There should not be any loss in value due to commingling. If the intermediate hydrocarbons from any of the zones is sour, separate tankage will be installed for that zone.

Attached is a schematic drawing of the proposed tank battery for this lease with the additional equipment for artificial lift. Without the need for artificial lift the hydrocarbons will go directly from the treating system to the storage tanks. This proposal will permit the use of common storage tanks with the liquid hydrocarbons determined separately prior to commingling with meters equipped with non-reset totalizers. Samplers will be installed on each zone so as to attribute the bad oil to the proper zone. After commingling, the water will be removed in a common treating system. The net liquid hydrocarbons will be determined from the metered volumes and the samples obtained. At such time as the water production from any pool becomes too large for accurate metering, a free water knock-out can be installed upstream of the meter.

When the wells cease to flow by natural means, we propose to install hydraulic pumps in each zone using a common power oil supply. The power oil will be metered to each zone. The combined power oil and production from each zone will be metered and sampled prior to commingling.

All persons owning an interest in the subject acreage are being notified by registered mail as per attached list.

The proposed installation will permit the applicant to conduct tests of the individual wells. Approval of this proposal will neither cause waste nor impair correlative rights.

Yours very truly,

Engineering Group

By: L. C. Hudry

LCH:lc