



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

ADMINISTRATIVE ORDER DHC-2937

Phillips Petroleum Company
5525 Highway 64
Farmington, New Mexico 87401

Attention: Mr. Eric Dahlgren



*San Juan 32-7 Unit No. 10
API No. 30-045-11106
Unit N, Section 32, Township 32 North, Range 7 West, NMPM,
San Juan County, New Mexico
Undesignated South Los Pinos Fruitland Sand-
Pictured Cliffs (Gas - 80690) and
Blanco-Mesaverde (Prorated Gas - 72319) Gas 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 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 well shall be allocated as follows:

A stabilized production rate shall be obtained from the South Los Pinos Fruitland Sand-Pictured Cliffs Gas Pool subsequent to the completion of this zone. Thereafter, the applicant shall submit a South Los Pinos Fruitland Sand-Pictured Cliffs Gas Pool production forecast to the Santa Fe and Aztec Offices of the Division. Thereafter, oil and gas production from the South Los Pinos Fruitland

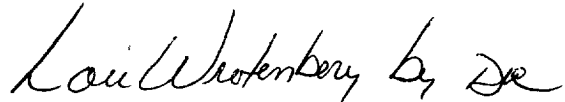
Sand-Pictured Cliffs Gas Pool shall be determined utilizing the production forecast. Oil and gas production from the Blanco-Mesaverde Gas Pool shall be determined by subtracting South Los Pinos Fruitland Sand-Pictured Cliffs Gas Pool production from the well's total monthly oil and gas production.

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 18th day of July, 2001.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

S E A L

LW/DRC

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