



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

AMENDED COMMINGLING ORDER PC-936
(SECOND AMENDMENT)

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

Attention: Mr. John D. Roe

LEASE: Federal Lease No. SF-078937 containing well completions in the Davis Federal Well No. 1 and communitization agreements covering the Platero Navajo Well Nos. 1 and 2

DESCRIPTION: NW/4 SW/4 (Gallup) and S/2 (Dakota) of Section 24,
and W/2 of Section 13, Township 26 North, Range 11 West,
NMPM, San Juan County, New Mexico

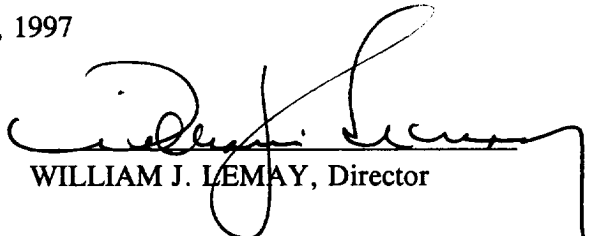
The above-named company is hereby authorized to commingle Gallegos Gallup (Associated - 26980) and Basin Dakota (Prorated Gas - 71599) Pool gas production in a common CPD sales meter and to determine production from each pool by separately metering the production from each well prior to commingling. Allocation of gas production shall be determined using factors derived by dividing the individual meter volumes by the sum of such metered volumes and multiplying by the CPD sales meter volume.

FURTHER: The liquid production shall be separated and stored at individual well locations. Commingled gas production shall be sold at the Davis Federal CPD sales meter located in Unit Letter 'L', Section 24, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico.

PROVIDING: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

DONE at Santa Fe, New Mexico, on this 3rd day of October, 1997


WILLIAM J. LEMAY, Director

WJL/BES

cc: Oil Conservation Division- Aztec
Bureau of Land Management - Farmington