

PROPOSAL FOR COMPRESSOR INSTALLATION

Re: State K-4401 #1 and State L-4325 #1, Eddy Co., NM

Kaiser-Francis Oil Company proposes to install a common compressor to compress gas from both the State K-4401 #1 and the State L-4325 #1.

The compressor will be installed upstream of the El Paso Natural Gas sales meter. A tie-over line with a deduct orifice meter will be installed from the State L-4325 #1 into the 4" flowline from the State K-4401 #1 upstream of the compressor. Production from the State K-4401 #1 will be determined by deducting the volume of gas produced by the State L-4325 #1 from the total sales volume measured at the El Paso sales meter.