



SIETE OIL & GAS CORPORATION

*Petroleum Building Suite 200
P.O. Box 2523 Roswell, New Mexico 88201
Telephone (505) 622-2202*

February 17, 1988

William J. LeMay, Director
Oil Conservation Division
State Land Office Building
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Application for Exception of Commission Rule 303-A for
the Inca Federal Lease; N/2 NW/4, SW/4 NW/4 Sec. 19,
T-18S, R32E in Lea County, NM

Dear Mr. LeMay:

Siete Oil and Gas Corporation respectfully requests exception to the above rule and administrative approval to surface commingle (common tanks) production from our Inca Federal Nos. 1, 2, and 3 Delaware wells, and the recently completed Inca Federal No. 4 Penrose producer.

Initial development of the Inca federal Lease (120 acres) began with the drilling and completion of the Inca Federal No. 1 well in the East Shugart Delaware pool in April, 1987. The well had an IP of 171 BOPD, 200 (Est) MCFGPD and 148 BWPD from the Delaware formation. The successful drilling of the Inca Federal No. 1 led to the subsequent drilling and completion of the Inca Federal Nos. 2 and 3 Delaware wells in June, 87 and August, 87. These wells had initial potentials of 178 BOPD, 190 MCFGPD and 201 BWPD, and 134 BOPD, 90 MCFGPD and 146 BWPD. The Inca Federal Nos. 1, 2, and 3 wells are present top allowable Delaware producers. The Inca Federal No. 4 was drilled and completed on February 4, 1988, in the Shugart Y-7Rvrs-Q-G-SA pool (Queen Penrose formation) for and initial potential of ~~22~~ BOPD, 28 MCFGPD (Est) and 39 BWPD. The subject well at present produces ~~15~~ BOPD, 15 MCFGPD and 0 BWPD.

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Siete Oil and Gas Corporation proposes to surface commingle Delaware and Penrose production from the Inca Federal wells for simplicity and efficiency of operation. The Inca Federal Nos. 1 - 4 wells have common ownership and Siete proposes to add an additional heater treater connected to a test tank which will allow separate testing of the Inca Federal No. 4 well. Allocation factors for this well will be determined from these tests. The addition of Inca Federal No. 4 production to existing Delaware oil will not reduce the value of the commingled product. A recent oil analysis shows the Inca Federal Delaware oil



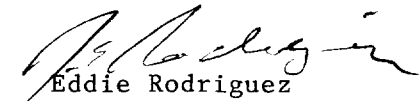
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having an API gravity of 41.0 degrees and a sulfur content of .13 wt %, and the Inca Federal No. 4 Penrose oil having and API gravity of 34.8 degrees and a sulfur content of .262 wt %. The combined product will result in an oil of approximately 40.24 API gravity and .1462 wt % sulfur content.

Please do not hesitate to call me if you have any questions @ 505-622-2202.

Yours very truly,

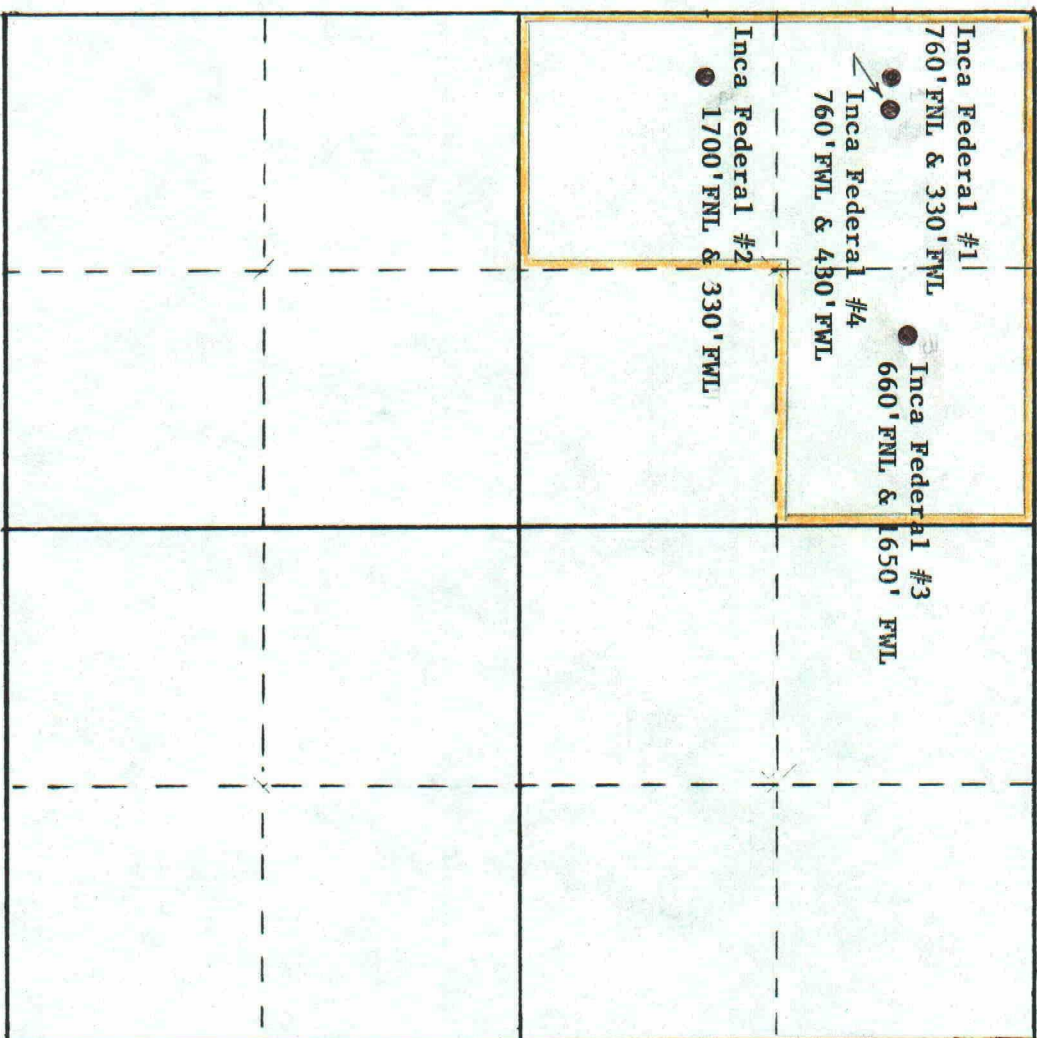


Eddie Rodriguez

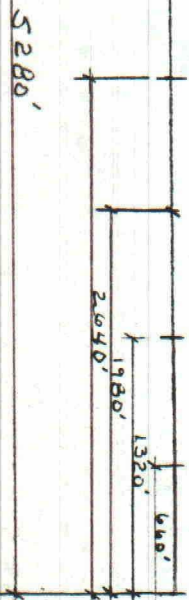
Production/Reservoir Engineer

SIETE OIL & GAS CORPORATION

Inca Federal Lease
 Section 19: Township 18 South, Range 32 East
 Lea County, New Mexico



Scale



Inca Federal No. 4
Fertile Producer
Shugart Yates-7800-a-G

