

DHC-1718



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

January 26, 1998

IN REPLY REFER TO:

NMNM-99002 (WF)
3162.3-2 (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. 2 Mona Lisa, NwSe Sec. 14, T.26N., R.7W. lease NMNM-99002. We concur with your application that downhole commingling the Mesaverde and Dakota Formations will result in the maximum economic recovery and prevent waste. Your proposed allocation of 60% of the oil and gas produced to the Dakota Formation, and the remaining 40% to the Mesaverde Formation are approved. A copy of this approval is being sent to the Oil Conservation Division.

Dugan also applied for two non-standard 160 acre spacing units for the S/2 of section 14. Your proposal would allow the interest owners of both the SE/4 and the SW/4 to drill, produce and operate their own wells. Since the S/2 of Section 14 and all the surrounding leases are Federal, we have no correlative rights concerns with your application, since only one well will be permitted in each quarter at this time.

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, Santa Fe, NM
NMOCD, Aztec, NM