

AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Sir:

Aztec Oil & Gas Company has on this date filed application with the Oil Conservation Commission of the State of New Mexico for authority to commingle fluids produced from the two captioned wells. You are the owner of an overriding royalty interest under one of these wells and are, therefore, an interested party to this application.

Both of the subject wells produce high water volumes and contain corrosive ingredients which have rendered normal pumping techniques impractical. Therefore, at considerable expense Aztec Oil & Gas Company has installed a hydraulic pumping system which is capable of handling production from both of these wells concurrently. The Rules and Regulations of the Oil Conservation Commission of the State of New Mexico prohibit the commingling of oil from separate leases unless the oil has been separately metered or measured before being commingled. Metering devices of the type which would be required with the equipment which we have installed would be extremely expensive and future production might not justify the expenditure. We are, therefore, requesting permission to commingle oil produced from the subject wells with existing equipment and allocate royalty based upon periodic well tests to be conducted not less than once every calendar month. It is anticipated that the inaccuracy, if any, resulting from this method of royalty accounting would be insignificant.

| | |
|------------------------|--|
| BEFORE EXAMINER NUTTER | |
| CE. DIST. NO. _____ | |
| EXHIBIT NO. _____ | |
| CASE NO. 3822 | |

Royalty Interest Owner

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If the Oil Conservation Commission of the State of New Mexico should see fit to grant our request, we expect that the producing life of this reservoir might be materially extended by the economy which would be thus affected in our operations. If you as an overriding royalty owner have no objections to our proceeding as outlined hereinabove, please evidence your consent thereto and your waiver of objections by signing the attached copy of this letter in the space provided therefor and return same to us at your earliest convenience in the enclosed stamped self-addressed envelope.

We shall appreciate your cooperation in this matter.

Yours truly,

Joe E. Starks

JES:sbb

DATE: _____

Overriding royalty owner