



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

AMENDED ADMINISTRATIVE ORDER DHC-2762

Zia Energy, Inc.
P.O. Box 2510
Hobbs, New Mexico 88241

Attention: Mr. Scott Nelson

*Elliot "B" No. 6
API No. 30-025-10333
Unit A, Section 17, Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico.
Eumont Yates-Seven Rivers-Queen (Oil - 22800) and
Penrose Skelly-Grayburg (Oil - 50350) Pools*

Dear Mr. Nelson:

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 303.C.(1), each of the commingled pools shall be allowed to produce up to the top oil allowable and top casinghead gas allowable applicable for that pool.

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

Amended Administrative Order DHC-2762

Zia Energy, Inc.

February 26, 2001

Page 2

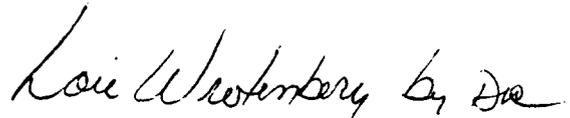
Eumont Seven Rivers-Queen-Grayburg Pool	Oil-24%	Gas-62%
Penrose Skelly-Grayburg Pool	Oil-76%	Gas-38%

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

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.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 26th day of February, 2001.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division – Hobbs