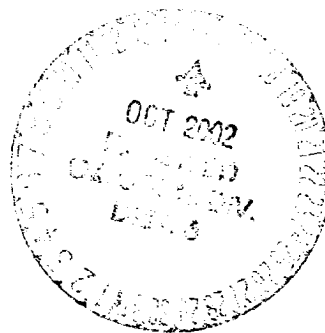


September 30, 2002

Mr. Frank Chavez
Oil Conservation Division
1000 Rio Brazos Rd.
Aztec, New Mexico 87410



RE: Allocation for Downhole Commingling
San Juan 28-7 #227G
API#30-039-26959
Sec. 36 T28N R7W Unit Letter O
Blanco Mesaverde 72319 Basin Dakota 71599

Mr. Chavez

This well was drilled in July 2002 and completed August, 2002. Initial flow tests as reported by the field operator indicated:

Mesaverde (2 3/8" tubing at 4350')
08/08/02 1/2" choke 175 psi tbg. press. 240 psi csg. press. 1155 MCFPD +
0 BOPD + 1 BWPD

Dakota (2 3/8" tubing with packer at 6985')
08/13/02 1/2" choke 85 psi tbg. press. 240 psi csg. press. 561 MCFPD +
0 BOPD + 5 BWPD

Based on these initial inflow tests, calculated DHC allocation percentages are:

Fixed Allocation (Gas)	Dakota	33%
	Mesaverde	67%

Fixed Allocation (Oil)	Dakota	33%
	Mesaverde	67%

No significant amounts of oil were produced during the test. Based on production data from offset wells, Dakota and Mesaverde are expected to produce with similar gas to condensate ratios. Therefore oil production is allocated using the same percentage as for gas production.

DHC 747A2

If you need additional information please give me a call at (832) 486-2326. Thank you for your time.

Sincerely,

Deborah Marberry
Regulatory Analyst