

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**John H. Bemis**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey**  
Division Director  
Oil Conservation Division



Administrative Order PLC-333-A  
January 16, 2013

SM Energy Company  
3300 N. A Street, Building 7, Suite 200  
Midland, Texas 79705

Attention: Vickie Martinez:

SM Energy Company ("SM Energy") is hereby authorized to surface commingle oil and gas production from the following Pools and leases located in Township 18 South, Ranges 31 and 32 East, NMPM, Eddy and Lea Counties, New Mexico.

**Pools**

Shugart; Delaware, East (56419)  
Shugart; Yates-7RS-QU-Grayburg (56439)

**Leases:**

NMNM101361X  
NMNM106714  
NMNM106715  
NMNM67987  
NMNM106716

and from the following diversely owned wells identified in Tables 1 and 2 below:

The oil and gas production from the wells in Table 1 shall be commingled at the Geronimo Tank Battery located in Unit G of Section 24, Township 18 South, Range 31 East, Eddy County, New Mexico, EXCEPT that the gas production only from the wells in Table 2 shall be commingled at the Inca Tank Battery located in Unit I of Section 19, Township 18 South, Range 32 East, Lea County, New Mexico. [Note: Table 2 is a subset of Table 1]. By this amendment, the operator requests to add one well to the Geronimo Battery and four wells to the Inca Battery as shown below. The request to add these wells is hereby approved

The oil and gas production from Geronimo Federal Well Nos. 1 and 6, Inca Federal Well No. 5, Jade Federal Well No. 2, and Conoco Federal Well No. 2 shall be measured continuously with calibrated allocation meters prior to commingling with production from other wells. The allocation meters shall be calibrated semi-annually. The oil and gas production from the rest of the unit wells shall be determined by monthly periodic well tests.

**Table 1 Geronimo Battery (Location G-24-18S-31E; SW4/NE4; Eddy Co. NM)**

EAST SHUGART DELAWARE UNIT #001 430 FSL & 1650 FEL	30-015-25741 O-13-18S-31E
EAST SHUGART DELAWARE UNIT #002 330 FSL & 330 FEL	30-015-25847 P-13-18S-31E
EAST SHUGART DELAWARE UNIT #003 330 FSL & 330 FWL	30-025-29695 4-18-18S-32E
EAST SHUGART DELAWARE UNIT #004 765 FNL & 1980 FEL	30-015-25546 B-24-18S-31E
EAST SHUGART DELAWARE UNIT #005 790 FNL & 1650 FEL	30-015-26022 B-24-18S-31E
EAST SHUGART DELAWARE UNIT #006 890 FNL & 990 FEL	30-015-25385 A-24-18S-31E
EAST SHUGART DELAWARE UNIT #007 760 FNL & 330 FWL	30-025-29887 1-19-18S-32E
EAST SHUGART DELAWARE UNIT #008 660 FNL & 1650 FWL	30-025-29978 C-19-18S-32E
EAST SHUGART DELAWARE UNIT #009 1730 FNL & 1650 FEL	30-015-25723 G-24-18S-31E
EAST SHUGART DELAWARE UNIT #010 1650 FNL & 990 FEL	30-015-25457 H-24-18S-31E
EAST SHUGART DELAWARE UNIT #011 1700 FNL & 330 FWL	30-025-29940 2-19-18S-32E
EAST SHUGART DELAWARE UNIT #012 1650 FNL & 1650 FWL	30-025-29939 F-19-18S-32E
EAST SHUGART DELAWARE UNIT #013 2310 FSL & 1650 FEL	30-015-25734 J-24-18S-31E
EAST SHUGART DELAWARE UNIT #014 2310 FSL & 990 FEL	30-015-25652 I-24-18S-31E
EAST SHUGART DELAWARE UNIT #015 2310 FSL & 660 FWL	30-025-30187 3-19-18S-32E
EAST SHUGART DELAWARE UNIT #016 2310 FSL & 1650 FWL	30-025-30111 K-19-18S-32E
GERONIMO FEDERAL #001 2310 FNL & 2310 FEL	30-015-24927 G-24-18S-31E
GERONIMO FEDERAL #006 790 FNL & 940 FEL	30-015-25597 A-24-18S-31E
INCA FEDERAL #005 1697 FNL & 470 FWL	30-025-35229 2-19-18S-32E
JADE FEDERAL #002 1650 FNL & 1750 FWL	30-025-30038 F-19-18S-32E

**One New Well to be added to the Geronimo Battery (Table 1)**

EAST SHUGART DELAWARE UNIT #028 2280 FNL & 810 FEL	30-015-40871	H-24-18S-31E
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**Table 2 Inca Battery (Location 1-19-18S-32E; NW4/NW4; Lea Co. NM)**

EAST SHUGART DELAWARE UNIT #001 430 FSL & 1650 FEL	30-015-25741	O-13-18S-31E
EAST SHUGART DELAWARE UNIT #002 330 FSL & 330 FEL	30-015-25847	P-13-18S-31E
EAST SHUGART DELAWARE UNIT #003 330 FSL & 330 FWL	30-025-29695	4-18-18S-32E
EAST SHUGART DELAWARE UNIT #007 760 FNL & 330 FWL	30-025-29887	1-19-18S-32E
EAST SHUGART DELAWARE UNIT #008 660 FNL & 1650 FWL	30-025-29978	C-19-18S-32E
EAST SHUGART DELAWARE UNIT #011 1700 FNL & 330 FWL	30-025-29940	2-19-18S-32E
EAST SHUGART DELAWARE UNIT #012 1650 FNL & 1650 FWL	30-025-29939	F-19-18S-32E
INCA FEDERAL #005 1697 FNL & 470 FWL	30-025-35229	2-19-18S-32E
JADE FEDERAL #002 1650 FNL & 1750 FWL	30-025-30038	F-19-18S-32E
CONOCO FEDERAL #002 400 FSL & 400 FWL	30-025-29803	4-18-18S-32E

**Four New Wells to be added to the Inca Battery (Table 2)**

EAST SHUGART DELARE UNIT #026 300 FNL & 735 FEL	30-015-40848	A-24-18s-31E
EAST SHUGART DELARE UNIT #927	PENDING	
EAST SHUGART DELARE UNIT #029 2245 FNL & 460 FWL	30-025-40870	E-19-18S-32E
EAST SHUGART DELARE UNIT #030	PENDING	

Any expansion of this commingling operation in the future either by the addition of more wells, pools or leases shall require notice to **ONLY** those interest owners whose wells, pools, and leases are to be added.

**This approval is subject to like approval by the Bureau of Land Management (BLM), and the State Land Office (SLO) before commencing the commingling operations.**

The producer/operator shall notify the transporter of this commingling authority.

The operator shall notify the Hobbs and Artesia district offices of the Division upon commencement of commingling operations.

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DONE at Santa Fe, New Mexico, on January 16, 2013.

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey  
Division Director

JB/re

cc: Oil Conservation Division District Office – Hobbs and Artesia  
State Land Office (SLO) – Oil, Gas, and Minerals Division – Santa Fe  
Bureau of Land Management (BLM) - Roswell