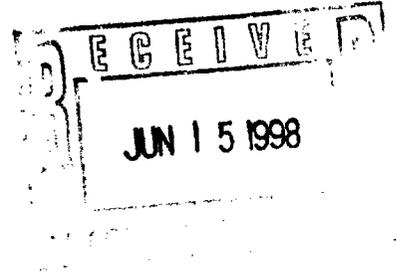


PC N/R
978

P REMIER OIL AND GAS, INC.

June 11, 1998

Oil Conservation Division
Attention: Mr. David Catanach
2040 South Pacheco
Santa Fe, NM 87505



RE: Gissler "A" #1 & #4, Federal Lease No. NMLC056616B
Section 23 T-17S R-30E
Eddy County, NM

Dear Mr. Catanach:

This letter requests approval to surface commingle the oil from the above two oil wells into a common tank battery located at the Gissler #1, location.

Enclosed please find our approval from the Bureau of Land Management along with the letter written to BLM, the schematic diagram of the production facility, and a map showing the location of the two wells. The letter I wrote to BLM answers your questions so I will not address them again in this letter.

Please advise if any other information is needed. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Rosalie Jones". The signature is written in dark ink and is positioned to the right of the typed name.

Rosalie Jones

Enc.

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004 0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Premier Oil & Gas, Inc.

3. Address and Telephone No.

P.O. Box 1246, Artesia, NM 88210 505-748-2093

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Unit F: 1980' FNL & 1980' FWL; Sec 23 T-17S R-30E

5. Lease Designation and Serial No

NMLC056616B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Gissler "A" #4

9. API Well No.

30-015-04282

10. Field and Pool, or Exploratory Area

Loco Hills Paddock

11. County or Parish, State

Eddy, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
 Subsequent Report
 Final Abandonment Notice

TYPE OF ACTION

- Abandonment
 Recompletion
 Plugging Back
 Casing Repair
 Altering Casing
 Other surface commingling
 Change of Plans
 New Construction
 Non-Routine Fracturing
 Water Shut-Off
 Conversion to Injection
 Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

See Attached letter, schematic diagram of production facility and map.

14. I hereby certify that the foregoing is true and correct

Signed [Signature]

Title President

Date 05/27/98

(This space for Federal or State office use)

Approved by [Signature]

Title PETROLEUM ENGINEER

Date JUN 05 1998

Conditions of Approval, if any:

SEE ATTACHED FOR

CONDITIONS OF APPROVAL

Title 18 U.S.C. 1001 (a) (1) - Whoever knowingly and willfully makes to any department or agency of the United States any false, fictitious or fraudulent statements or reports...

P REMIER OIL AND GAS, INC.

May 27, 1998

Bureau of Land Management
Roswell District
Attention: Mr. Les Babyak
2909 West Second Street
Roswell, NM 88201

RE: Gissler "A" #1 & #4
Surface Commingling Approval

Dear Mr. Babyak:

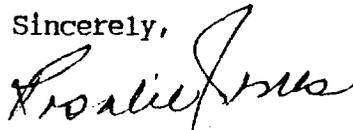
This letter requests approval to surface commingle the oil from the recently completed Gissler "A" #4 well producing from the Loco Hills Paddock pool into one facility located at the Gissler "A" #1 well, which produces from the Grayburg Jackson Pool. As you can see from the enclosed map of our Dale H. Parke Waterflood, the Gissler #1 and #4 wells are part of the same Federal Lease, and are the only producing wells on this lease. Also, enclosed is a schematic diagram of the Gissler "A" tank battery. An additional heater treater and production tank have been set to handle the Gissler #4 production.

The Gissler #1 oil well does not produce any gas, and has never been hooked up to a gas line since we've operated this waterflood - June, 1989. GPM has set their meter to purchase the gas from the Gissler #4. At the initial test, 4/6/98, it produced 81 MCF per day, and is now producing approximately 45 MCF per day. The initial gas analysis from GPM, tested 1.4417 BTU @ 14.65. The Gissler #1 well has consistently produced 5 bls oil per day for several years. The initial oil test on the Gissler #4 was 78 bls per day, and is now producing approximately 40 bls per day. Navajo Refining Co. has tested the gravity content of this oil to be approx. 38.1.

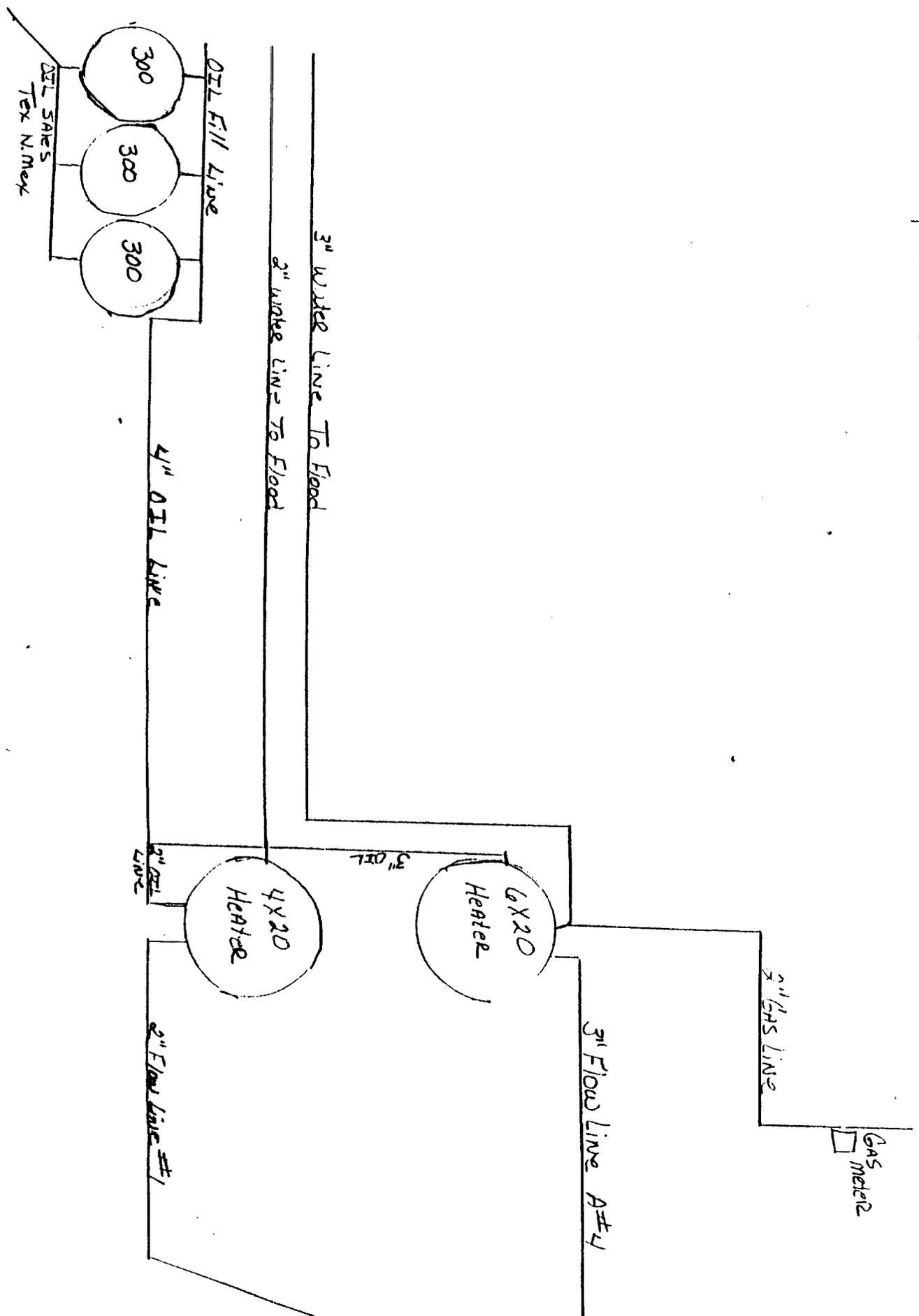
Premier Oil & Gas is the primary working interest owner of this lease with one other WI owner involved, and that owner has been advised. There are no RI owners except for MMS. Since the net revenue interest remains the same within this lease, there is obviously no discrepancy.

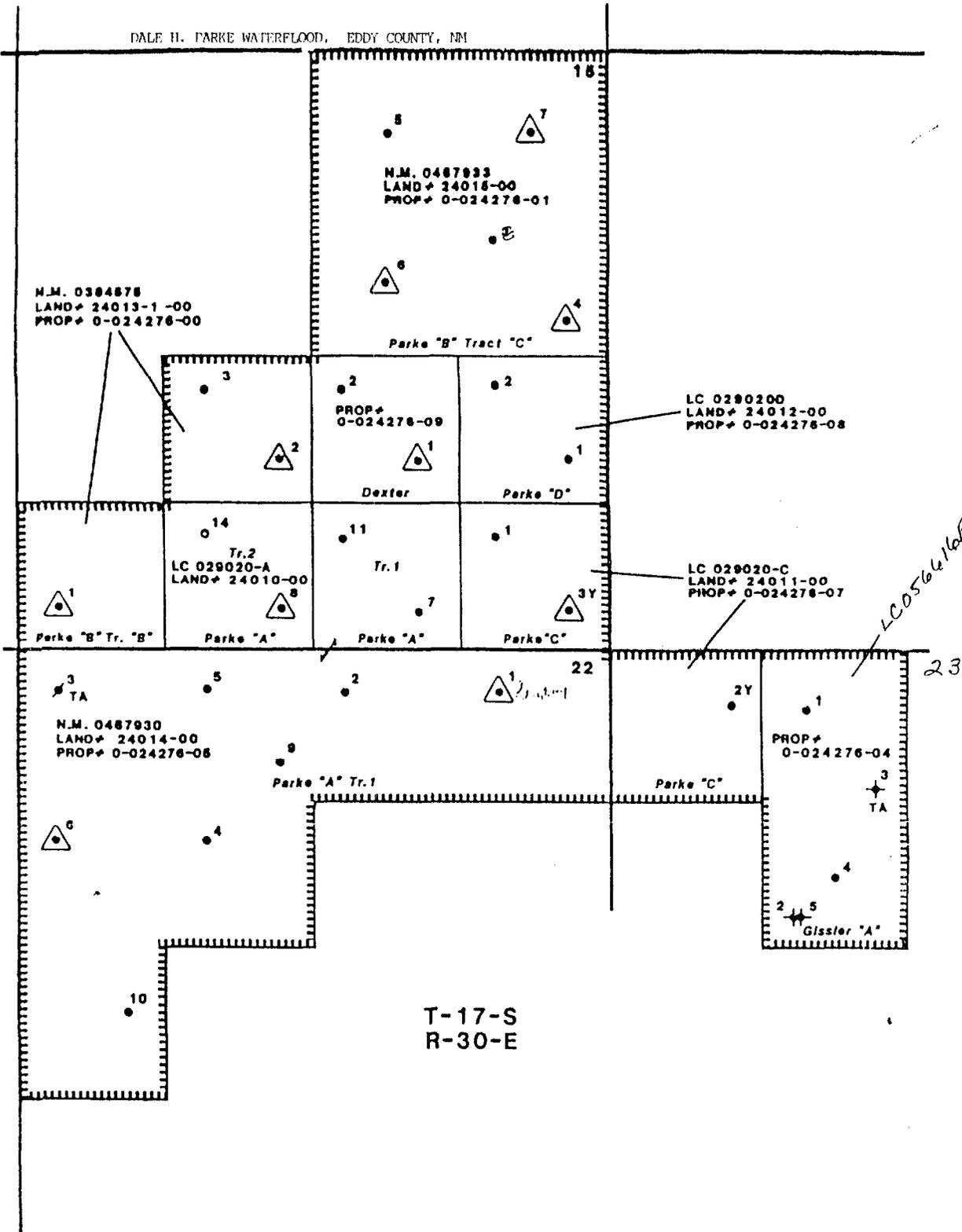
It was economically sound for Premier to make use of the production facility already in existence rather than to build another facility. Therefore, Premier requests approval of this surface commingling of these two pools. Please advise if any other information is needed. Thank you.

Sincerely,



Rosalie Jones
P.O. BOX 1246 • ARTESIA, NM 88210 • 422 WEST MAIN
BUS. (505) 748-2093 • RES. (505) 748-2446





T-17-S
R-30-E

Bureau of Land Management
Roswell District
2909 West Second Street
Roswell, New Mexico 88201
505-627-0272

**Off-Lease Measurement, Storage, and Surface Commingling
Conditions of Approval**

Approval of surface commingling and off-lease storage and/or measurement is subject to the following conditions of approval:

1. This agency shall be notified of any change in sales method or location of the facility.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional commingling approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.