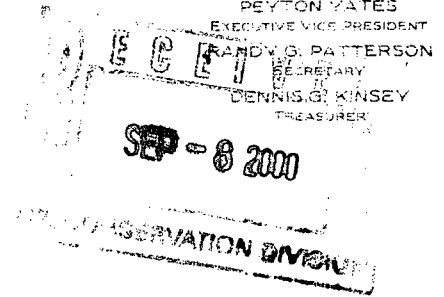


MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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TREASURER



September 6, 2000

Chris Williams, District Supervisor
NM Oil Conservation Division
1625 N. French Drive
Hobbs, NM 88240

Re: C. O. Jones ATK State #1
Unit L, Sec. 11, T. 16 S., R. 35 E.
Lea County, New Mexico

Dr. Mr. Williams:

Administrative Order DHC-2784 approves downhole commingling of the Undesignated Townsend-Morrow (Gas-86400), and North Shoe Bar-Atoka (Gas-96763) Pools in this well. The Order requires approval of a fixed allocation production formula by the Hobbs District Supervisor upon completing and testing the well.

Test rates for these pays are shown in the following table.

Zone	Perforations	Test Rate	Date
Morrow	12141'-12151'	1574 mcf/d. 0 bopd. 0 bwpd	6-26-00
Atoka	11959'-11977'	3177 mcf/d. 72 bopd. 3 bwpd	7-27-00
Atoka	11687'-11761'	3784 mcf/d. 134 bopd. 9 bwpd	9-3-00

Our proposed fixed allocation formula for commingled production based on the test rates given above is contained in the following table.

Zone	Oil	Gas
Morrow	0%	18.442 %
Atoka	100%	81.558 %

Please advise when the proposed formula is approved. If you have questions or need additional information, please call me at (505) 748-4174. Thank you for your help in this matter.

Sincerely,

Albert R. Stall
Operations Engineer

XC: NMOCD, Santa Fe. Att: David Catanach