

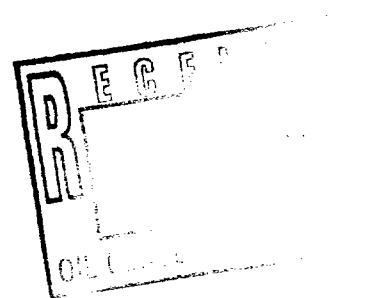


David L. Wacker
Division Manager
Production Department
Hobbs Division
North American Production

Conoco Inc.
P.O. Box 460
726 East Michigan
Hobbs, NM 88240
(505) 397-5800

September 23, 1988

Mr. William LeMay, Director
State of New Mexico
Energy & Mineral Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501-2088



Dear Mr. LeMay:

Request for Approval to Surface Commingle Production from the West Lindrith Gallup Dakota with Production from the Blanco Mesaverde on the Jicarilla 22 Lease

Permission is requested to commingle production from the West Lindrith Gallup Dakota with production from the Blanco Mesaverde on the Jicarilla 22 Lease, Sections 15, 16, 21, & 22, T25N, R4W, Rio Arriba County, New Mexico. Ownership in both zones is common and Conoco is the only working interest owner.

The quality of the oil is virtually identical. Therefore, no reduction in the value of the oil will occur because of commingling. The value and current oil production is as follows:

| | <u>Gravity</u> | <u>BOPD</u> | <u>Value</u> |
|-----------------------------|----------------|-------------|--------------|
| West Lindrith Gallup/Dakota | 55 | 24 | \$13.18 |
| Blanco Mesaverde | 55* | 19 | \$13.85* |

The quality of the gas is also similar and virtually no reduction in the value of the gas will occur because of commingling. The value and current gas production is as follows:

| | <u>BTU</u> | <u>MCFPD</u> | <u>Value</u> |
|-----------------------------|------------|--------------|--------------|
| West Lindrith Gallup/Dakota | 1191 | 875 | \$ 1.68 |
| Blanco Mesaverde | 1223* | 342 | \$ 1.70* |

*Please note that the quality and value of the Blanco Mesaverde production is based on offset wells since the Mesaverde production on this lease is from a recent recompletion and the quality has not been tested at this time. Several other recompletions to the Mesaverde are anticipated in the near future.

Mr. William LeMay
Page 2
September 23, 1988

Conoco also requests permission to allocate production back to the individual wells based on well tests. The primary reason for this request is due to the isolated locations of wells on this lease. We are in the process of laying new flowlines on this lease to the centralized battery where well tests will be easier to obtain, especially in the winter months when many lease roads in the area are impassable. Another reason for this request is due to the current gas market and the probability of not getting our recompleted Mesaverde wells connected which would basically mean this production would go unrecovered.

A lease plat and battery schematic are attached. Your immediate attention to this matter would be greatly appreciated. Please contact Ms. Ceal Yarbrough at (505) 397-5825 if you have any questions.

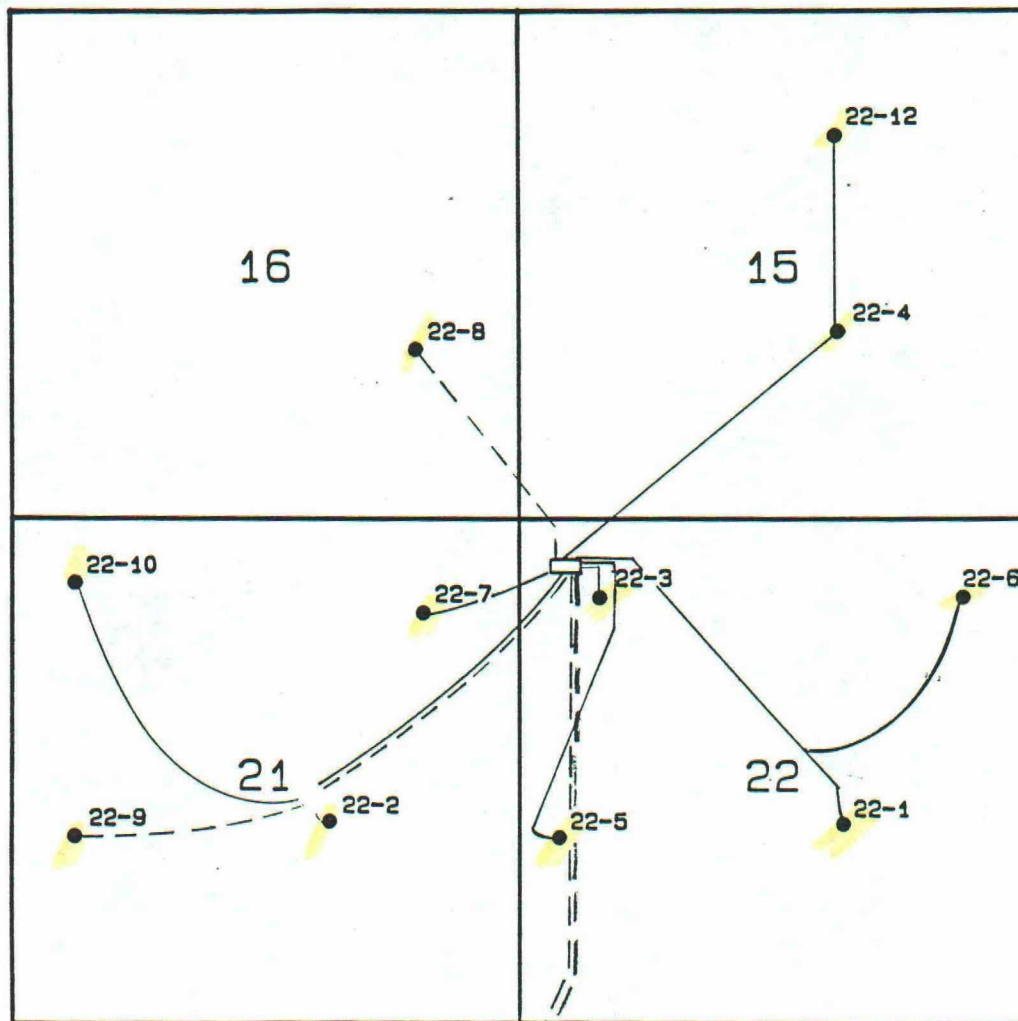
Yours truly yours,

A handwritten signature in dark ink, appearing to read "David L. Wacker". The signature is fluid and cursive, with the first name "David" being more prominent.

David L. Wacker
Division Manager

COY:jd

R-4-W



T
25
N

To Jicarilla 28 Battery

- Existing Lines
- - - Prod. Lines to Install
- . - Water Lines to Install

PRODUCTION
DEPARTMENT

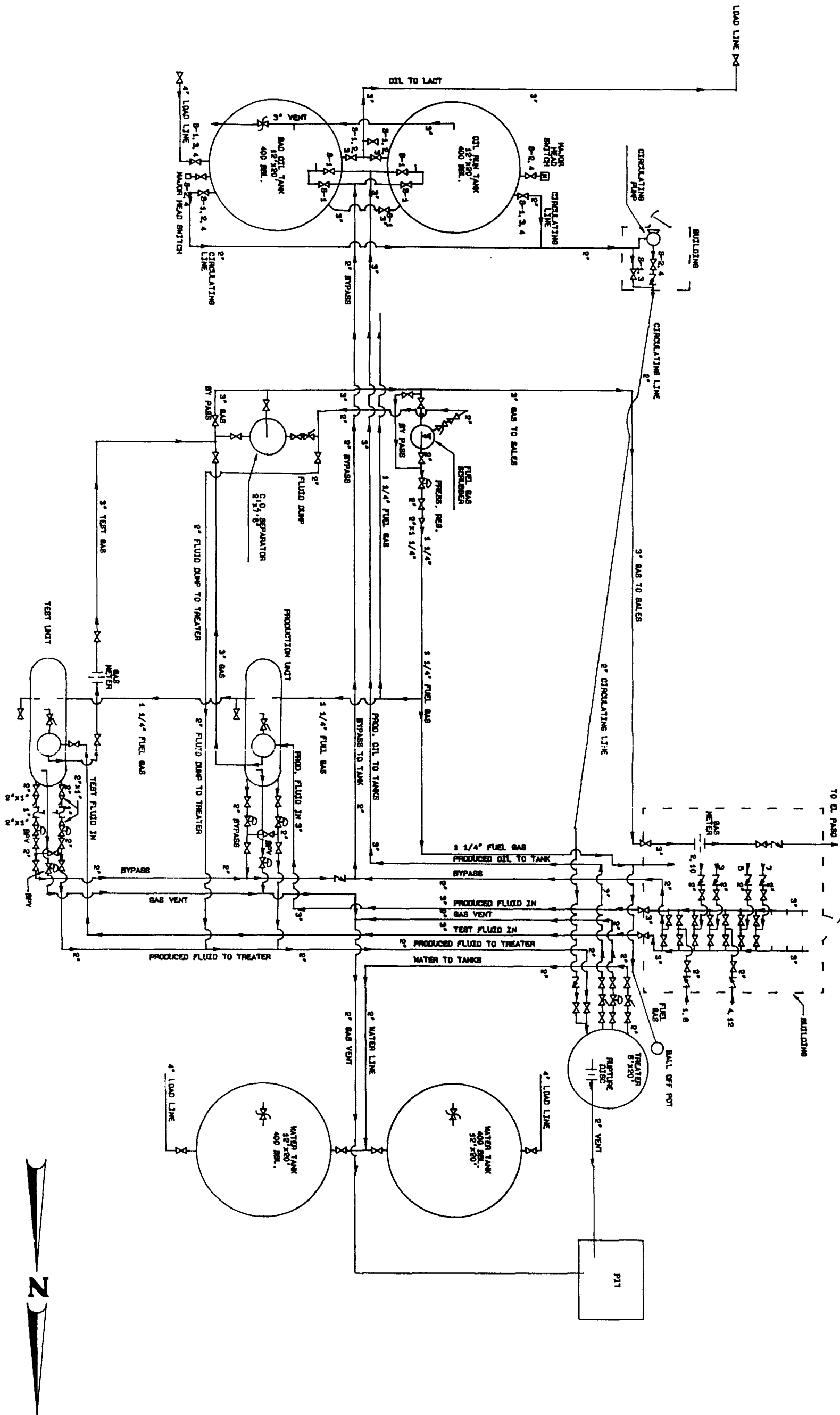
conoco

HOBBS
DIVISION

JICARILLA 22 LEASE

0 1320 2640

Scale: 1" = 2000'



THIS FACILITY IS IN COMPLIANCE WITH CONOCO INC. HOBBS DIVISION SITE SECURITY PLAN.

PLAN LOCATED AT CONOCO INC. OFFICE
P.O. BOX 480-728 EAST MICHIGAN
HOBBS, NEW MEXICO 88240

VALVE LEGEND: POSITION/MODE

1. CLOSED/SALE
2. OPEN/SALE
3. CLOSED/PRODUCTION
4. OPEN/PRODUCTION

| REVISIONS | | DATE | BY |
|-----------|-----------------|----------|----|
| NO. | DESCRIPTION | | |
| 1 | REVISED PER PDP | 10/24/84 | BA |
| | | | |
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| | |
|--------------|--------------|
| DATE | 9-4-88 |
| DRAWN BY: | A.G.S. INC. |
| CHECKED BY: | |
| APPROVED BY: | |
| SCALE | NOT TO SCALE |

| | | |
|-----------------------|----------|--------------------|
| PRODUCTION DEPARTMENT | (CONOCO) | UNIT D-22-T25N-R4W |
| INDIAN CONTRACT NO. | 88 | DRAWING NO. |
| | | HOB-1134-1 |