

MERRION

OIL & GAS

September 19, 2002

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

**RE: Administrative Order DHC – 3009
Allocation of Production
Panther 2 - API #30-045-29574
Section 25, T30N, R13W
San Juan County, New Mexico**

Dear Mr. Chavez:

Pursuant to the subject order, I am requesting your approval of the allocation of production for the subject commingled well. Please indicate your approval by signing and returning a copy of this letter to my attention.

This well was originally completed in the Pictured Cliffs Formation and was subsequently commingled with the Fruitland Coal. Attached is the pumper's report for August which shows that the PC was making 224 MCFD and 27 BWD prior to the workover. After the workover, the well stabilized making 354 MCFD and 51 BWD from both zones. Subtracting the two, it appears the Fruitland Coal added 130 MCFD and 24 BWD. On that basis, the following allocations are recommended:

<u>Zone</u>	<u>Gas</u>	<u>Water</u>
Fulcher Kutz Pictured Cliffs	63%	53%
Basin Fruitland Coal	<u>37%</u>	<u>47%</u>
	100%	100%

If additional data suggests that these allocations need to be changed in the future, we will submit a revision in our proposed allocation methodology. Please call me at 327-9801 ext. 114 if you have any questions or concerns.

Yours truly,


George Sharpe
Manager, Oil & Gas Investments

APPROVED this _____
day of _____, 2002.

By: _____

xc:Well File
Farmington BLM

MONTHLY PUMPER'S REPORT

99610

D STOCK TANKS				WATER		RUN		RUN		DAILY PRODUCTION						TBG.		CSG.		REMARKS		SUMMARY								
A SZ	Y #	FT	IN	FT	IN	BBLs	TICKET	OIL	MTR RDG	WATER	BWPD	STAT	DIF	GAS	PRESS	PSIG	HOURS	DOWN	OIL PRODUCTION											
							NO.	BOPD											End Inv.											
																			(+/-)Other*											
																			(+) Tol Runs											
																			(-) Beg. Inv.											
																			Mo. Oil Prod.											
																			Days Prod. (oil)											
																			Avg. BOPD											
1									1,788,940						60				disch temp#2, std comp.											
2														12																
3														257																
4														288																
5														247																
6														251																
7														256																
8														257																
9														244																
10														52																
11														285																
12														68																
13														268																
14														214																
15														7																
16														0																
17									1,802,530					0																
18									1,802,530					1																
19									1,808,160					12																
20														43																
21									1,817,300					114																
22									1,826,400					157																
23									1,831,600					208																
24									1,836,300					252																
25									1,840,910					280																
26									1,848,000					300																
27									1,848,100					300																
28									1,848,200					357																
29									1,851,600					357																
30									1,855,000					349																
31									1,856,650					354																
1									1,858,370					94																
TOTALS:									0.00	69,430	0				5944				TARGET MCF 7,000											
																			Universal Compressor #411/5				WELL DATA				INTERMITTER TIME			
																			Pumping x				Piston Lift							
																			Flowing				Wtr Disp.							
																			SPM				21							
																			SL				36							
																			HRS ON											
																			HRS OFF											