



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

RECEIVED
NOV 30 1998

OIL CON. DIV.
DIST. 3

IN REPLY REFER TO:

NMSF078997
3162.3-2 (07400)

NOV 25 1998

Phillips Petroleum Company
Attn.: Mark Stodola
5525 Hwy., 64 NBU 3004
Farmington NM 874010

Re: Well No. 70 SJ 30-5 Unit

A- NENE 9-30N-5W

Rio Arriba Co., NM

Lease No. SF-078997

30-039-22462

Dear Mr. Stodola:

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 mid-year production forecast for the Dakota and the commingled gas stream of both intervals. The established decline rate for the Dakota formation is approximately 5.0% per year with the $Q_i = 80$ Mcfd.

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,

Duane Spencer

Team Leader, Petroleum Management Team

cc:

NMOCD, Santa Fe

/ NMOCD, Aztec