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

615-527
COMMERCIAL RESOURCES
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Phone (505) 827-5744
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ROYALTY MANAGEMENT
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Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

September 17, 2002

Xeric Oil and Gas Corporation
P. O. Box 352
Midland, Texas 79702

Attention: Mr. R. C. Barnett

Re: Surface Commingling Application
Julio State #1, Unit D, Sec. 20-20S-39E
Porfidio State #1, Unit M, Sec. 17-20S-39E
DK Abo Pool
Lea County, New Mexico

Dear Mr. Barnett:

We are in receipt of your letter of August 26, 2002 requesting our approval to surface commingle the production from the above referenced leases at the Julio State #1 battery.

It is our understanding that the production will be allocated back to each well based on periodic well tests.

Since it appears that all 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 is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Please submit a copy of the NMOCD's approval of this application.

Your \$30.00 filing fee has been received..

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

Handwritten signature of Jami Bailey in black ink.

BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm

pc: Reader File,
OCD-Attention: David Catanach,