XTO ENERGY

June 11, 2002

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Administrative Approval to Surface Commingle
LC Kelly #2 and LC Kelly #12
Section 5, T30N, R12W
San Juan County, New Mexico

Dear Ms. Wrotenbery,

XTO Energy Inc requests administrative approval to surface commingle the referenced wells. Surface commingling will allow the use of a single compressor to produce both wells. Oil production will not be commingled.

The gas line pressures in this area are high and compression is required to maximize recoveries. The installation of a single compressor will reduce operating expenses, minimize surface use impact, extend the life of the wells and increase ultimate recoveries. The LC Kelly #2 and LC Kelly #12 will share a common well pad. The LC Kelly #12 is in the permitting process and has not been drilled. It is scheduled to be drilled this year.

The following is enclosed for you review of the proposed commingling:

1. Well Information Table
2. Gas Allocation Method
3. Well Location Map
4. Battery schematic of proposed commingling

The LC Kelly #2 and LC Kelly #12 are located on a federal lease and have common interest. If you need additional information or have any questions, please feel free to contact me at (505)-324-1090.

Sincerely,

Thomas DeLong
Operations Engineer

CC: NMOCD – District III (Aztec)

LC Kelly #2 and LC Kelly #12
Well Information

	LC Kelly #2	LC Kelly #12
Location	B, Sec 5, T30N, R12W	A, Sec 5, T30N, R12W
Formation	Dakota	Fruitland Coal & Pictured Cliffs
API#	30-045-09986	30-045-31113
Pool Name	Basin Dakota	Basin Fruitland Coal & Aztec Pictured Cliffs
Pool Code	71599	71629 (FC) 71280 (PC)
Gas Gravity	0.691	0.580 (estimated)
Gas Rate (MCFPD)	19	NA
Oil Gravity	51 (estimated)	NA
Oil Rate (BPD)	0.12	NA
Water Rate (BPD)	0.29	NA

LC Kelly #2 and LC Kelly #12

Allocation Method

The EPNG meter #73848 will be the sales meter (CDP) for the LC Kelly #2 and the LC Kelly #12 gas sales. An allocation meter will be set between the LC Kelly #2 separator and the suction side of the compressor. This meter will only measure gas flow from the LC Kelly #2.

LC Kelly #2 gas production will be calculated as follows:

(LC Kelly #2 allocation meter volume) + (LC Kelly #2 separator fuel gas & pumping unit fuel gas)

LC Kelly #12 gas production will be calculated as follows:

(EPNG meter #73848 volume) – (LC Kelly #2 allocation meter volume) + (compressor fuel gas) + (LC Kelly #12 separator fuel gas & pumping unit fuel gas)

Compressor fuel gas usage will be allocated to each well based on the percentage of gas compressed for each well. For example the LC Kelly #2 percentage of compressor fuel usage would be calculated as follows:

$$\frac{\text{(LC Kelly \#2 allocation meter volume)}}{\text{(EPNG meter \#73848 volume) + (compressor fuel gas)}}$$

Compressor fuel gas will be obtained using the operating conditions of the compressor and manufactures published fuel gas volumes or calculated volumes using the results of actual measurements of fuel gas usage.

LC Kelly #2 gas sales will be calculated as follows:

(LC Kelly #2 allocation meter volume) – (LC Kelly #2 allocated compressor fuel gas)

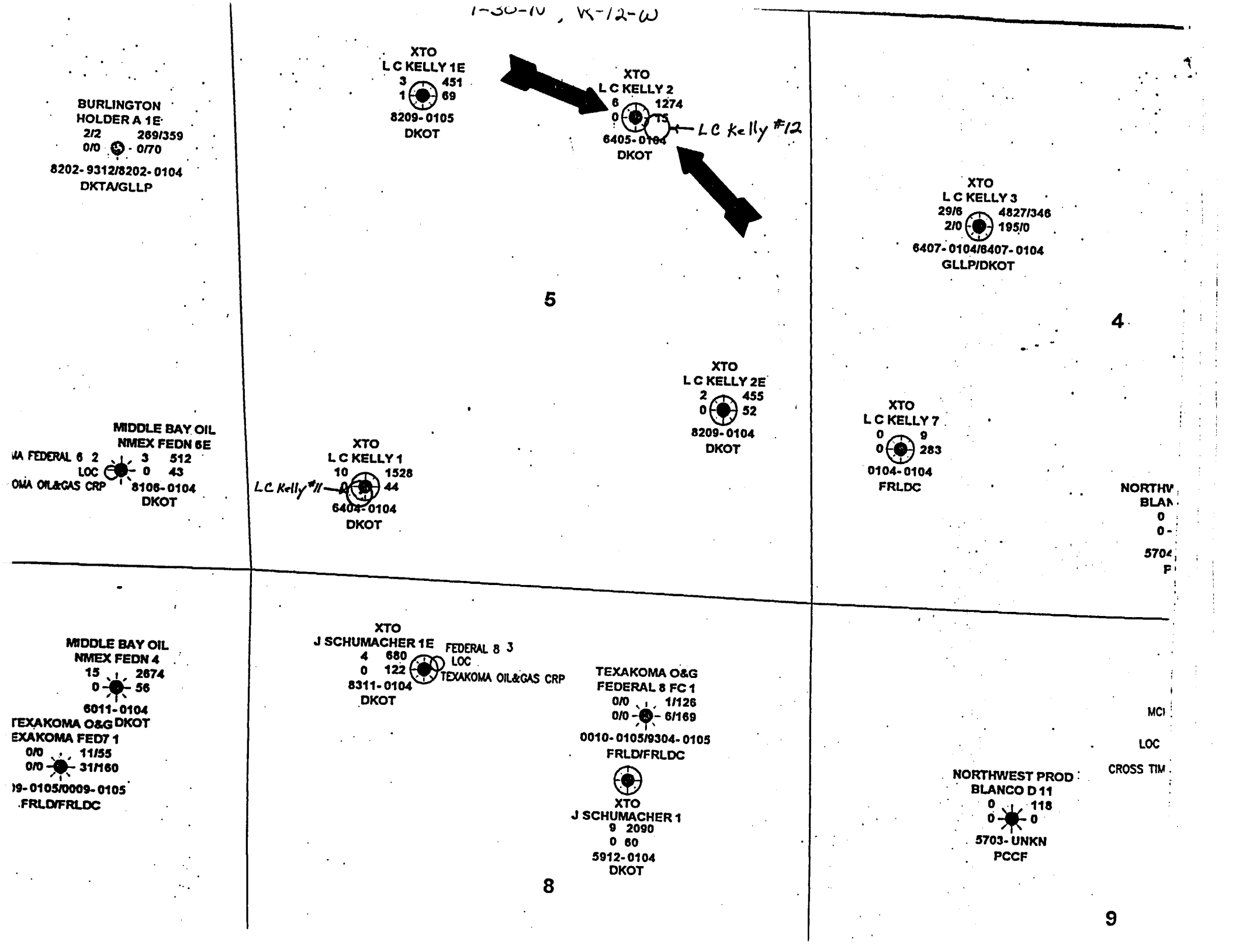
LC Kelly #12 gas sales will be calculated as follows:

(EPNG meter #73848 volume) – (LC Kelly #2 gas sales)

No commingling of liquid hydrocarbon will occur. Production and sales will be based on actual measured volumes from each well. LC Kelly #12 should not produce liquid hydrocarbon.

The LC Kelly #2 has averaged under 0.3 BWPD over the last year. This is considered to be insignificant and it is would be poor economics to set an additional water tank for the LC Kelly #12. All water production will be allocated to the LC Kelly #12. Interests are common in the LC Kelly #2 and #12.

Surface commingling will allow the installation of one compressor to serve both wells and will not decrease the value of the gas. It will allow the gas to be compressed at a lower cost than two compressors and will extend the economic life of the wells. Due to high line pressures in this area, compression is required to effectively produce the wells.


1-30-10, K-12-W
BURLINGTON
HOLDER A 1E
2/2 269/359
0/0 0/70
8202-9312/8202-0104
DKTA/GLLP
XTO
L C KELLY 1E
3 451
1 69
8209-0105
DKOT
XTO
L C KELLY 2
6 1274
0 15
6405-0104
DKOT
LC Kelly #12
XTO
L C KELLY 3
29/6 4827/346
2/0 195/0
6407-0104/6407-0104
GLLP/DKOT
5
4
XTO
L C KELLY 2E
2 455
0 52
8209-0104
DKOT
XTO
L C KELLY 7
0 9
0 283
0104-0104
FRLDC
MIDDLE BAY OIL
NMEX FEDN 6E
MA FEDERAL 6 2
LOC
OMA OIL&GAS CRP
3 512
0 43
8106-0104
DKOT
XTO
L C KELLY 1
10 1528
0 44
LC Kelly #11
6404-0104
DKOT
NORTHV
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5704
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MIDDLE BAY OIL
NMEX FEDN 4
15 2674
0 56
6011-0104
TEXAKOMA O&G DKOT
EXAKOMA FED7 1
0/0 11/55
0/0 31/160
)9-0105/0009-0105
FRLD/FRLDC
XTO
J SCHUMACHER 1E
4 680
0 122
8311-0104
DKOT
FEDERAL 8 3
LOC
TEXAKOMA OIL&GAS CRP
TEXAKOMA O&G
FEDERAL 8 FC 1
0/0 1/126
0/0 6/169
0010-0105/9304-0105
FRLD/FRLDC
XTO
J SCHUMACHER 1
9 2090
0 60
5912-0104
DKOT
8
MCI
LOC
CROSS TIM
NORTHWEST PROD
BLANCO D 11
0 118
0 0
5703-UNKN
PCCF
9

XTO ENERGY INC.
Lease: LC KELLY #2 & LC KELLY #12
Location: NW4 NE/4 SEC. 05, T30N, R12W
Federal Lease #: NMSF-081239