



September 5, 1992

Mr. Jerry Sexton
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88241

Re: El Zorro "E" Federal Nos. 3 & 4
Allison San Andres East Pool

Dear Jerry:

In accordance with our recent telephone conversation, following is a brief history of the captioned wells.

The wells were completed originally in 1961 by Ohio Oil Co. as Bough "C" producers in the Allison Penn Pool. Subsequently, ownership was transferred to Eugene Nearburg and then to Tom Ingram. During the early 1970's Ingram was active in the area both drilling San Andres wells and plugging back Penn wells to the San Andres. The captioned wells were part of that program but apparently the work was never reported and the small amount of production for the past 18 years has been reported to the Allison Penn. Attached are production volumes for both wells for the period from conversion to the San Andres zone to the present.

Also attached are copies of forms filed with BLM showing the plug back work done. Also included are form C-104 to note the change of pool designation.

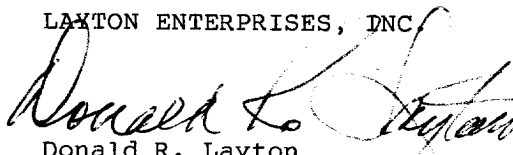
The wells were acquired by Murphy Operating Corp. in 1990 as part of a sale package and we acquired them in July 1991 as part of a sale package from Murphy.

We are planning to make necessary equipment repairs to return the wells to normal production status.

Please advise us if additional information is needed.

Very truly yours,

LAYTON ENTERPRISES, INC.


Donald R. Layton
President

DRL/bwl