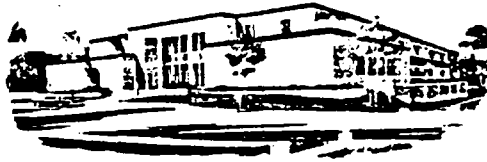


State of New Mexico



JIM BACA
COMMISSIONER

Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

January 8, 1990

Texaco, USA
P.O. Box 730
Hobbs, NM 88240

Re: State "AZ" Well Nos. 1 & 2
M-16-T17S-R31E
New Mexico State Lese No. B-1565
Lea County, New Mexico
Beneficiary: Common School Lands
Surface Commingling

Gentlemen:

Reference is made to your application dated December 3, 1990 wherein you requested approval to surface commingle production from the Grayburg-Jackson pool in the State "AZ" # 1 Well and from the Seven Rivers pool in the State "AZ" # 2 Well. Both wells are in section 16-17S-31E, Lea County, New Mexico. The Common Schools are the beneficiary for both wells.

The Commissioner of Public Lands hereby grants approval to commingle the production as outlined above. Please be advised that any deviation from the approved operations will be grounds to rescind our approval. Our approval is subject to like approval by the Oil Conservation Division.

We received your filing fee in the amount of Thirty Dollars (\$30.00).

If you have any questions please contact Clyde Langdale at (505) 827-5791.

Sincerely,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

By: *Floyd O. Prando*
Floyd O. Prando, Director
Oil, Gas & Minerals Division

JB/FOP/CL/dm

cc: BLM - Jerry Dutchover
OCD - David Catanach
TRD - O & G Accounting Division