



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:
3162.7-3
San Juan 32-8 CDP

July 30, 2009

HA
Patsy Clugston
ConocoPhillips Company
P.O. Box 4289
Farmington, New Mexico 87499

RCVD AUG 3 '09
OIL CONS. DIV.

DIST. 3

Dear Ms. Clugston:

Reference is made to your application dated May 12, 2008, requesting approval to connect an additional central delivery point (CDP) meter and measure and sale gas from the wells listed on exhibit A, through this CDP. The San Juan 32-8 CDP was originally approved on May 20, 1996, and included three (3) CDP locations. These CDPs are identified as follows:

- San Juan 32-8 CDP #1, in the S1/2SE1/4 section 14, T.31N., R. 8W., Williams Field Services meter # 60011.
San Juan 32-8 CDP #2, in the SE1/4NW1/4 section 27, T.32N., R. 8W., Williams Field Services meter # 60016.
San Juan 32-8 CDP #3, in the E1/2NE1/4 section 9, T.31N., 8W., Williams Field Services meter # 60019.

30-045-29931
This additional CDP connection will measure and sell gas through Enterprise meter # 98446, located in the SE1/4SE1/4 section 24, T.,32N., R.8W. One of the wells listed in attachment A, is the San Juan 32-7 Unit #243 well. This well is located in the SW1/4SW1/4 section 19, T.32N., R.7W., in the San Juan 32-7 unit Fruitland Coal participating area (PA) and reports its production to PA # NMNM78423A. The remaining wells listed in attachment A, report production to the San Juan 32-8 unit Fruitland Coal PA #NMNM78424B. Since production from these two separate PAs will commingle production through this meter, both off-lease measurement and surface commingling will require our approval.

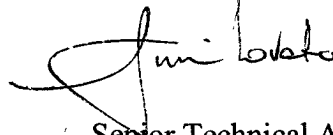
After considering the merits of your application, you are hereby authorized to measure and sale gas as proposed in your application. However, your application references this new CDP as the San Juan 32-8 Unit CDP #1. Since the San Juan 32-8 Unit already has a CDP #1, this new CDP will hereafter be referred to as San Juan 32-8 unit CDP #4 (meter # 98446). Also, our records indicate that the San Juan 32-7 #243 well is authorized to be measured under the San Juan 32-7 unit CDP #1. Since gas from this well can move between either CDP, please be sure that your records reflect which CDP this well is producing through at any given time for future audit purposes.

Measurement and sales must be conducted in accordance with the terms and conditions of your application unless otherwise modified by the conditions outlined below:

- Liquid hydrocarbons produced at the CDP must be allocated back to each well in proportion to the well's allocated gas production. Fuel used at the CDP must also be allocated back to each contributing well in proportion to each well's allocated gas production.
- Allocation must be made on an MMBTU basis.
- Measurement of gas at the CDP must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site security, Onshore Order No. 4, Oil Measurement and Onshore Order No. 5, Gas Measurement, NTL 2008-01, Standards for Use of Electronic Flow Computers.
- In Order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- No other wells or CDPs can be added to this system of measurement and sales without the prior approval of this office.
- Contact this office in the event of any lost hydrocarbons between the wells and the CDP.

Failure to operate these facilities in accordance with the conditions outlined above may subject this approval to revocation. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that royalties would be reduced. If you have any questions regarding the above, please contact me at (505) 599-6367.

Jim Lovato

A handwritten signature in black ink, appearing to read "Jim Lovato", written over a horizontal line.

Senior Technical Advisor,
Petroleum Engineer

NMOCD: Santa Fe