

OIL CONSERVATION DIVISION

January 29, 1996

Santa Fe Energy Resources, Inc.  
550 west Texas, Suite 1330  
Midland, Texas 79701

Attn: Mr. James Blount

*Re: Allocation Method on DHC-1175 - Mesa Verde '7' Federal Well No.2*

Dear Mr. Blount:

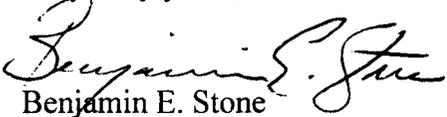
Reference is made to the recent Division Order which authorized downhole commingling on the subject well.

The district office of the Division in Hobbs, has requested that a fixed percentage allocation be established for this well. The percentages are utilized in a database which automatically compares and calculates production allocations as production reports are received. While the method authorized is probably a more accurate method, the district office clerical staff has no way to make entries which involve variable calculations.

We therefore request that as soon as a minimum of sixty days of production rates have been established, you submit a proposed fixed percentage allocation based on these rates. At that time, DHC-1175 will be amended to reflect such changes to the allocation method.

Your cooperation is appreciated. If I may be of assistance, please don't hesitate to call.

Very truly yours,

  
Benjamin E. Stone  
Petroleum Engineering Specialist

/BES

cc: Oil Conservation Division - Hobbs  
File DHC-1175