



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

COMMINGLING ORDER PLC-287

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

RCVD FEB28'07

OIL CONS. DIV.

DIST. 3

Attention: Mr. John D. Roe

The above-named company is hereby authorized to surface commingle production from the Basin-Fruitland Coal (Gas – 71629) and WAW Fruitland Sand-Pictured Cliffs (Gas – 87190) Pools originating from the following-described Federal leases in San Juan County, New Mexico:

Lease Name: Kingfish Federal Lease (Federal Lease No. NM-37912)
Description: NE/4 of Section 3, Township 26 North, Range 13 West, NMPM;

Wells: Kingfish Com Well No. 90 (API No. 30-045-29832)
1600' FNL & 790' FEL, Unit H, Basin-Fruitland Coal Gas Pool
N/2 dedication

Kingfish Well No. 1 (API No. 30-045-24235)
1850' FNL & 1850' FEL, Unit G, WAW Fruitland Sand-Pictured Cliffs Gas Pool
NE/4 dedication

Lease Name: Thomas Jefferson Federal Lease (Federal Lease No. NM-1336)
Description: NW/4 of Section 3, Township 26 North, Range 13 West, NMPM;

Wells: Kingfish Com Well No. 90S (API No. 30-045-32987)
1850' FNL & 1850' FWL, Unit F, Basin-Fruitland Coal Gas Pool
N/2 dedication

The gas production from each well shall be separately metered by a continuous dry flow allocation meter prior to commingling. Gas and water production from each well shall be determined using allocation meter and sales meter volumes, and shall be determined in accordance with the procedure attached to this order.

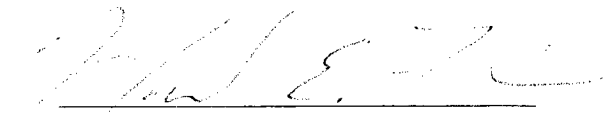
Gas shall be sold through an Enterprise Field Service Meter (Meter No. 98208) located in the SE/4 NE/4 of Section 3, Township 26 North, Range 13 West, NMPM.

It is the responsibility of the producer to notify the transporter of this commingling authority. The operator shall notify the Aztec District Office of the Division upon commencement of commingling operations.

Future wells that may be drilled within the N/2 of Section 3, Township 26 North, Range 13 West, NMPM, that are completed in either the Basin-Fruitland Coal Gas Pool or the WAW Fruitland Sand-Pictured Cliffs Gas Pool may be added to this commingling authority without additional notice to the interest owners within the N/2 of Section 3. To add a well, the applicant shall send written notification to the Santa Fe and Aztec Offices of the Division complete with all pertinent data.

Remarks: This order supersedes and replaces Division Administrative Order No.CTB-563 dated July 25, 2006.

Done, at Santa Fe, New Mexico on this 20th day of February, 2007.



MARK E. FESMIRE, P.E.,
Division Director

MEF/drc

cc: OCD-Aztec
Bureau of Land Management-Farmington
File-CTB-563

Exhibit "A"
Allocation Procedure
Kingfish Gathering System
CDP Gas Sales Meter: SE/4 NE/4 Section 3, T-26N, R-13W
Enterprise Field Service Meter No. 98208
San Juan County, New Mexico

Base Data:

U = Water Volume (BWPD) from Periodic Well Test x days operated during allocation period.
V = Water Volume (bbl) at Central Battery during allocation period.
W = Gas Volume (MCF) from allocation meters at individual wells and central battery separator during allocation period.
X = Gas Volume (MCF) from CDP Sales Meter during allocation period.
Y = BTU's from CDP Sales Meter during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. Individual Well Gas Production = $A + B + C + D + E + F$

A = Allocated Sales Volume, MCF = $(W / \text{SUM } W) \times X$

B = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by $W / \text{SUM } W$ for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by $W / \text{SUM } W$.

F = Allocated gas sales volume (MCF) associated with water production = (A) in mcf for the central battery separator multiplied by a factor of $(U / \text{SUM } U)$ for wells delivering gas and water to the central battery separator.

2. Allocated Individual Well BTU's = $((W \times \text{Individual well BTU}) / \text{Sum } (W \times \text{individual well BTU})) \times Y$.
Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).

3. Individual Well Water Production = Allocated production volume, bbl = $(U / \text{Sum } U) \times V$.