



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 10, 2001

Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401

Attention: Mr. Gary W. Brink

Re: Form C-107-A
San Juan 30-4 Unit No. 42A

Dear Mr. Brink:

I have reviewed your application to downhole commingle Pictured Cliffs and Mesaverde production within the San Juan 30-4 Unit No. 42A, and I have some concerns about your proposed production allocation. You have proposed that 56% of the gas be allocated to the Pictured Cliffs pool and that 44% of the gas be allocated to the Mesaverde pool. This allocation is apparently based upon a production test conducted on May 8 & 13, 2001. According to Division records, the average daily production from the Pictured Cliffs interval during the period from September 2000 to February 2001 was 458 MCF, and the average for the Mesaverde during the same period was 109 MCF. Since the ownership of these zones is not common, it is imperative that the allocation formula reflect, as accurately as possible, the actual producing rates of each of the commingled pools.

Please provide additional data or information on how the proposed production allocation was determined, and whether this proposed allocation protects all interest owners in the well.

Your application will be processed upon receipt of the requested data.

Sincerely,

David Catanach
Engineer

Xc: OCD-Aztec

OIL CONSERVATION DIV.
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July 13, 2001

Mr. David Catanach
NMOCD
1220 South ST. Francis Drive
Santa Fe, New Mexico 87504

RE: Administrative Approval to Downhole Commingle
Form C-107-A
San Juan 30-4 Unit # 42A

Dear Mr. Catanach:

As per your request, I have reviewed the production history on the San Juan 30-4 Unit #42A application to downhole commingle the Pictured Cliffs and Mesa Verde. Your assumption is correct that I used the May test data to calculate an allocation on Form C-107-A.

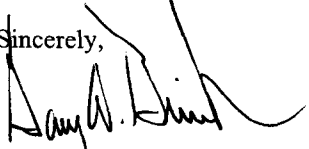
The history of the well shows the Mesa Verde sanded off during October 2000. The tubing was perforated in January 2001 and the well slowly returned to a stabilized production rate. The Pictured Cliffs has historically been the stronger of the two zones. I concur due to the uncommon ownership of the well, it is critical to correctly allocate production. As show on the attached table, it is recommended the last four months production history be averaged and used for a more realistic allocation. I recommend the following gas allocation:

Pictured Cliffs	66%
Mesa Verde	34%

Neither zone produces oil

I appreciate your help in this matter. If additional information is needed, please contact me.

Sincerely,


Gary W. Brink
Production Superintendent

GWB/vd

cc: NMOCD – Aztec