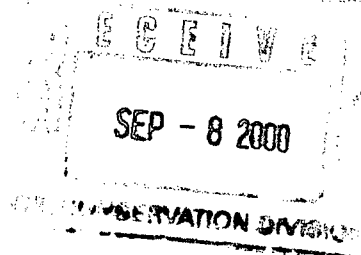


MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. A. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER



September 6, 2000

Chris Williams, District Supervisor
NM Oil Conservation Division
1625 N. French Drive
Hobbs, NM 88240

Re: Big Flat ASN State #2
Unit P, Sec. 10, T. 16 S., R. 35 E.
Lea County, New Mexico

Dr. Mr. Williams:

Administrative Order DHC-2769 approves downhole commingling of the Townsend Permo-Upper Penn. and Northwest Shoe Bar Strawn in this well. The Order requires approval of a fixed allocation production formula by the Hobbs District Supervisor upon completing and testing the well.

Test rates for these pays are shown in the following table.

Zone	Perforations	Test Rate	Date
Strawn	11,304'-11,321'	75 bopd, 193 mcf/d, 66 bwpd	8-20-00
Permo-Upper Penn	10,884'-10,894'	193 bopd, 311 mcf/d, 66 bwpd	8-29-00

Our proposed fixed allocation formula for commingled production based on the test rates given above is contained in the following table.

Zone	Oil	Gas
Strawn	27.473 %	38.294 %
Permo-Upper Penn	72.527 %	61.706 %

Please advise when the proposed formula is approved. If you have questions or need additional information, please call me at (505) 748-4174. Thank you for your help in this matter.

Sincerely,

Albert R. Stall
Operations Engineer

XC: NMOCD, Santa Fe, Att: David Catanach