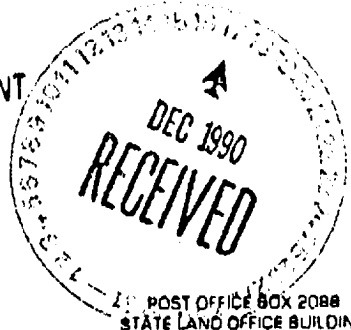


Att: Alice D.

lh



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



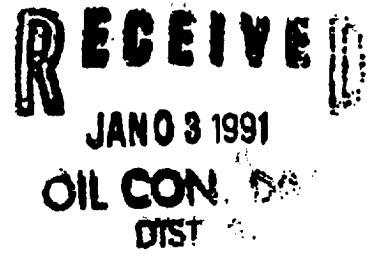
POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

GARREY CARRUTHERS  
GOVERNOR

AP

ADMINISTRATIVE ORDER DHC-781

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



Attention: John Alexander

*Monte Carlo Well No. 2  
Unit M, Section 24, Township 30 North, Range 15 West, NMPM, San  
Juan County, New Mexico.  
Basin Dakota & Wildcat Gallup Pools*

Dear Mr. Alexander:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle production from both 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 two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 30 barrels per day, and total water production shall not exceed 60 barrels per day. 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.

Administrative Order DHC-781  
Dugan Production Corporation  
December 12, 1990  
Page 2

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

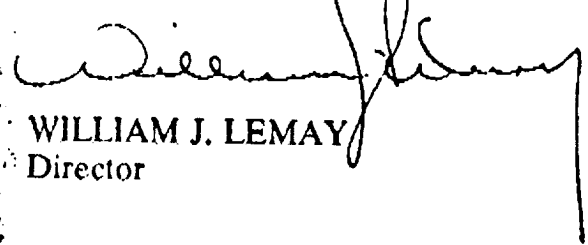
Gallup Pool:	Oil	80%,	Gas	40 %
Dakota Pool:	Oil	20%,	Gas	60%

The Director of the Division shall require the subject well to be shut in should the subject gas proration unit become overproduced in the Basin-Dakota Gas Pool in accordance with the terms and conditions of Rule 11(b)(2) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Order No. R-8170, as amended.

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 12th day of December, 1990.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

SEAL