



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order DHC-4190

June 12, 2009

SOVEREIGN EAGLE, LLC
P.O. BOX 968
ROSWELL, NM 88202

Attention: Jennifer Zapata, Production Analyst

Perry Well No. 1
API No: 30-041-20828
Unit M, Section 23, Township 2 South, Range 29 East, NMPM
Roosevelt County, New Mexico

Pools: Tule Pennsylvania; Gas (upper zone; perms 6825'-7044') Gas 86443
Tule Montoya; Gas (lower zone; perms 7174'-7184') Gas 86442

Reference is made to your recent application for an exception to Rule 12.9A. 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 12.11A., 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 or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division 12.11A.(6), 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:

Tule Pennsylvania; Gas (upper zone)	Pct Gas: 70	Pct Oil: 0
Tule Montoya; Gas (lower zone)	Pct Gas: 30	Pct Oil: 0

It is our understanding that ownership interests are identical between pools that will be commingled within this well, and Sovereign will log or test the well in order to arrive at a production allocation between pools. The production allocation percentages of oil and gas



between these pools shall be reported to the Divisions Santa Fe office within 60 days following completion of this workover.

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Pursuant to Rule 12.11B., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



MARK E. FESMIRE, P.E.
Director

MEF/tw

cc: Oil Conservation Division – Hobbs