

NEW MEXICO "S" STATE #30
DOWNHOLE COMMINGLING APPLICATION

8. A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams:

All of the crude and condensate currently produced from the Drinkard, Wantz Abo, and Wantz Granite Wash is already being surface commingled into one common stock tank, and sold as a mixture.

9. A formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such a formula:

The Drinkard has produced an average of 5 mcfpd during the 12 months prior to March 1990. The Wantz Granite Wash has produced an average of 1 bopd and 3 mcfpd during the same time period. Pay will be added in the Wantz Abo (it has never been perforated in this well before). The contribution from the Wantz Abo will be determined by subtracting the prior combined rate of 1 bopd and 8 mcfpd from the Drinkard and Wantz Granite Wash from the total commingled rate. A test period of 2 to 3 weeks will be used to obtain a stabilized rate prior to submitting the allocation formula.

10. A statement that all offset operators and, in case of a well on Federal land, the United States Geological Survey, has been notified in writing of the proposed commingling.

By copy of this letter, we are notifying the offset operators of this proposed commingling.

11. In addition, working interest and royalty interest ownership in all zones are the same.