



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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

ADMINISTRATIVE ORDER DHC-1026

Merrion Oil and Gas Corporation
P.O. Box 840
Farmington, NM 87499

Attention: George F. Sharp

*Blueberry Buckle Well No. 1
Unit D, Section 32, Township 30 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Basin-Fruitland Coal and Navajo City-Pictured Cliffs Pools*

Dear Mr. Sharp:

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 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 on the following basis:

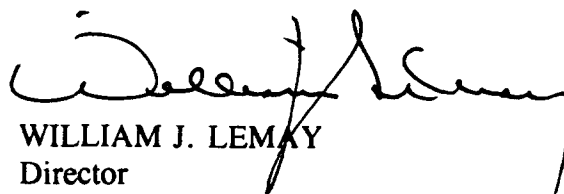
Pictured Cliffs gas reserves shall be calculated utilizing actual measured reservoir pressure during completion. A production test shall be conducted on the Pictured Cliffs interval to obtain initial producing rate. Based on initial rate, final rate and gas reserves, a decline rate and resulting production schedule for the Pictured Cliffs shall be calculated. Monthly Fruitland Coal production shall be determined by subtracting the Pictured Cliffs production (obtained from the production schedule) from the well's total monthly producing rate.

A copy of the calculations and Pictured Cliffs production schedule shall be submitted to the Santa Fe and Aztec offices of the division upon completion.

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 2nd day of August, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/DRC/amg

cc: Oil Conservation Division - Aztec