

NEW MEXICO "S" STATE #36
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 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 Wantz Granite Wash produced an average of 2 bopd and 8 mcfpd during the year prior to being shut in. Pay will be added in the Wantz Abo. The contribution from the Wantz Abo will be determined by subtracting the prior rate of the 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.