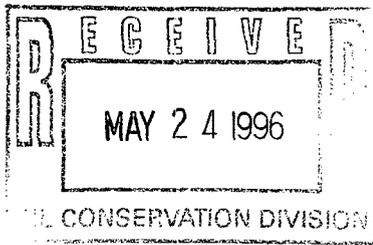


1173



Southern

Rockies

Business

Unit

May 20, 1996

Mr. Ben Stone
New Mexico Oil Conservation Division
2040 S. Pacheco Street
P. O. Box 6429
Santa Fe, NM 87505

Dile-1173

**Allocations for Downhole Commingling
Hughes B #7A Well
Unit F Section 29-T29N-R8W
Blanco Mesaverde and Blanco Pictured Cliffs Pools
San Juan County, New Mexico**

Attached please find a letter to the Bureau of Land Management concerning allocations for the subject well. The BLM disagreed with our original proposal to allocate this well. The change in our recommended allocation also resulted from our change in plans to remove the compressor from this well. Please advise if you do not agree with this method of allocation.

Should you have questions concerning this matter, please contact me at (303) 830-5344.

Sincerely,

Pamela W. Staley

Enclosures



Southern

Rockies

Business

Unit

May 20, 1996

Mr. Ray Hager
U. S. Bureau of Land Management
1235 La Plata Hwy.
Farmington, NM 87401

**Allocations for Downhole Commingling
Hughes B #7A Well
Federal Lease No SF-078046
Unit F Section 29-T29N-R8W
Blanco Mesaverde and Blanco Pictured Cliffs Pools
San Juan County, New Mexico**

Reference is made to your letter dated November 27, 1995 in which you proposed an alternative allocation method for the referenced well. We had proposed a percentage allocation for this well. Your reasons for preferring a different method were twofold; we were proposing adding compression for the Pictured Cliffs formation which might change the character of the decline for that formation, and you felt that the Pictured Cliffs formation was somewhat erratic in its production. Since that time, some factors have changed which we believe bear a change in allocation. We decided not to add compression to the Pictured Cliffs formation allowing it to continue producing into the low pressure gathering system. In fact, we removed the compressor from this well altogether. As a result, we believe that the use of the Pictured Cliffs future decline would be more accurate to use as the baseline production on this well. We have attached a production curve for the Pictured Cliffs for the past year and it appears to be stable for that period.

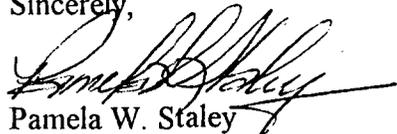
Therefore, we now propose using the subtraction method on this well using the Pictured Cliffs for base production with the rest of the production being attributed to the Mesaverde formation. Attached is the future expected production from the Pictured Cliffs formation by month to be used as the base gas production. Allocation for the liquids would remain as we proposed and as accepted by you at 50% to each formation.

Amoco began producing this well in April. The well produced a total of 6565 MCF for a total of 225.6 hours on production. Allocations were 3.58% to the Pictured Cliffs and 96.42% to the Mesaverde for gas production. Condensate production was split at 50% to each formation.

Per our telephone conversation of May 20, 1996 you felt that this would most likely be a reasonable allocation method. Please advise if you do not find this a suitable method for allocation for this well.

Should you have questions concerning this matter, please contact me at (303) 830-5344.

Sincerely,



Pamela W. Staley

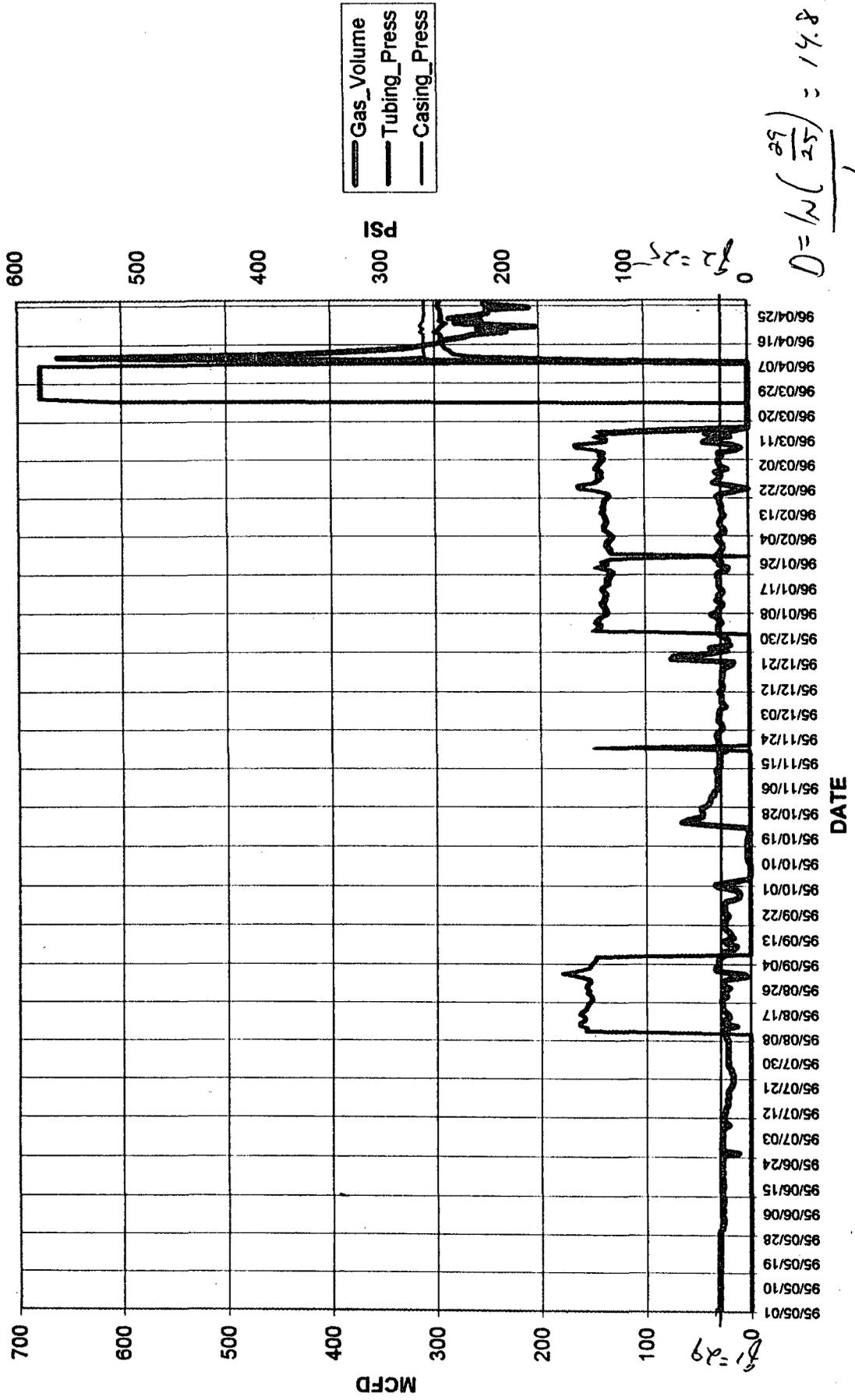
Enclosures

cc: Stan Kolodzie
Gail Jefferson
Jim Shaheen - Farmington
Sheri Bradshaw - Farmington
Wellfile
Proration file

Frank Chavez, Supervisor
NMOCD District III
1000 Rio Brazos Road
Aztec, NM 87410

Chart1

Well: HUGHES B 007A-PC/MV COM6 (97941903)



Hughes B 7A - Commingling Application			
Extrapolated Profile of Pictured Cliffs for Future Production			
Period used for extrapolation = 9/11/95 thru 3/15/96			
Exponential D = 0.148 per year			
Estimated economic limit = 25 MCFD			
Month	Rate		
May-96	25.0		
Jun-96	24.7		
Jul-96	24.4		
Aug-96	24.1		
Sep-96	23.8		
Oct-96	23.5		
Nov-96	23.2		
Dec-96	22.9		
Jan-97	22.7		
Feb-97	22.4		
Mar-97	22.1		
Apr-97	21.8		
May-97	21.6		
Jun-97	21.3		
Jul-97	21.0		
Aug-97	20.8		
Sep-97	20.5		
Oct-97	20.3		
Nov-97	20.0		
Dec-97	19.8		
Jan-98	19.5		
Feb-98	19.3		
Mar-98	19.1		
Apr-98	18.8		
May-98	18.6		
Jun-98	18.4		
Jul-98	18.1		
Aug-98	17.9		
Sep-98	17.7		
Oct-98	17.5		
Nov-98	17.3		
Dec-98	17.1		
Jan-99	16.8		
Feb-99	16.6		
Mar-99	16.4		
Apr-99	16.2		
May-99	16.0		
Jun-99	15.8		
Jul-99	15.6		
Aug-99	15.5		
Sep-99	15.3		

Oct-99		15.1					
Nov-99		14.9					
Dec-99		14.7					
Jan-00		14.5					
Feb-00		14.4					
Mar-00		14.2					
Apr-00		14.0					
May-00		13.8					
Jun-00		13.7					
Jul-00		13.5					
Aug-00		13.3					
Sep-00		13.2					
Oct-00		13.0					
Nov-00		12.8					
Dec-00		12.7					
Jan-01		12.5					
Feb-01		12.4					
Mar-01		12.2					
Apr-01		12.1					
May-01		11.9					
Jun-01		11.8					
Jul-01		11.6					
Aug-01		11.5					
Sep-01		11.4					
Oct-01		11.2					
Nov-01		11.1					
Dec-01		10.9					
Jan-02		10.8					
Feb-02		10.7					
Mar-02		10.5					
Apr-02		10.4					
May-02		10.3					
Jun-02		10.2					
Jul-02		10.0					
Aug-02		9.9					
Sep-02		9.8					
Oct-02		9.7					
Nov-02		9.6					
Dec-02		9.4					
Jan-03		9.3					
Feb-03		9.2					
Mar-03		9.1					
Apr-03		9.0					
May-03		8.9					
Jun-03		8.8					
Jul-03		8.7					
Aug-03		8.5					
Sep-03		8.4					
Oct-03		8.3					

Sheet1

Nov-03		8.2					
Dec-03		8.1					
Jan-04		8.0					
Feb-04		7.9					
Mar-04		7.8					
Apr-04		7.7					
May-04		7.7					
Jun-04		7.6					
Jul-04		7.5					
Aug-04		7.4					
Sep-04		7.3					
Oct-04		7.2					
Nov-04		7.1					
Dec-04		7.0					
Jan-05		6.9					
Feb-05		6.8					
Mar-05		6.8					
Apr-05		6.7					
May-05		6.6					
Jun-05		6.5					
Jul-05		6.4					
Aug-05		6.4					
Sep-05		6.3					
Oct-05		6.2					
Nov-05		6.1					
Dec-05		6.1					
Jan-06		6.0					
Feb-06		5.9					
Mar-06		5.8					
Apr-06		5.8					
May-06		5.7					
Jun-06		5.6					
Jul-06		5.6					
Aug-06		5.5					
Sep-06		5.4					
Oct-06		5.4					
Nov-06		5.3					
Dec-06		5.2					
Jan-07		5.2					
Feb-07		5.1					
Mar-07		5.0					
Apr-07		5.0					
May-07		4.9					
Jun-07		4.8					
Jul-07		4.8					
Aug-07		4.7					
Sep-07		4.7					
Oct-07		4.6					
Nov-07		4.6					

Dec-07		4.5					
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