



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

COMMINGLING ORDER PC-1099

Quay Valley, Inc.
PO Box 10280
Midland, Texas 79702

Attention: Ms. Nancy Getz

LEASE: R. H. Huston, Jr. Lease
DESCRIPTION: SE/4 of Section 8, Township 19 South, Range 37 East, NMPM, Lea
County, New Mexico

WELL/POOL DETAILS:

Eumont-Yates Seven Rivers Queen Gas Pool

R. H. Huston, Jr. No. 1 (API No. 30-025-25873)
Unit O, Section 8, T-19S, R-37E, NMPM,

Eunice Monument-Grayburg San Andres Oil Pool

R. H. Huston, Jr. No. 2 (API No. 30-025-26417)
Unit J, Section 8, T-19S, R-37E, NMPM,
R. H. Huston, Jr. No. 3 (API No. 30-025-26470)
Unit O, Section 8, T-19S, R-37E, NMPM,
R. H. Huston, Jr. No. 4 (API No. 30-025-26739)
Unit P, Section 8, T-19S, R-37E, NMPM,

The above-named company is hereby authorized to commingle gas production within this lease from the Eumont-Yates Seven Rivers Queen Gas Pool (76480) and the Eunice Monument-Grayburg San Andres Oil Pool (23000). It is our understanding that wells #2 and #3 have common interests and wells #1 and #4 each have different revenue interests. Allocation gas meters shall be installed and maintained to continuously measure gas production from each set of well(s) with common ownership. Oil and water production shall not be commingled.

NOTE: This installation shall be installed and operated in accordance with the applicable Division Rules and Regulations. It is the responsibility of the producer to notify the transporter of this commingling authority.

REMARKS: The commingled gas production shall be sold at the R.H. Huston, Jr. Well No. 4 location within the SE/4 SE/4 of Section 8, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico.

Administrative Order PC-1099

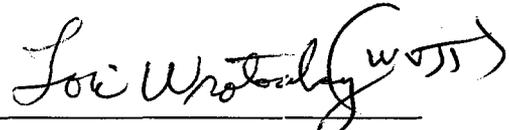
Quay Valley, Inc.

September 24, 2003

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FURTHER: The operator shall notify the Hobbs District Office of the Division upon implementation of commingling operations.

DONE at Santa Fe, New Mexico, on this 24th day of September 2003.

A handwritten signature in cursive script, reading "Lori Wrotenbery" with initials "wjj" in the upper right portion of the signature.

LORI WROTENBERY,
Division Director

LW/wvjj

cc: Oil Conservation Division- Hobbs