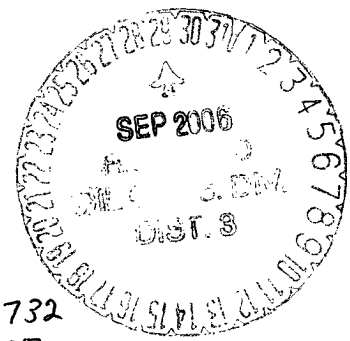
ConocoPhillips Company
3401 E. 30th Street
Farmington, NM 87402-8807
PO Box 4289
Farmington, NM 87499-4289
Phone 505-326-9700

ConocoPhillips

September 28, 2006



Mr. Charlie T. Perrin
District III Supervisor
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Reference: Hart Canyon Gas Wells:
Atlantic C #1A 30-045-22732
Atlantic C #1 30-045-10075
Atlantic C #2 30-045-10178

Dear Mr. Perrin:

In response to your e-mail of September 7, 2006 regarding the analysis performed by Steve Hayden involving natural gas detected from casing and vent pipes in several water wells in the area south of Hart Canyon in sections 34 and 35 of T31N, R10E, an analysis was completed by ConocoPhillips on the three above referenced wells identified by the NMOCD. A meeting was held on September 28, 2006 with the NMOCD and BLM to review the results and recommended path forward by ConocoPhillips. Below is a summary of the analysis and recommendations:

Analysis:
ConocoPhillips Base Asset Engineering (BAE) has reviewed the three above referenced wells as identified by Steven Hayden as possible sources of gas into the water wells in the Hart Canyon area. Results of the BAE well analysis and individual well recommendations are presented below:

Atlantic C# 1A
The surface casing for the Atlantic C #1A was circulated to the surface in 1978, but the intermediate casing only had cement to 2100' (by temperature survey). This portion of un-cemented annuli could allow gas migration from lower zones, and previous Bradenhead tests do indicate pressure (25.6 psi, and it blew down in 30 seconds).

Recommendation:
ConocoPhillips recommends proceeding with an AFE package to run CBL and squeeze this portion of casing to mitigate the potential of gas migration.

Atlantic C #1
The Atlantic C #1 underwent a cement squeeze on August 18, 1971, filling the annular space from 1858' to approximately 1122' from surface (based on 75% efficiency calculation). This cement squeeze was not shown on the wellbore diagram ConocoPhillips initially provided to the NMOCD for their analysis. We believe that in our haste to comply with the deadline, the

squeeze was inadvertently overlooked. This cement squeeze pressure tested okay, and consequently provided a barrier preventing any migration of gas from the lower zones. Bradenhead testing dating back to 1999 show no pressure on the Bradenhead, and therefore ConocoPhillips believes this well is not contributing to the gas in the nearby water wells.

Recommendation:
No further action required.

Atlantic C #2
The Atlantic C #2 underwent a cement squeeze on August 29, 1971, filling the annular space from 1880' to approximately 410' from surface (based on 75% efficiency calculation). This cement squeeze pressure tested okay, and consequently provided a barrier preventing any migration of gas from the lower zones. Bradenhead tests dating back to 1999 show no pressure on the Bradenhead and therefore ConocoPhillips believes this well is not contributing to the gas in the nearby water wells.

Recommendation:
No further action required.

As a result of the meeting with the NMOCD and BLM, it was agreed by all parties that ConocoPhillips would pursue the CBL and squeeze on the Atlantic C #1A, and that no further action would be pursued on the Atlantic C #1 or Atlantic C #2 at this time.

It is ConocoPhillips' intent to submit paperwork on the Atlantic C #1A to remediate that well as soon as possible.

Should you have any questions, or require additional information, please do not hesitate to contact me.

Sincerely,

Sharon R. Zubrod
Regulatory Compliance Supervisor
ConocoPhillips Company
(505) 326-9793

Cc: Ryan Frost, COP
Steve Hayden, NMOCD
Jim Lovato, BLM
Branden Powell, NMOCD
Kelly Roberts, NMOCD
Zack Stradling, COP
Rob Stanfield, COP
Wayne Townsend, BLM