NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

COMMINGLING ORDER PC-1061

XTO Energy Inc.
2700 Farmington Ave
Building K, Suite 1
Farmington, New Mexico 87401

Attention: Mr. Thomas DeLong

The above named company is hereby authorized to surface commingle the following pools and acreage within Federal Lease NMSF-081239 located in San Juan County, New Mexico:

Existing Well:	LC Kelly Well No. 2 (API No. 30-045-09986) Basin-Dakota (Prorated Gas 71599), E/2 dedication NW/4 NE/4, Section 5, Township 30N, Range 12W NMPM
Future Well:	LC Kelly Well No. 12 Basin-Fruitland Coal (Gas 71629), E/2 dedication, and Aztec-Pictured Cliffs (Gas 71280), NW/4 dedication NE/4 NE/4, Section 5, Township 30N, Range 12W NMPM

The sales gas CDP shall be located on lease. Each well bore shall have its own separator and condensate shall not be surface commingled. The LC Kelly No. 12 shall have a gas allocation meter. Allocation of gas sales and production shall be in accordance with the plan proposed by XTO Energy Inc attached herein.

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.

FURTHER: The operator shall notify the supervisor of the Aztec district office prior to implementation of this commingling operation.

DONE at Santa Fe, New Mexico, on this 2nd day of July 2002.

Lori Wrotenbery (WVJ)

LORI WROTENBERY,
Division Director

LW/WVJ

Attachment
cc: Oil Conservation Division- Aztec
Bureau of Land Management – Farmington

LC Kelly #2 and LC Kelly #12

Allocation Method

The EPNG meter #73848 will be the sales meter (CDP) for the LC Kelly #2 and the LC Kelly #12 gas sales. An allocation meter will be set between the LC Kelly #2 separator and the suction side of the compressor. This meter will only measure gas flow from the LC Kelly #2.

LC Kelly #2 gas production will be calculated as follows:

(LC Kelly #2 allocation meter volume) + (LC Kelly #2 separator fuel gas & pumping unit fuel gas)

LC Kelly #12 gas production will be calculated as follows:

(EPNG meter #73848 volume) – (LC Kelly #2 allocation meter volume) + (compressor fuel gas) + (LC Kelly #12 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 LC Kelly #2 percentage of compressor fuel usage would be calculated as follows:

$$\frac{\text{(LC Kelly \#2 allocation meter volume)}}{\text{(EPNG meter \#73848 volume) + (compressor fuel gas)}}$$

Compressor fuel gas will be obtained using the operating conditions of the compressor and manufactures published fuel gas volumes or calculated volumes using the results of actual measurements of a test meter.

LC Kelly #2 gas sales will be calculated as follows:

(LC Kelly #2 allocation meter volume) – (LC Kelly #2 allocated compressor fuel gas)

LC Kelly #12 gas sales will be calculated as follows:

(EPNG meter #73848 volume) – (LC Kelly #2 gas sales)

No commingling of liquid hydrocarbon will occur. Production and sales will be based on actual measured volumes from each well. LC Kelly #12 should not produce liquid hydrocarbon.

The LC Kelly #2 has averaged under 0.3 BWPD over the last year. This is considered to be insignificant and it is would be poor economics to set an additional water tank for the LC Kelly #12. All water production will be allocated to the LC Kelly #12. Interests are common in the LC Kelly #2 and #12.