

FAX TO: (505) 827-1389



April 25, 1997

Oil Conservation Division
Engineering Bureau
2040 Pacheco St.
Santa Fe, New Mexico 87505

Attn: Mr. David Catanach

11784

Dear Sir:

We are in the process of submitting Form C-108, Application for Authorization to Inject, for our Fox A State No. 5 well located in the SE NW 4, Sec. 2, Twp. 9S, Rge. 36E, Lea County, N.M. in the Allison Penn Pool. Because of a unique situation in this well, we request a hearing be set for the May 1997 docket.

The proposed well was drilled in 1991 to test the Devonian zone. The initial test was 100% water as were two subsequent workover attempts. In the interim the well was completed in the Bough C Penn zone, but after a test period of several months the zone was abandoned as uneconomic.

The Bough C Penn zone is in a state of near total depletion due to the extremely low bottom hole pressure. Within the proposed project area in the southern end of the Allison Field there are only seven producing wells remaining. All are small marginal wells and are at or very near economic limit, subject to abandonment.

The project area of approximately 1800 acres has produced 5.4 MMBO plus an estimated 4 MMBW and 7 MMCFG. Sufficient reservoir data is not available to make an accurate volumetric calculation. However, since the primary producing mechanism appears to be solution-gas, with a possible assist from connate water expansion, it is reasonable to assume that oil recovery to date would not exceed 25% of original oil in place. Therefore, a successful secondary recovery attempt projected to recover an additional 10% of original oil in place would recover 2 MMBO which would otherwise not be produced.

The sizable void space in the reservoir will require a prolific and inexpensive water source to accomplish fill up. The only water currently available is a small amount of produced water (±350 BD) currently being disposed in another Bough C well. The only adequate source available is from the Devonian zone.

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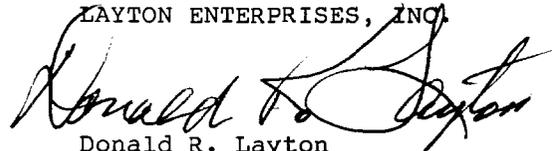
Since the Bough C zone is capable of accepting adequate volumes of water by gravity pressure, it follows that injection can be accomplished by completing both zones in the same well bore and utilizing the higher pressure and volume from the Devonian zone.

We propose to complete the injection well in both the Bough C and Devonian zones with tubing and packer set above the Bough C zone. This will allow the higher pressure Devonian water to flow into the Bough C zone. This flow, supplemented with available produced water, is expected to effect our desired rate of 2000 to 2500 BWP. Following the anticipated successful performance of this well and the pilot area, we intend to re-complete two additional combination wells which are available in the project area.

Our application on Form C-108 with the required information and data will follow shortly. We will appreciate your placing our hearing on the May docket.

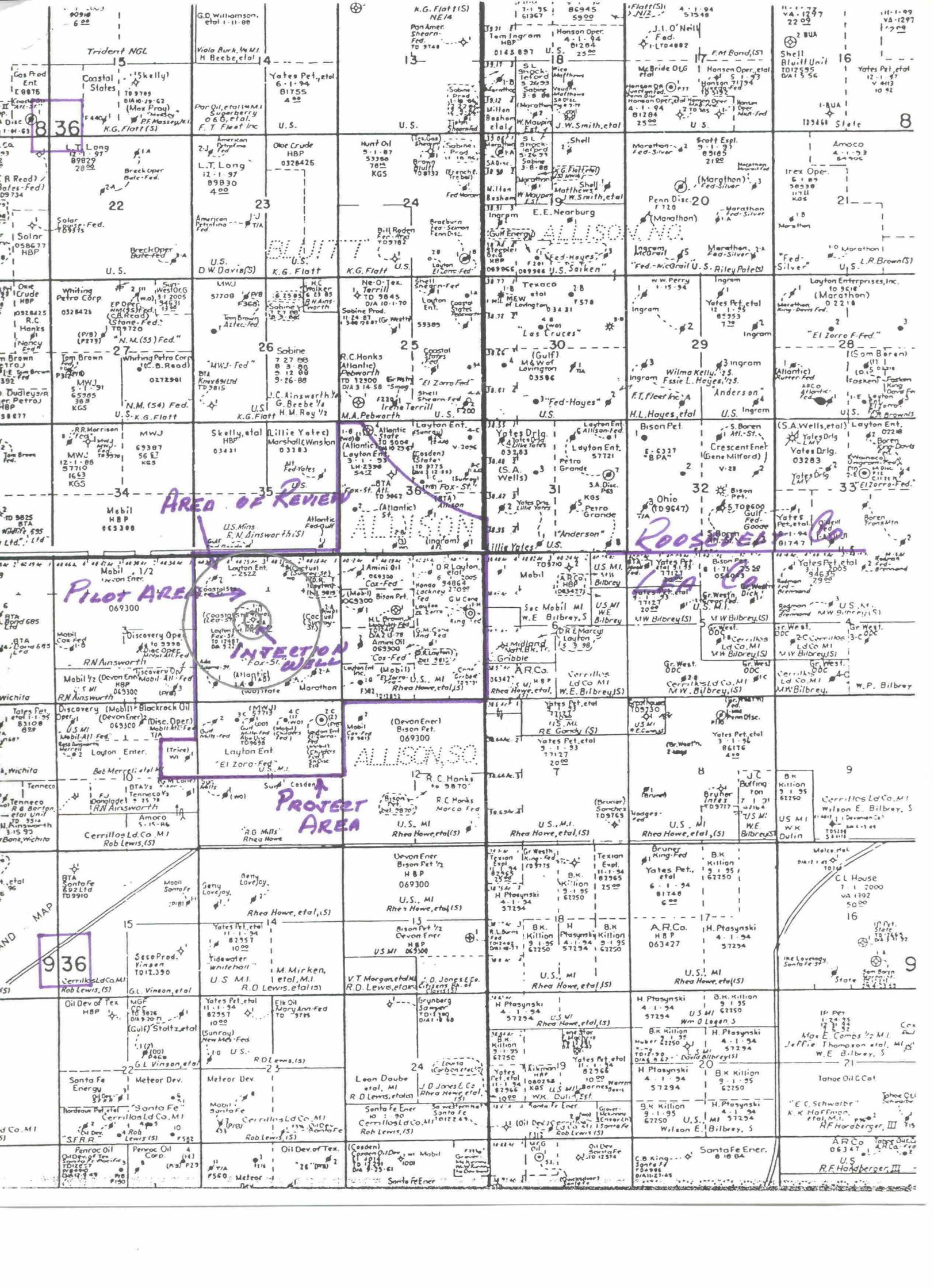
Very truly yours,

LAYTON ENTERPRISES, INC.

A handwritten signature in cursive script, appearing to read "Donald R. Layton", is written over the typed name.

Donald R. Layton
President

DRL/bwl



AREA OF REVIEW

PILOT AREA

INJECTION WELL

PROTECT AREA

ALLISON

ROOSEVELT

LEA CO

MAP

MAP