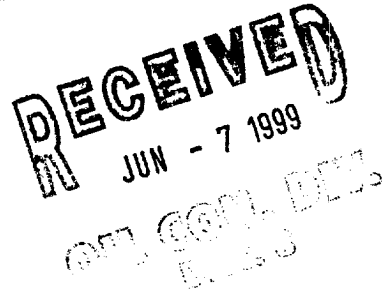




PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

June 3, 1999



Bureau of Land Management
Attn: Duane Spencer
1235 La Plata Hwy.
Farmington, NM 87401

New Mexico Oil & Gas Conservation
Attn: Frank Chavez
1000 Rio Brazos Rd.
Aztec, NM 87410

State of New Mexico
Attn : David Catanach
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

32-7 #1 CPD
Off-Lease Measurement of Gas
Addition of San Juan 32-7 #240

Gentlemen:

Phillips Petroleum Company requests approval to add the San Juan 32-7 #240 to the off-lease measurement/commingling application for the subject CPD. The original application was approved by the BLM on April 4, 1995 and the allocation method was approved by the NMOCD on April 10, 1995. The application dated February 12, 1998 to David Catanach is still waiting for approval.

The San Juan 32-7 #240 is located in Unit E, 1680' FNL, 135' FWL, Section 20, T32N and R7W. This is a fee lease. This well will be connected to the 32-7 #1 CPD.

The first production to the CPD was June 3, 1999 for the San Juan 32-7 #240. Phillips Petroleum Company will follow Onshore Oil and Gas Order #5 and the allocation procedures outlined in the original approved application in regards to gas production from this well.

If you have any questions concerning these well additions, please call me at 599-3450.

Sincerely,
Phillips Petroleum Company

Doyle Pruden
Accounting Specialist

cc: Danny Jaap