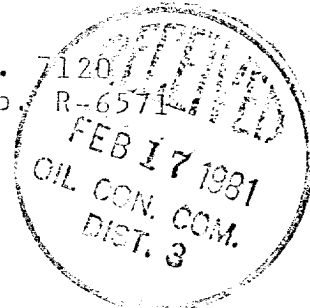


STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 7120
Order No. R-6571



ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 13, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of February, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Dugan Production Corporation, is the owner and operator of the Merry May Well No. 1, located in Unit I of Section 24, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

(3) That the applicant seeks authority to commingle Undesignated Gallup and Basin-Dakota production within the wellbore of the above-described well.

(4) That from the Undesignated Gallup zone, the subject well is capable of low rates of production only.

(5) That from the Basin-Dakota zone, the subject well is capable of low rates of production only.

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 85 percent and 15 percent of the commingled oil and gas production, respectively, should be allocated to the Undesignated Gallup zone, and 15 percent and 85 percent of the commingled oil and gas production, respectively, to the Basin-Dakota zone.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to commingle Undesignated Gallup and Basin-Dakota production within the wellbore of the Merry May Well No. 1, located in Unit I of Section 24, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) That 85 percent and 15 percent of the commingled oil and gas production, respectively, shall be allocated to the Undesignated Gallup zone and 15 percent and 85 percent of the commingled oil and gas production, respectively, shall be allocated to the Basin-Dakota zone.

(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

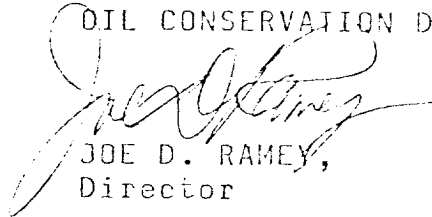
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Case No. 7120

Order No. R-6571

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY,
Director

S E A L

dr/