



TONY ANAYA  
GOVERNOR

STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Administrative Order No. DHC-464

Southland Royalty Company  
P.O. Drawer 570  
Farmington, NM 87401

Attention: Doug R. Harris

Re: SRC-Calloway #2  
Unit A, Sec. 22, T-31N,  
R-11W, Fruitland and Pictured  
Cliffs Pools, San Juan County,  
NM

Gentlemen:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations for the subject dually completed well to permit the removal of the down-hole separation equipment and to commingle the 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 administrative Division Order which authorized the dual completion and required separation of the two zones, is hereby placed in abeyance.

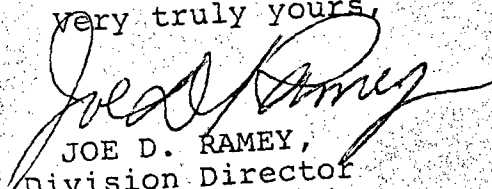
In accordance with the provisions of Rule 303.C.4., total commingled oil production from the subject well shall not exceed 20 barrels per day, and total water production from the well shall not exceed 40 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by adding the individual gas production from each pool just prior to commingling..

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

Fruitland Pool: Oil 100 %, Gas 43 %  
Pictued Cliffs Pool: Oil 0 %, Gas 57 %

Pursuant to Rule 303-C 5, the commingled authority granted by this order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Very truly yours,



JOE D. RAMEY,  
Division Director