

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1913

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL, NEW MEXICO 88201

October 16, 1984

Koch Oil Company
P. O. Box 2256
Wichita, Kansas 67201

Attention: Janice Lewis

Re: Correction of Run Statements for
the Young Deep "4" Federal #2,
Lease #NM-4364, Division Order
#99567

Dear Ms. Lewis:

In compliance with the stipulations set forth by the Bureau of Land Management, previously known as the Minerals Management Department, which receives royalties under lease #NM-4364, production from the aforementioned well, must be segregated on a monthly basis. Heyco is currently making application with the BLM and OCD whereby production may be commingled at the surface, at the main battery located on Young Deep Unit #1 pad.

Production will be allocated to the Young Deep "4" Federal by means of monthly well tests which will be taken for 24 hours multiplied by the number of days the well produced. Then Heyco will notify Koch Oil of the calculated production so that this production can be subtracted from the total runs metered through the L.A.C.T. unit. The production for the Young Deep "4" Federal #2 should therefore be reported on the division order #99567 for 100% consolidated production. The balance of the production determined by the subtraction of said production from the metered runs through the L.A.C.T. should be reported on the division order #99574 for the main battery.

It is my understanding that Koch Oil Company supplies Southern Union Refining Company with the total pipeline volume purchases under each division order (#99567 for the Young Deep "4" Federal #2 and #99574 for the main battery) each month. Southern Union Refining then allocates a certain percentage to Koch for the Young Deep "4" Federal #2 which is distributed to interest owners under Koch's division order #99555 and a certain percentage for the main battery which is distributed to interest owners under division order #99583. Southern Union Refining

Company likewise receives the balance of the allocated pipeline sales for the Young Deep "4" Federal #2 under division order #99553 and for the main battery under division order #99582. In turn, Southern Union Refining Company distributes revenue for allocated pipeline sales to the interest owners under division order #30004 for the Young Deep "4" Federal #2 allocated sales and division order #30001 for the main battery allocated sales.

Production on the Young Deep "4" Federal #2 was commingled into the main battery May 4, 1984. Production since that time has been reported under division order #99574 along with the main battery production. To rectify this error, it is necessary that the production, on the attached sheet, be shown as production coming separately from the Young Deep "4" Federal #2 and the main battery. Each month Heyco will notify Koch Oil Company of the production from the Young Deep "4" Federal #2 to ensure documentation of production for each lease.

Your help in resolving this problem is greatly appreciated. If there is need for further clarification, please contact my office at (505)623-6601, Ext. 227.

Sincerely yours,



Ray F. Nokes
Reservoir Engineer

RFN:mlb

cc: Southern Union Refining Company
P. O. Box 980
Hobbs, New Mexico 88240
Attn: Sharon Reader
Ph# 505-397-3384

CRUDE OIL PRODUCTION & SALES

<u>Month</u>	<u>Total Production for Main Battery</u>	<u>Young Deep 4-2 Production</u>	<u>Young Deep 4-2 % of Battery Production</u>	<u>Statement of Crude Sales</u>	<u>Young Deep 4-2 Allocated Sales</u>
May	19,611	5,399	28%	18,149	5,082
June	12,689	7,467	59%	13,490	7,959
July	14,724	6,419	44%	14,595	6,422
August	15,132	6,294	42%	15,233	6,398

Young Deep 4 Federal #2 Oil Gravity 37.9
Common Battery Oil Gravity 35.7