



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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July 24, 2006

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

Attn: Mr. John D. Roe

Re: Request for Surface Commingling, Off-Lease Measurement, Storage, and Sale of Produced
Natural Gas
Dugan Production's Big Band & Rusty Chacra Gas Gathering System
San Juan and Sandoval County, New Mexico

Dear Mr. Roe:

We are in receipt of your letter of June 20, 2006 requesting our approval for the surface commingling, off-lease measurement and sale of the natural gas production from 26 wells to be added to Dugan Production's Big Band Gathering System plus one well to be added to Dugan's Rusty Chacra Gas Gathering System. You also requested approval to periodically deliver gas from the Big Band Gathering System to the Rusty Chacra Gathering system.

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

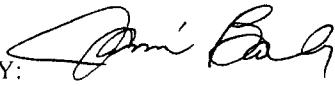
Please submit a \$30.00 dollar filing.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:


JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File
OCD-Attention: David Catanach
BLM-Farmington Attn: Mr. Wayne Townsend

-State Land Office Beneficiaries -

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