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COMMERCIAL RESOURCES
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MINERAL RESOURCES
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ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
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**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

August 31, 2000

Clayton Williams Energy, Inc.
Claydesta Center
Six Desta Drive
Suite 3000
Midland, Texas 79705

Attn: Mr. Chris Cantrell

Re: Downhole Commingling Application
State 20B Lease Well No. 4
Unit Letter H, Section 20-17S-29E
State Lease B-6846-1
Grayburg Jackson Seven Rivers Queen-Grayburg-San Andres and East Empire (Yeso) Oil Pools
Eddy County, New Mexico

Dear Mr. Cantrell:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on August 11, 2000. Your application requests our approval to downhole commingle the Grayburg Jackson Seven Rivers Queen-Grayburg-San Andres and East Empire (Yeso) Oil production within the wellbore of the State 20B Lease Well No. 4 located in Unit Letter H, Section 20-17S-29E, Eddy County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

<u>POOL</u>	<u>ALLOCATION</u>	
	<u>Oi %</u>	<u>Gas %</u>
Grayburg Jackson Seven Rivers Queen-Grayburg-San Andres	64%	55%
East Empire (Yeso) Oil	36%	45%
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	100%	100%

Since it appears that the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Clayton Williams Energy, Inc.
August 31, 2000
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Please submit your filing fee in the amount of \$30.00.

Also, please submit a copy of the Oil Conservation Division's Order approving this application.

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

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
Enclosure
xc: Reader File

~~OCD--Attention: David Catanach, Ben Stone~~