



March 13, 1996

Mr. Jerry Sexton
District Supervisor
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

RE: Permission to Produce
Maralo SV "16" State, Well #1
(API # 30-025-29347)
Reeves; Queen, West Gas Pool
Unit L, Sec. 16, T18S, R35E
Lea County, New Mexico

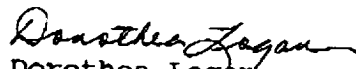
Dear Mr. Sexton:

Maralo Inc. requests permission to continue producing the above named well in an interim period.

Please consider that modifications to Division General Rule 104 were underway and established during the period that Maralo Inc. was evaluating non-standard well spacing options for this well. All offset operators have been timely notified of the application filings (see attached).

The result of the evaluation is that an offset farmout has been sought to develop a standard 160-acre unit from the SW/4 of Section 16. If you have any questions regarding the ongoing process to place this well in a valid gas spacing proration unit, please call Dorothea Logan or Richard Gill, Petroleum Engineer, (915) 684-7441.

Sincerely,


Dorothea Logan
Regulatory Analyst

attachments: (2)