



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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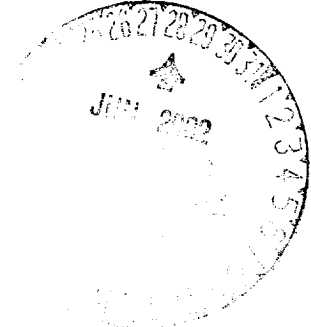
Lori Wrotenbery
Director
Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3022

Phillips Petroleum Company
5525 Highway 64
Farmington, New Mexico 87401

Attention: Mr. Brad Peterson

San Juan 29-5 Unit No. 74
API No. 30-039-21029
Unit L, Section 17, Township 29 North, Range 5 West, NMPM,
Rio Arriba County, New Mexico
Basin-Fruitland Coal (Gas - 71629) and
Blanco-Mesaverde (Prorated Gas - 72319) Pools



Dear Mr. Peterson:

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-10770, 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.

For allocation of production between zones, the applicant shall utilize the subtraction method as proposed for a period of 24 months or until gas production decline has stabilized. Fruitland Coal production shall be calculated as total well production minus forecast Mesaverde production. After this initial stabilizing 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.

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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 21st day of June 2002.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery (LWVJ)

LORI WROTENBERY
Director

LW/WVJ

cc: Oil Conservation Division – Aztec /
Bureau of Land Management - Farmington
State Land Office-Oil & Gas Division
Files: R-10770