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SURFACE RESOURCES
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**State of New Mexico
Commissioner of Public Lands**

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(505)-827-5752

June 18, 1997

Phillips Petroleum Company
5525 HWY. 64 NBU 3004
Farmington, New Mexico 87401

Attn: Ms. Patsy Clugston

Re: Application for Downhole Commingling
San Juan 30-5 Unit, Well No. 53E
Unit Letter I, Section 16-30N-05W
Blanco Mesaverde and Basin Dakota Pools
Rio Arriba County, New Mexico

Dear Ms. Clugston:

We received your letter of May 20, 1997. In your application, you requested our approval to downhole commingle the gas production from the Blanco Mesaverde and Basin Dakota pools in the wellbore of the San Juan 30-5 Unit, Well No. 53E. This well is located in the NE/4SE/4 of Section 16-30N-05W.

Pursuant to our recent telephone conversation with Mr. Danny Jaap of your office, it is our understanding that the Blanco Mesaverde has never produced, and that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division.

The approval will supercede our letter of June 9, 1997. We regret any inconvenience this issue may have caused. Please notify all interested parties of this action.

Your \$30.00 dollar filing fee has been received.

Phillips Petroleum Company

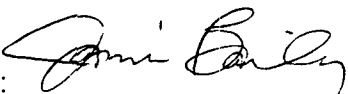
June 18, 1997

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If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

cc: Reader File

OCD--Attention: David Catanach, Ben Stone

BLM

Mr. Tom Kellahin