

DOYLE HARTMAN

*Oil Operator*

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August 4, 1988

El Paso Natural Gas Company  
One Petroleum Center, Building 2  
3300 North "A" Street  
Midland, Texas 79705

Attention: Clovis Moore

RE: Compressor Installation  
Samedan Hughes Fed Lease  
NW/4 Section 19  
T-23-S, R-37-E  
Meter No. 58372

Shell State Lease  
SE/4 Section 13  
T-23-S, R-36-E  
Meter No. 58540  
Lea County, New Mexico

Dear Mr. Moore:

We are in the process of installing a compressor system at a location 2030' FNL and 610' FWL of Section 19, T-23-S, R-37-E, Lea County, New Mexico. This compressor system will compress the combined Jalmat production from our Shell State Well No. 5 and our Samedan Hughes Federal Well No. 1. The proposed compressor site is located at the Samedan Hughes Federal Well No. 1. A 4-inch gathering line will be installed to transport the gas from our Shell State Well No. 5, located 1800' FSL and 1650' FEL of Section 13, T-23-S, R-36-E, to the compressor system. The compressor system will discharge into El Paso's pipeline at meter station no. 58372. Both the Samedan Hughes Federal No. 1 and the Shell State Well No. 5 possess excellent producing capabilities, but have been unable to produce at the full Jalmat gas pool allowable because of El Paso's line pressure and therefore, the addition of compression should result in the recovery of substantial additional Jalmat gas reserves.

Two meter stations will be installed to measure production from each well before compression and before entering El Paso Pipeline. If El Paso Natural Gas wants to install and maintain the required metering stations, such an arrangement would also be satisfactory with us. In the event El Paso Natural Gas does not desire to install and maintain the metering stations, Doyle Hartman will install and maintain the necessary meters. The proposed metering stations will fulfill all requirements of the State of New Mexico Oil Conservation Division that individual meters be installed on gas wells producing from gas pools.