



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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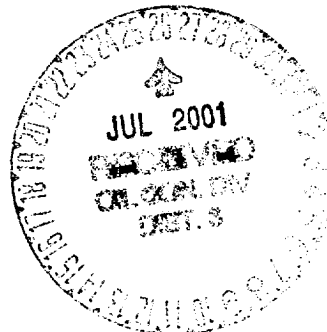
Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-2940

Coleman Oil & Gas Company
c/o Walsh Engineering
7415 East Main St.
Farmington, New Mexico 87402

Attention: Mr. Paul C. Thompson



Darcy Ann No. 1

API No. 30-045-29896

*Unit M, Section 26, Township 26 North, Range 12 West, NMPM,
San Juan County, New Mexico.*

Basin-Fruitland Coal (Gas - 71629) and

WAW Fruitland Sand-Pictured Cliffs (Gas - 87190) Pools

Dear Mr. Thompson:

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 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 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.

Production from the well shall be allocated in the following manner:

Production from the WAW Fruitland Sand-Pictured Cliffs Gas Pool shall be determined utilizing the following formula:

$$\text{Pictured Cliffs production} = \text{Pictured Cliffs base production rate} \times e^{-Dt}$$

where $D = 5.8\%$ per year and $t =$ time in years since first production.

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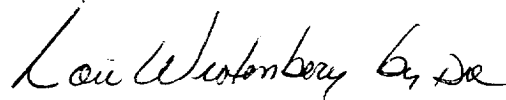
Production from the Basin-Fruitland Coal Gas Pool shall be determined by subtracting WAW Fruitland Sand-Pictured Cliffs Gas Pool production from the well's total monthly oil and gas production.

REMARKS: The operator shall notify the Aztec 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 23rd day of July, 2001.

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