



**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-2596

Robert L. Bayless, Producer LLC
P.O. Box 168
Farmington, New Mexico 87499

Attention: Mr. Kevin H. McCord

*Krause No. 1
API No. 30-045-30024
Unit C, Section 2, Township 26 North, Range 11 West, NMPM,
San Juan County, New Mexico.
West Kutz-Pictured Cliffs (Gas - 79680) and
Basin-Fruitland Coal (Gas - 71629) Pools*

Dear Mr. McCord:

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.

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:

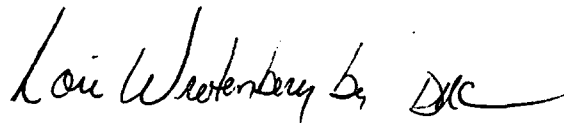
Basin-Fruitland Coal Gas Pool	Oil-N/A	Gas-77%
West Kutz-Pictured Cliffs Gas Pool	Oil-N/A	Gas-23%

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Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.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 24th day of January, 2000.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a stylized monogram or set of initials.

LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec
State Land Office-Oil & Gas Division