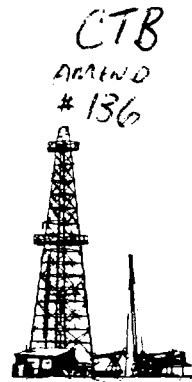




3103 - 79TH STREET • LUBBOCK, TEXAS 79423 • 806/745-4638



August 4, 1995

State Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501

Attn: Mr. Jeff Albers

Re: State EF Com
Lea County, New Mexico
Leases K-2467, OG-5364, OG-5114, OG-5338
All Sec. 6 & S/2 SW/4 Sec. 5, T11S, R34E

Gentlemen:

Pursuant to our telephone conversation today, we request permission to commingle production from the wells on the captioned property.


These wells and the associated leases, as further described on the enclosed map, are subject to a communitization agreement dated 1/7/65 and amended 12/1/67. It is our understanding that the State Land Office has interpreted the communitization agreement, for the past thirty years, as a single large proration unit; however, with the implementation of the ONGARD computer system, the communitization agreement is now being interpreted as including the several individual proration units as shown on the enclosed map, necessitating a unique production unit number for each well. Interest ownership is unchanged as per terms of the agreement.

As you know, production from the wells has been commingled in a common tank battery for the past twenty-eight years. We understand that our request for a commingling permit is necessary simply to bring the property into conformity with the ONGARD system. Mr. David Catanach of the Oil Conservation Division has advised us of an existing commingling permit (No. CTB-136) issued in 1964 which applied to leases OG-5114 and OG-5364. When considered with the Communitization Agreement, it may be that an amendment to the existing commingling permit may be in order rather than a new permit.

Thank you for your assistance in this matter. Please advise us if we may provide further information.

Sincerely,

LAYTON ENTERPRISES, INC.


Brad W. Layton
Vice President

c: Mr. David Catanach, OCD
c: New Mexico Oil Corporation

*By virtue of a Comm
agreement, ownership
between leases is Comm*