



State of New Mexico
Commissioner of Public Lands

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

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
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February 9, 1994

Zia Energy, Inc.
P.O. Box 2219
Hobbs, New Mexico 88241

Attention: Mr. Farris Nelson

Re: Surface Commingling
Cole State B-3480 Lease
Southwest Eunice San Andres, Penrose Skelly Grayburg and
Eumont Yates Seven Rivers Queen Pools
N $\frac{1}{2}$, Section 16-22S-37E
Lea County, New Mexico

Dear Mr. Nelson:

This office is in receipt of your application to commingle the production from the Southwest Eunice San Andres, Penrose-Skelly Grayburg and Eumont Yates Seven Rivers Queen pools on the captioned lease.

According to your application, the following wells will be surface commingled. The Cole State Well Nos. 2, 3, 4 and 5 which are producing from the Penrose Skelly Grayburg pool. The Cole State Well No. 1 which is producing from the Southwest Eunice San Andres pool, and the Cole State Well No. 6 which is producing from the Eumont Yates Seven Rivers Queen pool.

Since ownership is common throughout, and there will be no loss of revenue to the State of New Mexico's beneficiaries from your proposed operation, the Commissioner of Public Lands, this date approves your request. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval should this operation prove to be unprofitable to the State at any time in the future. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Zia Energy, 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.

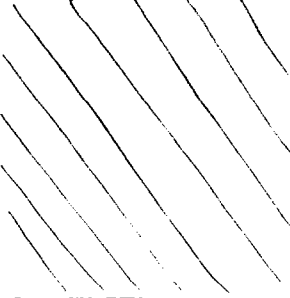
Very truly yours,

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

BY: *Floyd O. Prando*

FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
RBP/FOP/pm

cc: Reader File
B-3480
TRD
OCD

No. 2 Pense Skelly Crayton	No. 3 Pense Skelly Crayton	No. 6 Ewing & Co. San Juan Arizon	No. 1 Sullivan Ewing San Arizon
No. 4 Pense Skelly Crayton			No. 5 Pense Skelly Crayton

SECTION _____ TOWNSHIP _____ RANGE _____