

**APPLICATION FOR SURFACE COMMINGLING,
OFF LEASE MEASUREMENT APPROVAL**

Marks and Garner Production, LTD. Co. is requesting approval for surface commingling and off lease measurement of gas production from the following formations and wells on Federal and State leases.

Lease Name	UL LOT	Sec.	Twp	Rng	Pool Name
Red Twelve Federal #1	O	33	16S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Red Twelve Federal #2	P	33	16S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Cave State #1	4	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Cave State #5	3	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Diamond State #1	O	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Diamond State #2	M	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Red State #1	2	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Red State #2	G	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
State #1	D	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
State #2	3	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Levers Federal #7	J	33	16S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Levers Federal #5	M	33	16S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Levers Federal #6	L	33	16S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Red Twelve State #1	N	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Red Twelve State #2	H	4	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Red Twelve State #3	I	5	17S	29E	Grayburg Jackson 7RVS-QN-GB-SA
Cave State #2	H	5	17S	29E	Grayburg Jackson 7R-QN-GB-SA

Exhibit I is a schematic indicating test arrangement to determine gas production from each lease.
Exhibit II is a map which indicates the location of all leases and wells that will contribute gas to the proposed commingling and measurement facility.


The measuring facility (CDP) will be located in Unit O Sec. 8, T-17S,R-29E, Eddy County, New Mexico.

Under the proposed flow system gas will be produced through the tubing or casing on each well. This gas production will be separated from any oil or water that might be associated at the lease. The gas will leave the lease via pipeline and will commingle with the other gas for transportation to the CDP. The individual wells will be tested at each lease monthly with a charted orifice vent test

Production allocation will be based on monthly well test as described above. Allocation of total gas recorded by the Sales Gas Meter will be based on these monthly tests.

The overriding royalty owners, working interest owners, BLM and NMOCD are being notified of the proposal.

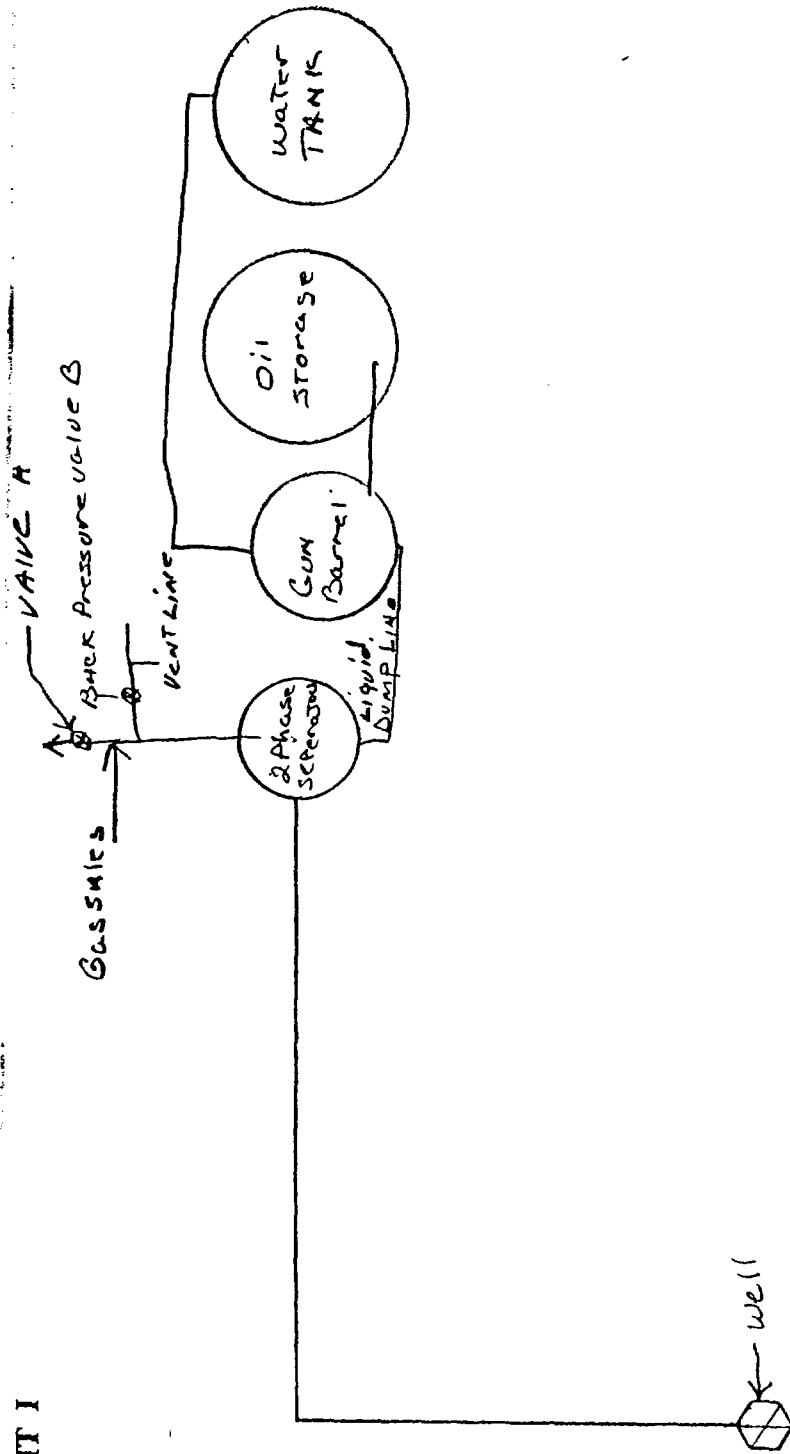
The Proposed commingling of gas production is in the interest of conservation and the environment and will not result in reduced royalty or improper measurement of production. The proposed commingling is necessary for the continued production of hydrocarbons from these leases.

Signed: 
Name: Tommy W. Folsom
Title: Agent
Date: August 3, 1999

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NEW MEXICO
OIL CONSERVATION DIVISION
EXHIBIT 1
CASE NO. 12239

EXHIBIT I



1. A orifice vent test w/ a chart recorder will be installed on vent line and valve (A) will be closed.
2. The gas will vent to the orifice for one (1) hour measurement test.
3. The gas test volumes from each well will be totaled and a percentage of total from each well will be assigned each month for CDP allocation.
4. Shut in wells or stopped production will be recorded and percentage will be reduced at months end due to non production days.

Example: 30 days produced = 20% CDP production
 25 days produced
 $25 / 30 = .833 \times .20 = .167$ % CDP production

[illegible]