



May 3, 1976

Brookhaven Oil Company
P. O. Box 1267
Scottsdale, Arizona 85252

Attention: Mr. Thomas B. Scott, Jr.

Gentlemen:

That portion of your letter of April 21, 1976 to Mr. Don Wadsworth pertaining to charges for drilling and equipping the San Juan 32-9 Unit #84 has been referred to this Department.

Our normal billing procedure, for dual wells when the ownership or conditions for billings are different for each formation, is to assign the costs to each formation based upon what is commonly referred to as an "ABC" breakdown. "A" costs are those which are common to each formation and are split on a 50-50 basis. "C" costs are those related to only the most shallow formation and the "B" costs pertain only to the deep formation. The total cost of formation "B" is equal to 50% of "A" costs plus all of "B" costs and the "C" formation is equal to 50% of "A" costs plus all of "C" costs. In this case the "ABC" breakdown was used.

Your costs on the Pictured Cliffs formation are limited to \$16,500.00 in accordance with the April 3, 1975 Amendment to the November 27, 1951 contract which was the basis for our billing on this formation. Since no limitation is provided on the Tertiary Sands formation, you received a billing for your proportionate share of the costs for this formation. } ?

Very truly yours,

ORIGINAL SIGNED BY

H. J. DEKKER
H. J. Dekker
Manager
Gas Accounting Division

RHC:mmm

bcc: Mr. Don Wadsworth

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