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

DHC-2868

COMMERCIAL RESOURCES

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SURFACE RESOURCES

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January 4, 2001

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Mr. Albert R. Stall

Re: Application for Downhole Commingling
South Avalon ASZ State Com Well No. 2
Unit Letter L, Section 14-21S-26E
Burton Flat Strawn and Burton Flat Morrow Pools
Eddy County, New Mexico

Dear Mr. Stall:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on December 27, 2000. Your application requests our approval to downhole commingle the Burton Flat Strawn and Burton Flat Morrow production within the wellbore of the South Avalon ASZ State Com Well No. 2 located in Unit Letter L, Section 14-21S-26E, Eddy County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

<u>POOL</u>	<u>ALLOCATION</u>	
	<u>Oil%</u>	<u>Gas%</u>
Burton Flat Strawn	87.50%	19.40%
Burton Flat Morrow	12.50%	80.60%
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	100%	100%

Since it appears that 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 for downhole commingling the production from the above-mentioned well 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 and is also contingent upon a communitization agreement being submitted for the commingled zones.

Your \$30.00 filing fee has been received.

Also, please submit a copy of the Oil Conservation Division's approval of this application.

Yates Petroleum Corporation

January 4, 2001

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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:

Anthony H. Nash

For JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

xc: Reader File

~~OCD-Attention: David Catanach~~