



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER DHC-714

Zia Energy, Inc.
P.O. Box 2219
Hobbs, NM 88240

Attention: Farris Nelson

BJ Well No. 1
Unit P, Section 17, Township 22 South, Range 37
East, NMPM, Lea County, New Mexico.
Eumont, Penrose Skelly Grayburg and Southwest
Eunice San Andres 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 subject well to commingle production from all three 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 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 three zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 20 barrels per day, and total water production shall not exceed 40 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by multiplying 5000 by the top unit allowable for the Southwest Eunice San Andres Pool.

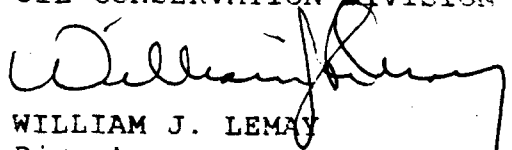
Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Queen Pool:	Oil 20%,	Gas 20%
Grayburg Pool:	Oil 35%,	Gas 35%
San Andres Pool:	Oil 45%,	Gas 45%

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 28th day of December, 1988.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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