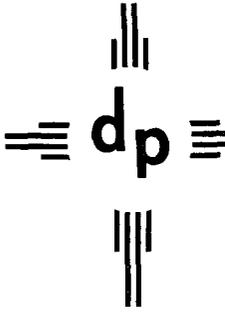


DHC-2336

REC'D / SAN JUAN

APR 22 1999



dugan production corp.

RECEIVED
APR 26 1999



April 20, 1999

Cross Timbers Operating Company
2700 Farmington Avenue, Building K, Suite 1
Farmington, NM 87401

RE: Administrative Approval to Commingle
Stanolind Gas Com D # 1
Sec. 17, T32N, R12W
San Juan County, New Mexico

Gentlemen:

Dugan Production Corp. has received notice of your application to ~~downhole commingle~~ the referenced well. Dugan has no objections to this proposal and is returning your letter which has been executed on behalf of Dugan.

It should be noted that the offset operators on your map are reversed.

Sincerely,

A handwritten signature in cursive script that reads 'David M. Poage'.

David M. Poage
Land Manager



Cross Timbers Operating Company

April 12, 1999

Re: Administrative Approval to Downhole Commingle
Cross Timbers Operating Co.
Stanolind Gas Com D #1
1,820' FSL & 1,590' FEL Sec 17, T 32 N, R 12 W
San Juan County, New Mexico

REC'D / SAN JUAN

APR 22 1999

Dear Offset Operator,

As an offset operator to the above mentioned well, you are hereby notified that Cross Timbers Operating Co is filing for downhole commingle approval.

As an offset operator, you have the right to file an objection to the commingling of the above mentioned well within twenty (20) days starting upon receipt of this letter. If you do not have any objections to the above well being commingled, you can either sign this letter waiving your rights to an objection or let the twenty days, upon receipt of this letter, expire.

Please return this letter or a letter of objection to Mr. David Catanach at the address listed.

Mr. David Catanach
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Cross Timbers Operating Co sincerely appreciates your prompt response concerning this approval.

Burlington Resources Oil & Gas	Signature:
Dugan Production	Signature: <i>John Alexander 4/12/1999</i>
Energen Resources	Signature:



Cross Timbers Operating Company

DHC 5/10/99

2336

April 16, 1999

Ms. Lori Wrotenbery
New Mexico Oil Conservation
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RECEIVED
APR 19 1999
NEW MEXICO OIL CONSERVATION DIVISION

RE: Administrative Approval to Surface Commingle
Stanolind Gas Com D #1
1820' FSL, 1590' FEL Sec 17, T 32 N, R 12 W
San Juan County, New Mexico

Dear Ms. Wrotenbery

Please disregard CTOC application, date April 12, 1999. The attached application is submitted in its place. The allocations in the April 12, 1999 application are incorrect. The new allocations are based upon the latest production, test run on the Gallup formation. I apologize for the inconvenience caused.

If additional information is needed, please contact me.

Sincerely,

Loren W Fothergill
Loren W Fothergill
Production Engineer

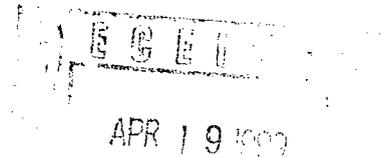
CC: NMOCD - Aztec
BLM
Offset operators



Cross Timbers Operating Company

April 16, 1999

Ms. Lori Wrotenbery
New Mexico Oil Conservation
2040 South Pacheco Street
Santa Fe, New Mexico 87505



RE: Administrative Approval to Surface Commingle
Stanolind Gas Com D #1
1820' FSL, 1590' FEL Sec 17, T 32 N, R 12 W
San Juan County, New Mexico

Dear Ms. Wrotenbery

Cross Timbers Operating Company (CTOC) request administrative approval to downhole commingle the Blanco Mesa Verde and McDemott Gallup pools in the subject well. The Gallup zone has been shut since 1992. Recently flow test indicate that the well is capable of producing gas in paying quantities if compression is used. Downhole commingling will allow the re-establishment of economic production from the Gallup zone.

To comply with New Mexico Oil Conservation Rules, Cross Timbers Operating Co. is submitting the following data for your approval of the proposed commingling:

1. C107A- Application for Downhole Commingling
2. C102 - Location plats showing each spacing unit and dedicated acreage
3. Production curves for both Gallup and Mesa Verde zones
4. Offset operator plat
5. Well location plat.

In accordance to New Mexico Oil Conservation Division Rule 303C, all offset operators and intrest holders are being notified of this application by mail.

If additional informtion is needed, please contact me.

Sincerely,

Loren W Fothergill
Production Engineer

CC: NMOCD - Aztec
BLM
Offset operators

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-A
New 3-12-96

DISTRICT II
811 S. First St., Artesia, NM 88210-2835

OIL CONSERVATION DIVISION

APPROVAL PROCESS:
 Administrative Hearing

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

2040 S. Pacheco
Santa Fe, New Mexico 875054-6429

EXISTING WELLBORE
 YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Cross Timbers Operating Company Address 2700 Farmington Ave., Bldg. K, Ste 1 Farmington, NM 87401

Lease Stanolind Gas Com D Well No. #1 Unit Ltr. - Sec - Twp - Rge 17 32 12 County San Juan

OGRID NO. _____ Property Code _____ API NO. 30-045-23779 Spacing Unit Lease Types: (check 1 or more)
Federal State _____ (and/or) Fee _____

The following facts are submitted in support of downhole commingling	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesa Verde 72319		McDemott Gallup 81050
2. Top and Bottom of Pay Section (Perforations)	3847' 4168'		5314' 5593'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Pumping		SI
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 185 psig cal	a.	a. 273 psig cal
	b. (Original) 1048 psig cal	b.	b. 1212 psig cal
6. Oil Gravity (^o API) or Gas BTU Content)	1208		1232
7. Producing or Shut-In?	Producing		SI
Production Marginal? (yes or no)	NO		Yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: 2-1/28/98 Rates: 139 MCFPD	Date: Rates:	Date: 3/99 Rates: 30
8. Fixed Percentage Allocation Formula -% for each zone	Oil: 50% Gas: 82.2%	Oil: % Gas: %	Oil: 50% Gas: 17.8%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones?
If not, have all working, overriding, and royalty interests been notified by certified mail?
Have all offset operators been given written notice of the proposed downhole commingling?
 Yes No
 Yes No
 Yes No

11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well in on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. ATTACHMENTS:
- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 - * Production curve for each zone for at least one year. (If not available, attach explanation.)
 - * For zones with no production history, estimated production rates and supporting data.
 - * Data to support allocation method or formula.
 - * Notification list of all offset operators.
 - * Notification list of working, overriding, and royalty interests for uncommon interest cases.
 - * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Loren W. Fothergill TITLE Production Engineer DATE 4-16-99

TYPE OR PRINT NAME _____ TELEPHONE NO. (505) 324 1090

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 S. 1st Street, Artesia, NM 88210-2834
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-23779		² Pool Code 81050 / 71599		³ Pool Name McDermott Gallup & Basin Dakota	
⁴ Property Code		⁵ Property Name Stanolind Gas Com D			⁶ Well Number 1
⁷ OGRID No.		⁸ Operator Name Cross Timbers Operating Company			⁹ Elevation 6,023' GL

¹⁰ Surface Location									
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
J	17	32 N	12 W		1,820'	South	1,590'	East	San Juan

¹¹ Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County

¹² Dedicated Acres 160 / 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON--STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Loren W Fothergill</i> Signature Loren W. Fothergill Printed Name Operations Engineer Title April 12, 1999 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>7/20/81 Date of Survey Signature and Seal of Professional Surveyer: <i>Original signed by Fred B Kerr, Jr.</i> 3950 Certificate Number</p>

Cross Timbers Oil Company

STANOLIND GAS COM D 1

CROSS TIMBERS

MCDERMOTT (GALLUP)

SAN JUAN, NEW MEXICO

17J 32N 12W

RWT

(INA)

SAN JUAN

70985

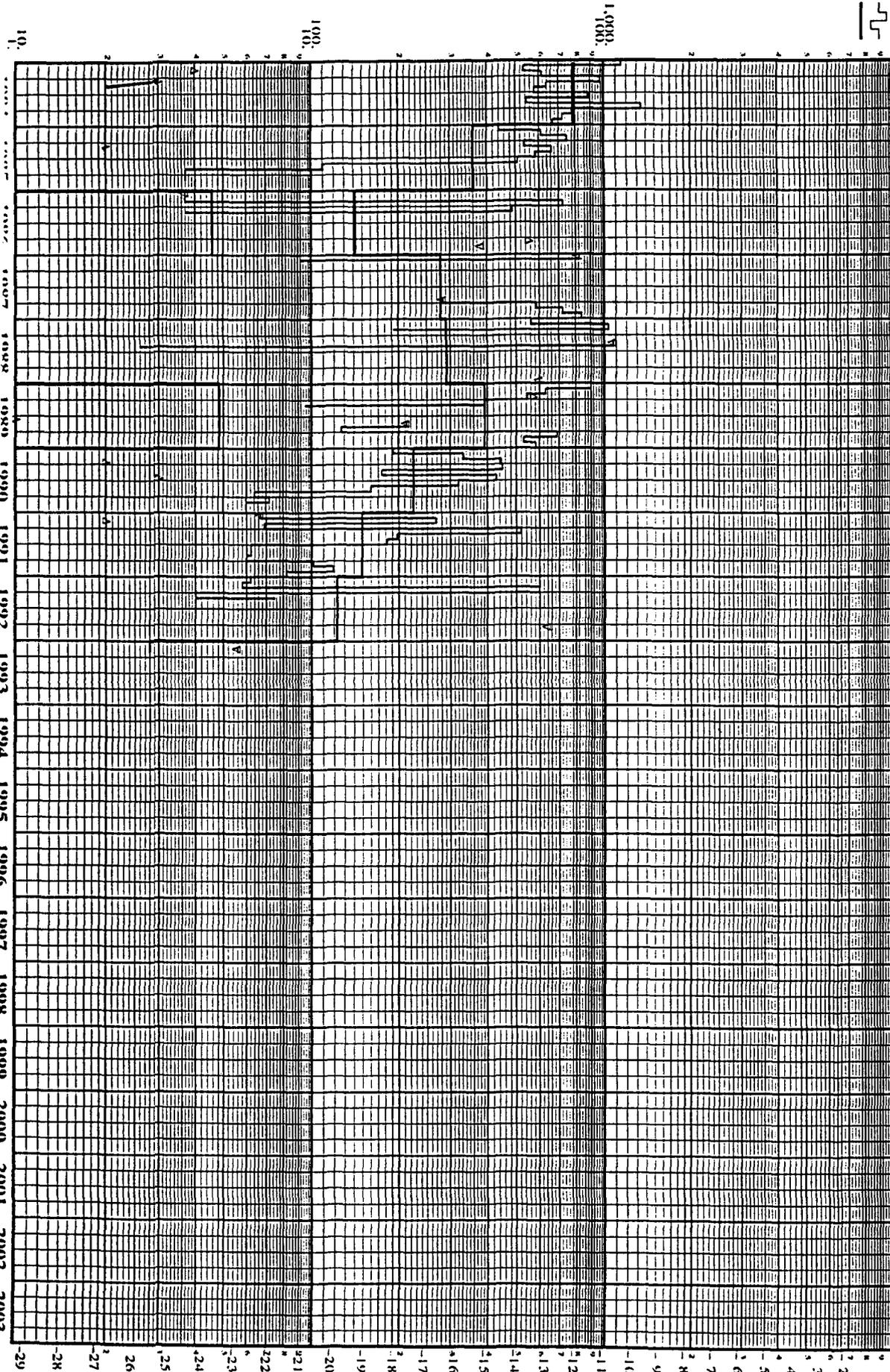
M & L - 1/98 FORECAST

LWF JOD JKW

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0	0	200	72,462	Life	0.003
0.0 %	0.0 %	0	0	As-of-Date	1/98
		200	72,462	Setup file	CTSECON
		0	0	Q. Prod	DEFAULT
		0	0	Q. Owner	CTOC
		0	0	Q. Other	CTOC
				Gross Cum @ 1/297	
				Gross Remaining	
				Gross Ultimate	
				Net Remaining	

Run Date: 01/19/98
Run Time: 12:22:44

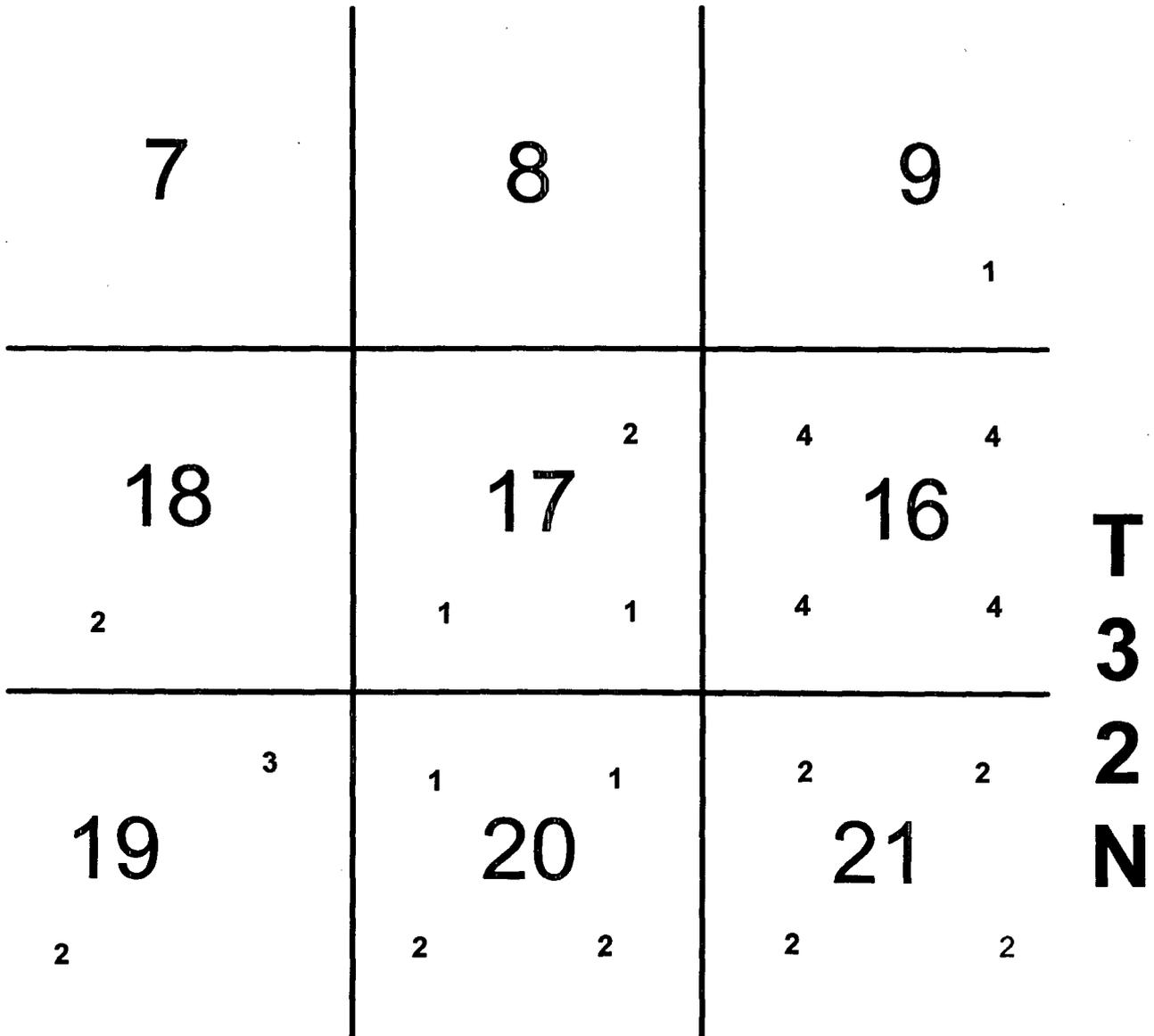
GAS (mcf/m) ∇
OIL (bbl/m) Δ



OFFSET OPERATORS / OWNERS
DOWNHOLE COMMINGLEING
STANOLIND GAS COM D #1
S/2 SECTION 17, T 32N, R 12 W
SAN JUAN COUNTY, NEW MEXICO

- 1 Cross Timbers Operating Company
- 2 Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499
- 3 Burlington Resources Oil & Gas company
P.O. Box 4289
Farmington, New Mexico 87499
- 4 Energen Resources
2198 Bloomfield Hwy.
Farmington, New Mexico 87401

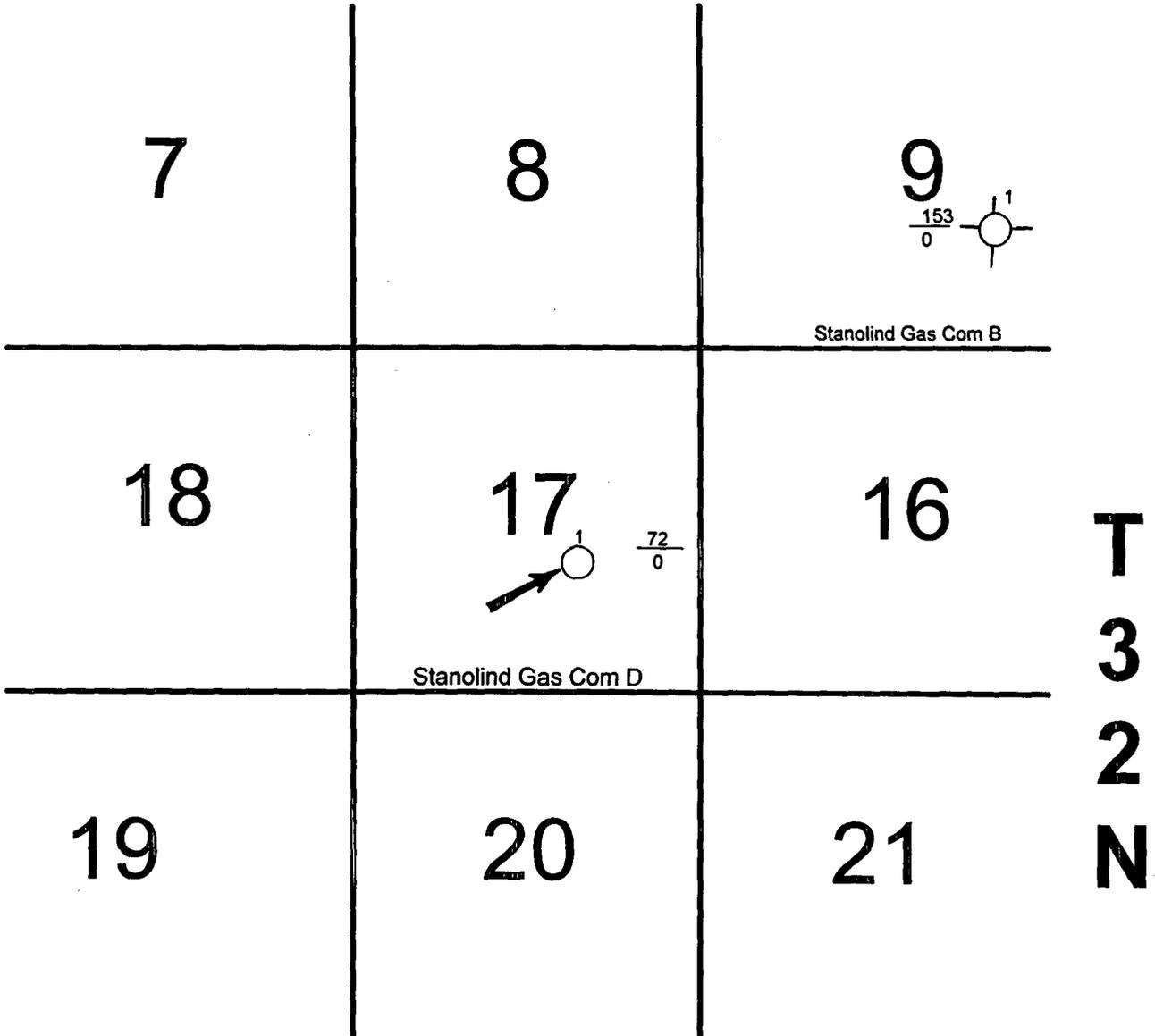
**STANOLIND GAS COM D #1
SEC 20, T 32 N, R 12 W
OFFSET OPERATORS**



R 12 W

STANOLIND GAS COM D #1
SEC 20, T 32 N, R 12 W
GALLUP

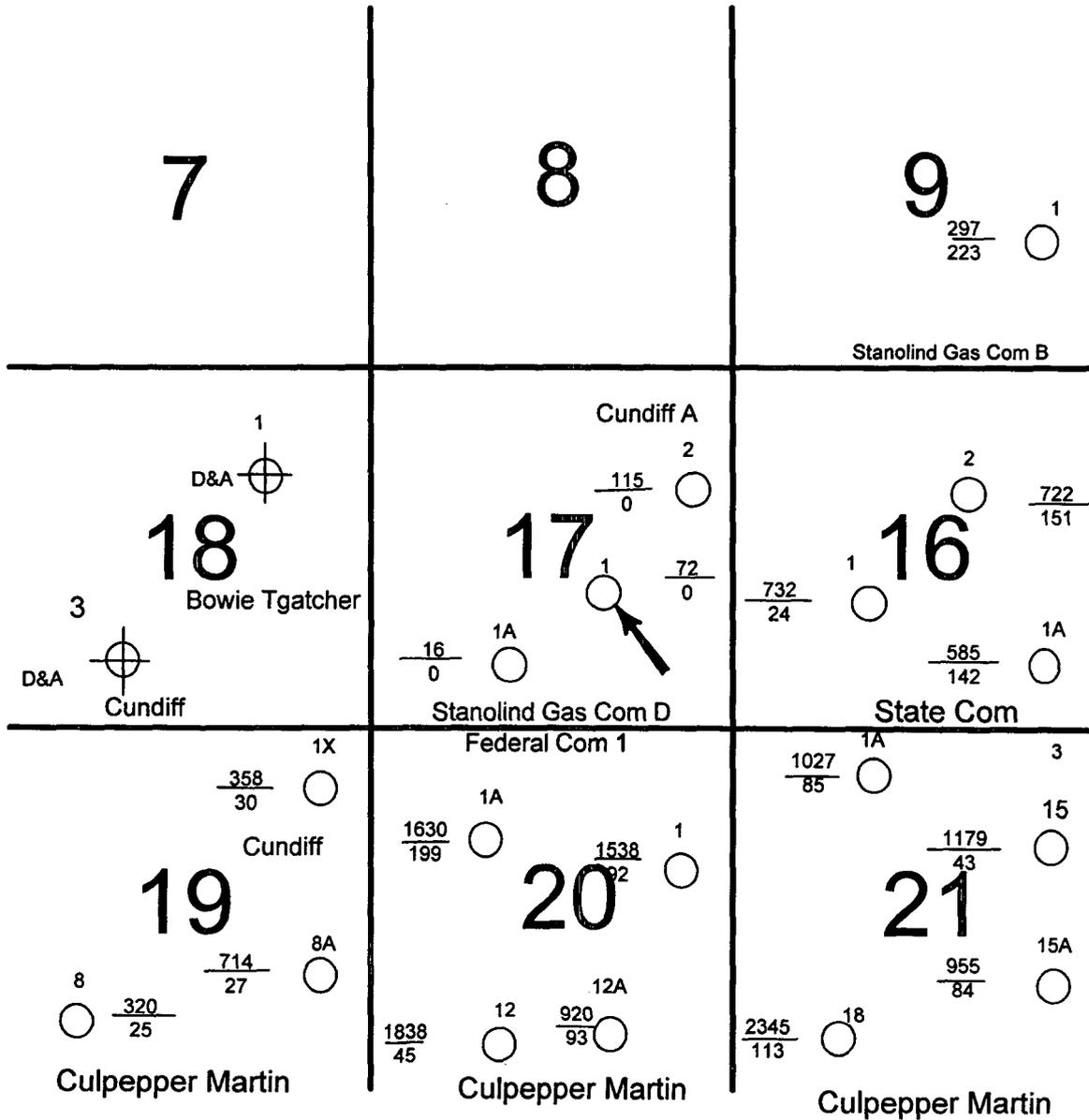
CUM MMCF
MCFPD



R 12 W

**STANOLIND GAS COM D #1
SEC 20, T 32 N, R 12 W
MESA VERDE**

CUM MMCF
MCFPD



**T
3
2
N**

R 12 W