



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

(AMENDED) COMMINGLING ORDER PLC-173-D

Dugan Production Corporation
709 E. Murray Dr.
PO Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John D. Roe

The above named company is hereby authorized to commingle gas production from existing and future wells within the following-described pools and associated areas all located in San Juan County, New Mexico.

Twin Mounds-Fruitland Sand Pictured Cliffs (Gas 86620)

Township 30 North, Range 14 West, NMPM
Section 33: SE/4

Basin-Dakota Pool (Prorated Gas 71599)

Township 29 North, Range 14 West, NMPM
Section 2: E/2
Township 30 North, Range 14 West, NMPM
Section 26: All

Basin-Fruitland Coal (Gas 71629)

Township 29 North, Range 14 West, NMPM
Section 1: All
Section 2: All
Section 3: E/2
Section 10: E/2
Section 11: All
Township 30 North, Range 14 West, NMPM
Section 25: W/2
Section 26: All
Section 35: E/2
Section 36: All

Harper Hill-Fruitland Sand Pictured Cliffs Pool (Gas 78160)

Township 29 North, Range 14 West, NMPM

Section 1: E/2 and NW/4
Section 2: E/2 and NW/4
Section 3: SE/4
Section 10: SE/4
Section 11: SE/4 and NW/4
Section 12: NW/4

Township 30 North, Range 14 West, NMPM

Section 26: NW/4
Section 27: SE/4
Section 35: E/2 and NW/4
Section 36: SE/4 and NW/4

These areas contain all or portions of Federal Leases No. SF-078110, NM-33050, NM-33051, NM-0206994, NM-0206995, NM-4465, NM-23072, and all or portions of State Leases No. E-3149, LG-3736, B-11242, V-5411, B-11571, E-6714, VA-310, and multiple fee leases that comprise portions of Township 30 North, Range 14 West, and/or Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

This area currently contains, or will contain, subsequent to completion of additional drilling operations, 39 Dugan Production Corporation operated wells that are completed within at least one of the pool-areas described above.

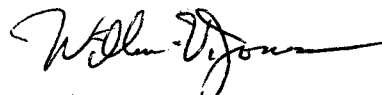
Production shall be allocated by separately and continuously metering the gas production from each well or group of wells with common ownership within this gas gathering system. Gas production shall then be commingled and transported to gas sales meter (Gulfterra Meter No. 90887) located in the NE/4 NE/4 of Section 2, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico. Production shall be determined in accordance with the formula set forth within the application to commingle. No liquids shall be commingled within this gas gathering system.

NOTE: It is the responsibility of the producer to notify the transporter of this commingling authority. The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.

REMARKS: This amendment approves the expansion of the Tabor Gas Gathering System previously approved and defined by administrative order PLC-173-C.

FURTHER: When adding future wells or leases to this gas gathering system, Dugan Production Corporation shall provide legal notice of commingling and method of commingling to the owners in wells or leases to be added and shall not be required to provide notice to owners of existing commingled wells or leases. It is our understanding that all current owners in this commingle have been notified of this future procedure for adding wells.

Done, at Santa Fe, New Mexico on this 22nd day of March 2004.



William V Jones,
Engineer

JP/wvjj

cc: Oil Conservation Division – Aztec
Bureau of Land Management-Farmington
State Land Office-Oil & Gas Division
Files: PLC-173-C, Case 11863 (R-10923)