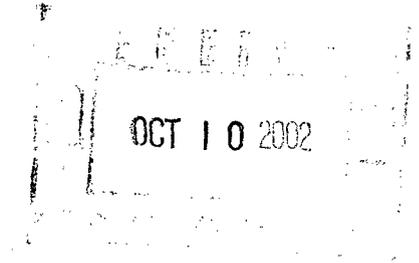




PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004



October 7, 2002

New Mexico Oil & Gas Conservation Division
Attn: Engineering Bureau
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Change in Downhole Commingling Procedure
San Juan 29-5 Unit #61 DHC Order 3023

Dear Sir:

This letter is to follow-up with the Bureau on a verbal approval that Will Jones gave to Josh Cooper the first week of October 2002. Josh called Will and asked for permission to immediately commingle the abovementioned well and allocate production using the subtraction method.

Our initial intent was to flow the Fruitland Coal for several months before actually commingled production. Plans have changed and we would like to drill out the bridge plug between the zones immediately and commingle production. We will still be utilizing the subtraction method for approximately 12 months and then change over to a ratio method once pressures are stabilized.

If you have concerns or questions please call Josh Cooper at 599-3438.

Sincerely,

Patsy Clugston
Sr. Regulatory Clerk

cc: Josh Cooper
Jim Lovato – BLM Farmington
Runell Seale