

OIL CONSERVATION DIVISION

December 19, 1995

ADMINISTRATIVE ORDER DHC-1175

Santa Fe Energy Resources, Inc.
550 West Texas Street, Suite 1330
Midland, Texas 79701

Attention: Mr. James Blount

*Mesa Verde '7' Federal Well No. 2
Unit C, Section 7, Township 24 South, Range 32 East, NMPM,
Lea County, New Mexico.
Mesa Verde Bone Spring (96229) and
Mesa Verde Delaware (96191) 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-4., total commingled oil production from the subject well shall not exceed 60 barrels per day, and total water production shall not exceed 120 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by multiplying 2000 by the top unit allowable for the Mesa Verde Bone Spring Pool.

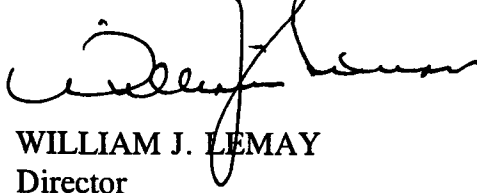
Allocation of production from the well shall be determined by calculating production from the Mesa Verde Bone Spring Pool based on a 61 % annual decline rate. This amount, subtracted from the total production from the well, shall be allocated to the Mesa Verde Delaware Pool.

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

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 21st day of December, 1995.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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WJL/BES

cc: Oil Conservation Division - Hobbs