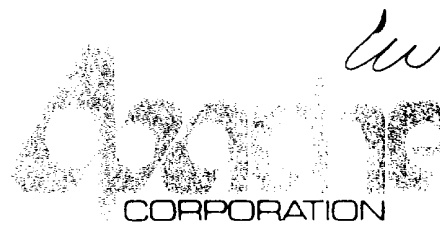


2000 POST OAK BOULEVARD / SUITE 100 / HOUSTON, TEXAS 77056-4400



(713) 296-6000

June 4, 1997

Ed Martin  
State of New Mexico  
Oil Conservation Commission  
2040 S. Pacheco  
Santa Fe, NM 87505

RE: State "27" Well No. 3  
API No. 30-025-28613  
Unit A, Section 27, T14S-R32E  
Lea County, NM  
Tulk-Abo (60263) and  
Tulk-Penn (60380) Pools

Dear Mr. Martin,

Enclosed please find Forms C-115 for the subject well covering July, 1996 through February, 1997.

Commingling was implemented on this well in July, 1996 but the permit was not approved until May 9, 1997. The enclosed reports reflect the allocation of production pursuant to Administrative Order DHC-1558. The volumes for Pool No. 60263 are amended from the original submitted by Coastal and volumes under Pool No. 60380 are reports for the new zone.

Apache Corporation took over as operator effective April, 1997. If you have any questions, please do not hesitate to contact me at (713)296-7120.

Sincerely,

APACHE CORPORATION

Pamela M. Leighton  
Sr Regulatory Analyst

//pl

cc: Donna Harry, Coastal O&G Corp.  
O&G, Hobbs, New Mexico



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1558

Coastal Oil & Gas Corporation  
P.O. Box 235  
Midland, Texas 79702

Attention: Ms. Donna Harry

*State "27" Well No. 3  
API No. 30-025-28613  
Unit A, Section 27, Township 14 South, Range 32 East, NMPM,  
Lea County, New Mexico.  
Tulk-Abo (60263) and  
Tulk-Penn (60380) Pools*

Dear Ms. Harry:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303.C., the daily allowable producing rates from the subject well are hereby established as follows:

Oil 230 B/D

Gas 460 MCF/D

Water 460 B/D

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Tulk-Abo Pool	Oil 2%	Gas 2%
Tulk-Penn Pool	Oil 98%	Gas 98%

Administrative Order DHC-1558

Coastal Oil & Gas Corporation.

May 9, 1997

Page 2

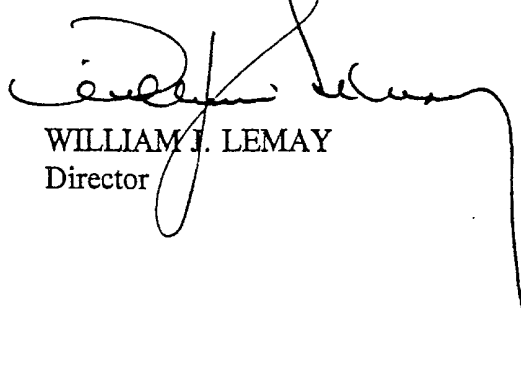
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REMARKS: The operator shall notify the Hobbs District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 9th day of May, 1997.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L

WJL/DRC

cc: Oil Conservation Division - Hobbs  
State Land Office-Oil & Gas Div.