

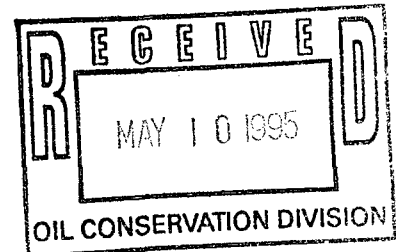


N/R

Midland Division  
Exploration Production

Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, TX 79705-4500  
(915) 686-5400

May 5, 1995



State of New Mexico  
Energy & Minerals Department  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87504

**Re: ADDENDUM TO:**  
**Application to Downhole Commingle**  
**Mesaverde and Dakota Gas Production in the**  
**Federal No. 12E, 1620' FSL & 930' FWL, Unit L**  
**Sec. 23, T-26N, R-6W, Rio Arriba County, New Mexico**

**REQUESTED AMENDMENT OF: Administrative Order DHC-1103**

Gentlemen:

Consultation with the Farmington District Office of the BLM on this application, which also requires their approval, has resulted in a re-evaluation of the proposed allocation formula for this proposed downhole commingled well. The BLM had some concerns that the Mesaverde production data used in the application still represented "flush" production.

Therefore, Conoco has reached a agreement with the BLM Office on a new method for determining monthly allocation of total produced volumes to each pool and would like to substitute the following allocation procedure for the one requested in ITEM NO. 10 in the original application, which was approved by your office.

1. Since the Dakota production is steady with a very slight decline, it is suggested that a representative monthly volume be selected to represent Dakota allocation for the remainder of 1995. The rates recommended by the BLM were the actual measured monthly volumes for January, 1994. These rates were:

4068 MCFGPM, 11 BOPM

2. Through the remainder of 1995, the above Dakota volume would be subtracted from the total commingled production of the two pools. This incremental volume would then represent Mesaverde produced volumes for each month through the rest of this year.

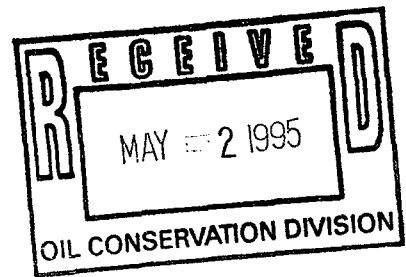
3. It was agreed that by that time this new Mesaverde completion should have completed its early flush production and be stabilized at a constant decline rate. Then in January, 1996, and in consultation with the NMOCD and the BLM, the current Dakota and Mesaverde producing rates would then be used to develop a permanent percentage allocation formula.

It is requested that the NMOCD concur in this procedure and issue an amended order to reflect this new proposed allocation method.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jerry W. Hoover".

Jerry W. Hoover  
Sr. Conservation Coordinator



SF-079295 (WC)  
3162.7-3 (07327)

APR 25 1995

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

Re: Federal Lease SF-079295  
Downhole Commingling Application  
No. 12E Federal  
1620' FSL and 930' FWL  
Sec. 23, T. 26 N., R. 6 W.  
Rio Arriba County, New Mexico

Dear Mr. Hoover:

The Farmington District Office (FDO) of the Bureau of Land Management (BLM) has received your letter dated February 15, 1995, for downhole commingling of the Blanco Mesaverde and Basin Dakota Formations in the above referenced well.

In your application, you had submitted an allocation method using a fixed percentage basis to allocate production to each formation. We do not feel that this allocation method is appropriate for this well since the Dakota formation has historic production and the Mesaverde formation is still showing a steep decline and has not leveled off. You also stressed that you did not want to be calculating production for the Dakota using the known decline rate. We have determined a compromise that still reflects the historic decline of the Dakota formation which is fairly constant. Using mid-year values for gas and oil production for the Dakota, we have come up with the following allocation formula.

$$Q_{MV} = Q_t - Q_{MDK} * (d / 30 \text{ days})$$

where:  $Q_{MDK}$  = The projected mid-year production for the  
1994 calendar year  
(i.e. 6/94 = 4068 Mcf, 11 Bo).

$d$  = Number of days on for month that production is being  
calculated.

$Q_t$  = Total Monthly Production for month that  
production is being calculated.

$Q_{MV}$  = Allocated Mesaverde production.

Your application has been reviewed and approval is hereby granted for the 1995 calendar year. After the 1995 calendar year, Conoco can apply for an alternative allocation method.

Allocated production for the Dakota formation will continued to be reported on Communitization Agreement (CA) SW-314 and the Mesaverde formation needs to be reported on lease SF-079295. Production from the Mesaverde formation that has been reported on the Dakota CA was done incorrectly and corrected monthly reports of operation must also be submitted.

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 further questions regarding this matter, please contact Brian W. Davis at (505) 599-6367 or (505) 599-8900.

Sincerely,

/s/ Duane Spencer

Duane W. Spencer  
Chief, Branch of Reservoir Management

1 Enclosure:

1 - Attachment A

bcc:

NMOCD, Santa Fe, NM w/o encl.