Attachment #7

ROBERT L. BAYLESS

Downhole Commingle Application
Juhan #1

ALLOCATION METHOD

Robert L. Bayless proposes to allocate production from the Juhan #1 well by a difference method. Presented as Attachment #5 is a tabular listing of expected future production from the Pictured Cliffs formation in this well. This future production was calculated from the current production trend that exists in the Pictured Cliffs formation. This trend is shown graphically in the production decline curve for the Pictured Cliffs formation presented in Attachment #3.

Once the Fruitland Coal formation is completed in this well and it's production is commingled downhole with the Pictured Cliffs formation, the total well production for a given month will be compared to the expected Pictured Cliffs formation production for that month. The amount of actual production above the expected Pictured Cliffs formation production will be the production allocated to the Fruitland Coal formation. If for any reason the total well production for a given month is less than the expected Pictured Cliffs formation production, all of the actual production will be allocated to the Pictured Cliffs formation and none will be allocated to the Fruitland Coal formation.

EXAMPLE:

Assume actual production for the Juhan #1 well for September 1998 is 7,000 MCF of gas. From Attachment #5, the expected Pictured Cliffs gas production is 2,884 MCF. Therefore, allocation will be as follows:

	Gas (MCF)
Total Production:	7,000
Pictured Cliffs Allocation:	2,884
Fruitland Coal Allocation:	4,116