



June 11, 2002

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

JUN 18 2002

Re: Administrative Approval to Surface Commingle
LC Kelly #1 and LC Kelly #11
Section 5, T30N, R12W
San Juan County, New Mexico

Dear Ms. Wrotenbery,

XTO Energy Inc requests administrative approval to surface commingle the referenced wells. Surface commingling will allow the use of a single compressor to produce both wells. Oil production will not be commingled.

The gas line pressures in this area are high and compression is required to maximize recoveries. The installation of a single compressor will reduce operating expenses, minimize surface use impact, extend the life of the wells and increase ultimate recoveries. The LC Kelly #1 and LC Kelly #11 will share a common well pad. The LC Kelly #11 is in the permitting process and has not been drilled. It is scheduled to be drilled this year.

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

1. Well Information Table
2. Gas Allocation Method
3. Well Location Map
4. Battery schematic of proposed commingling

The LC Kelly #1 and LC Kelly #11 are located on a federal lease and have common interest. If you need additional information or have any questions, please feel free to contact me at (505)-324-1090.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas DeLong', written over a horizontal line.

Thomas DeLong
Operations Engineer

CC: NMOCD -- District III (Aztec)

OIL2002	WAT2002	GAS2001	OIL2001	WAT2001	GAS2000	OIL2000	WAT2000	COUNTY	Long Operator Name	OGRID	2002POOL	PROP
30	0	18923	64	40	12148	28	0	SAN JUAN	XTO ENERGY, INC.	167067	71599	22620
13	0	6657	20	65	5294	7	520	SAN JUAN	XTO ENERGY, INC.	167067	71599	22620
18	11	1633	4	5	0	0	0	SAN JUAN	XTO ENERGY, INC.	167067	71599	22620
25	25	15958	70	25	14777	4	150	SAN JUAN	XTO ENERGY, INC.	167067	71599	22620
0	910	11563	0	1200	0	0	0	SAN JUAN	XTO ENERGY, INC.	167067	71280	22620

API	WELL NAME	Short Operator	NS	EW	UL1	UL2	Sec	Tsp	Rge	TVD	Land		Well Type	Orig FORM (or NOTES)	P&A Date	STATUS	Latest Pool	GAS2002
											Type	Type						
30-045-09815	L C KELLY #001	XTO	790S	1055W	M	17	5 30N	12W	6800	F	F	G				ACTIVE	BASIN Dkta (Pro GAS)	3101
30-045-09986	L C KELLY #002	XTO	1040N	1600E	B	6	5 30N	12W	6832	F	F	G				ACTIVE	BASIN Dkta (Pro GAS)	1631
30-045-25349	L C KELLY #001E	XTO	930N	1700W	C	7	5 30N	12W	6910	F	F	G				ACTIVE	BASIN Dkta (Pro GAS)	3867
30-045-25350	L C KELLY #002E	XTO	1660S	790E	I	13	5 30N	12W	6804	F	F	G				ACTIVE	BASIN Dkta (Pro GAS)	2633
30-045-30776	L C KELLY #010	XTO	1600S	1145E	I	1	5 30N	12W	2382	F	F	G	AZTEC PICTURED CLIFFS			ACTIVE	AZTEC PC (GAS)	9842

LC Kelly #1 and LC Kelly #11
Well Information

	LC Kelly #1	LC Kelly #11
Location	M, Sec 5, T30N, R12W	M, Sec 5, T30N, R12W
Formation	Dakota	Fruitland Coal & Pictured Cliffs
API#	30-045-09815	NA
Pool Name	Basin Dakota - 320	Basin Fruitland Coal & Aztec Pictured Cliffs - 160
Pool Code	71599	71629 (FC) 71280 (PC)
Gas Gravity	0.686	0.580 (estimated)
Gas Rate (MCFPD)	53	NA
Oil Gravity	51.2	NA
Oil Rate (BPD)	0.7	NA
Water Rate (BPD)	<0.1	NA

38.37 sec
WLT

320
160

LC Kelly #1 and LC Kelly #11

Allocation Method

The EPNG meter #73858 will be the sales meter (CDP) for the LC Kelly #1 and the LC Kelly #11 gas sales. An allocation meter will be set between the LC Kelly #1 separator and the suction side of the compressor. This meter will only measure gas flow from the LC Kelly #1.

LC Kelly #1 gas production will be calculated as follows:

(LC Kelly #1 allocation meter volume) + (LC Kelly #1 separator fuel gas & pumping unit fuel gas)

LC Kelly #11 gas production will be calculated as follows:

(EPNG meter #73858 volume) – (LC Kelly #1 allocation meter volume) + (compressor fuel gas) + (LC Kelly #11 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 #1 percentage of compressor fuel usage would be calculated as follows:

$$\frac{(\text{LC Kelly \#1 allocation meter volume})}{(\text{EPNG meter \#73858 volume}) + (\text{compressor fuel gas})}$$

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 #1 gas sales will be calculated as follows:

(LC Kelly #1 allocation meter volume) – (LC Kelly #1 allocated compressor fuel gas)

LC Kelly #11 gas sales will be calculated as follows:

(EPNG meter #73858 volume) – (LC Kelly #1 gas sales)

No commingling of liquid hydrocarbon will occur. Production and sales will be based on actual measured volumes from each well. LC Kelly #11 should not produce liquid hydrocarbon.

The LC Kelly #1 has averaged under 0.1 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 #11. All water production will be allocated to the LC Kelly #11. Interests are common in the LC Kelly #1 and #11.

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.

T-30-N, R-12-W

BURLINGTON
HOLDER A 1E
2/2 269/359
0/0 0/70
8202-9312/8202-0104
DKTA/GLLP

XTO
LC KELLY 1E
3 451
1 69
8209-0105
DKOT

XTO
LC KELLY 2
6 1274
0 0
6405-0164
DKOT

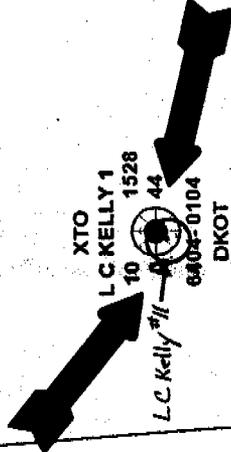
LC Kelly #12

5

GRA #2131

MIDDLE BAY OIL
NMEX FEDN 6E
15 3 512
2/2 0 43
LOC
TEXAKOMA OIL&GAS CRP
8106-0104
DKOT

XTO
LC KELLY 1
10 1528
0 44
6405-0104
DKOT



XTO
LC KELLY 2E
2 455
0 52
8209-0104
DKOT



XTO
LC KELLY 7
0 9
0 283
0104-0104
FRLDC

XTO
LC KELLY 3
29/6 4827/346
2/0 195/0
6407-0104/8407-0104
GLLP/DKOT

4

NORTH
BLAN
0 0
0 0
570

MIDDLE BAY OIL
NMEX FEDN 4
15 2674
0 56
6011-0104
TEXAKOMA O&G DKOT
TEXAKOMA FED 7 1
0/0 11/55
0/0 31/160
0009-0105/0009-0105
FRLD/FRLDC

XTO
J SCHUMACHER 1E FEDERAL 8 3
4 680
0 122
8311-0104
DKOT

TEXAKOMA O&G
FEDERAL 8 FC 1
0/0 1/126
0/0 6/169
0010-0105/8304-0105
FRLD/FRLDC

XTO
J SCHUMACHER 1
9 2090
0 60
5912-0104
DKOT

8

NORTHWEST PROD
BLANCO D 11
0 118
0 0
5703-UNKN
PCCF

CROSS TH
LOC

9

TENNECO OIL

XTO ENERGY INC.
Lease: KELLY L.C. #1 & KELLY L.C. #11
Location: SW4 SW/4 SEC. 05, T30N, R12W
Federal Lease #: NMSF-081239

