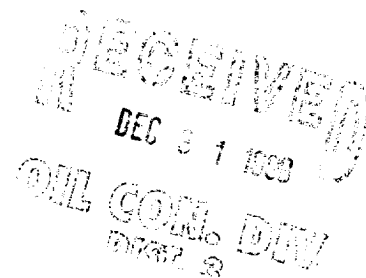




PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

December 29, 1998



NM Oil & Gas Conservation Division
Attn: Charlie T. Perrin
1000 Rio Brazos Road
Aztec, NM 87410

San Juan 32-8 Unit #46
H, 14-32N-08W, API - 30-045-25127

Dear Mr. Perrin:

In reference to your letter dated December 21, 1998 about Packer Leakage Tests on the referenced well, we acknowledge your request to have the well remediated and retested to show separation of the two zones. The subject well is in the BLM's wildlife restricted area and we will not be able to enter that area to conduct the workover until after March 31, 1999. If you feel there is an urgency in repairing this well before then, we will need to receive a letter from you stating this to take to the BLM, before we can request permission from them to conduct this workover before April 1, 1999.

Please advise if April 1 will be soon enough to start this workover or if you will be sending us a letter to take to the BLM. My number is 599-3448.

Sincerely,

PHILLIPS PETROLEUM COMPANY

Terry Bowker
Well Tester