



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1340

Koch Exploration Company
P.O. Box 2256
Wichita, Kansas 67201-2256

Attention: Mr. Michael Scates

*Walker Well No. 1-R
Unit A, Section 13, Township 31 North, Range 10 West, NMPM,
San Juan County, New Mexico.
Blanco Pictured Cliffs (Gas - 72359) and
Blanco Mesaverde (Prorated Gas - 72319) Pools*

Dear Mr. Scates:

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 multiple 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 subject zones is hereby placed in abeyance.

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.

Production from the subject well shall be allocated as follows:

Gas production from the Blanco Mesaverde Pool shall be determined utilizing the monthly production forecast submitted by the applicant as an attachment to the downhole commingling application. Gas production from the Blanco Pictured Cliffs Pool shall be determined by subtracting Blanco Mesaverde Pool production from the well's total monthly gas production.

Condensate production shall be allocated 100% to the Blanco Mesaverde Pool.

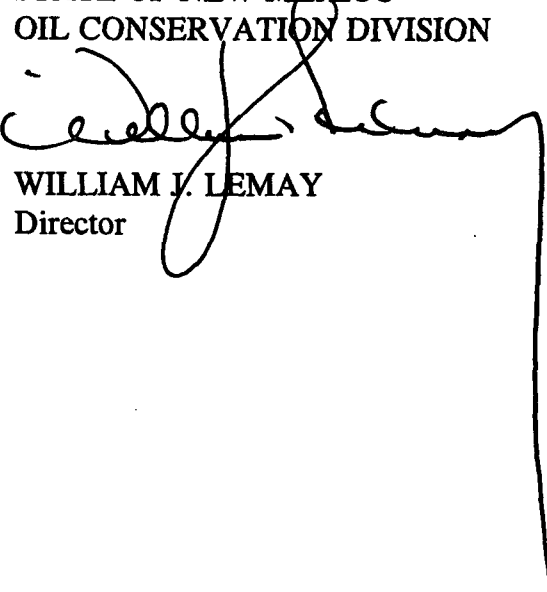
The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., 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 3rd day of September, 1996.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/BES

cc: Oil Conservation Division - Aztec
Bureau of Land Management - Farmington