

COMPANY: Meridian Oil Company
ADDRESS: P.O. Box 4289
CITY, STATE, ZIP: Farmington, New Mexico 87499-4289
ATTENTION: Mr. Arden L. Walker, Jr.
WELL NAME AND NUMBER: San Juan 29-7 Well No.574
LOCATION: UNIT G, SECTION 32, T-29 North, R-7 East,
NMPM, Rio Arriba County, New Mexico.
POOLS: Basin Fruitland Coal and Undesignated Pictured Cliffs

Gentlemen:

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 the 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 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 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 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 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.

Assignment of allowable to the well and allocation of production from the well shall be in accordance with the allocation formula shown on Exhibit "A", attached hereto and made a part hereof. Any condensate production will be allocated entirely to the Undesignated Picture Cliffs interval.

The operator is responsible for reporting the monthly gas production from the subject well to the Division utilizing the allocation formula adopted herein. An annual report shall be submitted by the operator to both the Aztec and Santa Fe offices of the Division showing the complete computations for the previous twelve month period.

FURTHER: The operator shall notify the Aztec District Office prior to implementation of the commingling process.

Pursuant to Rule 303-C-5, the commingling authority granted by this order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

xc: STATE LAND OFFICE - _____ BLM - Farmington OCD - Aztec WJL/BES/