

January 8, 1998

Dugan Production Corp.

Exhibit No. 11

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

Administrative Hearing

EXISTING WELLBORE

YES NO

1000 Rio Arriba Rd, Aztec, NM 87410-1693

APPLICATION FOR DOWNHOLE COMMINGLING

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

Lease Mona Lisa Well No. 2 Unit Ltr. - Sec - Twp - Rge J-14-26N-7W County Rio Arriba

OGRID NO. 006515 Property Code 21582 API NO. 30 039 25745 Spacing Unit Lease Types: (check 1 or more)
Federal State (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde 72319		Basin Dakota 71599
2. Top and Bottom of Pay Section (Perforations)	Approximately 4600' - 4740'		Approximately 6620' - 6765'
3. Type of production (Oil or Gas)	Gas & Condensate		Gas & Condensate
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) Not completed	a.	a. Not completed
	b. (Original) 1087 psia (est.)	b.	b. 2680 psia (est.)
6. Oil Gravity (°API) or Gas BTU Content	1279 BTU/SCF (est.)		1249 BTU/SCF (est.)
7. Producing or Shut-In?	Not completed		Not completed
Production Marginal? (yes or no)	Anticipated to be		Anticipated to be
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates: 74 MCFD + 0.6 BCPD (est.)	Date: Rates:	Date: Rates: 118 MCFD + 0.9 BCPD (est.)
	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 40 % Gas: 40 %	Oil: % Gas: %	Oil: 60 % Gas: 60 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). R#'s-10476-B, 5403, 5927

16. ATTACHMENTS: DHC#'s-455, 610, 659, 660, 1207, 1607

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE John D. Roe TITLE Engineering Manager DATE 12-1-97

TYPE OR PRINT NAME John D. Roe TELEPHONE NO. (505) 325-1821