



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3361

Zia Energy, Inc.
2203 Timberloch Place
Site 229
The Woodlands, TX 77380

Attention: Gene Lee

*Hill Well No. 1
API No. 30-025-06394
Unit J, Section 4, Township 21 South, Range 37 East, NMPM,
Lea County, New Mexico
Tubb Oil & Gas (60240),
Penrose-Skelly Grayburg (50350), and
Blinebry Oil & Gas (6660) Pools*

Dear Mr. Lee:

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.

In accordance with the provisions of Rule 303C.(1), the maximum amount of oil and gas that may be produced from the well shall be determined by Division Rules and Regulations.

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

follows.

Penrose-Skelly Grayburg Pool	Oil-33%	Gas-33%
Blinebry Oil & Gas Pool	Oil-33%	Gas-33%
Tubb Oil & Gas Pool	Oil-34%	Gas-34%

This commingle permit and these allocation percentages shall be amended only with written permission of the Division.

REMARKS: The operator shall notify the 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Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.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 November 10, 2004.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Division Director

MEF/wvj

cc: Oil Conservation Division - Hobbs