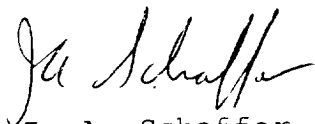


March 27, 1989

- C. A production decline curve for the Blinebry and Drinkard formation production is attached. No production history is available for the Tubb zone since the Tubb is a recent completion. The prognosis for future production from each zone is as per the attached production tests for each zone.
- D. The bottom hole pressure for each zone obtained by stabilized fluid level measurements are as follows:
- |               |         |
|---------------|---------|
| Blinebry Zone | 489 PSI |
| Tubb Zone     | --- PSI |
| Drinkard Zone | 347 PSI |
- E. The Blinebry, Tubb, and Drinkard formations are compatible and have been successfully commingled on other Lea County properties. An example of same is the Shell Oil Company operated Northeast Drinkard Unit located in T-21-S, R-37-E, Lea County, New Mexico. Therefore no fluid incompatibilities are expected for the commingled Blinebry, Tubb, and Drinkard in the subject well.
- F. The prices received for hydrocarbon productions sold from the J. V. Baker Lease are the same for all zones. Therefore, the value of the commingled production will not be less than the sum of the values of the individual streams.
- G. Offset operators (Anadarko Oil Company and Chevron Oil Company) have been notified of the pending triple downhole commingling.

Yours very truly,



J. A. Schaffer  
District Operations Manager

RH:LDR/JRB

Attachments

cc: NMOCD - Hobbs