



PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

March 25, 2002

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

Ratio Method – San Juan 29-5 #63M
Unit I, 1640' FSL & 810' FEL Sec. 17, 29N, 5W
API # 30-039-26311 Rio Arriba County, NM

Dear Mr. Hayden:

Phillips plans on using the ratio method from March 2002 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 81% to be allocated to the Mesaverde and 11% to be allocated to the Dakota for gas production. The oil production will be allocated at 100% Mesaverde and 0% Dakota.

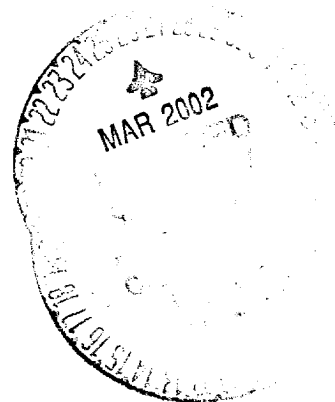
If you have any questions, please call me at 505-599-3459.

Sincerely,

PHILLIPS PETROLEUM COMPANY

Charlie Donahue

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



San Juan 29-5 Unit #63M

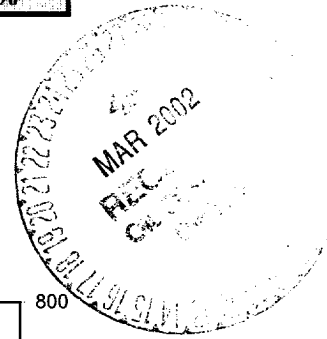
Monthly Production

Month	Total Well Production	Dakota Production	Days Produced	Dakota Daily	Mesaverde Production	Days Produced	Mesaverde Daily	MV %
Feb-01	11,698	848	28	30	10,850	28	388	92.8%
Mar-01	23,279	1,730	31	56	21,549	31	695	92.6%
Apr-01	18,650	1,648	30	55	17,002	30	567	91.2%
May-01	16,908	1,676	31	54	15,232	31	491	90.1%
Jun-01	15,019	1,621	30	54	13,398	30	447	89.2%
Jul-01	15,369	1,623	31	52	13,746	31	443	89.4%
Aug-01	13,350	1,598	31	52	11,752	31	379	88.0%
Sep-01	8,637	1,524	30	51	7,113	30	237	82.4%
Oct-01	10,178	1,550	31	50	8,628	31	278	84.8%
Nov-01	4,852	1,479	30	49	3,373	30	112	69.5%
Dec-01	13,752	1,504	31	49	12,248	31	395	89.1%
Jan-02	12,155	1,482	31	48	10,673	31	344	87.8%
	163,847	18,283			145,564			

Total Mesaverde Production = 145,564 MCF
 Total Dakota Production = 18,283 MCF
 Total Production both zones = 163,847 MCF

Average Mesaverde Gas Allocation since February 2001 = **89%**
 Average Dakota Gas Allocation since February 2001 = **11%**

Note: 100% of the Oil/Condensate production should continue to be allocated to the Mesaverde.



San Juan 29-5 Unit #63M Production

