

Continued:

A map is enclosed showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling/common storage facility. No unitized/communitized areas or producing zones/pools will be commingled.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The storage and measuring facility is located at the Sotol "A" Federal No. 3 location, NE/4 NW/4 of Section 12, T24S, R31E, on lease number NM 67106, Eddy County, New Mexico. BLM will be notified if there is any future change in the facility location.

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

Oil, water, and gas production will be separately metered from each lease prior to commingling in the stock tanks. A heater treater will be installed for each lease to separate the oil, water, and gas prior to metering. As necessary, a test separator (or test heater treater) will be installed for each lease to allow accurate well testing on each lease.

The working interest owners, royalty owners, and overriding royalty owners have been notified of the 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 Federal leases.

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

Additional well(s) will require additional commingling approvals.

Signature: K. Glenn Carter

Name: K. Glenn Carter

Title: Sr. Drilling and Production Engineer

Date: 4/09/96