



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3251

Sandel Operating Company
PO Box 1917
Huntsville, Texas 77342

RECEIVED

MAR 10 2004

OCD-ARTESIA

Attention: Ricky W. Sledge

Grace Carlsbad Well No. 1

API No. 30-015-20573

*NE/4 SE/4, Section 36, Township 22 South, Range 26 East, NMPM,
Eddy County, New Mexico*

South Carlsbad-Strawn (Gas 74120),

South Carlsbad-Morrow (Gas 73960) Pools

Dear Mr. Sledge:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the well bore.

It appearing that the subject well qualifies for approval for such exception 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 and oil which may be produced daily from the well shall be determined using Division Rules and Regulations.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis unless modified with Division permission and copied to this office.

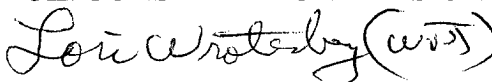
South Carlsbad-Strawn Gas Pool	Oil-88%	Gas-28%
South Carlsbad-Morrow Gas Pool	Oil-12%	Gas-72%

REMARKS: The operator shall notify the Artesia District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.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 3rd day of March 2004.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Lori Wrotenbery (LW)", is written over the printed name.

LORI WROTENBERY
Division Director

LW/wvj

cc: Oil Conservation Division – Artesia
State Land Office – Minerals Management