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ConocoPhillips Company
4001 Penbrook Street
Odessa, TX 79762

EXPLORATION & PRODUCTION
Permian Basin Business Unit

RECEIVED

March 2, 2004

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United States Department of the Interior
Bureau of Land Management
Roswell District Office
P. O. Box 1397
Roswell, NM 88202

Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505

RE: 2004 Plan of Development/Operations
Grayburg Deep Unit
Contract No.-14-08-001-1602
Eddy County, New Mexico

Gentlemen:

In compliance with Section 10 of the Unit Agreement of the Grayburg Deep Unit, Eddy County, New Mexico, approved by the Acting Director, United States Geological Survey on June 4, 1954, and designated by Contract Number 14-08-001-1602, ConocoPhillips Company as successor to General American Oil Company of Texas respectfully submits for your consideration and approval the following Plan of Development/Operations for the unitized land.

1. Current Status

There are currently 3 wells producing in the unit. Below is a tabulation of 2003 production data from these wells:

TABLE #1: Grayburg Deep Unit Average 2003 Production

WELL NUMBER	COMPLETION DATE	FIELD (RESERVOIR)	AVG 2003 OIL (BOPD)	AVG 2003 GAS (MSCFD Pb = 14.65)	AVG 2003 WATER (BWPD)
#1	10 / 1954	Anderson (Penn)	0.04	42.1	0.51
#10	12 / 1987	Anderson (Penn)	0.08	395.7	0.27
#14	11 / 1997	Sand Tank (Morrow)	1.63	353.5	0.00
#15	11 / 1998	Sand Tank (Morrow)	0.00	0.00	0.00

		2003 Daily Average	1.75	791.3	0.78
		2002 Daily Average	4.75	860.4	0.05

A few workover / production optimization operations were conducted on the Grayburg Deep Unit wells in 2003:

- Grayburg Deep Unit #10 – swabbing operations were conducted on this well in late November and soap sticks are now being utilized to keep the well unloaded.
- Grayburg Deep Unit #15 – a workover to add new Upper Morrow perforations was conducted in 2003 but proved unsuccessful. Well has been plugged back with bridge plugs.

Please consult the attached graphs of oil production and gas production versus time for the period 12 / 02 through 12 / 03.

2. Future Development / Operations

ConocoPhillips has no new drill wells budgeted for the Grayburg Deep Unit wells in 2004 but we will continue to re-evaluate the area, utilizing new seismic evaluation techniques, to recognize drilling opportunities. Below is a tabulation of the most recent drilling activity within the Grayburg Deep Unit:

Table #2: Recent Grayburg Deep Unit Drilling History

WELL	LEGAL DESCRIPTION	DATE	OUTCOME
Grayburg Deep #13	Sec 23, Twp 17S, Rge 29E	April 1997	Dry Hole
Grayburg Deep #14	Sec 25, Twp 17S, Rge 29E	October 1997	Morrow Gas Well
Grayburg Deep #19	Sec 25, Twp 17S, Rge 29E	May 1998	Dry Hole
Grayburg Deep #15	Sec 30, Twp 17S, Rge 29E	August 1998	Morrow Gas Well

During 2004, Phillips intends to continue to maximize production rates and optimize reserve recovery by monitoring production rates and evaluating economic production enhancement methods. The following production enhancement operations are planned for 2004:

- Grayburg Deep Unit #1 – run pressure build-up and evaluate fracture stimulation.
- Grayburg Deep Unit #10 – well has liquid loading problem and tubing is plugged with scale. To cleanout scale in tubing with coiled tubing.
- Grayburg Deep Unit #15 – wellbore to be sold to shallow oil operator

3. Modifications

The Plan of Development/Operations may be modified from time to time with the approval of the Bureau of Land Management to meet changing conditions.

4. Attachments

Grayburg Deep Unit – 2003 Gas Production
Grayburg Deep Unit – 2003 Oil Production

Please contact Celeste Dale at 432/368-1667 if there are any questions regarding this Plan of Development/Operations.

Sincerely,

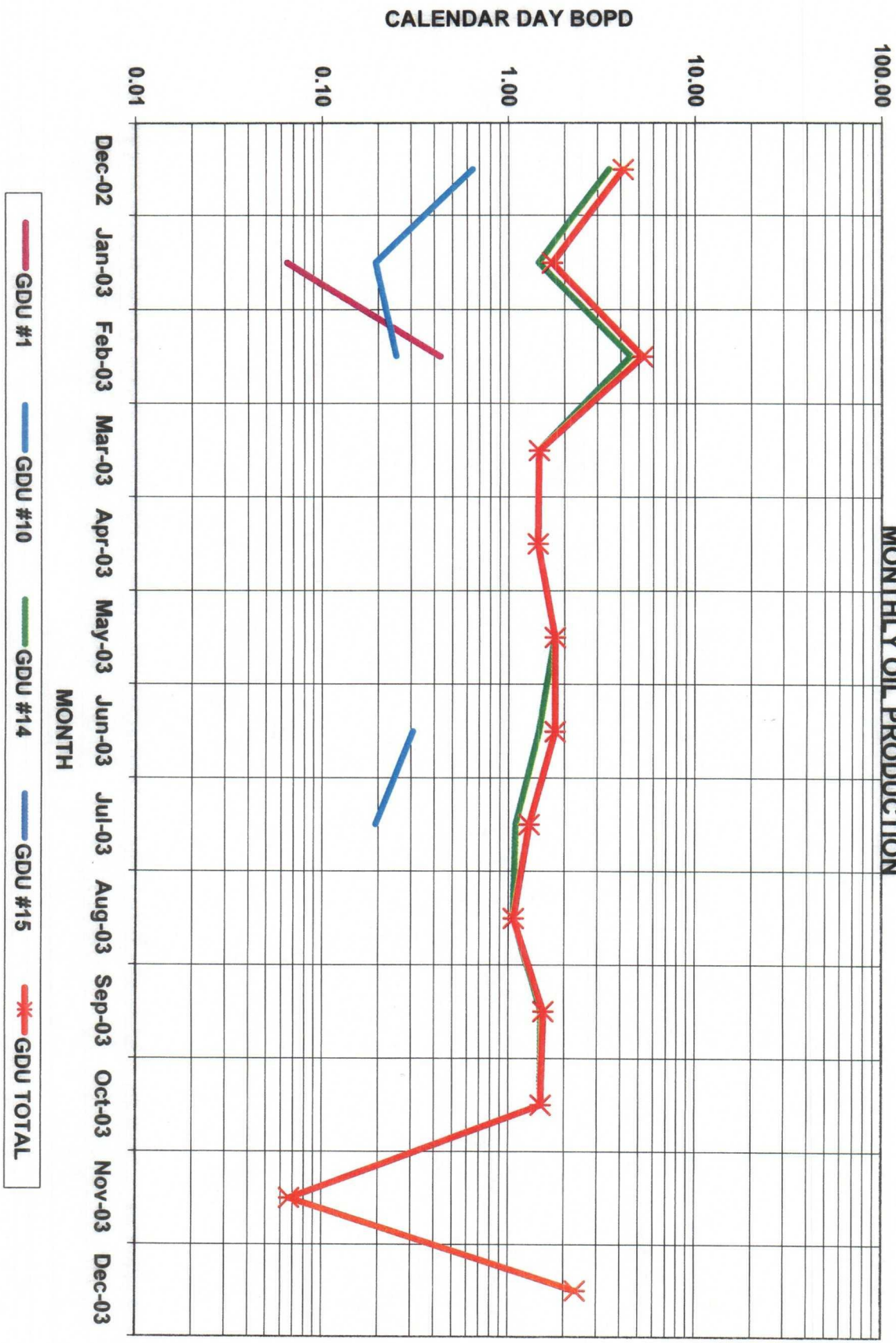
A handwritten signature in cursive script, reading "Celeste G. Dale".

Celeste G. Dale
Regulatory Analyst, Mid-America HSE&R

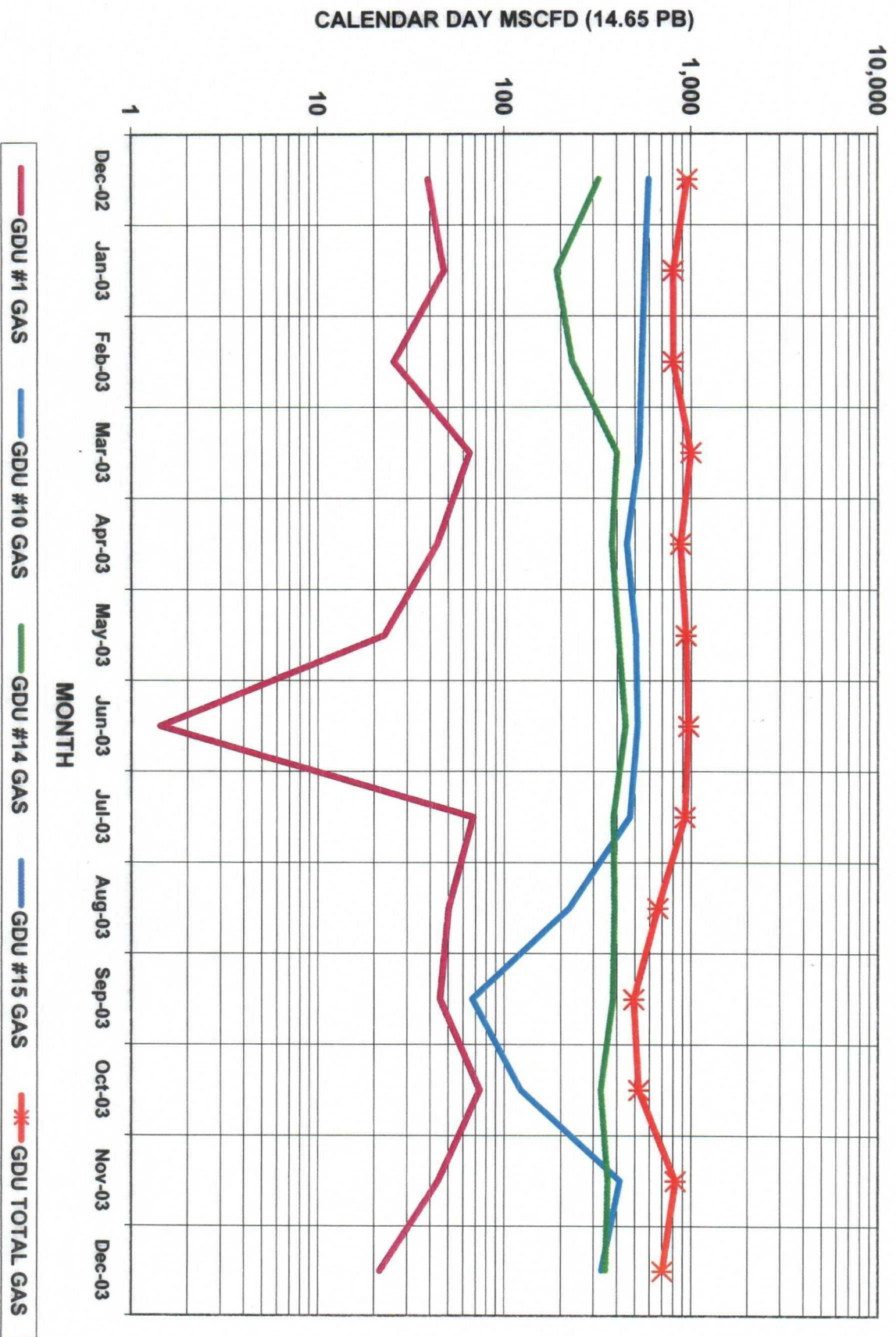
cc: State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Working Interest Owners

GRAYBURG DEEP UNIT - 2003 MONTHLY OIL PRODUCTION



GRAYBURG DEEP UNIT - 2003 MONTHLY GAS PRODUCTION



	1.0			10.0			14.00			15			Totals		
	gas	oil	water	gas	oil	water	gas	oil	water	gas	oil	water	gas	oil	water
Dec-02	38.6	0.00	0.096774	584.4	0.65	0.483871	321.06	3.45	0	0	0.00	0	954.0	4.1	0.6
Jan-03	47.1	0.06	6.096774	586.0	0.19	0.580845	190.61	1.45	0	0	0.00	0	803.6	1.7	6.7
Feb-03	25.4	0.43	0	546.0	0.25	0.714286	231.11	4.54	0	0	0.00	0	802.5	5.2	0.7
Mar-03	64.6	0.00	0	529.9	0.00	1	400.10	1.45	0	0	0.00	0	994.5	1.5	1.0
Apr-03	43.3	0.00	0	453.1	0.00	1	376.00	1.43	0	0	0.00	0	872.3	1.4	1.0
May-03	22.4	0.00	0	505.6	0.00	0	408.61	1.77	0	0	0.00	0	936.7	1.8	0.0
Jun-03	1.4	0.00	0	516.9	0.31	0	446.89	1.46	0	0	0.00	0	965.0	1.8	0.0
Jul-03	67.6	0.00	0	472.2	0.19	0	363.94	1.10	0	0	0.00	0	923.7	1.3	0.0
Aug-03	50.0	0.00	0	222.9	0.00	0	388.03	1.06	0	0	0.00	0	860.9	1.1	0.0
Sep-03	44.9	0.00	0	67.1	0.03	0	380.97	1.50	0	0	0.00	0	493.0	1.5	0.0
Oct-03	73.2	0.00	0	122.1	0.00	0	328.29	1.48	0	0	0.00	0	523.6	1.5	0.0
Nov-03	43.8	0.00	0	415.6	0.00	0	359.73	0.07	0	0	0.00	0	819.2	0.1	0.0
Dec-03	21.3	0.00	0	331.5	0.00	0	348.16	2.29	0	0	0.00	0	701.0	2.3	0.0
avg	42.1	0.04	0.51	395.7	0.08	0.27	353.52	1.63	0.00	0.00	0.00	0.00			

