

DHC 1968



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

NMSF078997
3162.3-2 (07400)

DEC 11 1998

Phillips Petroleum Company
Attn.: Mark Stodola
5525 Hwy., 64 NBU 3004
Farmington NM 874010

Re: Well No. 72E SJ 30-5 Unit
SWSE 10-30N-5W
Rio Arriba Co., NM
Lease No. SF-078997

Dear Mr. Stodola:

Reference is made to your application dated May 18, 1998 requesting authorization to down hole commingle gas and associated liquid hydrocarbons from the Mesaverde and the Dakota Formations in the above referenced well. After reviewing your application and the forecasted production from the Dakota Formation, we concur with the interim use of the subtraction method for allocation of production between zones. Production allocation attributable to the Mesaverde Formation will be based on the difference in the established mid-year production forecast for the Dakota and the commingled gas stream of both intervals.

Commingled production from each zone must be reported in accordance with the allocation procedure described above. Once stabilized production is established, please file your application for fixed allocation factors for the Mesaverde and Dakota Formations. The effective date will be the date down hole commingling actually occurs.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

/S/ Duane W. Spencer

Duane Spencer
Team Leader, Petroleum Management Team

cc:

✓ NMOCD, Santa Fe
NMOCD, Aztec