

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
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Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



April 18, 2011

Administrative Order DHC-4369
Application Reference Number: pTGW1110539952

McElvain Oil & Gas Properties, Inc.
Attn: Mr. J.M. McKinney, Jr.

Re: Ruby Well No. 1
API No. 30-045-33266

Pool: Fulcher Kutz Pictured Cliffs Gas (77200)
Basin Fruitland Coal (71629)

Dear Mr. McKinney:

Reference is made to your application for an exception to Division Rule 12.9.A [19.15.12.9.A NMAC] 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 12.11.A [19.15.12.11.A NMAC], and that reservoir damage or waste will not result from such down-hole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described.

In accordance with Division Rule 12.11.A(6) [19.15.12.11.A(6) NMAC], 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:

Fulcher Kutz Pictured Cliffs Gas	Pct Gas: To be supplied	Pct Oil: To be supplied
Basin Fruitland Coal	Pct Gas: To be supplied	Pct Oil: To be supplied

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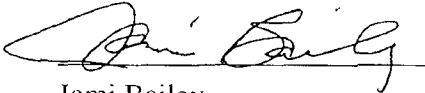
It is our understanding that the allocation percentages will be based on volumetric calculations, and will be reported to the Division's Santa Fe Office within 60 days after workover of this well is completed.

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 United States Bureau of Land Management prior to commencement of commingling.

The operator shall notify the Division's Aztec 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Pursuant to Rule 12.11B, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

A handwritten signature in black ink, appearing to read "Jami Bailey", written over a horizontal line.

Jami Bailey
Director

JB/tw

cc: Oil Conservation Division – Aztec
United States Bureau of Land Management