



PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

July 23, 2002



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

Ratio Method – San Juan 31-6 Unit # 31E
Unit M, 1091' FSL & 1007' FWL Sec. 35 31N, 6W
API # 30-039-25117 Rio Arriba County, NM

Dear Mr. Hayden:

Phillips plans on using the ratio method from June 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 33% to be allocated to the Mesaverde and 67% 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 505-599-3455.

Sincerely,

PHILLIPS PETROLEUM COMPANY

Eric Dahlgren

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

31-6 #31E Fixed Percentage Allocation

Dakota			Mesaverde		
	Mcf/d	% DK	Mcf/d	% MV	
Jul-01	205	68%	95	32%	
Aug-01	202	66%	102	34%	
Sep-01	207	68%	96	32%	
Oct-01	198	64%	110	36%	
Nov-01	202	65%	107	35%	
Dec-01	198	64%	109	36%	
Jan-02	196	64%	110	36%	
Feb-02	214	82%	47	18%	
Mar-02	192	70%	83	30%	
Apr-02	196	63%	117	37%	
May-02	183	60%	123	40%	

Average Mesaverde Allocation since June 2001 =

33%

Average Dakota Allocation since June 2001 =

67%
