

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

COMMINGLING ORDER PC-774

Damson Oil Corporation
3300 North A, Building 8, Suite 100
Midland, TX 79705

Attention: Donald R. Craig

LEASE NAME: Hanley Federal Lease
DESCRIPTION: NW/4, Section 18, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

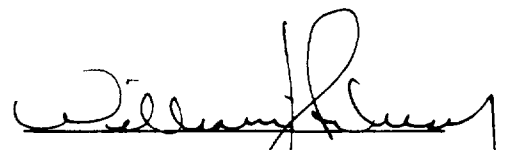
The above-named company is hereby authorized to commingle Aztec Pictured Cliffs and Aztec Fruitland gas production, respectively, from the Hanley Federal Well No. 2 located in Unit C of said Section 18 and the Hanley Federal Well No. 2J located in Unit F of said Section 18, in a common sales line prior to measurement.

Production from each pool shall be determined on the basis of a 24-hour production test to be conducted on each well on a monthly basis.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

REMARKS: In accordance with Division Rule No. 1111, the operator shall file Form C-111, Gas Transporters Monthly Report, for the wells on the subject lease.

DONE at Santa Fe, New Mexico, on this 27th day of April, 1990.



WILLIAM J. LEMAY,
Division Director