

dugan production corp.

July 31, 2000

Mr. Mark Ashley
NM Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Mr. Frank Chavez
NM Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Re: NMOCD Commingling Orders R-10655-A and PLC-173
Add five wells to Dugan's Com No. 1E CDP
Dugan Production's Tabor Gathering System

Dear Mr. Ashley and Mr. Chavez,

In an application dated 3/29/00 and approved by Order R-10655-A we proposed the addition of Dugan's Com No. 4, Federal I No. 99 and Tabor Com No. 90. Dugan's application dated 6/30/00 and approved by Commingling Order PLC-173 proposed the addition of Dugan's Jiggs No. 1 and No. 2 wells.

The captioned commingling orders included a stipulation that similar approvals were also obtained from the Bureau of Land Management (BLM) and the New Mexico State Land Office (NMSLO). Copies of approvals from both agencies are attached for your information and file.

The commingling order also stipulated that we advise the Aztec office of the NMOCD upon implementation of commingling. The Com No. 1E CDP (El Paso meter No. 90-887) was placed into service on 9/13/96 with Dugan's Com No. 1E and No. 2 producing. The Com No. 4 and Federal I No. 99 wells were added on 6/16/00. The Tabor Com No. 90 and Jiggs No. 1 and No. 2 wells will be added at later dates.

Should you have questions, please let me know.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

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COMMISSIONER'S OFFICE

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New Mexico State Land Office
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Ray Powell, M.S., D.V.M.

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SURFACE RESOURCES

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April 27, 2000

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

Attn: Mr. John D. Roe

Re: Request for Surface Commingling and Off-Lease Measurement
Dugan Production Corp.'s Com No. 1E, Com No. 2 (A-2-29N-14W), Com No. 4 (C-2-29N-14W), Federal I No. 99 (H-3-29N-14W) and Tabor Com No. 90 (H-35-30N-14W)
State Lease Nos. B-11242, E2526, E-6714 & LG-3736
Basin Fruitland Coal and Harper Hill Fruitland Sand-Pictured Cliffs Gas Pools (X)
San Juan County, New Mexico

Dear Mr. Roe:

We are in receipt of your letter of March 29, 2000. In your letter you requested our approval for surface commingling and off-lease storage (X) of production from Dugan's Com No. 4, Federal I No. 99, and Tabor Com No. 90 at the Com No. 1E and 2 wells central delivery sales meter located in the NE/4NE/4 of Sec. 2-29N-14W.

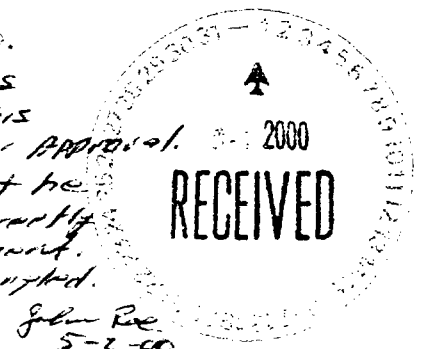
It is our understanding that only natural gas (X) will be commingled after being measured with conventional, continuous recording allocation meters located at each well. The commingled gas stream will then be compressed and delivered to the Com No. 1E CDP sales meter.

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.

Your \$30.00 dollar filing has been received.

Please contact Ms. Debbie Padilla of our Right-of-Way Division at (505) 827-5729 for a right-of-way through the NE/4NW/4, N/2NE/4 of Section 2-29N-14W. Also, please contact Ms. Zilla Padilla of our Commercial Resources Division at (505) 827-5723 for a possible business lease in the NE/4NE/4 of Section 2-29N-14W. Our approval is contingent upon you acquiring the appropriate surface easements.

- (X) phone conversation 5/1/00 with Pete Martinez & SLC.
(A) - the SLC is aware that the Basin Dakota is also approved for surface commingling - this letter adds the two listed Pools to prior approval.
(B) - Pete agrees this should be measurement & he is making note of that - the title is correctly stated & so I did not request amendment.
(C) - SLC does acknowledge water is also commingled.




Dugan Production Corp.
April 27, 2000
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If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

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

pc: Reader File,
OCD-Attention: David Catanach, Ben Stone,
Debbie Padilla
Zilla Padilla