



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:

June 3, 1998

SCR-331 (CA)
14080017547 (CA)
3162.3-3 (07400)

Mr. John Roe
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

Dear Mr. Roe:

We have reviewed your application for downhole commingling of the Mesaverde and Dakota Formations in the No. 1E Garrett Federal Com. NwNe Sec. 12, T.29N., R.11W.. This well is located on Fee land, but committed to 2 Federal Communitization Agreements (CA). We concur with your proposal to use fixed allocation since each formations decline rates are similar. The approved fixed allocation factors are as follows:

| Formation | Gas Allocation | Oil Allocation | CA Number |
|-----------|----------------|----------------|-------------|
| Mesaverde | 56% | 0 % | SCR-331 |
| Dakota | 44% | 100% | 14080017547 |

Please notify our office of the date the well is downhole commingled so that we can update our records.

If you have any questions, please call me at (505) 599-6350.

Sincerely,

/s/ Duane W. Spencer

Duane W. Spencer
Team Lead, Petroleum Management

cc:
NMOCD, Aztec, NM
NMOCD, Santa Fe, NM

bcc:
CA NMNM-76201
CA NMNM-73651
T&R (29N-11W)
DOMR

07400:DSpencer:6/3/98:gareett 1e.dhc

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OIL COLL. DIST.

Garrett Fed Com #1E