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NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

SANTA FE SNYDER CORP.  
Santa Fe Energy Resources, Inc.  
550 West Texas Street, Suite 2330  
Midland, Texas 79701



ADMINISTRATIVE ORDER DHC-1433

EFFECTIVE 5-9-97

Attention: Mr. James Blount

*H.F. '7' Federal Well No.1  
Unit L, Section 7, Township 23 South, Range 29 East, NMPM,  
Eddy County, New Mexico.  
East Loving Brushy Canyon (40350) and  
South Culebra Bluff Bone Spring (15011) Pools*

Dear Mr. Blount:

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 both 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 two 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 - 142 B/D | Gas - 1136 Mcf/D | Water - 284 B/D |
|---------------|------------------|-----------------|

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

|                                 |         |         |
|---------------------------------|---------|---------|
| East Loving Brushy Canyon       | Oil 70% | Gas 60% |
| South Culebra Bluff Bone Spring | Oil 30% | Gas 40% |

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