

CASE NO. 11429
Order No. R-10547
Page -5-

- d) the subject wells will be maintained at pumped off conditions at all times.

(23) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed downhole commingling.

(24) The downhole commingling of the six existing wells and the two proposed development wells within the development area will benefit the interest owners, will result in the recovery of oil and gas reserves which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(25) Applicant proposed that Delaware and Bone Spring production from the subject wells be allocated based upon the following:

- a) the Delaware formation within the SDE "31" Well Nos. 2, 4, 5, and 14 will be tested for a period of 2-3 weeks subsequent to recompletion operations. This production test data along with existing Bone Spring production data will be utilized to determine the allocation percentages;
- b) within the SDE "31" Well Nos. 6 and 15, both the Delaware and Bone Spring formations will be tested separately upon completion for a period of 2-3 weeks. This production data will then be utilized to determine allocation percentages.

(26) Applicant's proposed method of allocation is fair and reasonable and should be adopted.

(27) The applicant should consult with the supervisor of the Division's Hobbs District Office subsequent to the completion of testing operations on the subject wells in order to arrive at fixed allocation percentages for each well.

(28) All allocation formulas and/or fixed percentages should be submitted to the Santa Fe and Hobbs offices of the Division.

(29) The operator should immediately notify the supervisor of the Hobbs District Office of the Division any time any of the subject wells have been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.