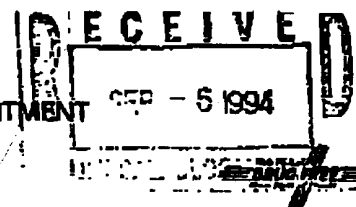




BRUCE KING
GOVERNOR
ANITA LOCKWOOD
CABINET SECRETARY

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



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ADMINISTRATIVE ORDER DHC-1040

Union Oil Company of California
P.O. Box 850
Bloomfield, NM 87413

Attention: Bob Caine

*Rincon Unit Well No. 178E
Unit 1, Section 23, Township 27 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Blanco Mesaverde and Basin-Dakota Gas Pools*

Dear Mr. Caine:

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

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 two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 50 barrels per day, and total water production shall not exceed 100 barrels per day. 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.

Subsequent to drilling the subject well, the applicant shall conduct production test(s) on the Mesaverde and/or the Dakota formations in accordance with a procedure approved by the Supervisor of the Division's Aztec District Office for the purpose of determining a proper allocation of production.

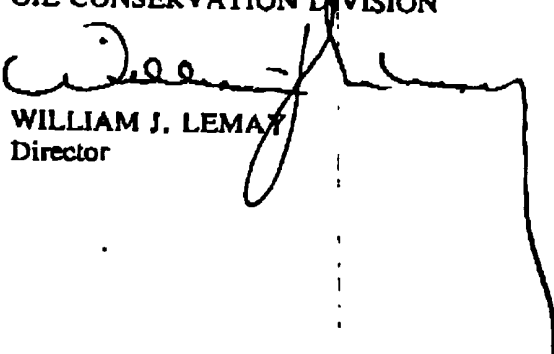
*Administrative Order DHC-1040
Union Oil Company of California
August 31, 1994
Page 2*

The applicant shall submit the production test data and a recommended allocation of production from the subject well to the Supervisor of the Division's Aztec District Office for approval.

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 31st day of August, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

SEAL

WJL/DRC/amg

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington

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