

COMMISSIONER'S OFFICE

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SURFACE RESOURCES

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

August 31, 2000

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Mr. James W. Pringle

Re: Application for Downhole Commingling
Unforgiven ARZ State Well No. 2
Unit Letter K, Section 11-12S-27E
Wolfcamp and Wildcat Penn Pools
Chaves County, New Mexico

Dear Mr. Pringle:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on August 14, 2000. Your application requests our approval to downhole commingle the Wolfcamp and Wildcat Penn production within the wellbore of the Unforgiven ARZ State Well No. 2 located in Unit Letter K, Section 11-12S-27E, Lea 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>
Wolfcamp	0%	87%
Wildcat Penn	0%	13%
	-----	-----
	0%	100%

Since it appears that 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.

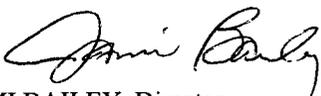
Also, please submit a copy of the Oil Conservation Division's Order approving this application.

Yates Petroleum Corporation
August 31, 2000
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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: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
Enclosure
xc: Reader File

OCD--Attention: David Catanach, Ben Stone