



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

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CABINET SECRETARY

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SANTA FE, NEW MEXICO 87504
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ADMINISTRATIVE ORDER DHC-1016

Mallon Resources Corporation
999 18th Street
Denver, CO 80202

Attention: Ray E. Jones

*Mobil "12" Federal No. 1
Unit B, Section 12, Township 23 South, Range 26 East, NMPM,
Eddy County, New Mexico.
South Carlsbad-Morrow, South Carlsbad-Atoka and
South Carlsbad-Strawn Pools*

Dear Mr. Jones:

Reference is made to your recent application for amendment to Division Order R-4953, dated January 28, 1975, which authorized the downhole commingling of production from the South Carlsbad-Morrow and South Carlsbad-Atoka pools in the wellbore, to permit the addition of a third zone of production to be commingled in the wellbore.

It appearing that the subject well qualifies for approval for such amendment 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 80 barrels per day, and total water production shall not exceed 160 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 Southeast Gas Proration Schedule.

In accordance with the provisions of Rule 303-C, the supervisor of the Artesia District Office of the Oil Conservation Division shall determine the proper allocation of production from the subject well following its completion.

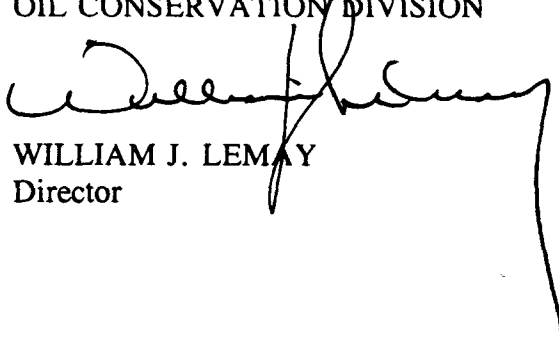
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FURTHER: The operator shall notify the Artesia District Office of the Division upon implementation of the commingling process.

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 June, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/DRC/amg

cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad