



EXPLORATION & PRODUCTION

December 15, 2000

NEW MEXICO OIL CONSERVATION DIVISION

Attn: Frank Chavez
1000 Rio Brazos Rd.
Aztec, New Mexico 87410-1693



RE: Downhole Commingling Application
Texakoma Federal 7 #1
NE/4 Section 7, T30N, R12W
San Juan County, New Mexico

Dear Mr. Chavez:

The Texakoma Federal 7 #1 well was recently recompleted in both the Fruitland Coal and Fruitland Sand formations, with both zones commingled downhole. Texakoma's application for downhole commingling was approved on September 22, 2000 as per the attached letter. We are requesting to use reserves as a basis for calculating the allocation formula for the production from this well.

The attached reserve report/graph was performed by Cawley, Gillespie Associates, Inc. of Fort Worth, Texas. They have extensive experience in calculating reserves in the San Juan Basin. As shown on the report, the Fruitland Coal has reserves of 2.30 BCF while the Fruitland Sand has reserves of 0.45 BCF. Therefore, total reserves from this new completion are expected to be 2.75 BCF. Using these reserve figures to allocate production, the Fruitland Coal would have an allocation percentage of $2.30/2.75$, or 83.64%. Likewise, the Fruitland Sand would have an allocation percentage of $0.45/2.75$, or 16.36%.

If there is anything I can do to help expedite this request, or if further information is needed, please call me at 972/701-9106.

Sincerely,

Rodney A. Kiel

Rodney A. Kiel
Operations Engineer

Enclosures

ONE LINCOLN CENTRE
5400 LBJ FREEWAY • SUITE 500 • DALLAS, TEXAS • 75240
972-701-9106



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenberg
Director
Oil Conservation Division

ADMINISTRATIVE ORDER DHC-2834

Texakoma Oil & Gas Corporation
One Lincoln Centre
5400 LBJ Freeway
Suite 500
Dallas, Texas 75240

Attention: Mr. Rodney A. Kiel

*Texakoma Federal "7" No. 1
API No. 30-045-30236
Unit G, Section 7, Township 30 North, Range 12 West, NMPM,
San Juan County, New Mexico
Undesignated Flora Vista-Fruitland Sand (Gas - 76600) and
Basin-Fruitland Coal (Gas - 71629) Pools*



Dear Mr. Kiel:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

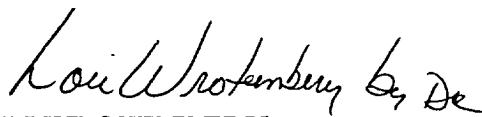
The applicant shall consult with the supervisor of the Aztec District Office of the Division upon completion and testing of the well in order to determine a fixed allocation of production from each of the commingled zones. Upon approval by the Division's Aztec District Office, the applicant shall submit the allocation formula to the Santa Fe Office of the Division.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 22nd day of September, 2000.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec
Bureau of Land Management-Farmington

TEXAKOMA OIL & GAS FEDERAL 7-1

