

SPiRiT ENERGY 76

New Name. Same Spirit.

A Business Unit of Unocal

November 9, 1998

U.S. Department of the Interior
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Commissioner of Public Lands
State of New Mexico
310 Old Santa Fe Trail
Santa Fe, NM 87504

New Mexico Oil Conservation Division
District III
1000 Rio Brazos Road
Aztec, NM 87505
Cc: NMOCD, Santa Fe, NM

RECEIVED
NOV 12 1998
OIL CON. DIV.
DIST. 3

Re: Amended DHC-913
Production Allocation
Rincon Unit 137E: DK/GL

Gentlemen,

In accordance with **Amended DHC Order-913 (4-14-98)**, Union Oil Company of California (UNOCAL) performed a production test on the Gallup horizon in the Rincon Unit Well No. 137E. Unocal recommends that the allocated percentages remain the same as approved by **DHC Order-913 issued September 17th, 1993**. Copies of these orders are provided as attachments.

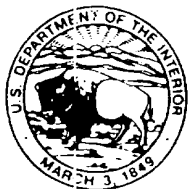
Based on the above, Unocal's recommends that 19% of the commingled Dakota / Gallup gas volume continue to be allocated to the Gallup horizon. The remaining volume, based upon the approved decline rate for the combined horizons, will comprise the Dakota volume.

If you have any questions, please contact Heather Dahlgren at 915/685-7665.

Sincerely,

Spirit Energy 76
A Business Unit of UNOCAL


Heather Dahlgren
Engineering Technician



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway
Farmington, New Mexico 87401

IN REPLY REFER TO:
NMSF079298D (WC)
3162.7 (07400)

September 4, 1998

Ms. Heather Dahlgren
Union Oil Company of California (UNOCAL)
1004 N. Big Spring
Midland, Texas 79702

RE: Downhole Commingling Allocation

Dear Ms. Dahlgren:

We have received and reviewed your allocation method for the Application to Downhole Commingle that was submitted on the following well:

| WELL | Lease | Legal Location | Proposed Commingled Formations |
|------------------|-------------|---|--------------------------------|
| 137E Fincon Unit | NMSF079298D | 1540' FSL & 1500' FEL Sec. 24, T27N, R7W | Mesaverde, Gallup & Dakota |

We are in concurrence with your method of allocating production by extrapolating the decline rate on the Dakota/ Gallup and allocating the remainder of the production volume to the Mesaverde formation. We are also in agreement with your Dakota / Gallup decline rate and yield factors for allocating liquids. We hereby approve your applications for downhole commingling on the above well. The effective date will be the date downhole commingling occurs.

When fixed allocation factors are determined, submit the factors for **approval**.

If you have any questions please contact Wayne Townsend with this office at (505) 599-6359.

Sincerely,

Duane Spencer
Team Leader, Petroleum Management



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

AMENDED ADMINISTRATIVE ORDER DHC-913

Union Oil Company of California
1004 North Big Spring
Midland, Texas 79702

Attention: Ms. Heather Dahlgren

*Rincon Unit No. 137E
API No. 30-039-25208
Unit J, Section 24, Township 27 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Blanco-Mesaverde (Prorated Gas - 72319)
Basin-Dakota (Prorated Gas - 71599) and,
Largo-Gallup (Gas - 80000) Pools*

Dear Ms. Dahlgren:

Reference is made to your recent application for an amendment to Division Order No. DHC-913 dated September 17, 1993, which order authorized the downhole commingling of Largo-Gallup and Basin-Dakota Gas Pool production within the subject well, to permit the Blanco-Mesaverde Gas Pool to be commingled within the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Production from the subject well shall be allocated as follows:

Gas and oil production from the commingled Basin-Dakota/Largo-Gallup Gas Pools shall be determined utilizing the production forecast submitted by the applicant as an attachment to the downhole commingling application. A fixed percentage allocation between the Basin-Dakota and Largo Gallup Gas Pools shall be determined subsequent to the performance of a production test. Gas and oil production from the Blanco-Mesaverde Gas Pool shall be determined by subtracting Basin-Dakota/Largo Gallup Gas Pool production from the well's total monthly oil and gas

production. The applicant shall consult with the supervisor of the Division's Aztec District Office upon completion of the Basin-Dakota/Largo Gallup Gas Pool production test in order to determine a fixed allocation of production between these two zones. The applicant shall furnish a copy of said allocation formula to the Santa Fe Office of the Division.

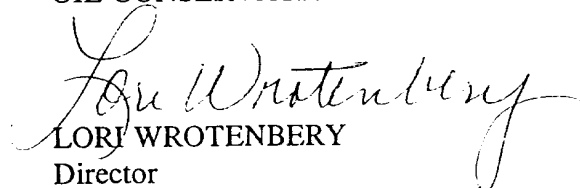
The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 14th day of April, 1998.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec
Bureau of Land Management-Farmington



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER DHC-913

UNOCAL Oil & Gas Division
3300 North Butler Avenue
Farmington, NM 87401

Attention: Glen O. Papp

*Rincon Unit Well No. 137-E
Unit J, Section 24, Township 27 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Undesignated Gallup and Basin Dakota Pools*

Dear Mr. Papp:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle production from both pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303-C, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 50 barrels per day, and total water production shall not exceed 100 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

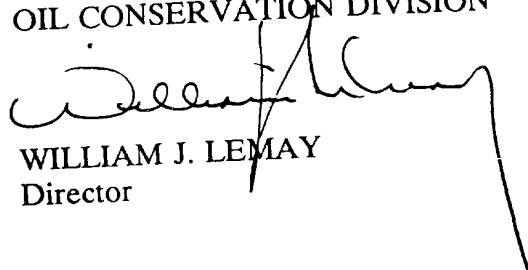
| | | | | |
|--------------------------|-----|------|-----|-----|
| Undesignated Gallup Pool | Oil | 0% | Gas | 19% |
| Basin Dakota Pool | Oil | 100% | Gas | 81% |

FURTHER: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 17th day of September, 1993.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/BES/amg

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington