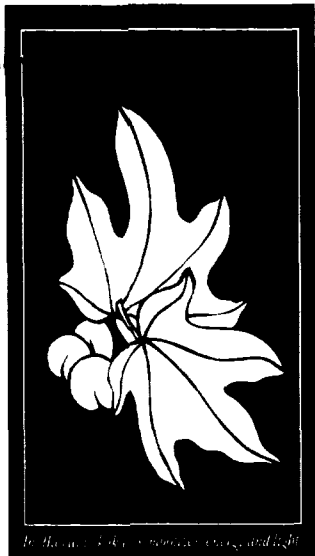


AMEND CTB 6/10/99



KUKUI Operating Company

May 18, 1999

MAY 21 1999

Mr. Ben Stone
State of New Mexico
Energy, Minerals, & Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, N. M. 87505

Re: Measurement Amendment for Commingling Order CTB-465

Mr. Ben Stone:

KUKUI, INC. requests an alternative measurement method for Commingling Order CTB-465. This order is authorizing Rand Paulson Oil Company to commingle the High Plains Permo Penn (31055) Pool production from the following leases:

Lease: Estacado 27 Well No. 1 (State Lease No. VA-1127)
Description: NE/4 SW/4 and,

Lease: Estacado 27 Well No. 3 (State Lease No. VA-998)
Description: SE/4 NW/4,

Both in Section 27, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico.

KUKUI, INC. purchased these wells from Rand Paulson effective February 1, 1999. Both leases have the same common ownership. Production is from the same common source of supply. Commingling Order CTB-465 has been obtained. A copy of this letter is being mailed certified to all owners at the time it is being mailed to the Oil Conservation Office.

KUKUI, INC. proposes to install separation and measuring equipment for the purpose of metering each well independently for approximately 15 consecutive days each month. A schematic of the proposed test facility is attached for review. Each well will be routed through the test facility with actual oil and gas volumes measured and recorded daily. The differences between tank volumes and gas sales meter volumes will yield the production for the other well. This method will more accurately reflect the production of each well.

If you have any questions, please contact Larry Strider at 205-823-2977 or John Wessels at 713-658-1888. Please notify us if this meets with your approval and we will proceed with the installation.

Thank you,

A handwritten signature in cursive script, appearing to read "Chris Severns".

Chris Severns, Technician

Cc: John W. Wessels
Larry Strider
Owners listed below via certified mail

**Estacado 27-1 (State Lease No. VA-1127)
Estacado 27-3 (State Lease No. VA-998)
Overriding, Working, and Royalty Interest Owners**

ENCAP INVESTMENTS L C (Overriding Royalty Interest)
1100 Louisiana, Suite 3150
Houston, TX. 77002

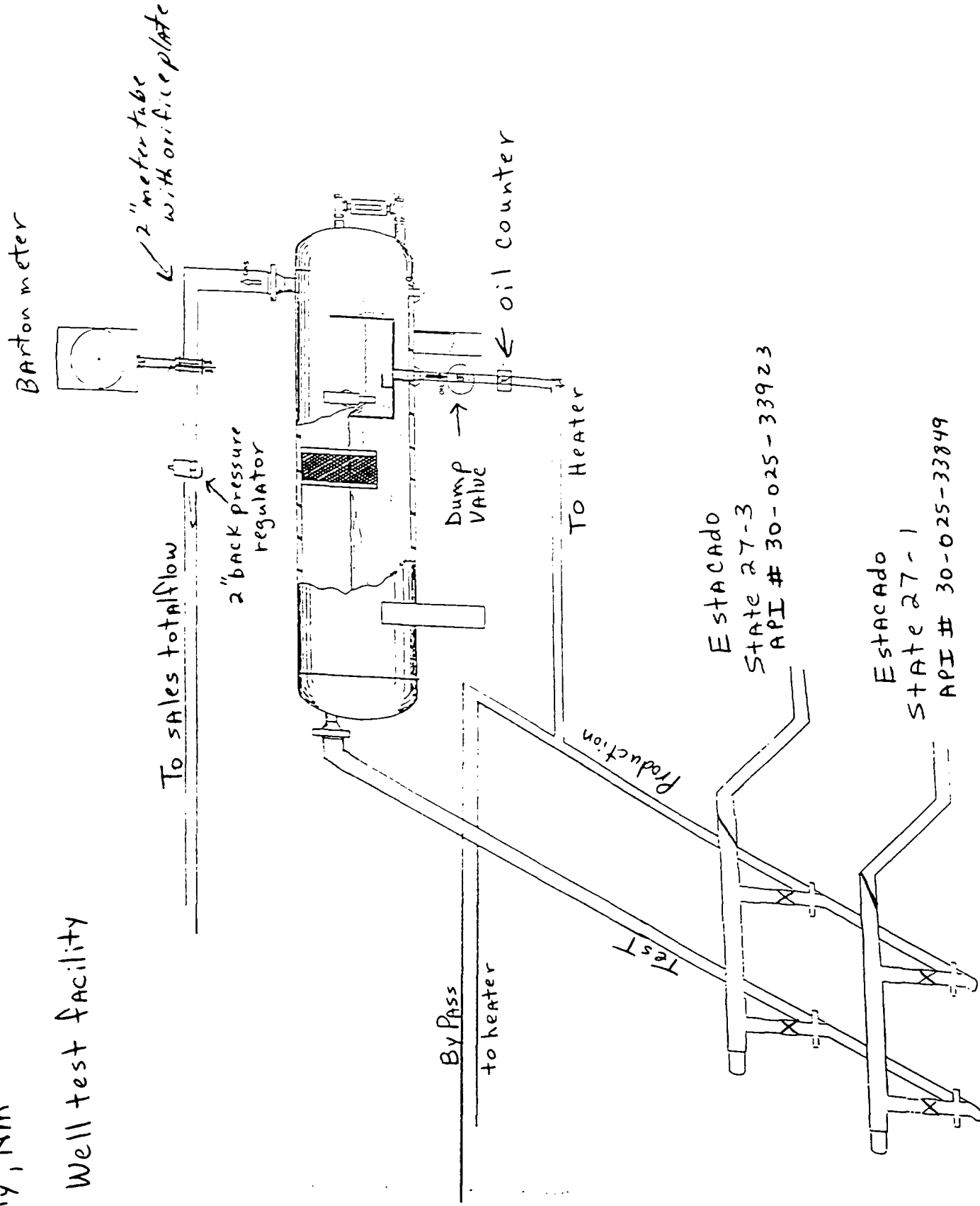
DOMAIN ENERGY PRODUCTION CORPORATION (Working Interest)
Attention: Chris Fling
P.O. Box 2229
Houston, TX. 77252-2229

KUKUI, INC. (Overriding and Working Interests)
C/o KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, TX. 77002

COMMISSIONER OF PUBLIC LANDS (NM-State Exempt Royalty Interest)
P.O. Box 2308
Santa Fe, N.M. 87504-2308

Estacado/High Plains Field
Lea County, NM

Proposed Well test facility



CTB-465



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

June 4, 1999

Kukui Operating Company
#26 County Road, 2965
Aztec, New Mexico 87410

Attn: Mr. Chris Severns

Re: Application for Surface Commingling
Estacado "27" Well No. 1
Unit Letter K, State Lease No. VA-1172
Estacado "27" Well No. 3
Unit Letter F, State Lease No. VA-998
Section 27-14S-34E
High Plains Permo Penn Pool
Lea County, New Mexico

Dear Mr. Severns:

This office received your letter of May 20, 1999, wherein you are requesting an alternative measurement method for the New Mexico Oil Conservation Division's Order #CTB-465 which notifies this office of your application to surface commingle the production from the above-captioned wells.

Pursuant to State Land Office Rule Nos. 1.053, 1.054 and 1.055, please submit a copy of your commingling request to this office. Enclosed is a copy of our commingling rules and regulations.

Your \$30.00 filing fee for the commingling application has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
Enclosure
xc: Reader File

OCD

"WE WORK FOR EDUCATION"