



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Surface Commingling Order PC-950-A

February 15, 2008

Dugan Production Corporation

P. O. Box 420

Farmington, NM 87499-0420

Attention: Mr. John Roe

Dugan Production Corporation (OGRID 6515) is hereby authorized to surface commingle gas production within the following-described Gas Gathering System in San Juan County, New Mexico.

Dugan Five of Diamonds CDP Gas Gathering System.

RCVD MAR 11 '08

OIL CONS. DIV.

DIST. 3

Township 30 North, Range 13 West, NMPM

Section 10: W/2

Pool Names

Basin-Fruitland Coal Gas Pool (Gas – 71629)

Flora Vista Fruitland Sand Gas Pool (Gas – 76600)

Basin-Dakota Prorated Gas Pool (Gas – 71599)

Wells to be included:

Five of Diamonds Well No. 2S (API No. 30-045-24557) Unit L, 1840 FSL & 790 FWL

Flora Vista Fruitland Sand Gas Pool (SW/4, 160 acre dedication) – *will be abandoned if the Fruitland Sand completion is successful in Well No. 90. Only one Fruitland Sand well shall produce in this SW/4 spacing unit.*

Five of Diamonds Well No. 90 (API No. 30-045-29425) Unit L, 1740 FSL & 1230 FWL

Flora Vista Fruitland Sand Gas Pool (SW/4, 160 acre dedication) – *new completion*

Basin Fruitland Coal Gas Pool (W/2, 320 acre dedication) *will be DHCed if successful.*

Mexico Federal L Well No. 1R (API No. 30-045-25461) Unit K, 1850 FSL & 1650 FWL

Basin-Dakota Gas Pool (W/2, 320 acre dedication)

This Gathering System is wholly contained within Federal Lease No. NM-030555-A. It is our understanding that Dugan owns 100% of the working interest and interest ownership is identical for all three wells. The CDP is to be located “on lease” in Unit K of Section 10.

It is our understanding that the Dugan operated Mexico Federal L Well No. 1E (API No. 30-045-23610) located in Unit C, 790 FNL, 850 FWL, Section 10, is an active W/2 dedicated Dakota gas well, but is NOT to be part of this Gathering System.

As proposed in the application, production shall be allocated by metering the gas production from each of the wells within this Gas Gathering System utilizing individual allocation meters.

All liquids (oil, condensate and water) shall be separated, stored, measured and sold at each individual well. Except for small amounts of water that may drop out of the commingled gas stream at the central processing facility, no commingling of liquids shall occur.

NOTE: This installation shall be installed and operated in accordance with the applicable rules and regulations of the Division applicable to surface commingling. It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.



MARK E. FESMIRE, P.E.
Director

MEF:wvj

Cc: Bureau of Land Management – Farmington
Oil Conservation Division - Aztec