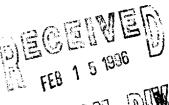


SF-079160(WC)

United States Department of the Interior BUREAU OF LAND MANAGEMENT

1235 La Plata Highway Farmington, New Mexico 87401

February 13, 1996



ON CON. DIV.

3162.3-2 (07327) Unocal Oil and Gas Division Brett H. Liggett 913 West Broadway, P.O. Box 850 Bloomfield, New Mexico 87413

We have completed our review of your application to downhole commingle Blanco Mesaverde and Basin Dakota production in the following well located on Federal lease No. SF-079160: We nave completed our review of your application to downnoise SF-079160:

Dakota production in the following well located on Federal lease No. SF-079160: Dear Mr. Liggett.

Your application indicated that UNOCAL intends to allocate production based on existing Dakota product Your application indicated that UNOCAL intends to allocate production based on existing Dakota production based on existing Dakota production based on existing Dakota monthly allocate production based on existing Dakota to calculate monthly allocated to percentage factors to calculate monthly and a mesaverde well test. These two rates would converted to percentage factors 1974 and has established a mesaverde well test. These Dakota formation has been production from each formation. and a Mesaverde well test. These two rates would converted to percentage factors to calculate monthly would converted to percentage factors to calculate monthly since 1974 and has established a Mesaverde well test. The Dakota formation has been producing since 1974 and has established formation formation has established formation formation formation formation has established formation formatio Production from each formation. The Dakota formation has been producing since 1974 and has establish production from each formation. The Dakota formation will be affected by flush production from the Mesaverde formation is stabilized.

Initial rates from the Mesaverde formation is stabilized in the formation is stabilized. The Dakota formation has been producing since 1974 and has establish formation has been producing since 1974 and has establish from the Mesaverde formation will be affected by flush production from the Mesaverde formation is stabilized. known decune rate. Initial rates from the Mesaverde formation is stabilized. Wirgin reservoir and will decline at a higher rate until the formation is stabilized. Future Dakota volumes could be calculated by dividing the known decline rate of the formation by !

The result is then subtracted from 100 to determine what nerce the monthly decline rate. Future Dakota volumes could be calculated by dividing the known decline rate of the formation by dividing the known decline rate of the formation what percent monthly decline rate. The result is then subtracted from 100 to determine what percent determine the monthly decline rate. The result is then subtracted from 100 to determine what percent determine the monthly decline rate.

HYPOTHETICAL EXAMPLE
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The annual decline rate
annually. current months production will equal next months production.

monthly decline rate = annual decline rate annually.

Dakota production for July 1995 would be 99.79442% of the volume produced in June

Rounded to the nearest whole MCF, July production for the Dakota would be 3

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If the well produces less than a whole month, the monthly volume can be determined by dividing the monthly volume by 30 times the number of days that the well produced. For example, if the well produces 27 days in July, monthly volume would be

Dakota production for $July = \frac{average \, monthly \, volume \, (3,499 \, MCF)}{thirty} * number of days produced during the month$

$$3,149 = \frac{3,499}{30} * 27$$

July gas allocation would be 3,149 MCF to the Dakota and the remaining volume to the Mesaverde. Liquid production from each formation would be allocated in a like manner. August production would be 99.79442 % of 3.499 (30 day volume for July). Each subsequent month would be calculated in a like manner.

Allowances must be made for operational changes which affect productive rates. Examples are: increased or decreased line pressure, installation of compression at the wellhead etc. Dakota allocation would have to be changed proportionally. For example if line pressure in the area is reduced due to added compression and overall production increases by 15%, then Dakota allocation would likewise increase by 15%. Major changes in the production profile such as noticeable increases in volumes of produced water may require individual formation testing to determine proper allocation.

The allocation method described above can be converted to a percentage factor as soon as it can be demonstrated that both formations are declining at equal rates. Please notify this office when allocation is converted.

Your application, revised to allocate production based on the formula outlined above is hereby approved effective the date that the formations are physically commingled.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the order(s) described above. Such request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P. O. Box 27115, Santa Fe, New Mexico 87502-0115. Such request shall not result in a suspension of the order(s) unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et seq.

If you have any questions regarding this correspondence, please contact Ray Hager at (505) 599-6366.

Sincerely,

Duane Spencer Team Lead, Petroleum Management

cc:

NMOCD, Santa FE NMOCD, Aztec