



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

3162.7-3

Big Band Gas Gathering System

FEB 15 2002



Mr. John Roe
Dugan Production Corporation
P.O. Box 420
Farmington, NM 87499

Dear Mr. Roe:

Reference is made to your application for surface commingling and off-lease measurement and sales of gas from your Big Band Gas Gathering System (BBGGS). You propose to measure and sell gas at the Public Service Company of New Mexico (PNM) metering facility located in the:

**NENE sec. 27, T. 22 N., R. 9 W., San Juan County, New Mexico.
Meter Serial No. 0149963**

See the enclosed list for wells included in the BBGGS.

Your application indicates that measurement at a centralized location is necessary to effectively and economically operate these wells and extend the economic life of the properties. We have reviewed your application and the supplemental information you supplied and concur with these findings. In addition, your supplemental information indicated that PNM will be using a Roots rotary positive displacement meter with a digital read out. This meter has an accuracy of +/- 1% over the range of flow rates anticipated from the gathering system. A review of the meter documentation, standards, and validation requirements indicates that to properly validate the meter accuracy, both upon installation and periodically thereafter, a meter bypass is necessary to regulate incremental flow rates across the meter. Pursuant to Onshore Order Nos. 3 and 5, meter bypasses are not allowed without special consideration of relevant factors.

After careful consideration, you are hereby authorized to commingle, measure and sell natural gas off lease at the PNM facility referenced above. The effective date of this authorization is February 4, 2002, the date acceptable meter validation results were determined. Commingling, measurement, and sales at this facility will be based on the procedures outlined in your application. The following are conditions of this approval:

- Dugan Production Company will be required to install a seal and maintain a seal record for any and all activities on the meter bypass valve. Failure to maintain these records will result in immediate rescission of this approval.
- Based on the results of the meter validation conducted February 4, 2002, the Roots PD meter must be validated at least biennially with the results filed with this office 30 days thereafter. Contact the Bureau of Land Management so a representative can be present to witness the meter validation.
- Allocation methodology must be made on an MMBTU basis. By March 15, 2002, file a report of wellhead versus allocated volumes and MMBTUs for each well under this approval. This report must include the previous month's production for our review.

- Measurement of natural gas at the PNM facility must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site Security and Onshore Order No. 5, Gas Measurement.
- In order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- No other wells can be added to this system of measurement without the prior approval of this office. Contact this office in the event of any lost or vented hydrocarbons between the wells and the PNM facility.

Failure to maintain and operate this facility in accordance with the conditions outlined above may subject this approval to immediate rescission. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that federal royalties would be reduced. Long term shut-in provisions for any well committed to this system will cease within 30 days of the effective date of this approval.

If you have any questions regarding the above please contact me at (505) 599-6367.

Sincerely,

/s/ Jim Lovato

Jim Lovato
Senior Technical Advisor,
Petroleum Management Team

1 Enclosure:

1 - List of Contributing wells

cc:

NMOCD, Santa Fe

NMOCD, Aztec

Big Band Gas Gathering System CDP
Well List

<u>Well Name and No.</u>	<u>API No.</u>	<u>Lease No.</u>	<u>Formation</u>	<u>Location</u>
Billie No. 2	3004523386	NM-8902	Chacra	NWSW Sec. 35, T. 22 N., R. 8 W.
Dorsey No. 1	3004529909	NM-90472	Chacra	SENE Sec. 26, T. 22 N. R. 8 W.
Ellington No. 2	3004529907	NM-94067	Chacra	SESW Sec. 26, T. 22 N., R. 8 W.
Goodman No. 2	3004529191	NM-90471	Chacra	NWSW Sec. 23, T. 22 N., R. 8 W.
Goodman No. 3	Pending	NM-90471	Chacra	NESE Sec. 23, T. 22 N., R. 8 W.
James No. 1	3004529910	NM-93253	Chacra	NESE Sec. 24, T. 22 N., R. 8 W.
James No. 2	Pending	NM-93253	Chacra	NWSW Sec. 24, T. 22 N., R. 8 W.
Zappa No. 3	3004529908	NM-57445	Chacra/ Fruitland Coal	SESE Sec. 27, T. 22 N. R. 8 W.
Zappa No. 91	3004529997	NM-57445	Fruitland Coal	NENE Sec. 27, T. 22 N., R. 8 W.