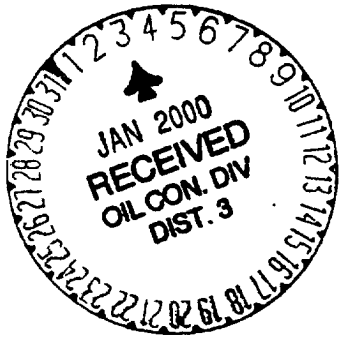
NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

COMMINGLING ORDER PC-936
3rd 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 Wells No.1 and 2 – 13-26N-11W sect. 24

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. **Pipeline drip shall be allocated according to the procedure outlined in Attachment No. 1.**

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.

REMARKS: 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.

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

DONE at Santa Fe, New Mexico, on this 29th day of December, 1999.

LORI WROTENBERY,
Division Director

LW/MWA/kv

Attachments

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

Attachment No.1
Commingling Order PC-936, 3rd Amendment
Allocation Procedures
Dugan Production Corporation
NW/4 SW/4 and S/2 of Section 24, Township-26 North, Range 11West,
San Juan County, New Mexico

Base Data for Gas Production & BTU Allocations:

W=Volume (MCF) from Well Allocation Meter
X=Volume (MCF) from CDP Sales Meter
Y=BTU's from CDP Sales Meter

1. Allocated Individual Well Production = A+B+C+D+E

A = Allocated Sales Volume, MCF
= (W/SUM W) x X

B = On lease fuel usage, MCF. Determined from equipment specifications and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by W I Sum W for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry accepted procedures for the conditions existing at the time of the loss. all volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by W I Sum W.

2. Allocated Individual Well BTU's = ((W x Individual well BTU) / Sum (W x individual well BTU)) x Y.
Individual well gas heating values to be determined in accordance with BLM's Onshore Order No.5.

3. Allocated Individual Well Drip Volumes. This allocation procedure only applies to liquids that may condense from the gas stream and accumulate in the system drip traps. All crude oil, condensate and water production will continue to be separated, stored and sold

at each individual well. All drip volumes recovered from system drip traps will be allocated to the individual wells producing gas through the drip trap from which the drip was recovered using factors determined by dividing the individual well's theoretical liquids by the total theoretical liquids from all wells producing into the system from which the drip was recovered. The theoretical liquids will be calculated by multiplying the individual well's produced gas volumes by the individual well's gas stream liquids content (GPM) of isobutane and heavier. This allocation is to be made during the month that liquids are removed and will be based upon the most recent annual gas volumes produced from the wells involved and an average GPM for each well during the same period. Since drip accumulation typically occurs slowly over extended periods of time and is dependent upon numerous factors, many of which are not controllable, and considering that there is no practical way to know for sure exactly when the drip volumes accumulated, the use of annual gas production rather than specific months of production will simplify this calculation and should improve the accuracy of this factor.

Base Data for Drip & Drip Revenue Allocations:

S = Volume of drip (bbl) removed from system drip blow down tank.

U = GPM (gallons per MCF) of isobutane and heavier from a current individual well gas analysis.

V = Most recent calendar year of gas production from the individual well - MCF. If a full 12 months is not available, an annual volume will be determined using an average production rate from the data available.

F = Allocated Individual Well Drip Volume, bbl

$F = ((V \times U)/\text{Sum}(V \times U)) \times S$