

Tract No.	10%		25%		25%		40%	
	(OOIP)	(CP)	(CUM/P)	(RP)	(OOIP)	(CP)	(CUM/P)	(RP)
Original Oil In Place (bbls)	Original Oil In Place (%)	Current Production (BOPD)	Current Production Percent	Cumulative Production (bbls)	Cumulative Production Percent	Remaining Production (bbls)	Remaining Production Percent	
1	3,486,000	6.60903%	4	0.85106%	872,258	5.06910%	28,000	0.29702%
2	30,200,000	57.25553%	332	70.63830%	10,627,067	61.75881%	6,638,000	70.41477%
3	<u>19,060,000</u> 52,746,000	<u>36.13544%</u> 100.00000%	<u>134</u> 470	<u>28.51064%</u> 100.00000%	<u>5,708,044</u> 17,207,369	<u>33.17209%</u> 100.00000%	<u>2,761,000</u> 9,427,000	<u>29.28821%</u> 100.00000%

Tract Participation Formula: (0.10 x OOIP) + (0.25 x CP) + (0.25 x CUM/P) + (0.40 x RP)

OOIP = The Tract volumetric original oil in place (OOIP) from the Unitized Formation divided by the total Unit Area Volumetric original oil in place from the Unitized Formation as determined by the geologic interpretation.

CP = The current daily Tract oil production from the Unitized Formation divided by the total daily Unit Area oil Production from the Unitized Formation. The current daily Tract oil production from the Unitized Formation is the average daily production from the Unitized Formation in the Unit Area from September 1, 1995 through December 31, 1995.

CUM/P = The Tract cumulative oil recovery from the Unitized Formation divided by the total Unit Area cumulative oil recovery from the Unitized Formation as of December 31, 1995.

RP = The remaining Tract oil to be recovered from the Unitized Formation divided by the total Unit Area oil remaining to be recovered from the Unitized formation.

Tract No.	Tract Participation Factor									
1	(100% x 6.60903%) + (25% x 0.85106%) + (25% x 5.06910%) + (40% x 0.29702%)	0.66090%	+	0.21277%	+	1.26728%	+	0.11881%	=	2.25976%
2	(100% x 57.25553%) + (25% x 70.63830%) + (25% x 61.75881%) + (40% x 70.41477%)	5.72555%	+	17.65957%	+	15.43970%	+	28.16591%	=	66.99073%
3	(100% x 36.13544%) + (25% x 28.51064%) + (25% x 33.17209%) + (40% x 29.28821%)	3.61355%	+	7.12766%	+	8.29302%	+	11.71528%	=	<u>30.74951%</u> 100.00000%

April 30, 1996

BEFORE EXAMINER *Stagner*
OIL CONSERVATION DIVISION
PHILLIPS PETROLEUM COMPANY
 EXHIBIT NO. 2
 CASE NO. 11522-23



State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

April 25, 1996

Kellahin and Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Attn: Mr. W. Thomas Kellahin

Re: Preliminary Approval Request
Proposed State 35 Unit
Lea County, New Mexico

BEFORE EXAMINER <u>Stagner</u>
OIL CONSERVATION DIVISION
PHILLIPS PETROLEUM COMPANY
EXHIBIT NO. <u>3</u>
CASE NO. <u>11522-23</u>

Dear Mr. Kellahin:

We have reviewed the unexecuted copy of the unit agreement which you have submitted for the proposed State 35 Unit Area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
4. A copy of the Unit Operating Agreement.

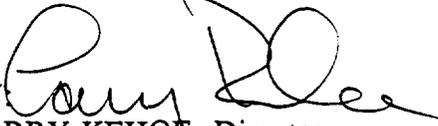
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5. A copy of your Initial Plan of Operation.
6. A filing fee in the amount of \$30.00 dollars.

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: 
LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File
Phillips Petroleum Corporation--Attention: Mr. James S. Welin
OCD--Attention: Mr. Roy Johnson