

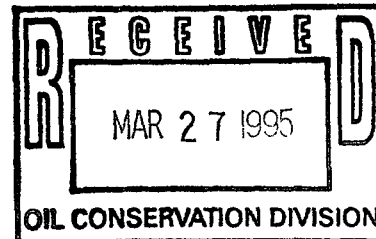


AMC N/R  
DNC 1106

Midland Division  
Exploration Production

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

March 24, 1995



State of New Mexico  
Energy & Minerals Department  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87504

Re: ADDENDUM TO:  
Application to Downhole Commingle  
Mesaverde and Dakota Gas Production in the  
Federal No. 12, 790' FNL & 1450' FWL, Unit C  
Sec. 23, T-26N, R-6W, Rio Arriba County, New Mexico

REQUESTED AMENDMENT OF: Administrative Order DHC-1106

Gentlemen:

Consultation with the Farmington District Office of the BLM on this application, which also requires their approval, has resulted in a re-evaluation of the proposed allocation formula for this proposed downhole commingled well. The BLM had some concerns that the Mesaverde production data used in the application still represented "flush" production.

Therefore, Conoco has reached a agreement with the BLM Office on a new method for determining monthly allocation of total produced volumes to each pool and would like to substitute the following allocation procedure for the one requested in ITEM NO. 10 in the original application, which was approved by your office.

1. Since the Dakota production is steady with a very slight decline, it is suggested that a representative monthly volume be selected to represent Dakota allocation for the remainder of 1995. The rates recommended by the BLM were the actual measured monthly volumes for January, 1994. These rates were:

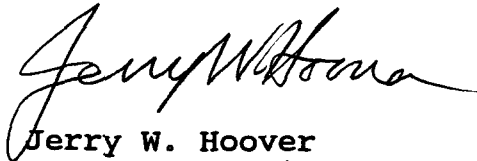
2369 MCFGPM, 5 BOPM, & 62 BWPM

2. Through the remainder of 1995, the above Dakota volume would be subtracted from the total commingled production of the two pools. This incremental volume would then represent Mesaverde produced volumes for each month through the rest of this year.

3. It was agreed that by that time this new Mesaverde completion should have completed its early flush production and be stabilized at a constant decline rate. Then in January, 1996, and in consultation with the NMOCD and the BLM, the current Dakota and Mesaverde producing rates would then be used to develop a permanent percentage allocation formula.

It is requested that the NMOCD concur in this procedure and issue an amended order to reflect this new proposed allocation method.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jerry W. Hoover".

Jerry W. Hoover  
Sr. Conservation Coordinator