ELK OIL COMPANY

JOSEPH J. KELLY PRESIDENT **BOX 310**

ROSWELL, NEW MEXICO 88201

(505) 623-3190

BEFORE EXAMINER STOGNER O'L CONSERVATION DIVISION

Store EXHIBIT NO. 11

ASE NO. 9068

January 16, 1987

Sage Energy Company Post Office Drawer 3068 Midland, Texas 79702

Attention: Frances Holzgraf

Re: New Mexico State No. 1

Sec. 31, T-14-S, R-34E Lea County, New Mexico

Gentlemen:

Elk Oil Company is in receipt of your letter dated December 11, 1986, concerning the above captioned. We do not have any objection to your application.

If there are any further questions please advise.

Yours very truly,

ELK OIL COMPANY

Joseph J. Kelly

President

JJK/jb