



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3014

Phillips Petroleum Company
5525 Highway 64
Farmington, New Mexico 87401

Attention: Mr. Eric Dahlgren

*San Juan 32-7 Unit Well No.39B
API No. 30-045-30197
Unit M, Section 23, Township 32 North, Range 7 West, NMPM,
San Juan County, New Mexico.
South Los Pinos Fruitland Sand-Pictured Cliffs (Gas - 80690), and
Blanco-Mesaverde (Prorated Gas - 72319) Pools*

Dear Mr. Dahlgren:

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 Division Order R-11210, 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 Gas Proration Schedule.

All oil production shall be attributed to the Pictured Cliffs and none for the Mesaverde. Initial allocation of gas production for the Pictured Cliffs shall be as forecast from initial testing – beginning at 50 mcfpd and declining from there at typical rates for the Pictured Cliffs. Initial allocation of gas production for the Mesaverde shall be total well production minus that forecast for the Pictured Cliffs.

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After 12 months of commingled production, 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 11th day of June 2002.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

LW/WVJ

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
State Land Office – Santa Fe