

PINTAIL PRODUCTION COMPANY, INC.
3479 W. VICKERY BLVD.
FORT WORTH, TEXAS 76107
817-336-7411

VIA FACSIMILE & US MAIL
March 11, 1999

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Attn: David Catanach
Hearing Examiner

RE: Downhole Commingling
San Juan 29-6 Unit
Rio Arriba County, NM

Dear Sir,

Pintail Production Company, Inc. ("Pintail") is an owner of Dakota rights only in the referenced cause. Having been noticed that this case is due for hearing on March 18, 1999, by Phillips Petroleum Company ("Phillips") on March 2, 1999, Pintail wishes to make a Pre-Hearing Statement to the New Mexico Oil Conservation Division concerning the case.

The points that Phillips does not address in its Application are numerous. In every instance, Phillips seeks to reduce the burden of proof and the subsequent economic necessity for downhole commingling. Additionally, Phillips wishes to be able to proceed, on its own initiative, without notification to any owners or offset Operators. To allow such behavior, particularly where there is not commonality of ownership, goes against the basic principles in every Operating Agreement ever conceived.

Beyond not proving economic necessity, Phillips does not even give the allocation formulas that it is desirous of using. The only subsurface parameter that is mentioned is the bottomhole pressure data that is currently required on "well by well" commingling. There is no mention of permeability, porosity, estimated ultimate recoveries, thickness of zone, completion technique (skin factors), associated liquid production, compressibility factors, different matrices and their individual horizontal to vertical permeability relationships and recovery factors, and water saturations just to name a few of the reservoir parameters that can effect flowing gas rates. To gloss over these obvious rock properties is an affront to the reservoir profession.

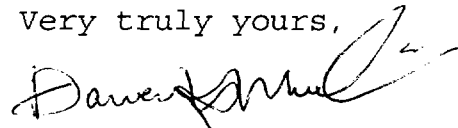
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Lastly, there is no mention of the cost sharing among the parties. If a Dakota owner has paid for a well, what is the price that should be paid to that owner by the owners of Mesaverde and shallower rights? Certainly, the estimated salvage value is too low, while the avoided costs calculation is too high. It is quite obvious that there needs to be some time and effort spent deriving some type of equitable cost sharing among the various reservoir owners.

Please use this letter as a partial summary of the various reasons why the New Mexico Oil Conservation Division should NOT grant the requested relief advanced by Phillips.

Should there be any questions, please do not hesitate to call.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Harvey H. Mueller II", with a stylized flourish at the end.

Harvey H. Mueller II, P.E.
President