



PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

October 24, 2002

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

Amended - Ratio Method – San Juan 32-8 Unit # 46A
Unit J, 1895' FSL & 1810' FEL, Sec. 14, 32N, 8W
API # 30-045-30300 San Juan County, NM
DHC Order – 2916, approved 6/6/01

Dear Mr. Hayden:

Phillips plans on using the ratio method from September 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 20% to be allocated to the Mesaverde and 80% to be allocated to the Pictured Cliffs for gas production. The oil production will be allocated at 100% Pictured Cliffs and 0% Mesaverde.

If you have any questions, please call me at 505-599-3455.

Sincerely,

PHILLIPS PETROLEUM COMPANY

Eric Dahlgren

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

32-8 #46A Fixed Percentage Allocation

Pictured Cliffs		Mesaverde	
Mcf	% PC	Mcf	% MV
12/1/2001	81%	10085	19%
1/1/2002	76%	7613	24%
2/1/2002	82%	3798	18%
3/1/2002		167	
4/1/2002		0	
5/1/2002		0	
6/1/2002		0	
7/1/2002		0	
8/1/2002		0	

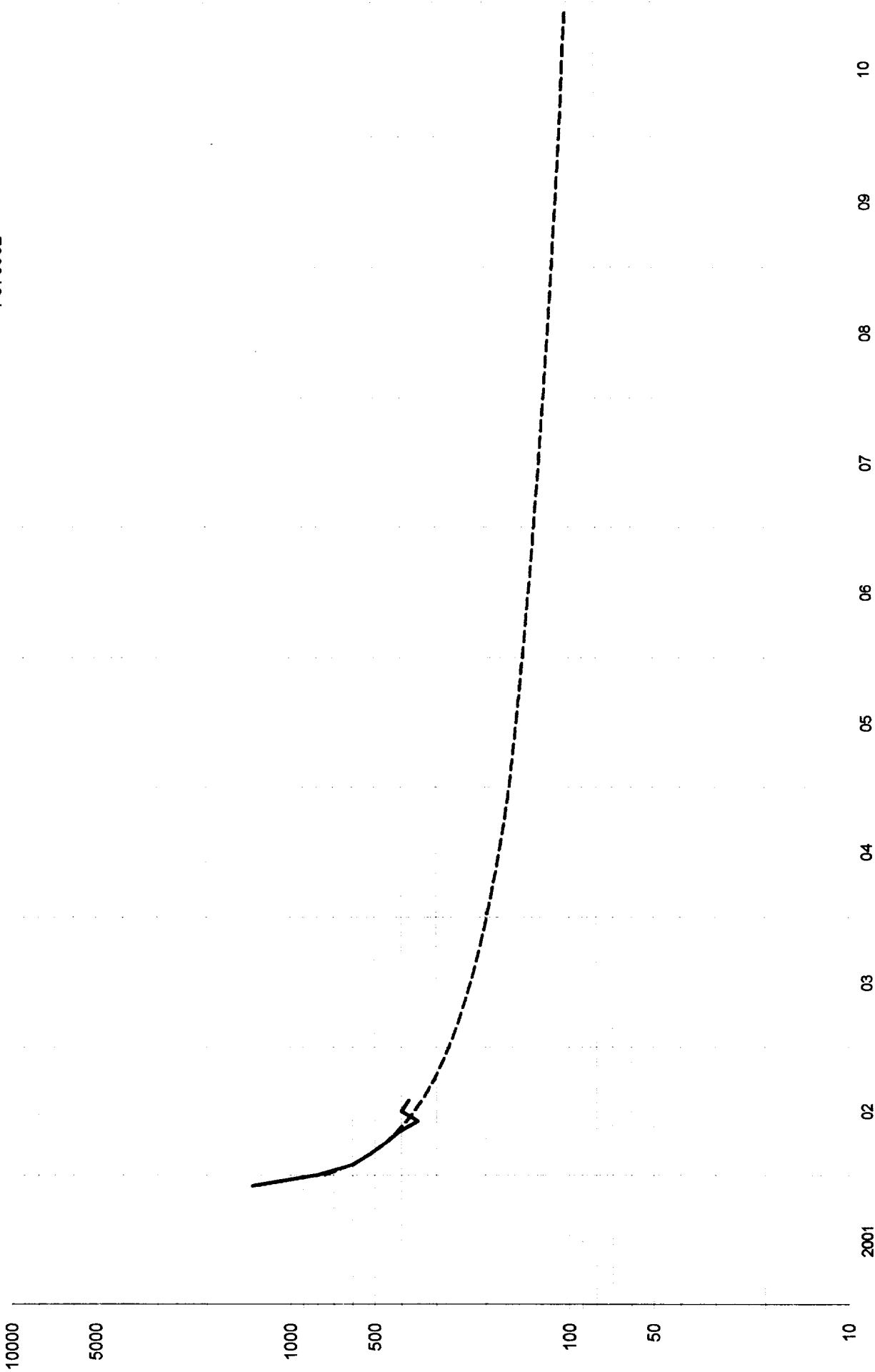
Average Pictured Cliffs Allocation = **79.6%**
 Average Mesaverde Allocation = **20.4%**

Eric Dally 10/25/2002

— Gas Rate (Cal. Day) (Mcf/d)
- - - - 2003 Total Gas Fcst (Mcf/d)

SAN JUAN 32-8 # 46A PC

Cum. Gas Production : 161.1 MMcf
Cum. Oil Production : 0.0 Mbbl
API - 3004530300
F070902



SAN JUAN 32-8 # 46A MV

— Gas Rate (Cal. Day) (Mcf/d)
- - - 2003 Total Gas Fcst (Mcf/d)

Cum. Gas Production : 21.7 MMcf
Cum. Oil Production : 0.0 Mbbl
API - 3004530300
F070901

