

MOC Federal Lease

Lease Numbers: NM-0482 /-B
Description: Section 1, T-21-S, R-23-E

Stinking Draw Lease

Lease Numbers: State Leases K-1877 and E-10169-1
Description: Section 36 T-20½-S, R-23-E

Indian Hills State Com Lease

Lease Numbers: State Leases E-10083 and E-10084
Description: Section 36 T-20-S, R-24-E

The proposed operation is shown in detail on the attached diagrams. A map is enclosed showing the location of all leases and wells that will contribute production to the commingling/common storage facility. All unitized/communitized areas and producing zones/pools are also clearly illustrated. Schematic diagrams are also attached which clearly identify all equipment that will be utilized.

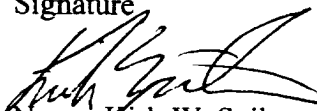
The Storage and Measurement facility is located at UNIT Letter "D", Section 1, T-21-S, R-23-E, Eddy County, New Mexico. A satellite separation and measurement facility is located at UL "O", Sec. 2, T21S, R23E. The BLM will be notified of any change in facility location. Gas is measured using allocation meters. It is then transported to the Indian Basin Gas Plant (SW/NE, Section 23, T21S, R23E) by pipeline. After processing, the gas and NGLs are metered at the tail-gate of the plant and sold. Liquid hydrocarbon production and water will be measured using turbine meters per prior approvals. These meters are proved on a regular schedule. Oil is then sold through a LACT unit. The water is sent to storage tanks and then pumped to various disposal wells per prior approvals. All production will be allocated to wells based on monthly well tests and the previously approved methods of lease allocation. The working interest owners were notified of the original commingling proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. The proposed commingling is necessary for continued operation of the above referenced well.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by lease instrument and, we will submit within 30 days an application for right-of-way to the BLM's Realty Section in your office if we have not already done so.

Additional wells require additional commingling approvals.

Signature



Name: Kirk W. Spilman for Ken W. Tatarzyn

Title: Indian Basin Asset Team Manager

Date: December 28, 1998

