

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 8, 2006

ConocoPhillips
Attn: Ms. Patsy Clugston
Senior Regulatory Specialist
P.O. Box 4289
Farmington, NM 87499-4289

Administrative Order NSL-5407-A

Re: Conoco Phillips Company
San Juan 31-6 Unit Well No. 54
API No. 30-039-26932
Unit H, Section 1, Twsp 30N, Range 6W
Rio Arriba County

Dear Ms. Clugston:

Reference is made to the following:

(a) your application (**administrative application reference No. pDRC06-28949363**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 16, 2006, and

(b) the Division's records pertinent to your request, including records concerning Administrative Order NSL-5407.

ConocoPhillips has requested to complete its San Juan 31-6 Unit Well No. 54 (API No. 30-039-26932) [formerly the San Juan 31-6 Well No. 40M] at an unorthodox Mancos gas well location, 1916 feet from the North line and 469 feet from the East line (Unit H) of Section 1, Township 30 North, Range 6 West, N.M.P.M., in Rio Arriba County, New Mexico. The NE/4 equivalent of irregular Section 1 will be dedicated to this well in order to form a standard 160-acre wildcat Mancos gas spacing unit. This location is governed by statewide Rule 104.C(3), which provides that a well shall be located at least 660 feet from any unit boundary. The proposed location is only 469 feet from the eastern unit boundary.

ConocoPhillips' application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

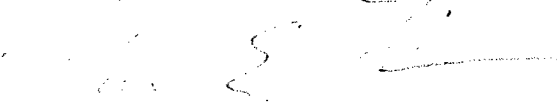
The Division previously approved the unorthodox location of this well as a proposed Mesaverde and Doakota well in Order NSL-5407. It is our understanding that ConocoPhillips, having unexpectedly encountered gas in this wellbore in the Mancos, is seeking this location in order to produce this gas without drilling an additional well.

We also understand that ConocoPhillips owns 100% of the working interest in the NW/4 of Section 6, Township 30N, Range 5W, the unit toward which this location encroaches. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington