



State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

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July 23, 1996

Meridian Oil Inc.
Post Office Box 51810
Midland, Texas 79710-1810

Attn: Ms. Donna J. Williams

Re: Application for Downhole Commingling
Mule Deer '36' State Well No. 3
NW/4SE/4, Section 36-22S-32E
Lea County, New Mexico

Dear Ms. Williams:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on July 18, 1996. Your application requests our approval to commingle the West Red Tank Delaware production with the Red Tank Bone Spring production within the wellbore of the Mule Deer '36' State Well No. 3, located in Unit Letter J, Section 36-22S-32E.

Since it appears that all the New Mexico Oil Conservation Division 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 for downhole commingling is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Please remit a \$30.00 filing fee.

Meridian Oil Inc.

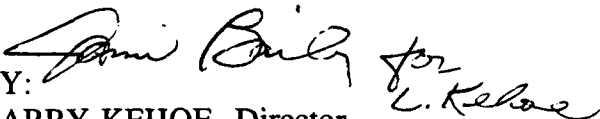
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If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:  for
LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File
OCD--Attention: David Catanach, Ben Stone