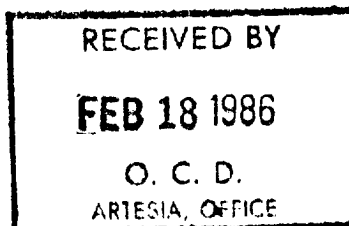




TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



50 YEARS



1935 - 1985

POST OFFICE BOX 2068
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

February 13, 1986

Padilla & Snyder
P. O. Box 2523
Santa Fe, NM 87504-2523

Attention: Ernest L. Padilla

RE: Surface Gas Commingling Carlsbad
Grace No. 1 Well Section 36, T22S,
R26E, Eddy County, New Mexico

Dear Sir:

Your application on behalf of Corrine Grace to surface commingle the gas production from the above described well has been reviewed. The Division has found that the following facts exist:

- 1) The interest is common for both zones.
- 2) There will be no reduction in the value of the gas as a result of commingling.
- 3) Both zones are marginal
- 4) As a result of commingling, the Morrow formation in the well will be able to be produced, thereby extending the economic life of the well and preventing waste.

You are hereby authorized to surface commingle the gas production from the South Carlsbad Morrow and South Carlsbad Strawn formation from the above mentioned well. The gas production from the Strawn formation shall be metered prior to commingling and the Morrow production shall be determined by subtracting the Strawn production from the total sales line meter volume. Further, the Morrow production shall be subject to the gas allowable as printed in the Southeast New Mexico Gas Proration Schedule.

It is the responsibility of the operator to notify the transporter of the commingling authority.