



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1102

Mallon Oil Company
999 18th Street, Suite 1700
Denver, Colorado 80202

Attention: Mr. Ray E. Jones

*Mobil "12" Federal Well No.1
Unit B, Section 12, Township 23 South, Range 26 East, NMPM,
Eddy County, New Mexico.
South Carlsbad Canyon and South Carlsbad Strawn Pools*

Dear Mr. Jones:

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 80 barrels per day, and total water production shall not exceed 160 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 Southeast Gas Proration Schedule.

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

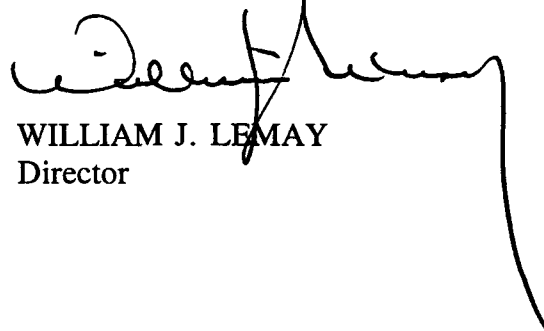
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|----------------------------|---------|---------|
| South Carlsbad Canyon Pool | Oil 79% | Gas 30% |
| South Carlsbad Strawn Pool | Oil 21% | Gas 70% |

FURTHER: The operator shall notify the Hobbs District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.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 8th day of March, 1995.

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A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name. The signature is fluid and cursive, with a long, sweeping line extending from the end of the name.

WILLIAM J. LEMAY
Director

S E A L

WJL/BES

cc: Oil Conservation Division - Hobbs
Bureau of Land Management - Carlsbad