



July 3, 2001

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



RE: Allocation for Downhole Commingling
State Com P #12F
API#30-039-30426 *045*
C, Sec. 36, T29N, R8W
Blanco Mesaverde 72319 Basin Dakota 71599

Mr. Chavez

ABC

DHC 240AZ 1-8-1

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The State Com P #12F is an 80-acre Mesaverde / 160-acre Dakota infill well that was completed in April and early May. This well is located in 36C-T29N-R08W in a section that adjoins SJ 28-7 to the extreme northwest. Early indications are that this well is very prolific based on initial testing and early production history.

Mesaverde	390# Tubing	600# Casing	1/2" choke	Tubing @ 5082'	2574
MCFD 6 BOPD	5 BWPD				
MV/Dakota	428# Tubing	650# Casing	1/2" choke	Tubing @ 5112'	2825
MCFD 11 BOPD	10 BWPD				

Allocation based on this data would suggest a nearly 10:1 MV/DK split. However, this is not recommended. Further analysis seems to indicate that this well's initial production during test was completion restricted given the diameter of the tubing, setting depth, etc. In all likelihood, the Dakota was not producing at its capacity compared to the Mesaverde.

Instead of the usual allocation method, Conoco is requesting that the original expected IP rates be used to determine the allocation. Attached as supporting documentation are the projected production normalization plots. Based on these plots we are requesting the allocation be as follows:

Dakota	43%
Mesaverde	57%

Conoco is planning to lower the tubing in this well at a later date. Prior to this, the engineer will re-evaluate the production from this well with the additional production history to see if the allocation should be changed.

If you need additional information please give me a call at (281) 293-1005. Thank you for your time.

Sincerely,

Deborah Marberry
Deborah Marberry
Regulatory Analyst