

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

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SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER DHC-739

American Exploration Company
2100 Republic Bank Center
700 Louisiana
Houston, TX 77002-2725

Attention: Marty B. McClanahan

Elk State No. 2
Unit M, Section 16, Township 23 South, Range 37 East, NMPM,
Lea County, New Mexico.
Teague Blinebry and Undesignated Imperial Tubb-Drinkard Pools

Dear Mr. McClanahan:

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 both 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 two 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 40 barrels per day, and total water production shall not exceed 80 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by multiplying 2000 by the top unit allowable for the Imperial Tubb-Drinkard Pool.

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

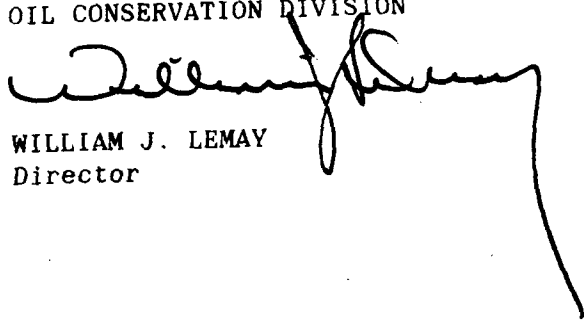
| | | |
|----------------|-----------|----------|
| Blinebry Pool: | Oil 100%, | Gas 100% |
| Tubb Pool: | Oil 0%, | Gas 0% |

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

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Approved at Santa Fe, New Mexico on this 11th day of September, 1989.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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