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January 25, 1978

REC. MIDLAND JAN 27 1978

Mr. Max E. Douglas
District Manager
Cleary Petroleum Corporation
Post Office Box 2358
Midland, Texas 79701

Re: Your Federal 1-17
Well--HCEC&H T/O
No. 23,608

Dear Mr. Douglas:

Pursuant to prior discussions with Mr. Bob Wilson, Independent Engineer, relating to the possibility of commingling gas from the captioned well as to the Upper Morrow zone and the Atoka zone, this is to confirm that it is our opinion that the best approach to this matter would be to complete your testing of these zones, and then if commercial production is obtained file an application before the New Mexico Oil Conservation Commission to commingle the gas.

In this regard I have been in touch with Mr. Dan Nutter of the New Mexico Oil Conservation Commission and this approach is satisfactory to the Commission so long as you are careful to test each zone separately. Therefore, I think you may go forth with your work on the well, and as soon as you are able to complete testing of the zones and obtain the results, an application should be filed with the New Mexico Oil Conservation Commission seeking approval of commingling if the results of the test indicate that you still wish to commingle the gas. Mr. Wilson indicated that the tests would probably be by way of production logs. Additionally it was pointed out by Mr. Nutter that you should be sure that the ownership to each zone is consistent, and our prior opinion would indicate that this is the case.

I suggest that this approach be taken inasmuch as it would possibly save attorney's fees etc. in the event

RECEIVED

FEB 7 1978

OIL CONSERVATION COMM.
HOBBS, N. M.