DHC - 1105

OIL CONSERVATION DIVISION
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MAR 24 1995

Mr Jerry W Hoover
Conoco Incorporated
10 Desta Drive, Suite 100W
Midland, TX 79705-4500

Dear Mr. Hoover:

We have completed our review of your application to downhole commingle Mesaverde and Dakota production in the following well:

No. 13 Federal, 1850' FSL - 1650' FWL
SEC. 21, T. 26 N., R. 6 W.
Rio Arriba County, New Mexico

Allocation factors submitted with the application were based on daily averages from both formations during a 30-day test conducted in April 1994. The No. 13 Federal first produced from the Mesaverde formation in May 1994. The Dakota formation in the same well has produced since November 1967. Allocation factors derived from the 30-day test would be based on flush production from the Mesaverde compared with depleted production from the Dakota. Future allocations based on the test would credit the Mesaverde formation with too much of the combined production.

We feel that a more equitable allocation for the first year would be based on average monthly Dakota production for 1995 subtracted from total monthly volume to determine Mesaverde production for the same period. Average monthly Dakota volume for 1995 was calculated by applying the known decline rate of the formation to the last full month of production and extrapolating volumes until June 1995. This mid-year rate is also the monthly average for the entire year. These volumes for the No. 13 Federal are: Gas 3572 MCF, Oil 9 BBL, and no Water. Average monthly volumes divided by 30, times the number of days that the well produced for the report period will determine Dakota production for the month. Calculated Dakota volumes subtracted from the total of both zones will result in Mesaverde production for the same reporting period.

EXAMPLE
The well produces 6785 MCF in 27 days during the month of April 1995:

$$\textit{Dakota production for April} = \frac{\textit{average monthly volume (3572 MCF)}}{\textit{thirty}} * \textit{number of days produced during the month}$$

$$3215 = \frac{3572}{30} * 27$$

Dakota gas production for 27 days in April = 3215 MCF. The remaining gas volume of 3570 MCF is allocated to the Mesaverde formation. The same formula applies to the oil and water production.

Comparison of stabilized Dakota decline rate for the No. 13 Federal and the average, stabilized, decline rate for mature Mesaverde producers in the area shows that there is less than 1-percent difference in the decline rates for both formations. Based on this finding, beginning January 1996, allocation could be converted to a percentage factor since proportional shares would no longer be influenced by flush production from the Mesaverde formation. **You must notify this office via Sundry Notice of the relevant percentage factors no later than January 31, 1996.**

Your application, revised to allocate production based on the formula outlined above is hereby approved effective May 9, 1994.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the order(s) described above. Such request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P. O. Box 27115, Santa Fe, New Mexico 87502-0115. Such request shall not result in a suspension of the order(s) unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 *et seq.*

If you have any questions regarding this correspondence, please contact Ray Hager at (505) 599-6366.

Sincerely,

/s/ Duane Spencer

Duane W. Spencer
Chief, Branch of Reservoir Management

cc:
MMS, RMP, MS-3240, Denver, CO
NMOCD, Santa FE, NM
NMOCD, Aztec, NM