

Jicarilla 98 #3
Unit M, Section 20, T 26 N, R 3 W
Rio Arriba Co., N.M.

Subject: Economic Justification To Downhole Commingle

Current Oil Price -- \$25.00
Current Gas Price -- \$1.80 Net less gathering & processing

The Blanco Mesa Verde is producing and Tapacito Pictured Cliffs is loading up with fluid and requires constant attention. Since the Pictured Cliffs is extremely wet, it is felt the remaining reserves can be produced with commingling. Downhole commingling along with a plunger installation will utilize the Mesa Verde flowstream to assist in keeping the PC unloaded and producing.

Current Mesa Verde Rate:	60 MCFD
Projected Mesa Verde Rate:	80 MCFD
Current PC Rate:	69 MCFD
Projected PC Rate:	80 MCFD

Incremental Uplift: 31 MCFD

Increased Revenue Stream

Gas Revenue $31 * 1.80 * 30 = \$1674$

Increased Monthly Revenue \$1674

Increased Royalty \$209 per month

Downhole commingling will eliminate the waste of venting gas to the atmosphere to keep the well unloaded, stabilize the flowstream and extend the life of the well through increased efficiencies.