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AUG 25 2004

OIL CONSERVATION
DIVISION

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

Phone (505) 827-5760

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www.nmstatelands.org

August 23, 2004

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

Attn: Mr. John D. Roe

Re: Dugan Production Corp.'s
Addition of State Com Well Nos. 1B, 2A & 2B
State Com Gas Gathering System and CDP
NMOCD Commingling Order PLC-153-B
State Lease Nos. B-11571, E-3555-13, E-4426 & LG-0038-1
Blanco Mesaverde Infill Wells
Section 16-32N-12W
San Juan County, New Mexico

Dear Mr. Roe:

We have received your letter of August 13, 2004 wherein you have notified this office of your plans for the addition of Dugan Production Corp.'s State Com Well Nos. 1B, 2A and 2B to Dugan's State Com Gas Gathering System and CDP all located within Section 16, Township 32 North, Range 12 West.

It is our understanding that all three new infill wells will be equipped with conventional gas meters which will be used for allocation purposes.

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your \$30.00 dollar filing has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS



BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/pm

pc: Reader File, OCD-Attention: David Catanach