



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

Rincon Unit
3162.3-2 (07100)

Union Oil Company of California
Attn.: Heather Dahlgren
P.O. Box 3100
Midland, Texas 79702

Dear Ms. Dahlgren:

Reference is made to your application for down hole commingling of gas and associated liquid hydrocarbons from the Mesaverde and the Dakota Formations in the above referenced well. After reviewing your application and the forecasted production from the Dakota Formation, we concur with the interim use of the subtraction method for allocation of production between zones. Production allocation attributable to the Mesaverde Formation will be based on the difference in the established production forecast for the Dakota Formation and the commingled gas stream of both intervals.

Commingled production from each zone must be reported in accordance with the allocation procedure described above. Once stabilized production is established, please file your application for fixed allocation factors for the Mesaverde and Dakota Formations. The effective date will be the date down hole commingling actually occurs.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

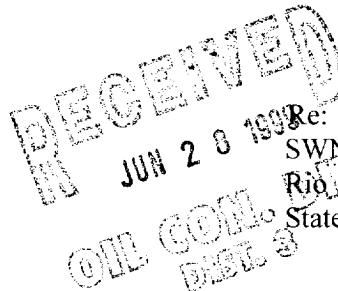
/s/ Duane W. Spencer

Duane Spencer
Team Leader, Petroleum Management Team

cc:

NMOCD, Santa Fe

NMOCD, Aztec





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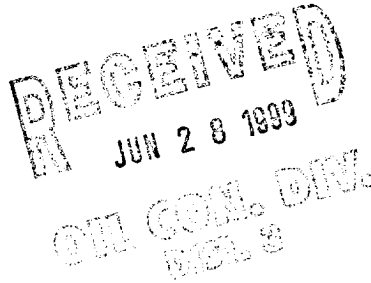
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Re: Rincon Unit No. 201
SWNE 2-26N-7W
Rio Arriba Co., NM
State Lease No. E2913

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