

25 1996

**PRIMAL ENERGY
CORPORATION**

222 PENNBRIGHT, SUITE 116
HOUSTON, TEXAS 77090
713-875-5100
713-875-5113 fax

July 20, 1996

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Gentlemen:

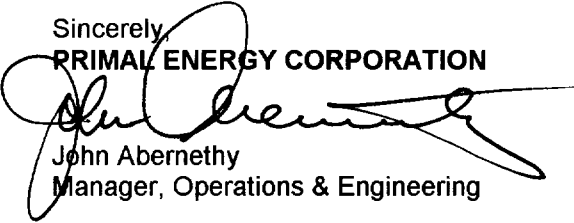
Primal Energy Corporation (154303) is the operator of the Hale State #1, 2, 3, 4, & 5 which are identified as property number 018949. Primal also operates the M. E. Hale #1 & 2 which carry property number 018950. All seven of these wellbores are on the same 80 acre tract of land. That tract is the S1/2 of the NE1/4 of Section 2, T25S, R37E of Lea County. These two properties (018949 and 018950) have been carried as separate properties in the past due to different working interest ownership. With the recent acquisition of these properties by Primal, both properties now have the same working interest ownership.

Currently, the five wells on the Hale State (018949) produce from four different pools and are commingled in a common tank battery. The M. E. Hale (018950) has two wells which produce from the same pool and into a common tank battery. It is the understanding of Primal that the proper approvals for the above have been obtained. Two events occurred last week that necessitate this request to commingle and consolidate the above referenced two properties.

Primal is preparing to drill the Hale State #6 well. The surface location of the M. E. Hale tank battery interfered with the building of the drilling pad. When the tank battery was inspected for possible relocation, the equipment was judged to be in such poor shape that not only was movement impossible, the imminent danger of leakage required that all fluids be removed from the equipment and that production be shut in. The oil and water from the M.E. Hale tank battery was moved to the Hale State battery. While we realize that this is not the preferred method of notification and that approval should have been obtained prior to the movement of the oil and water, the high probability of leakage and the need to move the equipment required us to act as we did.

We therefore ask the OCD to approve the movement of oil from the M. E. Hale battery to the Hale State battery, to approve our proposal to consolidate these two properties, and to approve the commingling of these wells in their respective pools. For your benefit, a copy of the C-115 for these wells is attached as well as a schematic showing the location of the existing and proposed wells and tank batteries.

Sincerely,
PRIMAL ENERGY CORPORATION



John Abernethy
Manager, Operations & Engineering

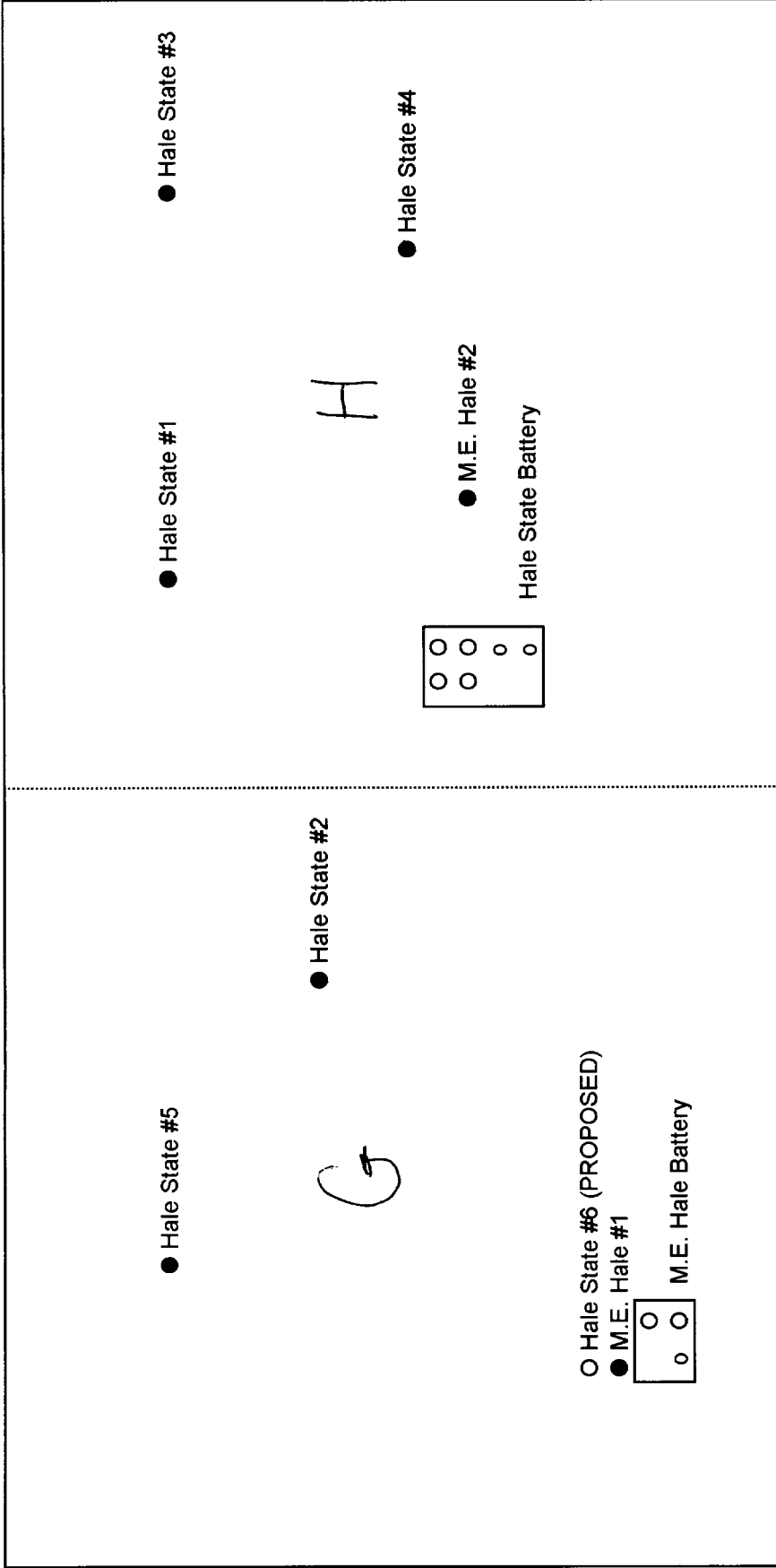
cc: OCD District I
P. O. Box 1980
Hobbs, New Mexico 88241-1980

New Mexico State Land Office
Oil and Gas Department
Box 1148
Santa Fe, New Mexico 87504-1148

Operator: Primal Energy Corporation		3. OGRID 154303			4. Month/Year May 1996			6. Page 2 of 6								
		INJECTION			PRODUCTION			DISPOSITION OF OIL, GAS, AND WATER								
7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
POOL NUMBER AND NAME Property No. and Name Well No. & U-L-S-T-R API No.	C O D E 1	Volume	Pressure	C O D E 2	Barrels of oil/ conden- sate produced	Barrels of water produced	MCF Gas Produced	Days Pro- duced	C O D E 3	Point of Disposition	Gas BTU or Oil API Gravity	Oil on hand at beginning of month	Volume (Bbls/mcf)	Trans- porter OGRID	C O D E 4	Oil on hand at end of month
003 H-12-24S-32E 30-025-24S-32E	P				18	227	32	31								
004 G-12-24S-32E 30-025-24530	P				44	19	61	31	O G W	2452710 2452730 2452750	38.9 1211	70	67 129 404	015694 009171		98
33820 JALMAT TANSILL YATES 7 RVRS																
018959 State 20																
001 B-20-23S-36E 30-025-28421	P				71	61	290	31	O G	2452810 2452830	32.9 1522	149	175 290	015694 009171		45
018963 Whitten 001 F-33-23S-36E 30-025-27212	S								O	2455410		143	143		S	0
34200 JUSTIS BLINERY																
018949 Hale State																
001 H-02-25S-37E 30-025-11404	P				0	620	548	31								
002 G-02-25S-37E 30-025-11405	P				118	124	960	31								
003 H-02-25S37E 30-025-12581	P				13	0	274	31	O G	2452810 2452810 2452530	35.5 1144	197 170*	442 1782	022628 020809		56
34790 JUSTIS FUSSELMAN, NORTH																
018949 Hale State																
003 H-02-25S-37E 30-025-12581	P				0	465	411	31	O G W	2452510 2452510 2452530 2452550	35.5 1144	158 -137*	19 411	022628 020809		2

Operator: Primal Energy Corporation				3. OGRID 154303				4. Month/Year May 1996				6. Page 3 of 6						
7 POOL NUMBER AND NAME Property No. and Name Well No. & U-L-S-T-R API No.				INJECTION			PRODUCTION				DISPOSITION OF OIL, GAS, AND WATER							
				8 C O D E 1	9 Volume	10 Pressure	11 C O D E 2	12 Barrels of oil/ conden- sate produced	13 Barrels of water produced	14 MCF Gas Produced	15 Days Pro- duced	16 C O D E 3	17 Point of Disposition	18 Gas BTU or Oil API Gravity	19 Oil on hand at beginning of month	20 Volume (Bbls/mcf)	21 Trans- porter OGRID	22 C O D E 4
34980 JUSTIS MCKEE, NORTH																		
018949 Hale State																		
003 H-02-25S-37E				P				0	549	31	O	2452510	35.5	39	5	022628		1
30-025-12581											G	2452510		-33*				
004 H-02-25S-37E											W	2452550	1144			020809		
30-025-27550				P				257	2285	31	O	2453610	35.8	236	273	022628	220	
35280 JUSTIS TUBB DRINKARD											G	2453630	1196		2285	020809		
018949 Hale State											W	2453650			186			
005 G-02-25S-37E				P				138	1230	31	O	2452610	35.8	127	147	022628	118	
30-025-27817								93			G	2452630	1196		1230	020809		
37240 LANGLEIE MATIX 7 RVRS Q GRAYBURG											W	2452650			93			
018948 Firewater																		
001 C-02-25S-37E				P				116	1083	31	O	2454010		98	1083	020809	214	
30-025-30533											G	2454030	1348					
018947 Fowler Hair																		
001 E-14-24S-37E				P				8	0	30								
30-025-11103																		
003 D-14-24S37E				P				13	0	27								
30-025-11105																		
005 D-14-24S-37E				P				43	0	30	O	2453510		213			277	
30-025-11107																		

Operator: Primal Energy Corporation		3. OGRID 154303				4. Month/Year May 1996				6. Page 4 of 6							
7 POOL NUMBER AND NAME Property No. and Name Well No. & U-L-S-T-R API No.		INJECTION				PRODUCTION				DISPOSITION OF OIL, GAS, AND WATER							
		8 C O D E 1	9 Volume	10 Pressure	11 C O D E 2	12 Barrels of oil/ conden- sate produced	13 Barrels of water produced	14 MCF Gas Produced	15 Days Pro- duced	16 C O D E 3	17 Point of Disposition	18 Gas BTU or Oil API Gravity	19 Oil on hand at beginning of month	20 Volume (Bbls/mcf)	21 Trans- porter OGRID	22 C O D E 4	23 Oil on hand at end of month
018950 M. E. Hale 001 G-02-25S-37E 30-025-11397		P				0	0	0	0								
002 H-02-25S-37E 30-025-25659		P				0	31	1162	15	O	2453110 2453130 2453150	1366	62	1162 31	002089		62
018951 Harrison 001 A-07-25S-37E 30-025-24609		P				175	1024	27	31	O G W							
002 H-07-25S-37E 30-025-24749		P				324	1023	49	31	O G W	2453410 2453430 2453450	35.6 1552	109	348 76 2047	015694 020809		260
018953 Jack B-15 001 A-15-24S-37E 30-025-11108		P				11	65	1336	31								
002 H-15-24S-37E 30-025-11109		P				18	65	2003	31	O G W	2453710 2453730 2453750	1248	46	3339 130	020809		75
018954 Judy 001 C-07-25S-37E 30-025-24641		P				0	31	35	31								
003 F-07-25S-37E 30-025-26262		P				0	155	385	31	O G G	2453310 2453330 2453330	1302 1299	33	35 383	020809 020809		33



Schematic- Showing Well Locations and Tank Batteries
1/2 NE1/4, Section 2, T25S, R37E
Lea County, NM
Primal Energy Corporation 7/22/96