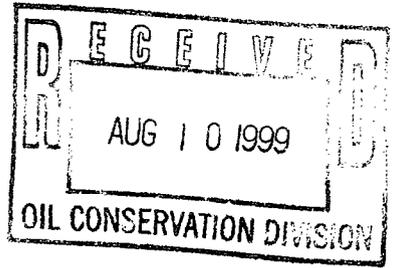


DHC-2398



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:

NMSF081181
3162.3-2 (07400)

JUL 28 1999

Energen Resources
Attn.: Gary Brink
2198 Bloomfield Highway
Farmington NM 87401

Re: Well No. 13M SJ 32-5 Unit
NESE 25-32N-6W
Rio Arriba Co., NM
Lease No. SF-081181

Dear Mr. Brink:

Reference is made to your application for down hole commingling of gas from the Mesaverde and the Dakota Formations in the above referenced well. After reviewing your application and pursuant to our conversation, we concur with 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 current stabilized Dakota production (54 mcf/d) 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 both 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