

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

COMMISSIONER'S OFFICE

Phone (505) 827-5760
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www.nmstatelands.org

March 13, 2006

ConocoPhillips Company
P.O. Box 2197
Three WestLake Park – 3 WL 5051
Houston, Texas 77252-2197

Attn: Mr. Jim Penney

Re: 2006 Plan of Development
San Juan 32-8 Unit
San Juan County, New Mexico

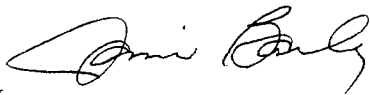
Dear Mr. Penney:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

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

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS



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

PL/JB/cpm
xc: Reader File

OCD

BLM

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • Santa Fe Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University



Jim Penney
Staff Landman
Coalbed Methane Team
600 N. Dairy Ashford - 3WL
Houston, Texas 77079-1175
Tel: (832) 486-2355
Fax: (832) 486-2674

December 9, 2004

Bureau of Land Management
Farmington Resource Area
1235 LaPlata Highway
Farmington, New Mexico 87401
Attn: Mr. Wayne Townsend

Commissioner of Public Lands
State of New Mexico
P.O. Box 1148
Santa Fe, New Mexico 87501-1148
Attn: Mr. Patrick H. Lyons

✓ Oil Conservation Division
State of New Mexico
1220 So. Saint Francis Drive
Santa Fe, New Mexico 87505-4000
Attn: Ms. Lori Wrotenberry

RE: San Juan 32-8 Unit - No. 14-08-001-439
Commerciality Determination -Rattlesnake Canyon #105
Fruitland Coal Formation - July 17, 2001 Completion Date
E/2 of Section 20, T32N, R8W, San Juan County, New Mexico
USA NM -33056 & SF-079013

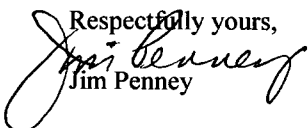
Ladies and Gentlemen:

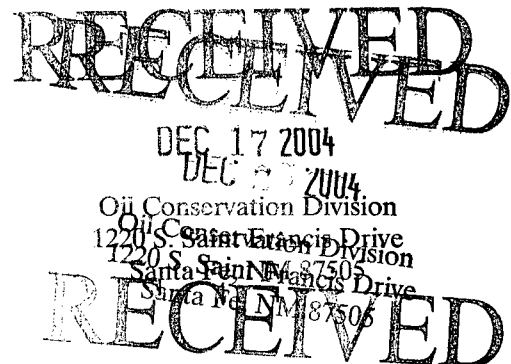
Pursuant to the provisions of Section 11(a) of the San Juan 32-8 Unit Agreement, ConocoPhillips Company ("ConocoPhillips"), as Unit Operator, has determined that the Rattlesnake Canyon #105 well is capable of producing unitized substances in paying quantities from the Fruitland Coal formation. Attached you will find an economic summary and production data for the subject well. ConocoPhillips respectfully requests agency confirmation of the enclosed paying well determinations.

The lands dedicated to this well cover the E/2 of Section 20, T32N, R8W. These lands are subject to a Communitization Agreement dated July 17, 2001, which is awaiting Bureau of Land Management approval. Upon confirmation from the Bureau of Land Management and concurring responses from the Commissioner of Public Lands and the New Mexico Oil Conservation Division, the formal Participating Area schedules will be prepared and submitted.

Copies of this letter and enclosures are being sent to the working interest owners on the attached sheet. Please contact Brad Peterson at (832) 486-2055 for any technical questions you may have, and direct all other questions to me at (832) 486-2355.

Respectfully yours,


Jim Penney



DEC 22 2004

Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505



Commerciality Determination

RATTLESNAKE CANYON # 105

Fruitland Coal

NE, Sec 20, T32N, R8W

San Juan County, NM

API: 30-045-29943

This Fruitland Coal well was spud on 6/02/01 by Burlington Resources and completed on 7/17/01.

An assumed capital investment of \$675,000 for open hole cavity completion of the Rattlesnake Canyon # 105 Fruitland coal well was used in this determination. Estimated operating costs for this well are \$55,000/year.

Income was based on a flat non-escalated value of \$4.35/mmBTU. The Rattlesnake Canyon # 105 has a gas content of 900 BTU, therefore the gas price used for this well was \$3.915/MCF.

Current reservoir pressure for this well is 850 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcf/d)
May-03	1023
June-03	1031
July-03	1080
August-03	1115
September-03	1154
October-03	1173
November-03	1184
December-03	1065
January-04	1109
February-04	1107
March-04	1129
April-04	1091
May-04	1057

US Summary Report

Rattlesnake Canyon # 105

Nominal

Case Description

Notes Commercial economics for drilling and completing the Rattlesnake Canyon #105. Burlington Resources drilled and completed this well in 2001.

Case Parameters

Author Brad Peterson
Linked Well
Global Parameters Escalate 2004 LRP (2004 Zero)
Model ConocoPhillips
Oil Price File
Gas Price File
Oil Offset 1
Gas Offset 1

Net Present Values (Generic)::ConocoPhillips

Disc Rate	Inc Before Tax	Before Tax	Before Tax	After Tax	Cash PI
	Res & Tax	Cap. Inv	Cash Flow	Cash Flow	
(%)	M\$	M\$	M\$	M\$	
0.0	9,181	675	8,506	5,189	15.98
8.0	6,044	650	5,394	3,265	10.80
10.0	5,541	644	4,898	2,958	9.96
11.0	5,317	641	4,677	2,821	9.58
13.0	4,915	635	4,280	2,574	8.90
15.0	4,563	629	3,934	2,360	8.31
18.0	4,114	621	3,493	2,086	7.54

Company WI

	Initial %	Final %
Working	100.0	100.0
Oil NRI	82.5	82.5
Gas NRI	82.5	82.5
Byprod. NRI	82.5	82.5
Capital	100.0	100.0

Scenarios

	Base
Oil	Base
Gas	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	%	331.3
Cash Breakeven	Years	0.9
NPV @ 13%	M\$	4,280
13% PI (cash)	M\$/M\$	8.90
13% PI (capital)	M\$/M\$	5.05
NPV @ 10%	M\$	4,898
10% PI (cash)	M\$/M\$	9.96
10% PI (capital)	M\$/M\$	5.60
Dev Cost/BOE	\$/BOE	1.36
Economic Limit Date		2027/01
Last Scheduled Prod Date		2026/12
Date of first production		2001/06
Date of first investment		2001/06
Discount Date		2001/06

Products Recovery (US)::ConocoPhillips

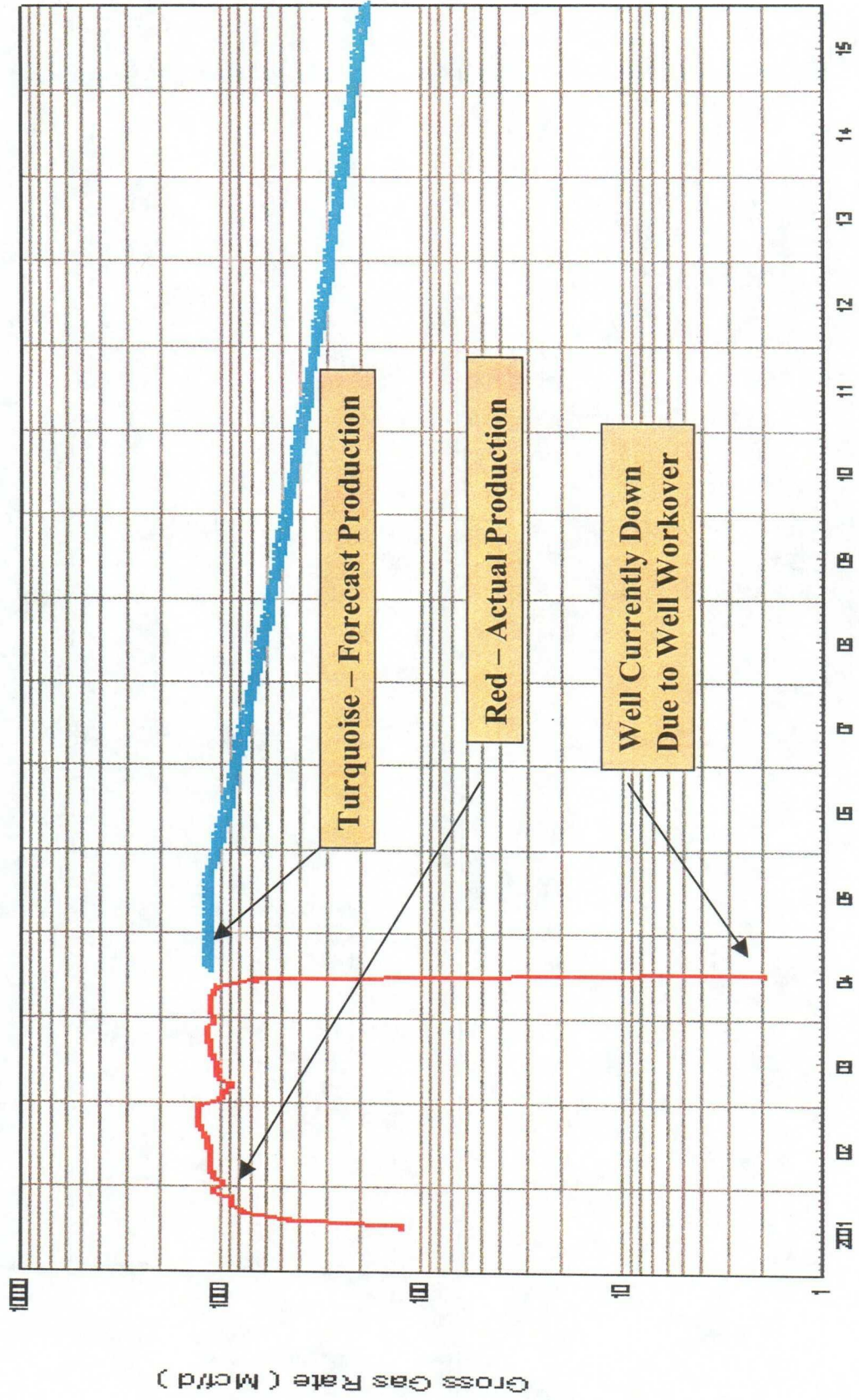
	Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0
Gas-Raw	MMSCF	3,618	3,618	633	2,985
Gas-Sales	MMSCF	3,618	3,618	633	2,985
Ethane	MSTB	0	0	0	0
Propane	MSTB	0	0	0	0
Butane	MSTB	0	0	0	0
Cond.	MSTB	0	0	0	0
Sulphur	MLT	0	0	0	0
Other	MSTB	0	0	0	0

RESERVES AND ECONOMICS PRODUCTION & REVENUE SUMMARY

Date	Gross Oil/Cond Volume	Gross Gas Volume	NRI Oil	NRI Gas Sales	Oil Price	Gas Price	Gross # of Wells	Total NRI Revenue	Total Prod Taxes	Total Opcosts	Income Before Reserves & Taxes	Total Capital	BTAX Cash Flow	ATAX Cash Flow	ATAX Cash Flow Disc. 10%	ATAX Cash Flow Disc. 13%
	MSTB	MMSCF	MSTB	MMSCF	\$/Bbl	\$/mcf		M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$
2001(12)	0.00	129.57	0.00	106.89	0.00	3.91	1.0	418.49	38.46	55.00	325.03	675.00	-349.97	-346.39	-330.27	-325.85
2002(12)	0.00	425.98	0.00	351.43	0.00	3.91	1.0	1,375.86	126.44	55.00	1,194.42	0.00	1,194.42	763.77	662.02	635.83
2003(12)	0.00	378.16	0.00	311.98	0.00	3.91	1.0	1,221.41	112.25	55.00	1,054.16	0.00	1,054.16	670.84	528.61	494.22
2004(12)	0.00	362.99	0.00	299.47	0.00	3.91	1.0	1,172.41	107.74	55.00	1,009.66	0.00	1,009.66	638.43	457.34	416.24
2005(12)	0.00	392.59	0.00	323.88	0.00	3.92	1.0	1,268.01	116.53	55.00	1,096.48	0.00	1,096.48	687.63	447.80	396.74
2006(12)	0.00	313.49	0.00	258.63	0.00	3.91	1.0	1,012.54	93.05	55.00	864.48	0.00	864.48	541.85	320.79	276.66
2007(12)	0.00	252.46	0.00	208.28	0.00	3.91	1.0	815.43	74.94	55.00	685.49	0.00	685.49	427.55	230.11	193.19
2008(12)	0.00	206.79	0.00	170.60	0.00	3.91	1.0	667.91	61.38	55.00	551.53	0.00	551.53	341.13	166.91	136.41
2009(12)	0.00	170.60	0.00	140.75	0.00	3.91	1.0	551.03	50.64	55.00	445.39	0.00	445.39	271.69	120.85	96.14
2010(12)	0.00	142.76	0.00	117.77	0.00	3.91	1.0	461.09	42.37	55.00	363.71	0.00	363.71	221.87	89.71	69.48
2011(12)	0.00	120.64	0.00	99.53	0.00	3.92	1.0	389.67	35.81	55.00	298.86	0.00	298.86	182.30	67.01	50.52
2012(12)	0.00	103.13	0.00	85.08	0.00	3.91	1.0	333.08	30.61	55.00	247.47	0.00	247.47	150.96	50.45	37.02
2013(12)	0.00	88.37	0.00	72.91	0.00	3.91	1.0	285.43	26.23	55.00	204.20	0.00	204.20	124.56	37.84	27.03
2014(12)	0.00	76.50	0.00	63.12	0.00	3.91	1.0	247.10	22.71	55.00	169.39	0.00	169.39	103.33	28.54	19.85
2015(12)	0.00	66.67	0.00	55.00	0.00	3.91	1.0	215.32	19.79	55.00	140.53	0.00	140.53	85.73	21.52	14.57
2016(12)	0.00	58.59	0.00	48.34	0.00	3.91	1.0	189.24	17.39	55.00	116.85	0.00	116.85	71.28	16.27	10.72
2017(12)	0.00	51.50	0.00	42.48	0.00	3.91	1.0	166.33	15.29	55.00	96.04	0.00	96.04	58.58	12.16	7.80
2018(12)	0.00	45.62	0.00	37.64	0.00	3.91	1.0	147.35	13.54	55.00	78.81	0.00	78.81	48.07	9.07	5.66
2019(12)	0.00	40.61	0.00	33.50	0.00	3.91	1.0	131.15	12.05	55.00	64.10	0.00	64.10	39.10	6.71	4.08
2020(12)	0.00	36.39	0.00	30.02	0.00	3.91	1.0	117.54	10.80	55.00	51.74	0.00	51.74	31.56	4.92	2.91
2021(12)	0.00	32.57	0.00	26.87	0.00	3.92	1.0	105.19	9.67	55.00	40.52	0.00	40.52	24.72	3.50	2.02
2022(12)	0.00	29.34	0.00	24.20	0.00	3.91	1.0	94.76	8.71	55.00	31.05	0.00	31.05	18.94	2.44	1.37
2023(12)	0.00	26.52	0.00	21.88	0.00	3.91	1.0	85.66	7.87	55.00	22.79	0.00	22.79	13.90	1.63	0.89
2024(12)	0.00	24.12	0.00	19.90	0.00	3.91	1.0	77.89	7.16	55.00	15.74	0.00	15.74	9.60	1.02	0.54
2025(12)	0.00	21.88	0.00	18.05	0.00	3.92	1.0	70.66	6.49	55.00	9.17	0.00	9.17	5.59	0.54	0.28
2026(12)	0.00	19.96	0.00	16.47	0.00	3.91	1.0	64.47	5.92	55.00	3.54	0.00	3.54	2.16	0.19	0.10
2027(12)	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	3,617.79	0.00	2,984.68	---	---	---	11,685.02	1,073.85	1,430.00	9,181.17	675.00	8,506.17	5,188.76	2,957.69	2,574.40

Rattlesnake Canyon # 105

Production Forecast



Rattlesnake Canyon # 105 Past Production and Forecast

Date	Average Daily Gas Production (MCFD)	Total Gas Production (MCF)	
2001	864	129,568	
2002	1167	425,980	
2003	1036	378,159	
2004	994	362,988	
2005	1076	392,587	
2006	859	313,491	
2007	692	252,465	
2008	567	206,792	
2009	467	170,604	
2010	391	142,757	
2011	331	120,645	
2012	283	103,126	
2013	242	88,373	
2014	210	76,505	
2015	183	66,666	
2016	161	58,591	
2017	141	51,496	
2018	125	45,621	
2019	111	40,606	
2020	100	36,392	
2021	89	32,567	
2022	80	29,339	
2023	73	26,522	
2024	66	24,117	
2025	60	21,877	
2026	55	19,959	
2027	50	18,258	Cutoff in PEEP Economics case due to Economic Limit.
2028	46	16,789	
2029	42	15,391	
2030	39	14,182	
2031	36	13,095	

Cumulative Production 3,696 MMCF

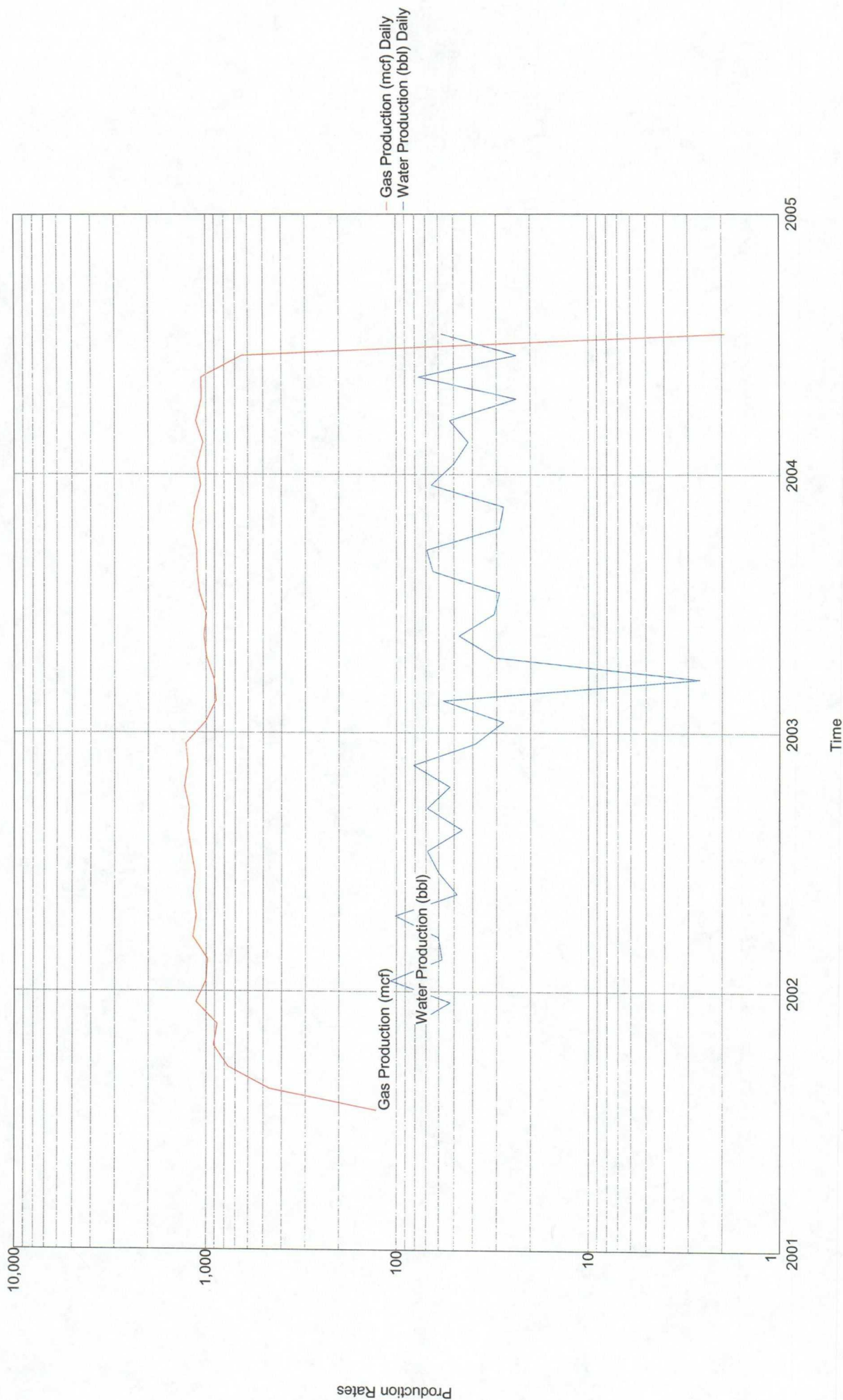
*** Actual Production in Black

*** Forecasted Production in Red

*** 2004 -- 1/2 year actual production and 1/2 year forecasted production

Lease Name: RATTLESNAKE CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 20 32N 8W NW SE NE

RATTLESNAKE CANYON - BASIN



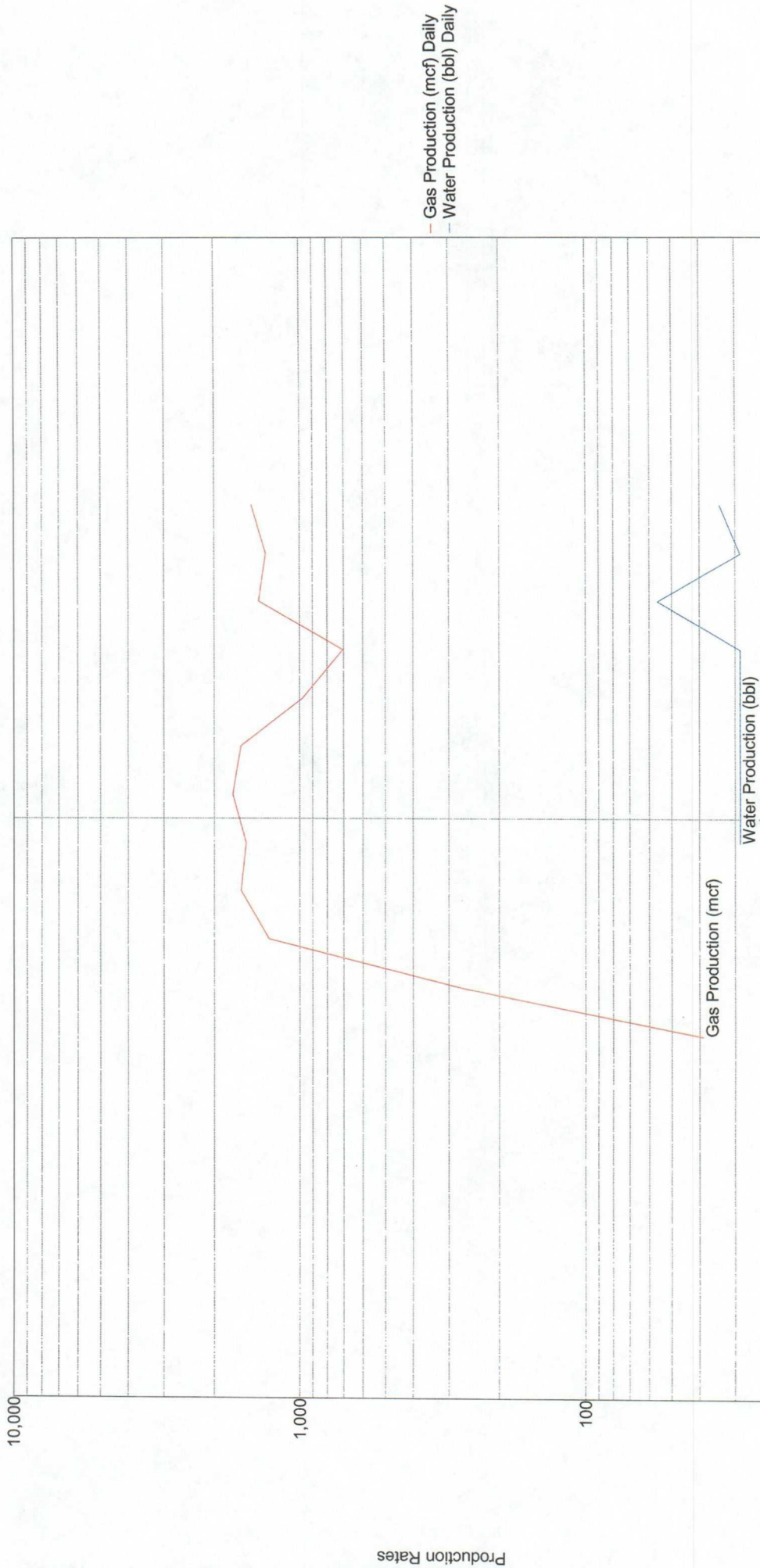
Rattlesnake Canyon # 105 Offset Wells

Well	Location	State	Current Gas Production	Peak Gas Production	Current Water Production	Production
San Juan 32-8 # 261	SW Section 17 T32NR8W	New Mexico	370	370	45	Incline
San Juan 32-8 # 262	NE Section 17 T32NR8W	New Mexico	300	400	25	Decline
32-8 # 229A	NW Section 20 T32NR8W	New Mexico	2000	2000	15	Incline
32-8 # 229	SW Section 20 T32NR8W	New Mexico	2100	2200	40	Plateau
Rattlesnake Canyon # 105S	SE Section 20 T32NR8W	New Mexico	1400	1400	35	Incline
Trail Canyon # 102	SW Section 21 T32NR8W	New Mexico	1500	2200	25	Incline
Trail Canyon # 104	NE Section 21 T32NR8W	New Mexico	600	775	30	Incline
Susco 16 State # 100	SW Section 16 T32NR8W	New Mexico	125	400	15	Decline
Average			1049	1218	29	

*** Wells on decline due to production optimization problems. Wells should still be on incline due to reservoir pressures greater than 1000 psi.

Lease Name: RATTLESNAKE CANYON
 County, State: SAN JUAN, NM
 Operator: BURLINGTON RESOURCES O&G CO LP
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 20 32N 8W SW NE SE

RATTLESNAKE CANYON - BASIN



2005

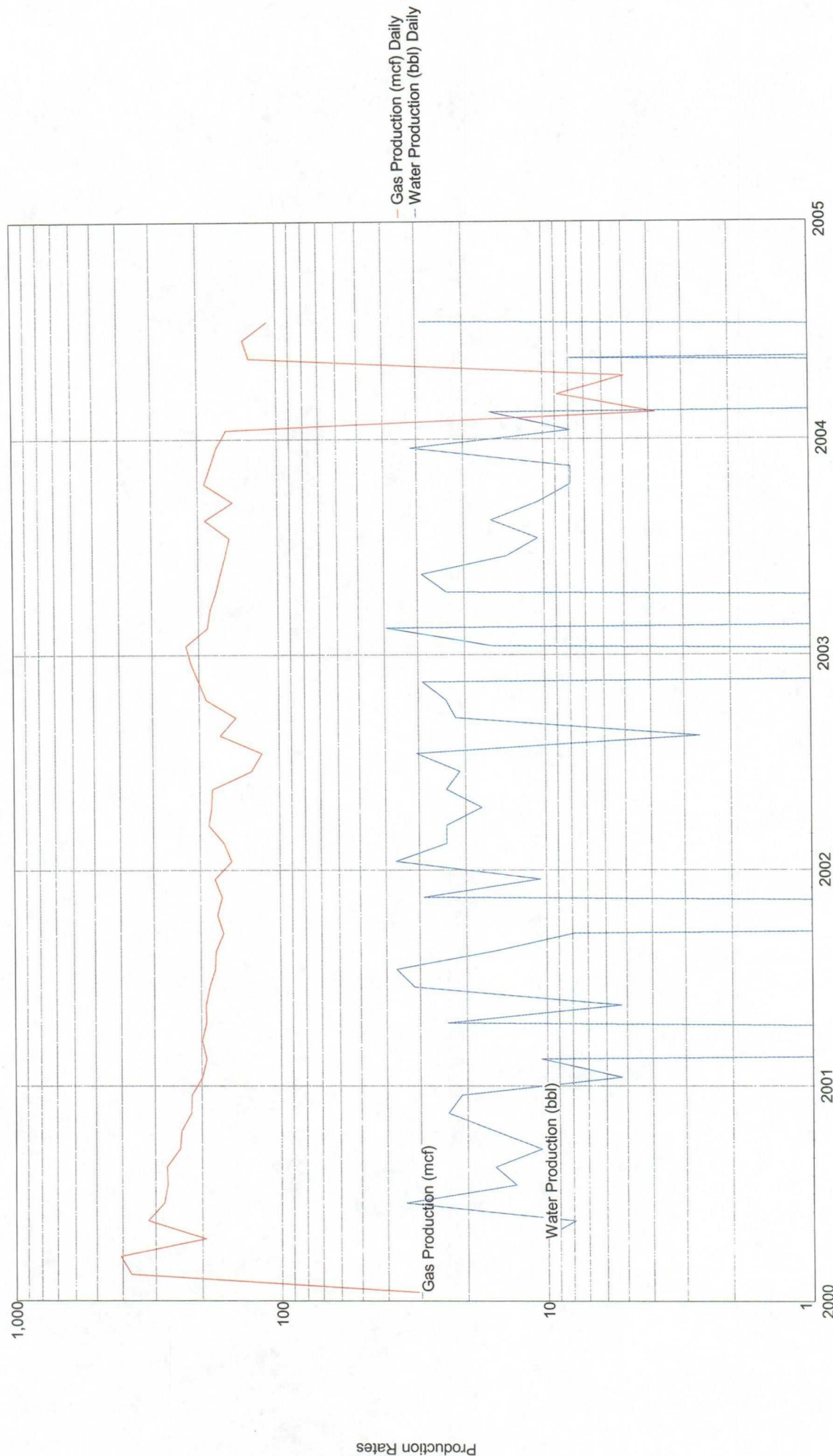
2004

2003

Time

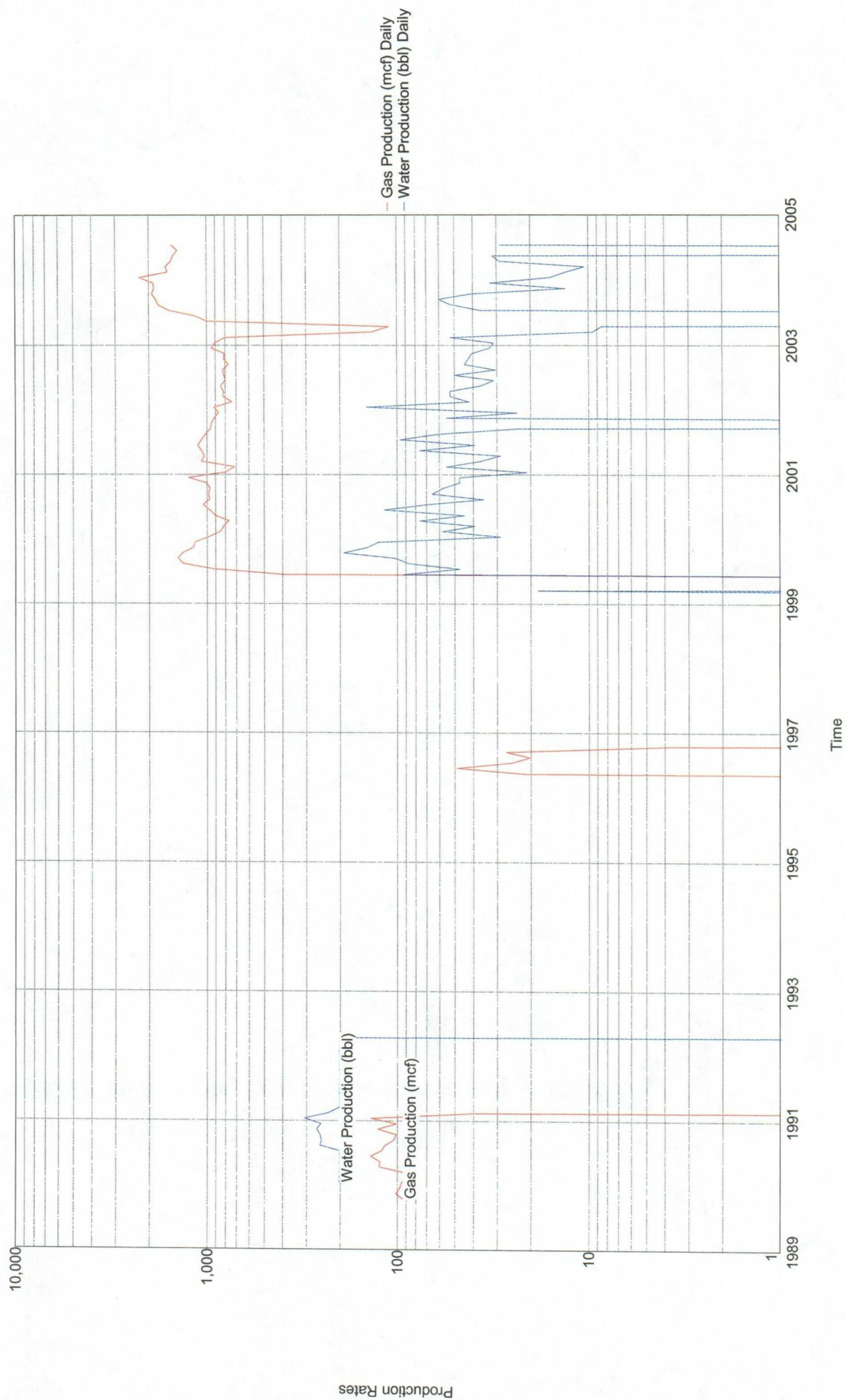
Lease Name: SUSCO 16 STATE
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 16 32N 8W SE NW SW

SUSCO 16 STATE - BASIN



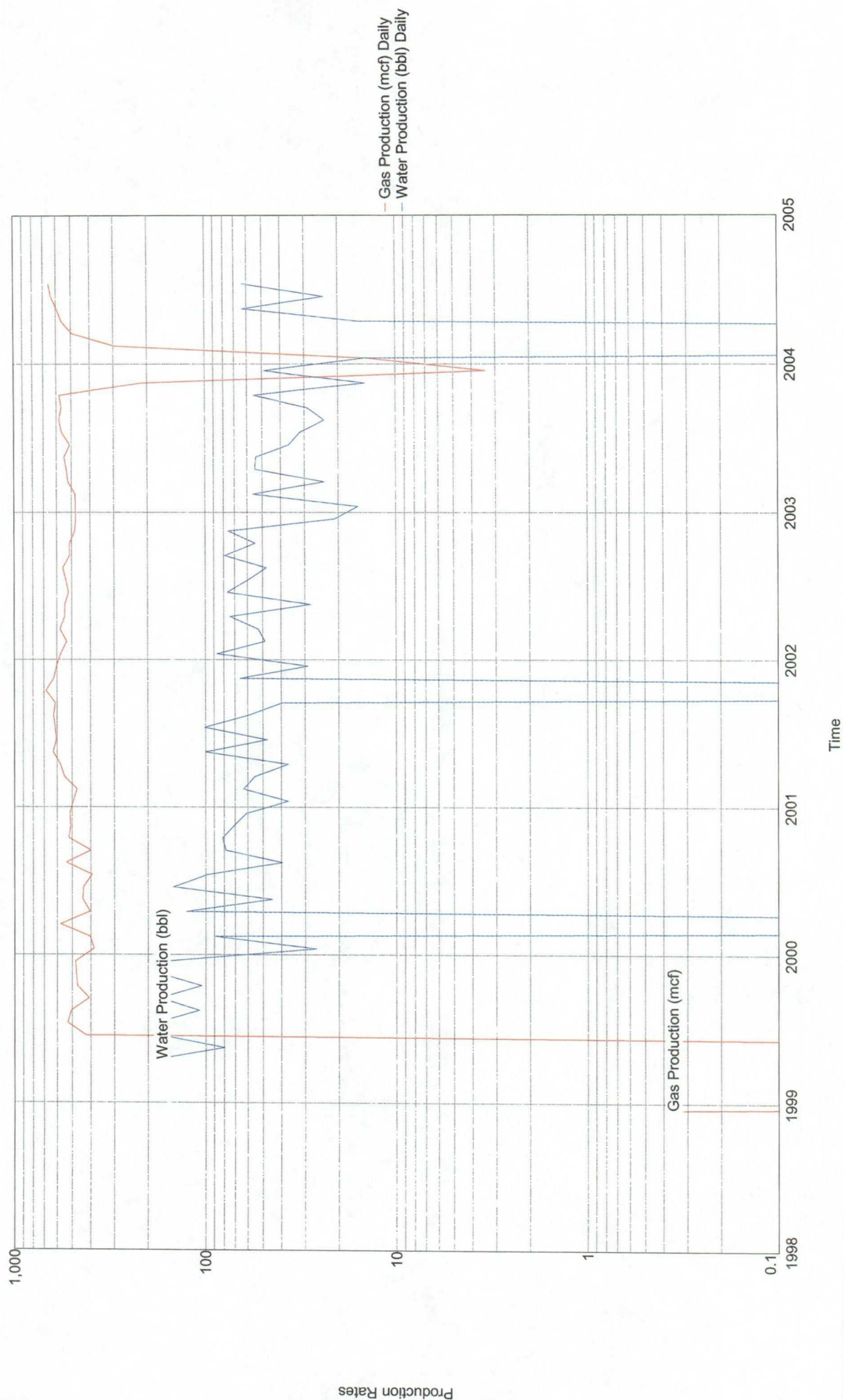
Lease Name: TRAIL CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 21 32N 8W NE SW SW

TRAIL CANYON - BASIN



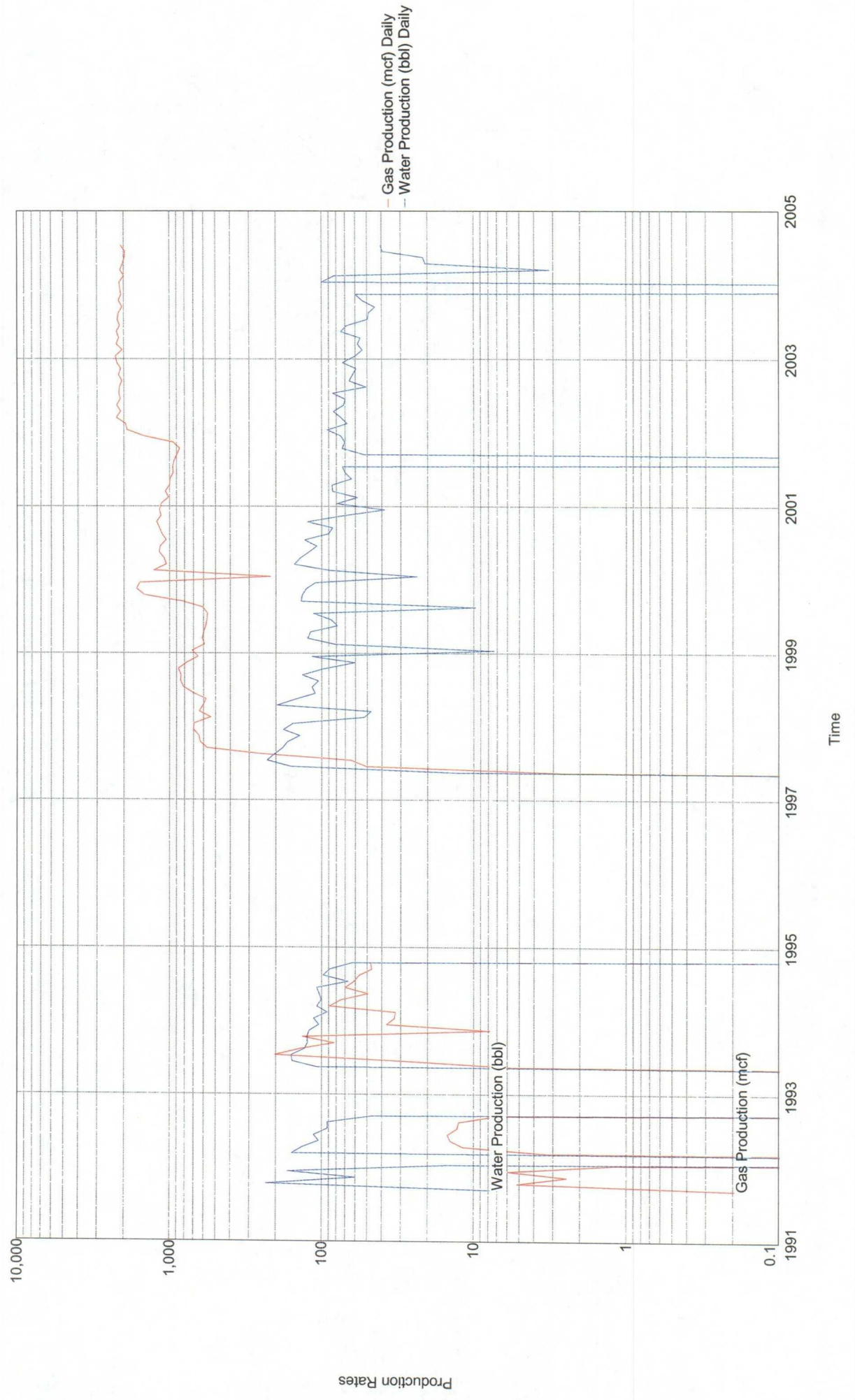
Lease Name: TRAIL CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 21 32N 8W NW SE NE

TRAIL CANYON - BASIN



Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 20 32N 8W NE NW SW

SAN JUAN 32 8 UNIT - BASIN



Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 20 32N 8W SE NW NW

SAN JUAN 32 8 UNIT - BASIN

