

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Administrative Order PLC-365

December 4, 2012

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

Attention: John Roe:

Dugan Production Corporation ("Dugan") is hereby authorized to surface commingle gas production from the following Pools located in Section 2, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico.

Basin Fruitland Coal Gas Pool (71629)
Nageezi Gallup Oil Pool (47540}

and from the following diversely owned wells located on State and Federal leases in San Juan County, New Mexico:

Well Name & Number	API No.	Well Location
Jeffers Federal 2 Well No. 23	30-045-52443	Section 2, T-23-N, R-8-W
Lybrook 102-2308 Well No. 1H	Pending	Section 2, T-23-N, R-8-W

The Jeffers Federal Gas Gathering System (JFGS) to be operated by Dugan Production Corporation is hereby approved.

The commingled production shall be measured and sold at the Jeffers Federal Gas Gathering System Central Delivery Point located in the NW/4SE/4 of Section 3, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico. The gas production from the wells is approved for off lease measurement and sales.

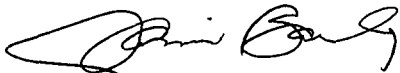
The gas production from each well shall be continuously measured with allocation meters before commingling with production from other wells. The allocation meters shall be calibrated quarterly.

The oil production from the wells shall not be commingled.

The producer/operator shall notify the transporter of this commingling authority.

The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.

DONE at Santa Fe, New Mexico, on December 4, 2012.

A handwritten signature in black ink, appearing to read "Jami Bailey".

Jami Bailey
Division Director

JB/re

cc: Oil Conservation Division District Office – Aztec.
Bureau of Land Management (BLM) – Farmington
State Land Office (SLO) – Oil, Gas, and Minerals Division