PC N/R
995

Cross Timbers Operating Company

April 16, 1999

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Administrative Approval to Surface Commingle

Dear Sir or Madam:

Cross Timbers Operating Company requests administrative approval to surface commingle gas production from the Duff Gas Com "C" #1 (Basin Dakota) and the Duff Gas Com "C" #2 (Basin Friutland Coal). Working interest and royalty interest are common in both wells.

Surface commingling will allow a single compressor to service both wells. This will result in a lower operating costs compared to setting two compressors and will extend the life of the wells. Commingling will not decrease the value of the wells. Both wells are currently being produced with test compressors. The Duff Gas Com "C" #1 gas production is averaging 90 MCFPD and the Duff Gas Com "C" #2 is averaging 490 MCFPD.

Oil and water production will not be commingled. Production and sales will be based on actual measured volumes from each well.

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

1. Well location plat
2. Well site schematic of the proposed installation
3. Allocation method sheet

If you need additional information or have any questions, please feel free to contact me at (505)-324-1090.

Sincerely,

Thomas DeLong
Production Engineer

2700 Farmington Avenue, Building K, Suite 1
Farmington, New Mexico 87401
(505) 324-1090, Fax (505) 564-6700

Duff Gas Com "C" # 1 & #2

Gas Allocation Methodology

The EPNG meter #99626 will be the sales meter for the Duff Gas Com "C" #1 (Dakota) and #2 (Fruitland Coal) gas sales. An allocation meter will be set between the Duff Gas Com "C" #1 separator and the suction side of the compressor. This meter will measure Duff Gas Com "C" #1 gas production only.

Duff Gas Com "C" #1 gas production will be calculated as follows:

(Duff Gas Com "C" #1 allocation meter volume) + (Duff Gas Com "C" #1 separator fuel gas)

Duff Gas Com "C" #2 gas production will be calculated as follows:

(EPNG meter #99626 volume) – (Dakota allocation meter volume) + (compressor fuel gas) + (Duff GC "C" #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 Duff Gas Com "C" #1 percentage of compressor fuel usage would be calculated as follows:

$$\frac{\text{(Duff Gas Com "C" \#1 allocation meter volume)}}{\text{(EPNG meter \#99626 volume) + (compressor fuel gas)}}$$

The compressor is rated to use 12.18 MCFPD of fuel gas.

Gas sales for each well would be calculated as follows:

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

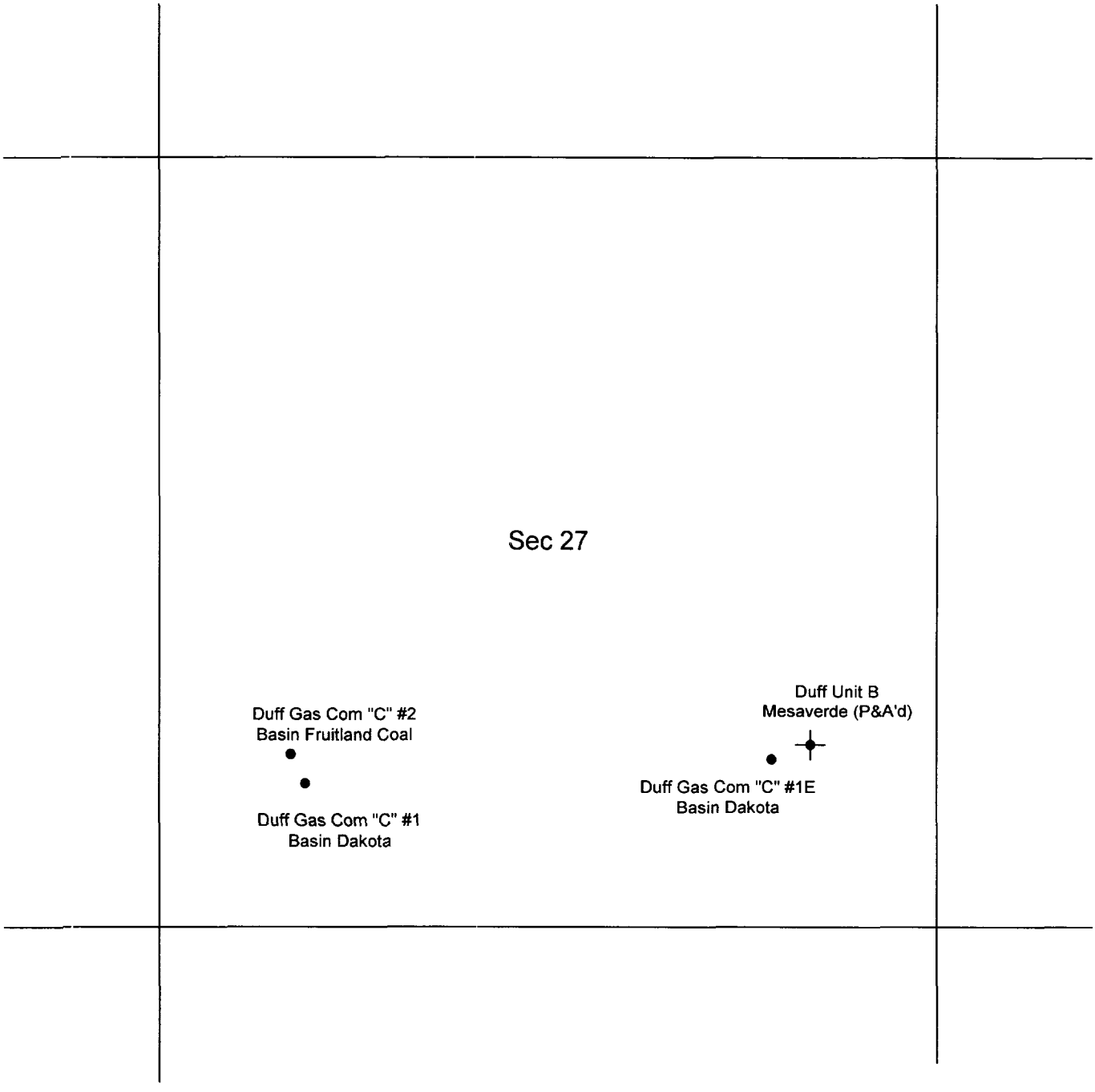
No commingling of oil or water will occur. Production and sales will be based on actual measured volumes from each well.

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.

The Duff Gas Com "C" #1 & #2 have common ownership and royalties.

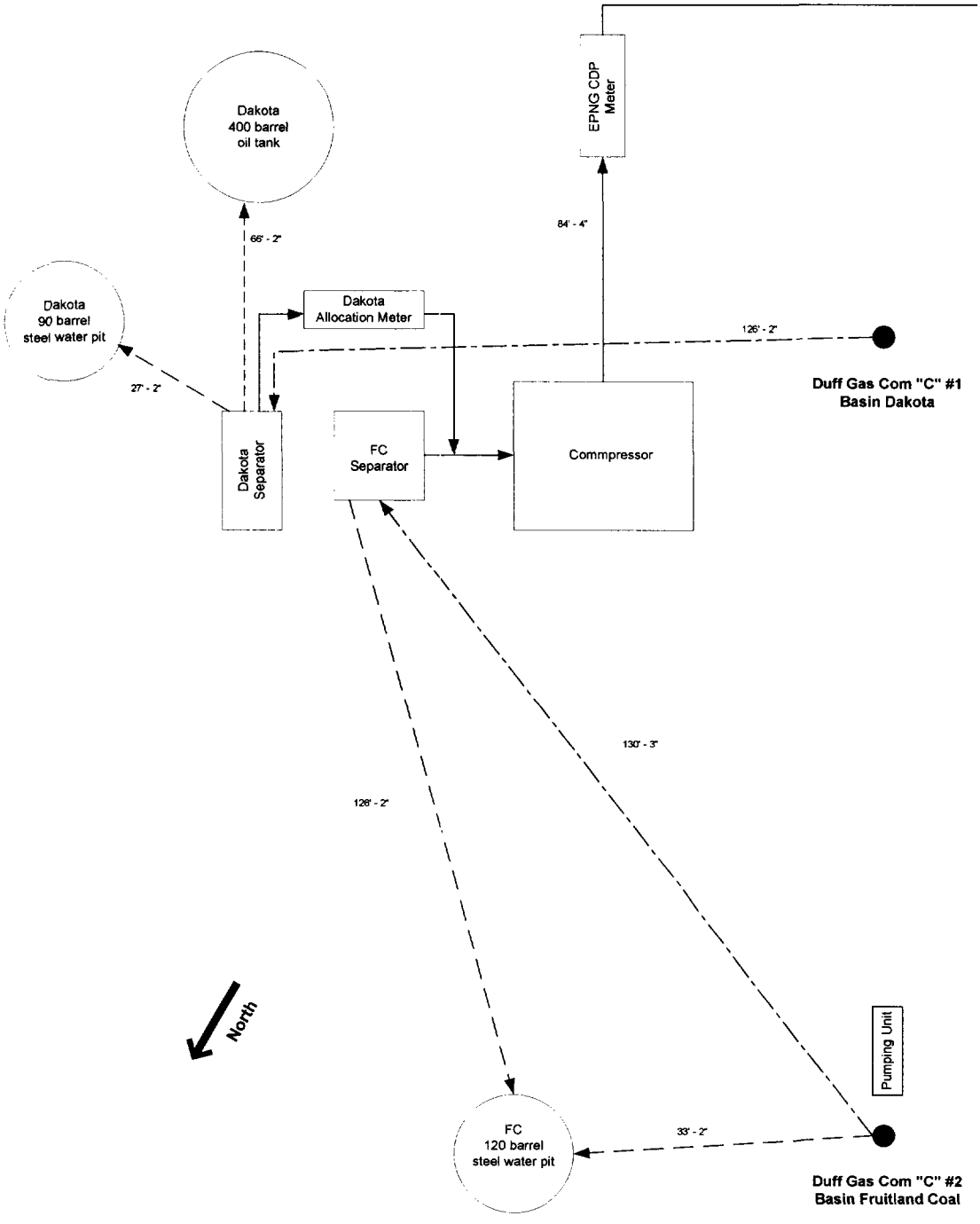
Cross Timbers Operating Company
San Juan County, New Mexico

T30N - R12W



Basin Dakota spaced on S/2 Sec 27
Basin Fruitland Coal spaced on S/2 sec 27

Duff Gas Com "C" #1 & #2
Sec 27, T30N, R12W



Compressor: Screw compressor with CAT 3304
Dakota Separator: National Horizontal, 3 phase, 1000 psig (16" x 8')
Fruitland Coal Separator: Permian Vertical, 2 phase with water bath (30" x 10')
Pumping Unit: Lufkin C57DA with Arrow CE66 gas engine.