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New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.

COMMERCIAL RESOURCES
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MINERAL RESOURCES
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ROYALTY MANAGEMENT
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SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

August 1, 2001

McKay Oil Corporation
P.O. Box 2014
Roswell, New Mexico 88202

Attn: Mr. Bill J. Milstead

Re: Downhole Commingling Application
Samedan State "16" Well No. 4
Unit Letter O, Section 16-07S-26E
Leslie Spring-Wolfcamp and Pecos Slope-Abo Pools
Chaves County, New Mexico

Dear Mr. Milstead:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on July 26, 2001. Your application requests our approval to downhole commingle the Leslie Spring-Wolfcamp and Pecos Slope-Abo production within the wellbore of the Samedan State "16" Well No. 4 located in Unit Letter O, Section 16-07S-26E, Chaves County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

<u>POOL</u>	<u>ALLOCATION</u>	
	<u>Oil%</u>	<u>Gas %</u>
Pecos Slope-Abo	0%	40%
Leslie Spring-Wolfcamp	0%	60%
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	0%	100%

Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

McKay Oil Corporation
August 1, 2001
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Your filing fee in the amount of \$30.00 has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

Anthony H. Nard
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

xc: Reader File

OCD--Attention: David Catanach