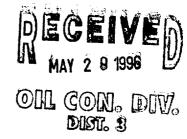


May 16, 1996



New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

ATTN: MICHAEL E. STOGNER CHIEF HEARING OFFICER/ENGINEER

RE: Administrative application of Phillips Petroleum Company for an unorthodox infill Basin-Dakota and Blanco-Mesaverde gas well location for the proposed San Juan 32-7 Unit Well No. 37A (API No. 30-045-29361) to be drilled 2071 feet from the South line and 1938 feet from the East line (Unit J) of Section 8, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico

Dear Mr. Stogner:

This is to follow up to our recent conversations regarding the above-described application.

We have obtained a waiver from S.G. Interests, Inc. (copy attached). S.G. is the only affected offset operator.

Please advise immediately if you need anything additional from me before issuing administrative approval of the application.

Very truly yours,

Patrick H. Noah Senior Land Specialist

Fatur H. Moal

San Juan Basin (505) 599-3410

cc: Oil Conservation Division-Aztec

May 3, 1996

SENT VIA FACSUMILE TO (713) 951-0191

S.G. Interests, Inc. 811 Dallas-Suite 1505 Houston, Texas 77002

ATIN: KEN FLOYD

RE: ADMINISTRATIVE API LICATION OF PHILLIPS PETROLEUM COMPANY FOR AN UNORTHODOX IN ILL BASIN-DAKOTA AND BLANCO-MESAVERDE GAS WELL LOCATION FOR THE PROPOSED SAN JUAN "32-7" UNIT WELL NO. 37A (API NO. 30-045-29361) TO BE DRILLED 2071 FEET FROM THE SOUTH LINE AND 1938 FEET FROM THE EAST LINE (UNIT J) OF SECTION 8, TOWNSHIP 32 NORTH, RANGE 7 WES I, NMPM, SAN JUAN COUNTY, NEW MEXICO

Gentlemen:

I have previously provided you with a copy of our application in the above-described matter.

In order to accommodate our plans to drill this well in the near future, we ask that you waive any objection to our application. If an eptable, please execute and return a copy of this letter to me by fax to (505) 599-3442.

Feel free to call me if you have an questions.

Strik H. Nowh

Very truly yours,

Patrick H. Noah

Senior Land Specialist

San Juan Basin

(505) 599-3410

May, 1996.

Tide Vice Posident