this authority shall be accomplished by like approval by the U.S. Bureau of Land Management and New Mexico Commissioner of Public lands.

DONE at Santa Fe, New Mexico, on this 26th day of October, 1999.



LORI W OTENBERY,
Division Director

LW/MWA/kv

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