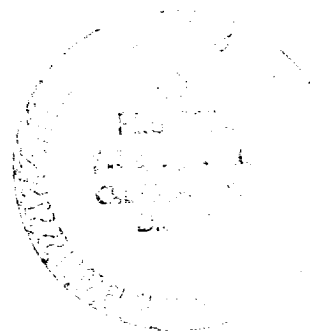




PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

January 29, 2002



NM Oil & Gas Conservation Division
Attn: Steve Hayden
1000 Rio Bravos Rd
Aztec, NM 87410

Amended Final Allocation Method
Ratio Method – San Juan 29-5 #70M
Unit O, 280' FSL & 2355' FEL, Sec. 28, T29N, 5W
API # 30-039-26299 Rio Arriba County, NM

Dear Mr. Hayden:

Phillips plans on using the ratio method from November 2001 production throughout the life of the well. Based on historical production values, we believe this will be the most accurate method of allocating production. Attached is the historical data that we used to determine the ratio of 77% to be allocated to the Mesaverde and 23% to be allocated to the Dakota for gas production. The oil production will be allocated at 100% Mesaverde and 0% Dakota.

If you have any questions, please call me at 505-599-3459.

Sincerely,

PHILLIPS PETROLEUM COMPANY

Charlie Donahue

cc: Runell Seale – PPCo
Jim Lovato – BLM
David Valdez – BRI



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:
3162.7 (07100)
January 22, 2002

Phillips Petroleum Company
5525 Highway 64 NBU 3004
Farmington, NM 87401

JAN 28

RE: Unacceptable Allocation Factors

Dear Mr. Donahue:

We have received your allocation factors and your Application to Downhole Commingle the well listed below. After review, we disagree with your submitted allocation factors because production data was available for oil and needs an allocation.

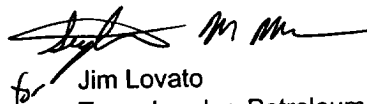
Unacceptable Allocation Factors

Well Name	Lease	Location	API#	Formation Allocation	Formation Allocation
San Juan 29-5 #70M	FEE	O sec 28, T29N, R5W	30039-26299	MV gas 77% oil 0%	DK gas 23% oil 0%

It is required that you review and resubmit revised allocation factors. If you have any questions, please contact Adrienne Garcia at (505) 599-6358 or the undersigned with this office at (505) 599-6367.

Under the provisions of 43 CFR 3165.3, you may request an Administrative Review of any instructions, orders, or decisions issued by the Authorized Officer. Such a request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such a request will not result in a suspension of the instructions, orders, or decision unless the reviewing official so determines. Procedures governing appeals from the instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 *et seq.*

Sincerely,



for Jim Lovato
Team Leader, Petroleum Management Team

cc: NMOCD, Santa Fe, NM
NMOCD, Aztec, NM