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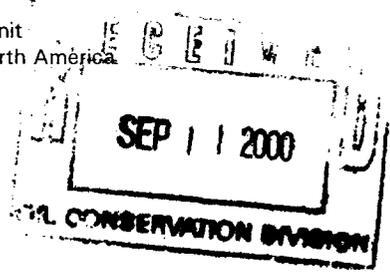
10/2/00



Jennifer A. Barber
Senior Landman
Lobo/San Juan Business Unit
Exploration Production, North America

Conoco Inc.
600 N. Dairy Ashford, Dubai 3092
Houston, Texas 77079
(281) 293-5057

September 5, 2000



CERTIFIED MAIL;
Mr. Michael E. Stogner
Oil Conservation Division
State of New Mexico
2040 South Pacheco
Santa Fe, New Mexico 87505

**RE: Application for Administrative Approval of unorthodox Pictured Cliffs gas well location
Proposed San Juan 28-7 Unit Well no. 270
SE/4 of Section 3-27N-7W
Rio Arriba County, New Mexico**

Dear Mr. Stogner:

Your letter to Conoco Inc. dated August 1, 2000, concerning the above application has been passed to me for reply. I am Conoco's landman assigned to address land issues in the 28-7 Unit. You have requested further information concerning (1) the coal gas well location portion of this well and (2) possible impairment of correlative rights if the referenced well's location is approved for production from the Pictured Cliffs formation.

Conoco desires at this time not to proceed with seeking approval of this well location for production from the Basin Fruitland Coal Gas Pool, and is now proposing the well to be drilled and completed in the Pictured Cliffs formation only. I and other Conoco representatives met with Mr. Frank Chavez of the Aztec office concerning this matter, and particularly the requirements for off-pattern coal gas wells, last week.

I am providing the following information to support my opinion that approval of the location exception for the Pictured Cliffs formation will not impair correlative rights:

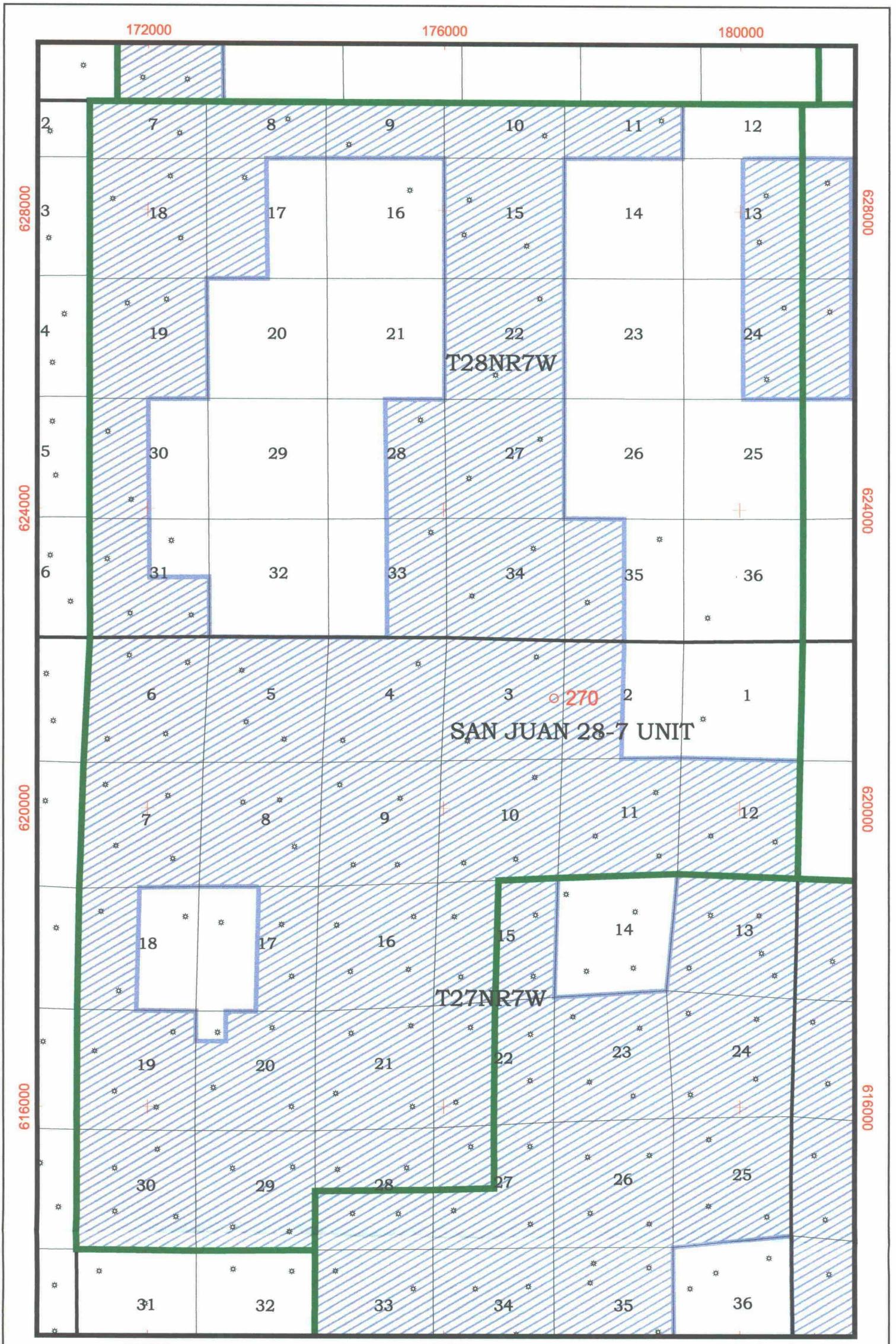
- (a) the proposed well is in the SE/4 equivalent of Section 3 and encroaches upon the SW/4 of Section 2;
- (b) both the SE/4 of Section 3 and the SW/4 of Section 2 are within the Participating Area ("PA") for Pictured Cliffs production in this unit;
- (c) All categories of owners in this PA will share in production from any Pictured Cliffs well producing in either or both of these half-sections.

I have reviewed this matter with Mr. Kellahin and he is available to discuss this issue with you if you desire. If I can be of any assistance, please call me at (281) 293-5057.

Sincerely,


Jennifer A. Barber
CONOCO INC

cc: Mr. Thomas Kellahin
Ms. Yolanda Perez



- Proposed Well 270
- * Pictured Cliffs Wells
- ▭ SJ Federal Units
- ▨ Pictured Cliffs PA



CONOCO

Proposed Well 270

28-7 Unit

Author: Angela Whitfield	Date: 8/30/00
Compiled by:	Map of
MD File:	