

Page 2
Maralo, Inc.

For allocation purpose, the production from each lease will be metered separately prior to being commingled into one common battery.

Maralo, Inc. is 50% working interest owner for these leases. See attached commingling proposal notice sent to working interest owners.

Federal royalties will not be reduced through the approval of this application as both Pickett Draw Federal and the Exxon "8" Federal leases have identical royalty interest for the BLM.

The approval of one common storage facility will result in an immediate economic saving of approximately \$13,000 in the cost of storage tanks. Other savings will be achieved with the reduction of transportation and operating costs.

If you require additional information, please call me at (915) 684-7441.

Sincerely,



Dorothea Owens
Regulatory Analyst

Attachments: (4) sets

cc: Bureau of Land Management
Carlsbad, New Mexico