



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-2369

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

Attention: Mr. John Roe

RECEIVED  
JUL - 7 1999  
OIL CON. DIV.  
DIST. 3

*Sherman Edward No. 2B  
API No. 30-039-21411  
Unit O, Section 3, Township 29 North, Range 5 West, NMPM,  
Rio Arriba County, New Mexico.  
Blanco-Mesaverde (Prorated Gas - 72319) and  
Gobernador-Pictured Cliffs (Gas - 77440) 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:

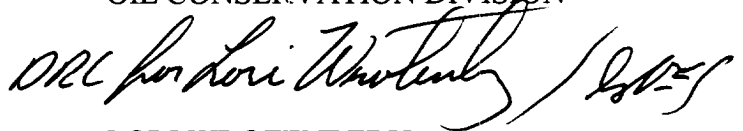
|                                     |          |         |
|-------------------------------------|----------|---------|
| Blanco-Mesaverde Gas Pool           | Oil-0%   | Gas-55% |
| Gobernador-Pictured Cliffs Gas Pool | Oil-100% | Gas-45% |

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Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.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 1st day of July, 1999.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", is written over the printed name and title.

LORI WROTENBERY  
Director

S E A L

LW/DRC

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