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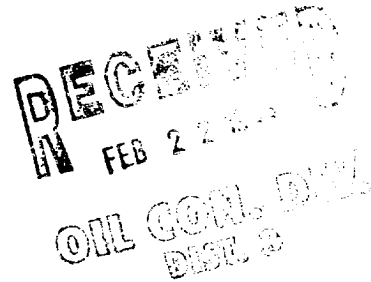


Midland Division
Exploration Production

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

February 20, 1996

Mr. Ernie Busch
Aztec District Office
1000 Rio Brazos Rd.
Aztec, New Mexico 87410



**Re: Jicarilla "A" No. 22Y Downhole Commingling Allocation Formula Approval
Unit K, Section 24, Township 26 North, Range 4 West, Rio Arriba County
Downhole Commingling Authorized by Administrative Order DHC-1095**

Dear Mr. Busch:

Conoco recently purchased the subject well from Merit Energy Company. Downhole commingling approval had already been secured by Merit through Order DHC-1095, but apparently Merit had not yet contacted your office to secure approval of an allocation formula for the commingled well. Therefore, Conoco as the current operator is submitting the following production history and proposed fixed allocation formula for your approval.

EXHIBIT A: Blanco Mesaverde production history plot

EXHIBIT B: Basin Dakota production history plot

EXHIBIT C: — Production plots with projected exponential decline fit of data
— Historical data for both zones (cums, current rates, decline rates)
— 1/1/96 producing rates
— Proposed fixed allocation factors based on 1/1/96 rates

Since decline analysis of both producing zones indicates that both are producing at a stabilized 4.0% exponential decline, it is proposed that the following fixed percentage formula be established for proper allocation of production from this commingled well:

	<u>GAS</u>	<u>OIL</u>
Blanco Mesaverde	41 %	32 %
Basin Dakota	59 %	68 %

If you have any further questions or requirements for your consideration of this proposal, please contact me at (915) 686-6548.

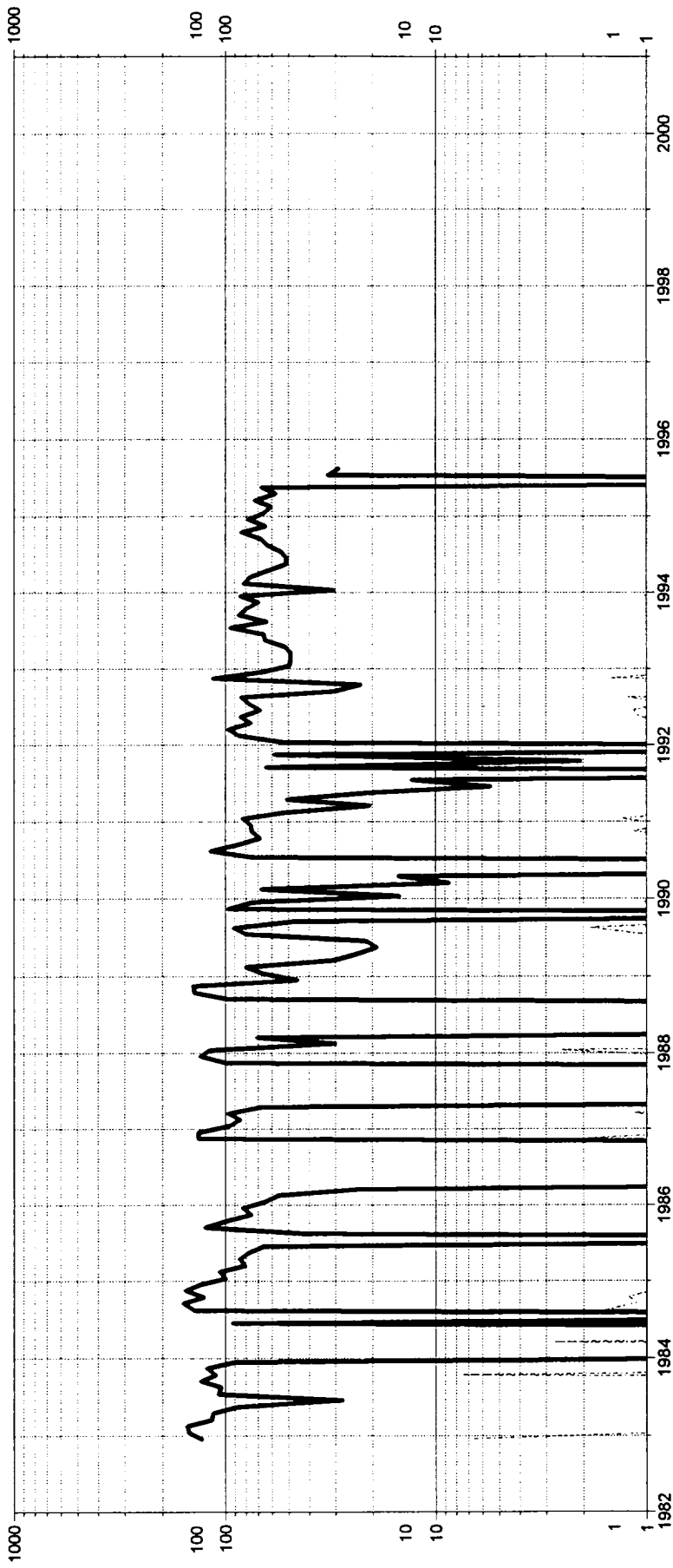
Very truly yours,

Jerry W. Hoover
Sr. Conservation Coordinator

Dw. ghts

Lease: JICARILLA A 00022Y

Retrieval Code: 251,039,26N04W24K00M



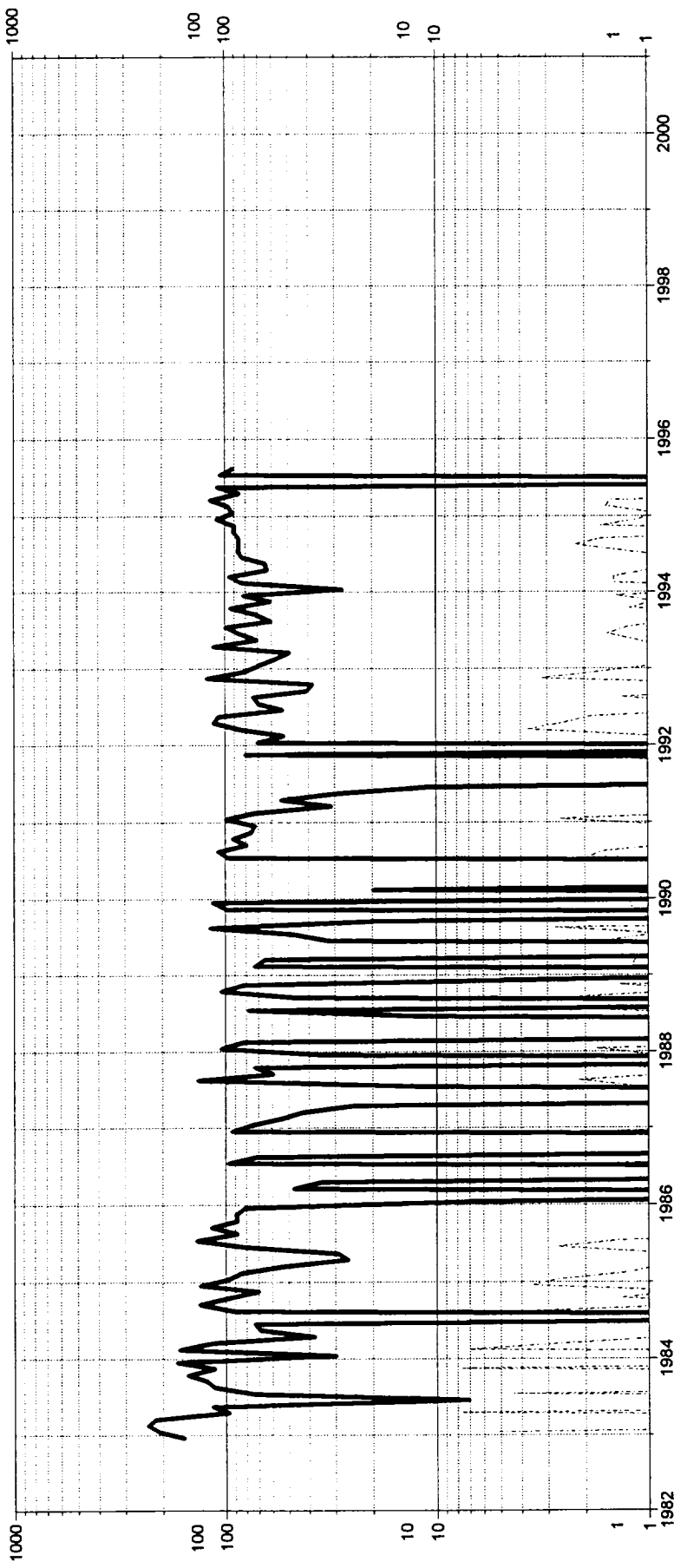
County: RIO ARRIBA	State: NM	F.P. Date: 12/82	Date: 02/19/96
Field: BLANCO (MESAVARDE) MV	Oil Cum: 2655 bbl	Water (bbl/day)	Well Count
Reservoir: MESAVARDE	Gas Cum: 280622 mcf	Gas (mcf/day)	Oil (bbl/day)
Operator: CONOCO INC	Location: 24K 26N 4W		

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1000 Lease: JICARILLA A 00022Y

Retrieval Code: 251,039,26N04W24K00D

1000



County: RIO ARRIBA

State: NM

F.P. Date: 12/82

Date: 02/19/96

Field: BASIN (DAKOTA) DK

Oil Cum: 4405 bbl

Reservoir: DAKOTA

Gas Cum: 306550 mcf

Water (bbl/day)

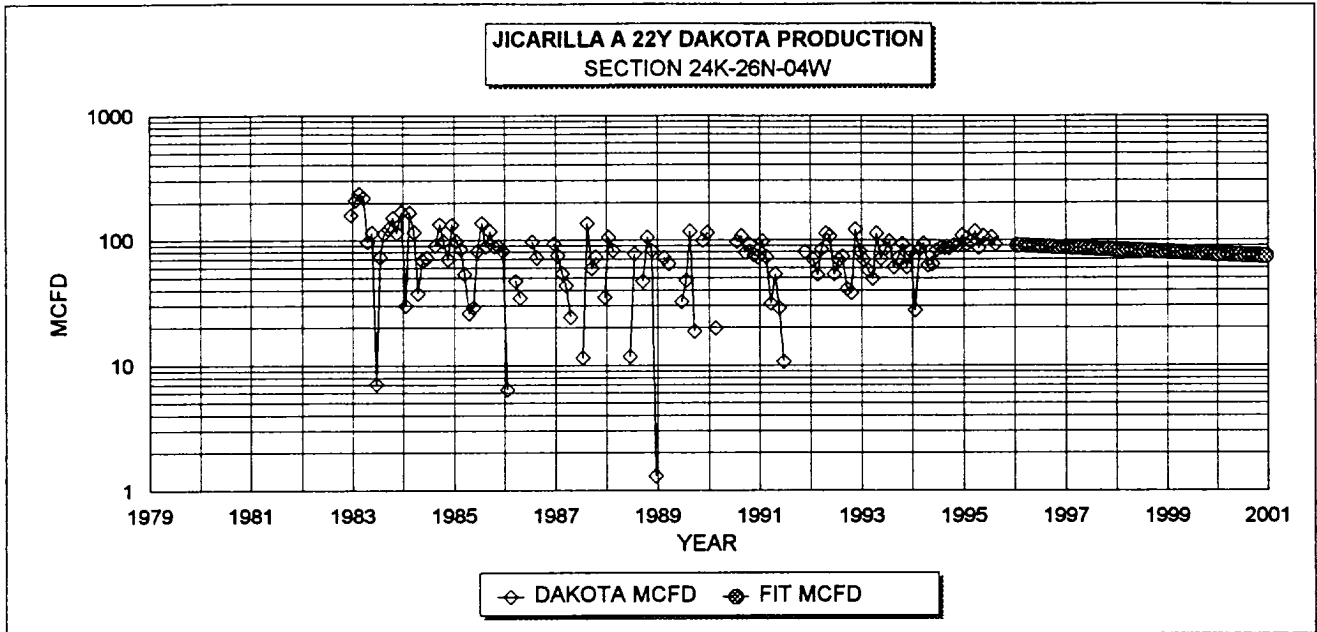
Well Count

Operator: CONOCO INC

Location: 24K 26N 4W

Gas (mcf/day)

Oil (bbl/day)

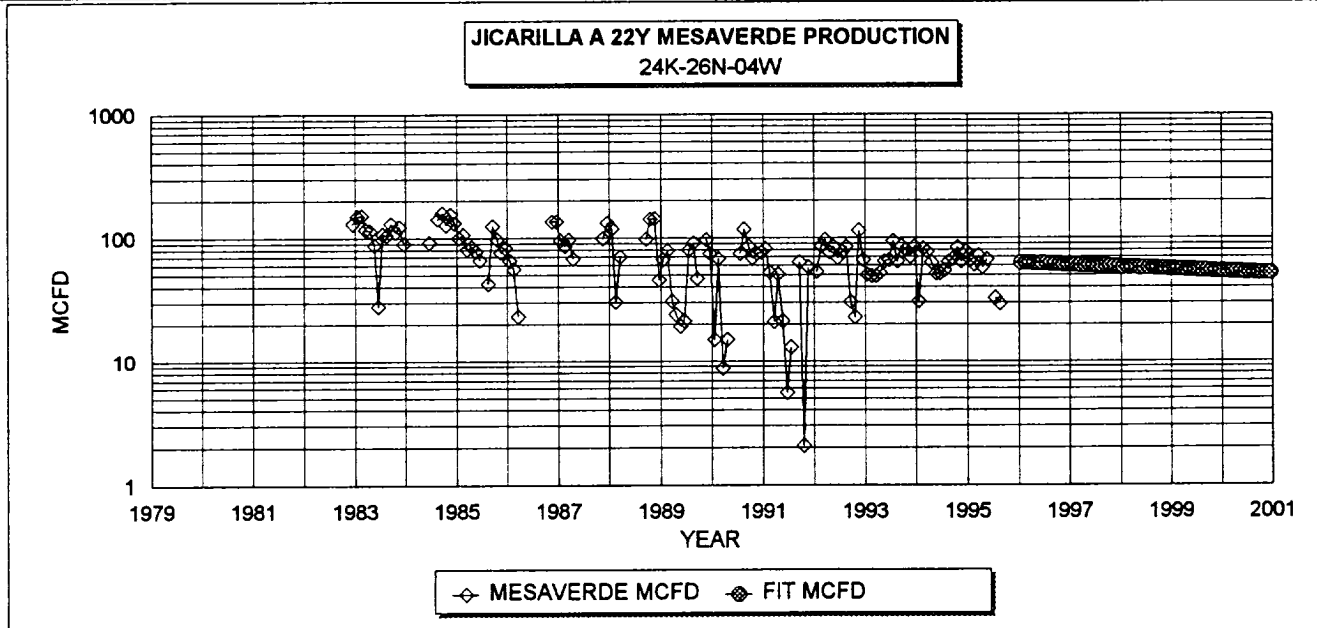


DAKOTA HISTORICAL DATA:

OIL CUM: 4.41 MBO
GAS CUM: 306.55 MMCF
OIL YIELD: 0.0144 BBL/MCF

DAKOTA PROJECTED DATA

1/1/96 Q1: 90 MCFD
DECLINE RATE: 4.0% (EXPONENTIAL)



MESAVERDE HISTORICAL DATA

OIL CUM: 2.66 MBO
GAS CUM: 280.62 MMCF
OIL YIELD: 0.0096 BBL/MCF

MESAVERDE PROJECTED DATA

1/1/96 Q1: 63 MCFD
DECLINE RATE: 4.0% (EXPONENTIAL)

FIXED COMMINGLE ALLOCATION FACTORS:

	GAS	OIL
MESAVERDE:	41%	32%
DAKOTA:	59%	68%

GAS ALLOCATION BASED ON PROJECTED 1996 RATES
OIL ALLOCATION BASED ON WEIGHTED CUM OIL YIELDS

NOTE: ALL PRODUCTION DATA FROM DWIGHTS ENERGYDATA