



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

ADMINISTRATIVE ORDER DHC-1969

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

RECEIVED
JUN 15 1988

Attention: Mr. John D. Roe

OIL CON. DIV.
DIST. 3

*Sherman Edward No. 2
API No. 30-039-21246
Unit M, Section 3, Township 29 North, Range 5 West, NMPM,
Rio Arriba County, New Mexico.
Gobernador-Pictured Cliffs (Gas - 77440) and
Blanco-Mesaverde (Prorated Gas - 72319) Pools*

Dear Mr. Roe:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Blanco-Mesaverde Gas Pool	Oil 0%	Gas 55%
Gobernador-Pictured Cliffs Gas Pool	Oil 100%	Gas 45%

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The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

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

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 11th day of June, 1998.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

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



IN REPLY REFER TO:

NM23048
3162.3-2 (07400)

Dugan Production Company
Attn.: John Roe
P.O. Box 420
Farmington, New Mexico 87499-0420

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

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OIL CON. DIV.
DIST. 3

Re: Well No. 2 Sherman Edward
SWSW 3-29N-5W
Lease No. NM23048
Rio Arriba County, NM

Dear Mr. Roe:

By letter dated May 20, 1998, you requested authorization to down hole commingle gas and associated liquid hydrocarbons from the Mesaverde and Pictured Cliffs Formations of the above referenced well. After reviewing the production histories for this well and wells in the vicinity, we concur with the fixed allocation factors established in your application. Authorization is hereby given to allocate production in accordance with the factors outlined below:

<u>Formation</u>	<u>Gas</u>	<u>Oil</u>
Mesaverde	55%	0.0%
Pictured Cliffs	45%	100%

Commingled production from each zone must be reported in accordance with the allocation factors identified above. A Sundry Notice of intent (form 3160-5) will be required prior to commencing the mechanical aspects of down hole commingling. Please provide a detailed procedure of the proposed operations for our review and consideration.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

/s/ Duane W. Spencer

Duane Spencer
Team Leader, Petroleum Management Team

cc:
NMOCD, Santa Fe
NMOCD, Aztec