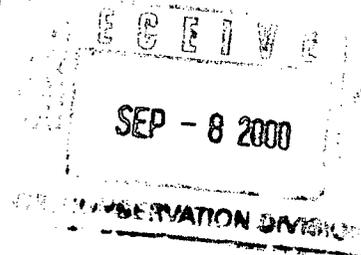


MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
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TREASURER



September 6, 2000

Chris Williams, District Supervisor  
NM Oil Conservation Division  
1625 N. French Drive  
Hobbs, NM 88240

Re: Big Flat ASN State #2  
Unit P, Sec. 10, T. 16 S., R. 35 E.  
Lea County, New Mexico

Dr. Mr. Williams:

Administrative Order DHC-2769 approves downhole commingling of the Townsend Permo-Upper Penn. and Northwest Shoe Bar Strawn in this well. The Order requires approval of a fixed allocation production formula by the Hobbs District Supervisor upon completing and testing the well.

Test rates for these pays are shown in the following table.

Zone	Perforations	Test Rate	Date
Strawn	11,304'-11,321'	75 bopd, 193 mcf/d, 66 bwpd	8-20-00
Permo-Upper Penn	10,884'-10,894'	193 bopd, 311 mcf/d, 66 bwpd	8-29-00

Our proposed fixed allocation formula for commingled production based on the test rates given above is contained in the following table.

Zone	Oil	Gas
Strawn	27.473 %	38.294 %
Permo-Upper Penn	72.527 %	61.706 %

Please advise when the proposed formula is approved. If you have questions or need additional information, please call me at (505) 748-4174. Thank you for your help in this matter.

Sincerely,

Albert R. Stall  
Operations Engineer

XC: NMOCD, Santa Fe, Att: David Catanach