



**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-2530

Zia Energy, Inc.
P.O. Box 2510
Hobbs, New Mexico 88241

Attention: Mr. Scott Nelson

*Grizzell No. 2
API No. 30-025-10067
Unit J, Section 5, Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico.
Penrose Skelly-Grayburg (Oil - 50350), and
Drinkard (Oil - 19190) Pools*

Dear Mr. Nelson:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject 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 zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303.C., the daily allowable producing rates from the subject well are hereby established as follows:

Oil 80 B/D Gas 800 MCF/D Water 160 B/D

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

Penrose Skelly-Grayburg Pool	Oil 50%	Gas 82%
Drinkard Pool	Oil 50%	Gas 18%

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

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 3rd day of December, 1999.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenberg by DR

LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Hobbs