

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

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SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER DHC-730

Dugan Production Corp.
P.O. Box 5820
Farmington, NM 87499-5820

Attention: Barbara L. Williams

Sherman Well No. 2
Unit E, Section 3, Township 29 North, Range 5 West,
NMPM, Rio Arriba County, New Mexico.
Gobernabor Pictured Cliffs and Blanco Mesaverde
Pools

Dear Ms. Williams:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle production from both pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303-C, and that commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 30 barrels per day, and total water production shall not exceed 60 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Pictured Cliffs Pool:	Oil 100%,	Gas 40%
Mesaverde Pool:	Oil 0%,	Gas 60%

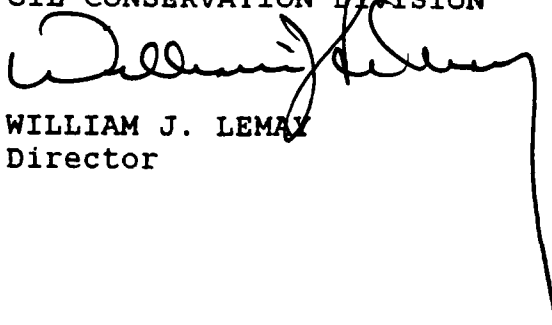
Amended Administrative Order DHC-78
American Exploration Company
July 26, 1989
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The Director of the Division shall require the subject well to be shut in should the subject gas proration unit become overproduced in the Blanco Mesaverde Gas Pool in accordance with the terms and conditions of Rule 11 (b) (2) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Order No. R-8170, as amended.

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 26th day of July, 1989.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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