



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



December 27, 2010

Administrative Order DHC-4342

Application Reference Number: pTGW1035637521

Sundown Energy, LP
Attn: David Catanach
13455 Noel RD, Suite 2000
Dallas, TX 75240

**Re: Lea 396 State Well No. 2
API No. 30-025-03718**

**Pool: Dean Permo-Penn (oil) (16720)
Dean Devonian (oil) (16530)**

Dear Mr. Catanach:

Reference is made to your application for an exception to Division Rule 12.9A. to permit down hole commingling of production from the subject pools within the above-described wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 12.11A., 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.

In accordance with Division Rule 12.11A.(6), the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

Assignment of allowable and allocation of production from the well shall be as follows:

Dean Permo-Penn Pool	Pct Gas: 81%	Pct Oil: 15%
Dean Devonian Pool	Pct Gas: 19%	Pct Oil: 85%

Oil Conservation Division

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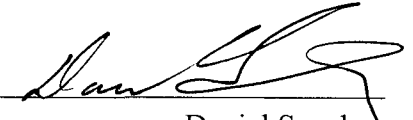
It is our understanding that the above allocation percentages are based on production history from this well.

It is also understood that ownership of all interest in the pools from which production is being commingled is identical.

This approval is conditional upon approval by the New Mexico State Land Office prior to commencement of commingling.

The operator shall notify the Division's Hobbs district office upon implementation of commingling operations.

Pursuant to Rule 12.11B, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.


Daniel Sanchez
Acting Director

DS/db

cc: Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe