

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order DHC-4800

Order Date: November 21, 2016

Application Reference Number: pMAM1632046320

Read and Stevens Inc.
P.O. Box 1518
Roswell, NM 88202

Attention: Mr. Matt Murphy

Toles Federal Well No. 1
API No. 30-005-60782
Unit O, Section 34, Township 15 South, Range 27 East, NMPM
Chaves County, New Mexico

| | | | |
|--------|--------------------------------|-----|---------|
| Pool | DIAMOND MOUND; STRAWN (G) | Gas | (96984) |
| Names: | DIAMOND MOUND; UPPER PENN. (G) | Gas | (97223) |
| | DIAMOND MOUND; MORROW (GAS) | Gas | (76079) |
| | DIAMOND MOUND; ATOKA (GAS) | Gas | (76060) |

Reference is made to your recent application for an exception to Division Rule 19.15.12.9A. NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appears that the subject well qualifies for approval for such exception pursuant to the provisions of Division Rule 19.15.12.11A. NMAC, and since 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 or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division Rule 19.15.12.11A. (6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

As per the application, the assignment of allowable and allocation of production from the subject well for the Diamond Mound; Morrow (Gas) and Diamond Mound; Atoka (Gas) shall be based on estimated ultimate recovery of the two pools. Further, the Diamond Mound; Morrow (Gas) and Diamond Mound; Atoka (Gas) pools cumulative oil and gas have been incorrectly assigned to only the Diamond Mound; Morrow (Gas). Based on estimated ultimate recovery analysis, a portion of the Diamond Mound; Atoka, Gas (Gas) Pool has contributed the total oil and gas production. The

assignment allowable and allocation of oil and gas production for these two pools shall be based on well log analysis.

The assignment of allowable and allocation of production from the subject well for the Diamond Mound; Upper Penn (Gas) and shall be based on historical production and well log analysis. The assignment of allowable and allocation for the Diamond Mound; Strawn (Gas) shall be based strictly on well log analysis.

Assignment of allowable and allocation of production from the well shall be as follows:

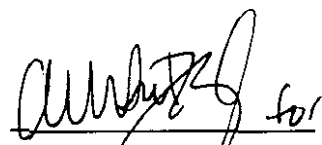
| | | |
|-------------------------------------|-------------|-------------|
| DIAMOND MOUND; UPPER PENN. (G) Pool | Pct Oil: 48 | Pct Gas: 48 |
| DIAMOND MOUND; STRAWN (G) Pool | Pct Oil: 1 | Pct Gas: 1 |
| DIAMOND MOUND; ATOKA (GAS) Pool | Pct Oil: 20 | Pct Gas: 20 |
| DIAMOND MOUND; MORROW (GAS) | Pct Oil: 31 | Pct Gas: 31 |

It is also understood that you have given due notice of this application, as defined in Division Rule 19.15.4.12A. (6) NMAC, to all owners of interest due to uncommon ownership of the zones to be commingled.

REMARKS: The operator shall notify the Artesia District office prior to implementation of the commingling operations.

This Order is subject to like approval from the Bureau of Land Management.

Pursuant to Division Rule 19.15.12.11B. NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



David R. Catafach
Director

DRC/mam

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Roswell
Well File – 30-005-60782