



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1920

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

Attention: Mr. John Alexander

Mona Lisa No. 2
API No. 30-039-25745
Unit J, Section 14, Township 26 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Ice Canyon-Gallup (Gas - 93235),
Basin-Dakota (Prorated Gas - 71599) and,
Blanco-Mesaverde (Prorated Gas - 72319)

Dear Mr. Alexander:

Reference is made to your request for an amendment to Division Order No. R-10963, which authorized the downhole commingling of Basin-Dakota and Blanco-Mesaverde Gas Pool production within the subject well, to add the Ice Canyon-Gallup Gas Pool as a third commingled zone in the wellbore.

It appearing that the subject well qualifies for approval for such amendment 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 zones is hereby placed in abeyance.

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.

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

| | | |
|----------------------------|---------|---------|
| Blanco-Mesaverde Gas Pool | Oil 30% | Gas 30% |
| Basin-Dakota Gas Pool | Oil 45% | Gas 45% |
| Ice Canyon-Gallup Gas Pool | Oil 25% | Gas 25% |

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The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 11th day of May, 1998.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec
Bureau of Land Management-Farmington
Case File-11897