

T. H. McELVAIN OIL & GAS PROPERTIES

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March 9, 1988

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

Post Office Box 2088

Santa Fe, New Mexico 87504-2088

HAND DELIVERED

Attention: David R. Catanach

Re: McElvain-Trainer
Gathering System
Lea County, New Mexico

Gentlemen:

We are the operator of a gathering pipeline in Lea County, which is selling into the Llano system at a delivery point located in the SE/4 NE/4 Sec 24, T17S, R35E (see enclosed plat). The Llano purchase meter is Sta. #422. We have just completed hooking up a second well to this pipeline, the Betty St. #1, and we will be metering each well at the wellhead. The two wells involved are both Atoka gas wells located on 1/6th royalty State of New Mexico Oil and Gas Leases as follows:

NM Oil & Gas Lease #V-1520

New Mexico "AC" St #1

T. H. McElvain Oil & Gas Properties--Operator

Unit H, Sec 22, T17S, R35E

Lea County, New Mexico

NM Oil & Gas Lease #V-1792

Betty St #1

C. W. Trainer--Operator

Unit L, Sec 16, T17S, R35E

Lea County, New Mexico

Although the wells show different operators, the McElvain group owns a working interest in the Betty St #1, and C. W. Trainer owns a working interest in the New Mexico "AC" St #1

The New Mexico "AC" St #1 is currently delivering 6000 MCFPD into the Llano line and we anticipate that the Betty St #1 will deliver 1000 MCFPD. The individual well meters were calibrated on February 26, 1988 by American Valve and Meter Service in Hobbs, New Mexico. We plan to have the individual well meter charts calculated by Precision Service, Inc. of Casper, Wyoming, and we will then allocate production