



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-147-A

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

Attention: Mr. John D. Roe

The above-named company is hereby authorized to surface commingle gas production from the following-described pools within the following-described area (hereinafter referred to as Dugan Production Corporation's Rusty Chacra Gas Gathering System Area):

<u>Pool Name</u>	<u>Pool Code</u>
Rusty-Chacra Gas Pool	(Gas – 84360)
Basin-Fruitland Coal Gas Pool	(Gas – 71629)
Alamito-Gallup Pool	(Oil – 01039)
Rusty-Gallup Pool	(Oil – 52860)
Wildcat South Rusty-Gallup Pool	(Oil – 96236)

Rusty Chacra Gas Gathering System Area

Township 21 North, Range 7 West, NMPM

Section 1: NE/4

Township 22 North, Range 6 West, NMPM

Section 18: S/2, NW/4
Section 19: SW/4
Section 27: SW/4
Section 28: S/2
Section 29: All
Section 30: N/2
Section 31: SE/4
Section 32: N/2
Section 33: NE/4, SW/4
Section 34: N/2

Township 22 North, Range 7 West, NMPM

Section 3: NW/4 SE/4
Section 10: N/2, SW/4
Section 15: SE/4
Section 16: SW/4 NE/4
Section 17: SW/4
Section 20: E/2
Section 21: E/2
Section 22: NE/4 NW/4
Section 23: NW/4 SW/4
Section 24: SE/4
Section 25: NE/4
Section 26: NE/4
Section 27: NW/4 NW/4

This area contains all or portions of **Federal Leases No.** NM-6676, NM-6680, NM-7262, NM-7776, NM-8641, NM-8899, NM-15649, NM-21455, NM-25821, NM-27163, NM-89023, NM-93448, NM-100285, NM-109385, NM-109391, NM-109392, NM-109393, NM-113069 and NM-0554433, all or portions of **State Leases No.** LG-3923 and K-04844, and all or portions of **Navajo Allotted Leases No.** NOOC-14-20-5044, NOOC-14-20-5045, NOOC-14-20-5046, NOOC-14-20-5048, NOOC-14-20-5050, NOOC-14-20-5051, NOOC-14-20-5356, NOOC-14-20-5360, NOOC-14-20-5365, NOOC-14-20-5382, NOOC-14-20-5555, NOOC-14-20-5594 and NOOC-14-20-5595.

This area currently contains, or will contain, subsequent to completion of additional drilling operations, thirty-nine (39) wells that are either singly completed within the Rusty-Chacra, Rusty-Gallup, Wildcat South Rusty-Gallup, Alamito-Gallup or Basin-Fruitland Coal Gas Pool, or downhole commingled within these pools. All wells within the area, with the exception of the Dana State Well No. 1 (API No. 30-043-20165) which is operated by Hicks Oil & Gas, are currently operated by Dugan Production Corporation.

Production shall be allocated by metering the gas production from each of the wells within the Rusty Chacra Gas Gathering System Area utilizing individual allocation meters. Gas production shall then be commingled and transported to an Enterprise Field Services gas sales meter located in the SE/4 NW/4 of Section 12, Township 22 North, Range 7 West, NMPM. Production shall be allocated back to each well utilizing allocation and sales meter volume data, and shall be determined in accordance with the procedure set forth in Exhibit "A" attached to this order.

Water production from the wells within the Rusty Chacra Gas Gathering System Area may be commingled and collected at a central facility. Any gas that is recovered from the produced water shall be allocated back to the wells in accordance with the procedure set forth in Exhibit "A".

Additional existing or wells that may be drilled in the future can be added to the commingling authority granted by the order without additional application or notice to interest owners provided that:

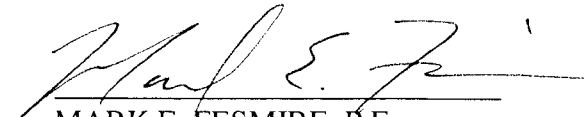
- a) the well(s) are located within the Rusty Chacra Gas Gathering Area defined by this order; **and**
- b) the well(s) produce from one or more of the five pools approved by this order.

To obtain approval to add wells, Dugan Production Corporation shall file a C-103 (Sundry Notice) with the Santa Fe and Aztec Offices of the Division that describe the well(s) to be included. Additional notice may be required to the Bureau of Land Management.

Dugan is further authorized to periodically, and when necessary, deliver gas from its Rusty Chacra Gas Gathering System to the Big Band Gas Gathering System (approved by Division Order No. PLC-191, as amended). When this occurs, Dugan shall allocate production to the wells in the Rusty Chacra Gas Gathering System and the Big Band Gas Gathering System in accordance with the procedure set forth in Exhibit "A".

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/drc

cc: Oil Conservation Division – Aztec
Bureau of Land Management-Farmington
File: PLC-191