



dugan production corp.

OCT 25 1999
CONSERVATION DIVISION

October 22, 1999

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

Re: NMOCD Commingling Order PLC-149
Dugan Production Corp.'s
Goodtimes Gas Gathering System
San Juan County, New Mexico

Dear Ms. Wrotenbery,

The NMOCD approved Dugan Production's 6-22-98 application and issued the captioned commingling order on 12-4-98 (and amended on 10-15-99) with the condition that similar approvals were also received from the New Mexico Commissioner of Public Lands and the Bureau of Land Management. We received these approvals on 7-20-98 and 8-12-99 respectively and copies are attached for your reference and file. Approval from the BLM was delayed over issues associated with the Navajo Allotted wells connected to the gathering system.

Also attached for your information and file is a copy of our 8-2-99 letter to the BLM which addresses specific issues related to Navajo Allotted leases. Please note that the amendments to Attachment No. 6 do not change the allocation procedures which were initially presented in Attachment No. 6 of our 6-22-98 application. Two changes were made at the request of the BLM. First, the Allocation Procedure No. 2, "Individual Well Allocated BTU's" was modified to include a reference to the off-lease measurement and surface commingling guidelines for Navajo Allotted leases, and the second change was to delete Allocation Procedure No. 3, "Individual Well Allocated Gas Revenues" since the BLM was only concerned with the proper allocation of production. We do intend to allocate gas revenues as described in Procedure No. 3, however the BLM did not want the procedure to be part of their approval process. As a result of deleting Allocation Procedure No. 3, it was necessary to renumber Allocation Procedure No. 4 "Individual Well Allocated Drip Volumes and Revenues" to Allocation Procedure No. 3.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

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