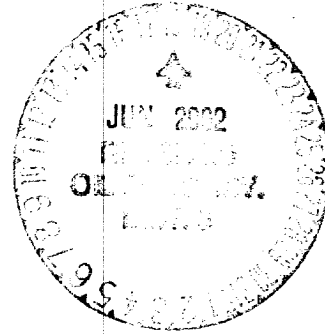




June 12, 2002

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 #5M and LC Kelly #8
Section 3, 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 and water 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.

A gas line will be laid from the LC Kelly #5M to the LC Kelly #8 well pad along the LC Kelly #5M access road. The distance between pads is approximately 500'. The LC Kelly #5M is currently producing from the Mesaverde only. Approval has been obtained to downhole commingle the Mesaverde and Dakota. The work to downhole commingle is scheduled to be completed prior to the proposed surface commingle.

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 #5M and LC Kelly #8 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 #5M and LC Kelly #8
Well Information

	LC Kelly #5M	LC Kelly #8
Location	A, Sec 3, T30N, R12W	H, Sec 3, T30N, R12W
Formation	Dakota & Mesaverde	Fruitland Coal & Pictured Cliffs
API#	30-045-30761	30-045-30665
Pool Name	Basin Dakota & Blanco Mesaverde	Basin Fruitland Coal & Aztec Pictured Cliffs
Pool Code	71599 (DK) 72319 (MV)	71629 (FC) 71280 (PC)
Gas Gravity	0.60	0.672
Gas Rate (MCFPD)	500 (est)	130
Oil Gravity	50 (est)	NA
Oil Rate (BPD)	2.0 (est)	0
Water Rate (BPD)	40 (est)	20

LC Kelly #5M is currently producing from the Mesaverde only. Approval has been obtained to downhole commingle the Mesaverde and Dakota. The work to downhole commingle is scheduled to be completed prior to the proposed surface commingle.

LC Kelly #5M and LC Kelly #8 Allocation Method

The EPNG meter #98374 will be the sales meter (CDP) for the LC Kelly #5M and the LC Kelly #8 gas sales. An allocation meter will be set between the LC Kelly #5M separator and the suction side of the compressor. This meter will only measure gas flow from the LC Kelly #5M.

LC Kelly #5M gas production will be calculated as follows:

(LC Kelly #5M allocation meter volume) + (LC Kelly #5M separator fuel gas & pumping unit fuel gas)

LC Kelly #8 gas production will be calculated as follows:

(EPNG meter #98374 volume) – (LC Kelly #5M allocation meter volume) + (compressor fuel gas) + (LC Kelly #8 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 #5M percentage of compressor fuel usage would be calculated as follows:

$$\frac{(\text{LC Kelly \#5M allocation meter volume})}{(\text{EPNG meter \#98374 volume}) + (\text{compressor fuel gas})}$$

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 #5M gas sales will be calculated as follows:

(LC Kelly #5M allocation meter volume) – (LC Kelly #5M allocated compressor fuel gas)

LC Kelly #8 gas sales will be calculated as follows:

(EPNG meter #98374 volume) – (LC Kelly #5M gas sales)

No commingling of liquid hydrocarbon or water will occur. Production and sales will be based on actual measured volumes from each well. LC Kelly #8 should not produce liquid hydrocarbon.

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.

T 30N R 12 W

INGTON
NCO 1
138/169
0/0
5/5704-8511
D/FRLD

KTO
ELLY 3E
6/665
1/142
4/8308-0104
2/DKOT

XTO
LC KELLY 4E
3/0/1 124/172/344
0/0/0 5/115/24
8408-0104/9706-0104/8408-0104
GLLP/MVRD/DKOT

AMOCO
LC KELLY 4
7 353
0 0
6408-9411
DKTA

XTO
LC KELLY 5A
1 262
0 86
9512-0104
MVRD

XTO
LC Kelly #5m
MV/DK

KELLY LC 8
PC/FC
LOC

CROSS TIMBERS OPR CO

XTO
LC KELLY 5
4/11/2 141/1322/300
0/0/1 0/0/95
6412-8903/6412-9110/9408-0104
DKTA/GLLP/MVRD

BURLINGTON
ZACHRY 1A
3 985
0 87
7907-0104
MVRD

GREYSTC
CLAYTO
5 85
0 8
8408-01
MVRD

BAYLESS RL
MOSELEY 1
0 293
0 84
9406-0104
FRLDC

AIKMAN 1
D&A 2260
EMPIRE STATES DRLG
10/21/1958

IOCO
NZIE A 1
374
0
8508
CTA
T PROD
C 9
103
0
KN

EL PASO EXPL
BLANCO B 4
0 238
0 0
5702-8106
FRLD

BAYLESS RL
BROWN 1Y
0 210
0 256
9407-0104
FRLDC

BROWN 1
J&A 2200
BAYLESS ROBERT L LLC
6/13/1994

XTO
CHRISMAN 1E
2/1 58/119
0/0 3/10
8203-0104/8203-0104
GLLP/DKOT

XTO
LC KELLY 6A
2 297
0 29
8506-0104
MVRD

D&A-
AZTE
WILLI
1/

BURLINGTON
BLANCO A 3
0 225
0 0
5612-8511
FRLD

BURLINGTON
BLANCO FEE 6
0 408
0 0
5703-9107
FRLD

XTO
CHRISMAN 1
0/9 3/682
2/0 46/21
0103-0104/6509-0104
MVRD/DKOT

XTO
CHRISMAN 2
0 57
0 230
0005-0104
FRLDC

AMOCO

XTO ENERGY INC.
Lease: L.C. KELLY #5M & #8
SEC. 3, T30N, R12W
AGREEMENT #: NMSF081239

