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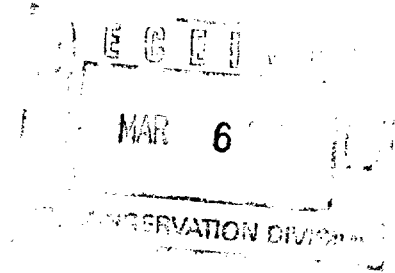
N/R

**Cross Timbers Operating Company**

1037

February 27, 2001

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
1220 S. Francis Dr.
Santa Fe, New Mexico 87504



Re: Administrative Approval to Surface Commingle
Federal Gas Com 1 #2 and Federal Gas Com 1 #1B
Section 20, T32N, R12W
San Juan County, New Mexico

Dear Ms. Wrotenbery,

Cross Timbers Operating Company requests administrative approval to surface commingle the referenced wells. It is planned to produce the commingled production through a single compressor. Oil and water production will not be commingled.

A compressor is required by both wells to maximize recoveries. The installation of a single compressor will reduce operating expenses, extend the life of the wells and increase ultimate recoveries. These wells share a well pad and the Federal Gas Com 1 #2 is already equipped with a compressor.

The following is enclosed for your review of the proposed commingling:

1. Well Information Table
2. Gas Allocation Method
3. Well Location Map
4. Battery schematic of proposed commingling

All interest owners and the Farmington District BLM office have been notified of this proposed commingling. No objections have been received and at least 20 days have passed since notification. If you need additional information or have any questions, please feel free to contact me at (505)-324-1090.

Sincerely,

Thomas DeLong
Operations Engineer

CC: NMOCD – District III (Aztec)
BLM (Farmington District Office)

Federal Gas Com 1 #2 and the Federal Gas Com 1 #1B
Well Information

	Federal Gas Com 1 #2	Federal Gas Com 1 #1B
Location	B, Sec 20, T32N, R12W	B, Sec 20, T32N, R12W
Formation	Fruitland Coal	Mesaverde
API#	30-045-29816	30-045-30032
Pool Name	Basin Fruitland Coal	Blanco Mesaverde
Pool Code	71629	72319
Gas Gravity	0.615	0.742
Gas Rate (MCFPD)	587	662
Oil Gravity	NA	NA
Oil Rate (BPD)	0	0
Water Rate (BPD)	110	2

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Federal Gas Com 1 #2 and the Federal Gas Com 1 #1B

Gas Allocation Method

The EPNG meter #99930 will be the sales meter for the Federal Gas Com 1 #2 (Fruitland Coal) and the Federal Gas Com 1 #1B (Mesaverde) gas sales. An allocation meter will be set between the Federal Gas Com 1 #1B separator and the suction side of the compressor. This meter will only measure gas flow from the Federal Gas Com 1 #1B.

Federal Gas Com 1 #1B gas production will be calculated as follows:

(Federal Gas Com 1 #1B allocation meter volume) + (Federal Gas Com 1 #1B separator fuel gas)

Federal Gas Com 1 #2 gas production will be calculated as follows:

(EPNG meter #99930 volume) – (~~Dakota~~ allocation meter volume) + (compressor fuel gas) + (Federal Gas Com 1 #2 separator fuel gas) + (pumping unit fuel gas)

Compressor fuel gas usage will be allocated to each well based on the percentage of gas compressed for each well. For example the Federal Gas Com 1 #1B percentage of compressor fuel usage would be calculated as follows:

$$\frac{(\text{Federal Gas Com 1 \#1B allocation meter volume})}{(\text{EPNG meter \#99930 volume}) + (\text{compressor fuel gas})}$$

Compressor fuel gas will be calculated using the operating conditions of the compressor and manufactures published fuel gas volumes.

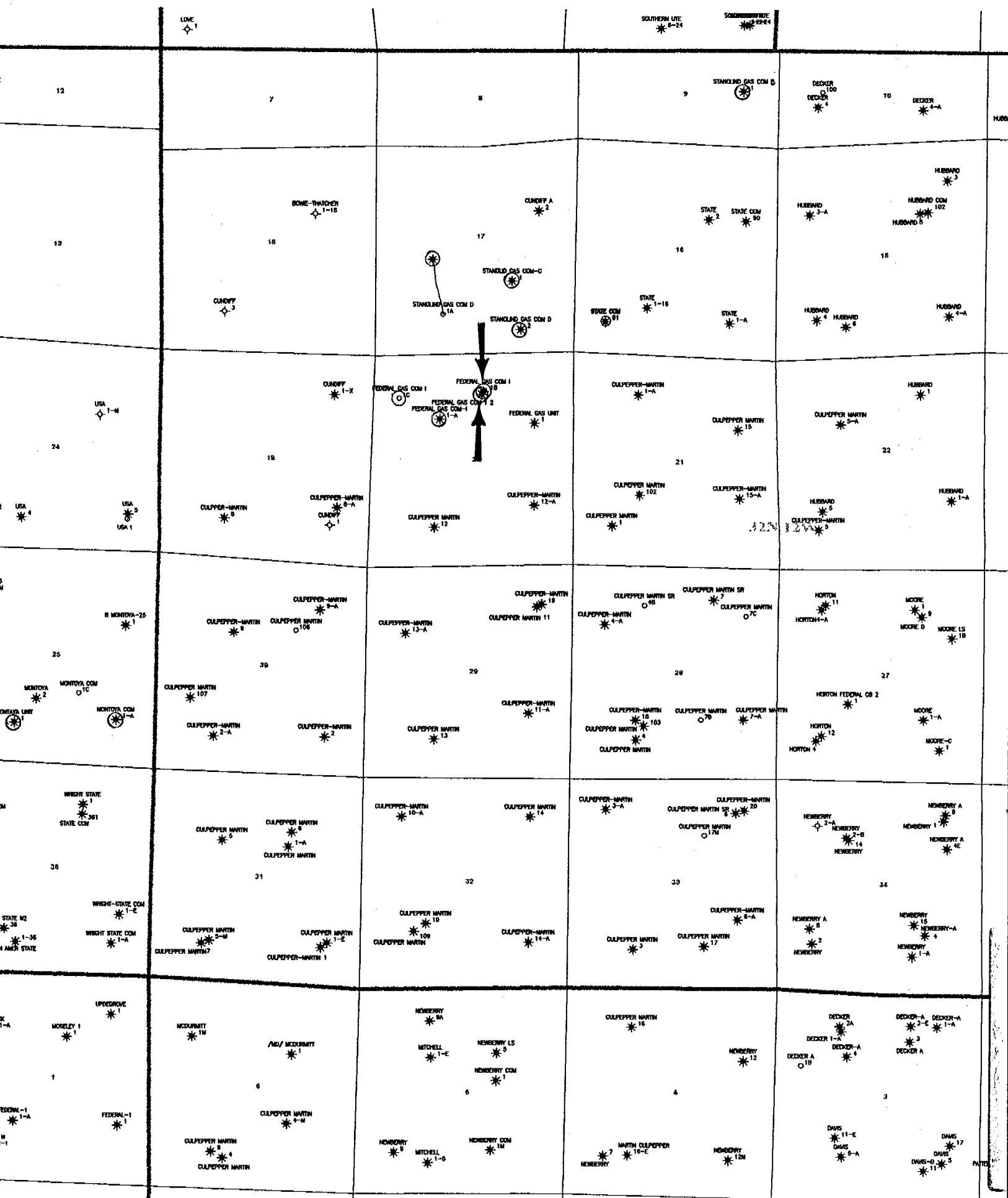
Gas sales for each well will be calculated as follows:

(gas production) – (pumping unit fuel gas) – (separator fuel gas) – (allocated compressor fuel gas)

No commingling of liquid hydrocarbon or water will occur. Production and sales will be based on actual measured volumes from each well. The Federal Gas Com 1 #2 does not produce liquid hydrocarbon.

Surface commingling will allow the installation of one compressor to serve both wells and will not decrease the value of the gas. It will allow the gas to be compressed at a lower cost than two compressors and will extend the economic life of the wells. Due to high line pressures in this area, compression is required to effectively produce the wells.

Schönwiesenthal
5224



CROSS TIMBERS OPERATING COMPANY
Lease: FEDERAL GAS COM 1 #2 & FEDERAL GAS COM 1 #1B
Location: NW/4 NE4 SEC.20,T32N,R12W
LEASE #: NMNM-09414

