

Details of the proposed method for allocating production to contributing sources are as follows:

The H. B. "11" Federal Battery is equipped with a multi-well production header, a test separator with oil/water/gas measurement devices, two (2) two-phase production separators, a horizontal heater-treater, oil & water storage tanks, and a gas sales meter (see **Exhibit 2**).

In order to allocate total battery production back to each well, the individual wells will be tested at lease once monthly. The oil, water, and gas rates from the well tests will be used to determine each well's proportionate share of the total battery production for the month.

All interest owner in affected leases have been notified of the commingling and off-lease storage proposal (See **Exhibit 3**).

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 Federal Leases.

We understand the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. We agree to submit, within 30 days, an application for right-of-way approval to the BLM's Realty Section in your office, if not previously submitted. We also understand that additional wells added to the system would require separate commingling approvals.

Signature: *W.R. Adams*

Name: *W.R. Adams*

Title: *Division Engineer*

Date: *2/18/97*

