



PHILLIPS PETROLEUM COMPANY

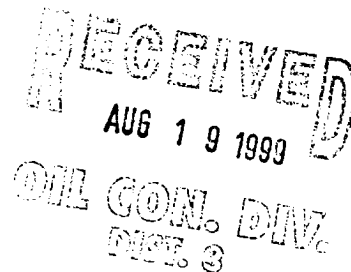
FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

August 17, 1999

Bureau of Land Management
Attn: Errol Becher
1235 La Plata Hwy.
Farmington, NM 87401

New Mexico Oil & Gas Conservation
Attn: Frank Chavez
1000 Rio Brazos Rd.
Aztec, NM 87410

State of New Mexico
Attn: David Catanach
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505



32-8 #1, #2 and #3 CPDs
Off-Lease Measurement of Gas
Addition of U-Da-Well #1

Gentlemen:

Phillips Petroleum Company requests approval to add the U-Da-Well #1 operated by Merrion Oil & Gas Corp. to the off-lease measurement/commingling application for the subject CPDs. The original application was approved by the BLM on May 20, 1996. The application dated February 20, 1998 to David Catanach is still waiting for approval.

The U-Da-Well #1 is located in Unit F, 1500' FNL & 1445' FWL, Section 2, T31N, R8W. This well is on a state lease. As the original application states, these three CPDs have been interconnected and therefore are handled as one system.

First production to the CPDs from the U-Da-Well #1 was August 4, 1999. Phillips Petroleum Company will follow Onshore Oil & Gas Order #5 and the allocation procedures outlined in the original approved application in regards to gas production from this well.

If you have any questions concerning this well addition, please call me at 599-3450.

Sincerely,

PHILLIPS PETROLEUM COMPANY

Doyle Pruden
Accounting Specialist

cc: Danny Jaap
Burlington Resources Inc. - Kelly Maxwell
Merrion Oil & Gas Corp. - George Sharp