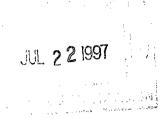


July 21, 1997



Mr. William J. LeMay, Director New Mexico Oil Conservation Division 2040 South Pacheco Street Santa Fe, NM 87505

Re: Downhold Commingling Allocation Formula Administrative Order DHC-1535
Dugan's September 15
API No. 30-045-26518
Unit A, Section 24, T24N, R10W
San Juan County, NM

Dear Mr. LeMay:

In accordance with the subject downhole commingling order, we have secured approval of our proposed Allocation formula from the Aztec District Office. A copy of their approval is attached and the formula is as follows:

<u>Pool</u>	Commingled Oil	Commingled Gas
Bisti Lower Gallup	98%	34%
Basin Dakota	2%	66%

Should you have questions, please let me know.

Sincerely,

John D. Ree

John D. Roe

JDR/tmf