



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3169

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401

Attention: Mr. Charlie Donahue

Carson Well No. 2

API No. 30-039-22083

*Unit K, Section 7, Township 30 North, Range 4 West, NMPM,
Rio Arriba County, New Mexico*

Blanco-Mesaverde (Prorated Gas - 72319),

*Undesignated East Blanco-Pictured Cliffs (Gas - 72400) and
Wildcat-Gallup (Gas -N/A) Pools*

Dear Mr. Donahue:

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 well bore.

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 subject well shall be allocated as follows:

During the initial 60-day period of production after completion of the Gallup zone, Gallup production shall be determined by subtracting combined Mesaverde/Pictured Cliffs gas production (125 MCFGD) from the well's total production. During that time, Mesaverde and Pictured Cliffs gas production shall be allocated 33% to the Mesaverde and 67% to the Pictured Cliffs.

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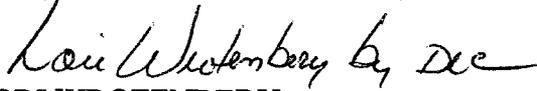
Subsequent to the 60-day production period, the applicant shall consult with the supervisor of the Aztec District Office of the Division in order to determine a fixed allocation of production from each of the commingled zones. Upon approval by the Division's Aztec District Office, the applicant shall submit the allocation formula to the Santa Fe Office of the Division.

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 25th day of July, 2003.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

LW/DRC

cc: Oil Conservation Division – Aztec
Bureau of Land Management-Farmington