



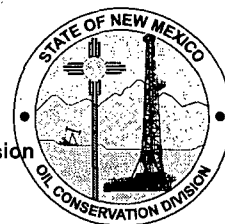
New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

JAMI BAILEY
Division Director
Oil Conservation Division



Administrative Order DHC-4505

Order Date: 2/13/2012

Application Reference Number: pTGW1202432505

DUGAN PRODUCTION CORP
PO BOX 420,
FARMINGTON, NM 87499

Attention: John D. Roe

JEFFERS FEDERAL 2 Well No. 023
API No: 30-045-24439
Unit K, Section 2, Township 23 North, Range 8 West, NMPM
San Juan County, New Mexico

Pool: BASIN FRUITLAND COAL (GAS) Gas 71629
Names: NAGEEZI GALLUP Oil 47540

Reference is made to your recent application for an exception to 19.15.12.9A NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of 19.15.12.11A NMAC, and that reservoir damage or waste will not result from such downhole 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 or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with 19.15.12.11A.(6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

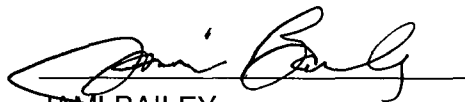
Assignment of allowable and allocation of production from the well shall initially be as per the table below. As proposed in the application, the operator shall determine the heating value of the commingled gas stream and adjust the gas allocation percentages between these two pools every twelve months or more frequently as is necessary.

BASIN FRUITLAND COAL (GAS) Pool	Pct Gas: 58	Pct Oil: 0
NAGEEZI GALLUP Pool	Pct Gas: 42	Pct Oil: 100



REMARKS: The operator shall notify the Division's district office upon implementation of commingling operations.

Pursuant to 19.15.12.11B NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



JAMIL BAILEY
Director

JB/wvjj

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