



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

NM-0498
3162.3-2 (07100)

Texahoma Oil and Gas Corporation
Attn.: Rodney Kiel
One Lincoln Centre
5400 LBJ Freeway, Suite 500
Dallas, TX., 75240

Re: Well No. 2 Federal 8 FC # 2
Lease No. NM-0498
N- SESW 8-30N-12W
San Juan County, NM

Dear Mr. Kiel:

Reference is made to your application dated March 31, 1999, requesting authorization to down hole commingle gas from the Fruitland Sand and the Fruitland Coal formations in the above referenced well. After reviewing the information you supplied, we concur with the fixed allocation factors established in your application. Both of these intervals have historically not produced liquid hydrocarbons and as such will not have allocation factors assigned. If production characteristics change however, please contact this office accordingly. Authorization is hereby given to allocate production in accordance with the allocation factors outlined below:

| <u>Formation</u> | <u>Gas</u> | <u>Oil</u> |
|------------------|------------|------------|
| Fruitland Sand | 15% | 0% |
| Fruitland Coal | 85% | 0% |

Commingled production from each zone must be reported in accordance with these established allocation factors. The effective date of commingling will be the date commingling first occurs.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

Joe Hewitt

Joe Hewitt
Acting Team Leader, Petroleum Management Team

cc:
NMOCD, Santa Fe
- NMOCD, Aztec