



Betty Dimiterchik
San Juan / Rockies
Three Westlake Park – 3WL-5061
P.O. Box 2197
Houston, Texas 77252-2197

August 2, 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
Fruitland Coal Formation
San Juan County, New Mexico
Contract: 040464 Lease: A650251

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 wells on the attached list are capable of producing unitized substances in paying quantities from the Fruitland Coal formation. Also attached is an economic summary and production data for each well. ConocoPhillips respectfully requests agency confirmation of the enclosed paying well determinations.

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 the undersigned at (832) 486-2339.

Respectfully yours,

A handwritten signature in black ink that reads "Betty Dimiterchik". The signature is written in a cursive style with a large, stylized 'B' and 'D'.

Betty Dimiterchik, Land Analyst
Coalbed Methane Asset Team
Bus: (832) 486-2339
Fax: (832) 486-2674



San Juan 32-8 Unit – 14-08-001-439
Commerciality Determination
Fruitland Coal Formation

Well Name	Dedication	Lease No.	Completion Date	Operator's Determination
SJ 32-8 #262	E/2 Sec. 17, T32N, R8W	SF-079013	7/29/2002	Commercial
SJ 32-8 #264	S/2 Sec. 9, T32N, R8W	NM-084809	8/18/2002	Commercial
SJ 32-8 #260	S/2 Sec. 18, T32N, R8W	SF-079353	9/6/2002	Commercial
SJ 32-8 #258	W/2 Sec. 15, T32N, R8W	SF-079353	9/16/2002	Commercial

SAN JUAN 32-8 UNIT
WORKING INTEREST OWNERS
FRUITLAND COAL

BURLINGTON RESOURCES OIL & GAS COMPANY
ATTN: SAN JUAN PROPERTIES ONLY
P.O. BOX 4289
FARMINGTON, NEW MEXICO 87499-4289

CBP SAN JUAN LIMITED PARTNERSHIP
C/O ABQ ENERGY GROUP
3022 CORRALES RD
CORRALES, NEW MEXICO 87048-0451

FOUR STAR OIL & GAS COMPANY
NOJV MANAGER – SAN JUAN BASIN
P.O. BOX 36366
HOUSTON, TX 77236

ANDREW B. KELLY, JR.
2575 SUNSET DR.
ATLANTA, GEORGIA 30345

CHARLES E KELLY
4585 JORDAN SPUR RD
BOZEMAN, MONTANA 59715

SUSANNA P KELLY
ATTN STEVE WILLIAMSON
PO BOX 1865
BOZEMAN, MONTANA 59771

SUSANNA P KELLY JR
8383 CHAPMAN
BOZEMAN, MONTANA 59715

WILLIAMS PRODUCTION COMPANY
ONE WILLIAMS CENTER
P O BOX 3102, MS 37-5
TULSA, OKLAHOMA 74101

WINTERGREEN ENERGY CORP
ATTN: ALICE J GARNER STE 125
P O BOX 820489
DALLAS, TEXAS 75382

CONOCOPHILLIPS COMPANY
600 N. DAIRY ASHFORD
WESTLAKE 3-5061
HOUSTON, TEXAS 77079



Commerciality Determination

**SJ 32-8 Unit #258
Fruitland Coal
SW, Sec 15, T32N, R8W
San Juan County, NM
API: 30-045-30987**

This Fruitland Coal well was spud on 4/28/02 by Phillips Petroleum and completed on 9/16/02.

The actual capital investment of \$758,000 for open hole cavity completion and fracing the 32-8 # 258 Fruitland coal well was used in this determination. Actual operating costs for this well are \$45,000/year.

Income was based on a flat non-escalated value of \$4.35/mmBTU. The 32-8 # 258 has a gas content of 900 BTU, therefore the gas price used for this well was \$3.915/MCF.

The downhole pump failed in November 2003 on the 32-8 # 258. A rig fixed the pump on 5/26/2004. The well has inclined from 118 MCFD back up to 300 MCFD due to the pump replacement within two months.

Current reservoir pressure for this well is 1100 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcf/d)
May-03	335
June-03	325
July-03	302
August-03	355
September-03	340
October-03	329
November-03	280
December-03	283
January-04	236
February-04	166
March-04	159
April-04	139
May-04	118

US Summary Report

SJ 32-8 # 258

Nominal

Case Description

Notes Commercial economics for drilling and completing the San Juan 32-8 # 258.

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 Res & Tax M\$	Before Tax Cap. Inv M\$	Before Tax Cash Flow M\$	After Tax Cash Flow M\$	Cash PI
0.0	3,014	758	2,256	1,376	3.00
8.0	1,857	729	1,128	660	2.11
10.0	1,671	723	949	545	1.94
11.0	1,589	719	870	494	1.85
13.0	1,442	713	729	404	1.71
15.0	1,316	707	609	327	1.58
18.0	1,157	698	459	230	1.41

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	% 34.7	29.1
Cash Breakeven	Years 3.6	3.82
NPV @ 13%	M\$ 729	404
13% PI (cash)	M\$/M\$ 1.71	
13% PI (capital)	M\$/M\$ 1.57	
NPV @ 10%	M\$ 949	545
10% PI (cash)	M\$/M\$ 1.94	
10% PI (capital)	M\$/M\$ 1.75	
Dev Cost/BOE	\$/BOE 3.74	
Economic Limit Date	2031/01	
Last Scheduled Prod Date	2027/12	
Date of first production	2002/09	
Date of first investment	2002/04	
Discount Date	2002/04	

Products Recovery (US)::ConocoPhillips

	Gross	Gross Economic	WI	Roy	Net
Oil	MSTB 0	0	0	0	0
Gas-Raw	MMSCF 1,474	1,474	1,474	258	1,216
Gas-Sales	MMSCF 1,474	1,474	1,474	258	1,216
Ethane	MSTB 0	0	0	0	0
Propane	MSTB 0	0	0	0	0
Butane	MSTB 0	0	0	0	0
Cond.	MSTB 0	0	0	0	0
Sulphur	MLt 0	0	0	0	0
Other	MSTB 0	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 \$/bbl	Gas Price \$/mcf	Gross # of Wells	Total NRI Revenue M\$	Total Prod Taxes M\$	Total Opcosts M\$	Income Before Reserves & Taxes M\$	Total Capital M\$	BTAX Cash Flow M\$	ATAX Cash Flow M\$	ATAX Cash Flow Disc. 10% M\$	ATAX Cash Flow Disc 13% M\$
	MSTB	MMSCF	MSTB	MMSCF												
2002(12)	0.00	19.17	0.00	15.82	0.00	1.74	1.0	61.93	5.69	45.00	11.24	758.00	-746.76	-604.77	-576.63	-568.92
2003(12)	0.00	113.36	0.00	93.52	0.00	3.91	1.0	366.15	33.65	45.00	287.50	0.00	287.50	214.87	186.25	178.88
2004(12)	0.00	85.27	0.00	70.35	0.00	3.91	1.0	275.40	25.31	45.00	205.10	0.00	205.10	156.33	123.18	115.17
2005(12)	0.00	123.44	0.00	101.84	0.00	3.91	1.0	398.69	36.64	45.00	317.05	0.00	317.05	218.71	156.67	142.59
2006(12)	0.00	123.44	0.00	101.84	0.00	3.91	1.0	398.69	36.64	45.00	317.05	0.00	317.05	214.49	139.68	123.75
2007(12)	0.00	122.42	0.00	101.00	0.00	3.91	1.0	395.40	36.34	45.00	314.07	0.00	314.07	207.88	123.07	106.14
2008(12)	0.00	109.54	0.00	90.37	0.00	3.91	1.0	353.78	32.51	45.00	276.27	0.00	276.27	179.08	96.38	80.92
2009(12)	0.00	94.81	0.00	78.22	0.00	3.91	1.0	306.22	28.14	45.00	233.08	0.00	233.08	147.46	72.15	58.96
2010(12)	0.00	82.83	0.00	68.33	0.00	3.91	1.0	267.52	24.59	45.00	197.94	0.00	197.94	120.74	53.71	42.73
2011(12)	0.00	72.78	0.00	60.04	0.00	3.92	1.0	235.06	21.60	45.00	168.46	0.00	168.46	102.76	41.55	32.18
2012(12)	0.00	64.45	0.00	53.17	0.00	3.91	1.0	208.17	19.13	45.00	144.04	0.00	144.04	87.86	32.30	24.35
2013(12)	0.00	57.05	0.00	47.06	0.00	3.91	1.0	184.25	16.93	45.00	122.32	0.00	122.32	74.61	24.93	18.30
2014(12)	0.00	50.86	0.00	41.96	0.00	3.91	1.0	164.29	15.10	45.00	104.19	0.00	104.19	63.56	19.31	13.79
2015(12)	0.00	45.55	0.00	37.58	0.00	3.91	1.0	147.11	13.52	45.00	88.59	0.00	88.59	54.04	14.93	10.38
2016(12)	0.00	41.05	0.00	33.86	0.00	3.91	1.0	132.58	12.18	45.00	75.40	0.00	75.40	45.99	11.55	7.82
2017(12)	0.00	36.93	0.00	30.46	0.00	3.91	1.0	119.27	10.96	45.00	63.31	0.00	63.31	38.62	8.81	5.81
2018(12)	0.00	33.43	0.00	27.58	0.00	3.91	1.0	107.97	9.92	45.00	53.05	0.00	53.05	32.36	6.71	4.31
2019(12)	0.00	30.36	0.00	25.04	0.00	3.91	1.0	98.05	9.01	45.00	44.04	0.00	44.04	26.86	5.07	3.16
2020(12)	0.00	27.72	0.00	22.87	0.00	3.91	1.0	89.53	8.23	45.00	36.30	0.00	36.30	22.15	3.80	2.31
2021(12)	0.00	25.25	0.00	20.83	0.00	3.91	1.0	81.54	7.49	45.00	29.05	0.00	29.05	17.72	2.76	1.63
2022(12)	0.00	23.12	0.00	19.07	0.00	3.91	1.0	74.67	6.86	45.00	22.81	0.00	22.81	13.92	1.97	1.14
2023(12)	0.00	21.23	0.00	17.51	0.00	3.91	1.0	68.55	6.30	45.00	17.25	0.00	17.25	10.52	1.36	0.76
2024(12)	0.00	19.58	0.00	16.16	0.00	3.91	1.0	63.25	5.81	45.00	12.44	0.00	12.44	7.59	0.89	0.49
2025(12)	0.00	18.01	0.00	14.86	0.00	3.91	1.0	58.17	5.35	45.00	7.82	0.00	7.82	4.77	0.51	0.27
2026(12)	0.00	16.65	0.00	13.73	0.00	3.91	1.0	53.76	4.94	45.00	3.82	0.00	3.82	2.33	0.23	0.12
2027(12)	0.00	15.41	0.00	12.72	0.00	3.91	1.0	49.79	4.58	45.00	0.21	0.00	0.21	0.13	0.01	0.01
2028(12)	0.00	0.00	0.00	0.00	0.00	0.00	1.0	0.00	0.00	45.00	-45.00	0.00	-45.00	-27.45	-2.20	-1.08
2029(12)	0.00	0.00	0.00	0.00	0.00	0.00	1.0	0.00	0.00	45.00	-45.00	0.00	-45.00	-27.45	-2.00	-0.95
2030(12)	0.00	0.00	0.00	0.00	0.00	0.00	1.0	0.00	0.00	45.00	-45.00	0.00	-45.00	-27.45	-1.81	-0.84
2031(12)	0.00	0.00	0.00	0.00	0.00	0.00	1.0	0.00	0.00	3.82	-3.82	0.00	-3.82	-2.33	-0.14	-0.06
Total	0.00	1,473.68	0.00	1,215.78	---	---	---	4,759.79	437.42	1,308.82	3,013.54	758.00	2,255.54	1,375.88	545.00	404.09

NAP Gross Cost Report

32-8 # 258

SARP-ZPSARNAP
 System: PRD-010
 Variant:

NAP Gross Cost Report

07/29/04 07:34:17
 Page: 1

Help Notes:

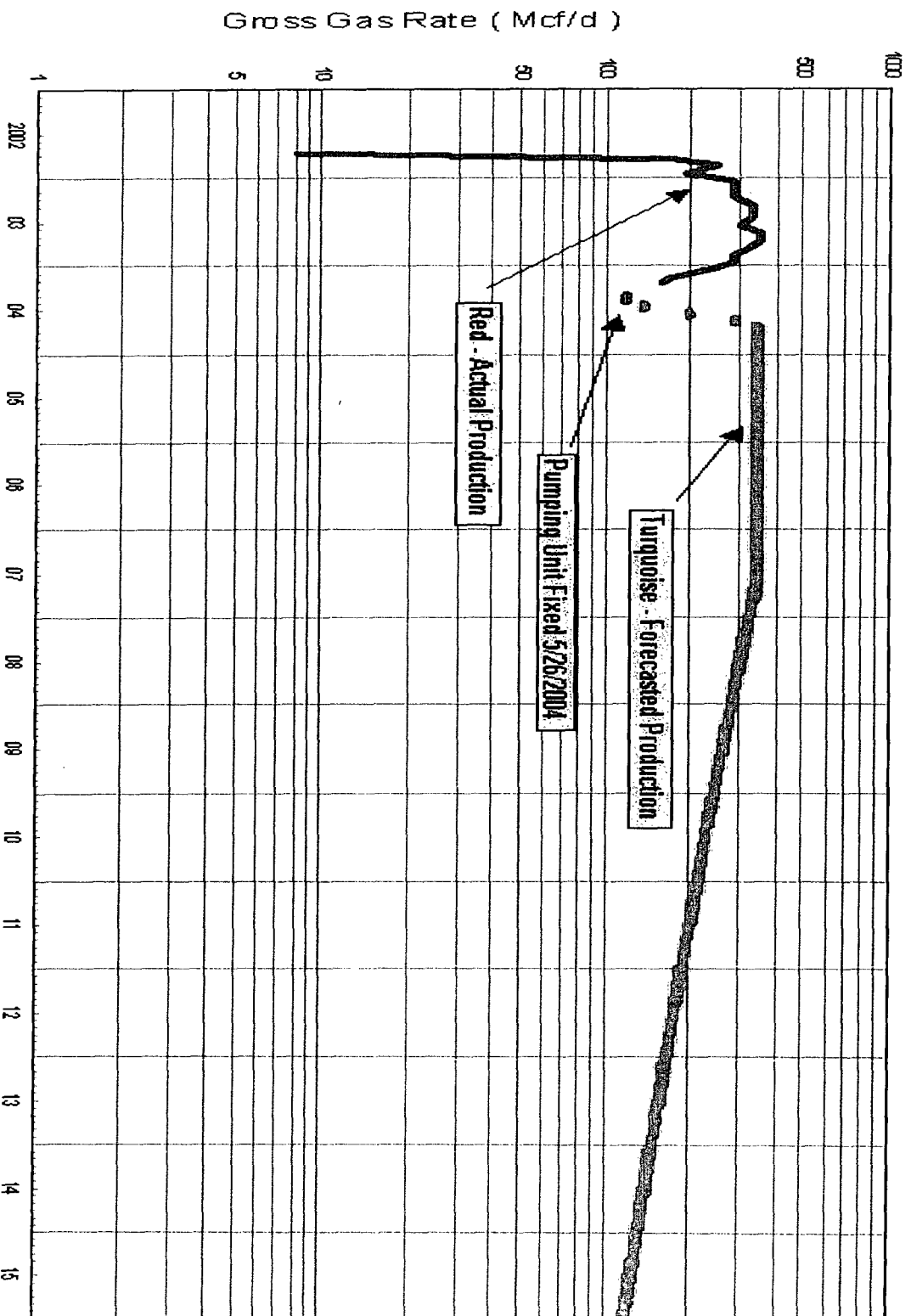
Click on the Descriptions to see Period Drill-down

Click on the Costs for Line Items and close the window before choosing another Line Item.

Click on the Cost Object for Value Category & Transaction.

		Budget	Planned	Actual	Commit	Assigned	Available
-	WAS J2V 0001	0	757,774	757,914	0	757,914	26,140
•	WAS J2V 0001 01	0	497,558	536,839	0	536,839	39,281
•	WAS J2V 0001 02	0	234,216	221,075	0	221,075	13,141

32-8 # 258 Production Forecast



32-8 # 258 Past Production and Forecast

Date	Average Daily Gas Production (MCFD)	Total Gas Production (MCF)	
2002	157	19,174.00	
2003	311	113,363	
2004	233	85,268	*** Fixed Pumping Unit 5/26/2004
2005	338	123,437	
2006	338	123,437	
2007	335	122,421	
2008	299	109,535	
2009	260	94,809	
2010	227	82,827	
2011	199	72,776	
2012	176	64,450	
2013	156	57,046	
2014	139	50,865	
2015	125	45,547	
2016	112	41,048	
2017	101	36,926	
2018	92	33,428	
2019	83	30,356	
2020	76	27,720	
2021	69	25,246	
2022	63	23,120	
2023	58	21,225	
2024	54	19,583	
2025	49	18,009	
2026	46	16,645	
2027	42	15,414	

Cumulative Production

1,474 MMCF

*** Actual Production in Black

*** Forecasted Production in Red

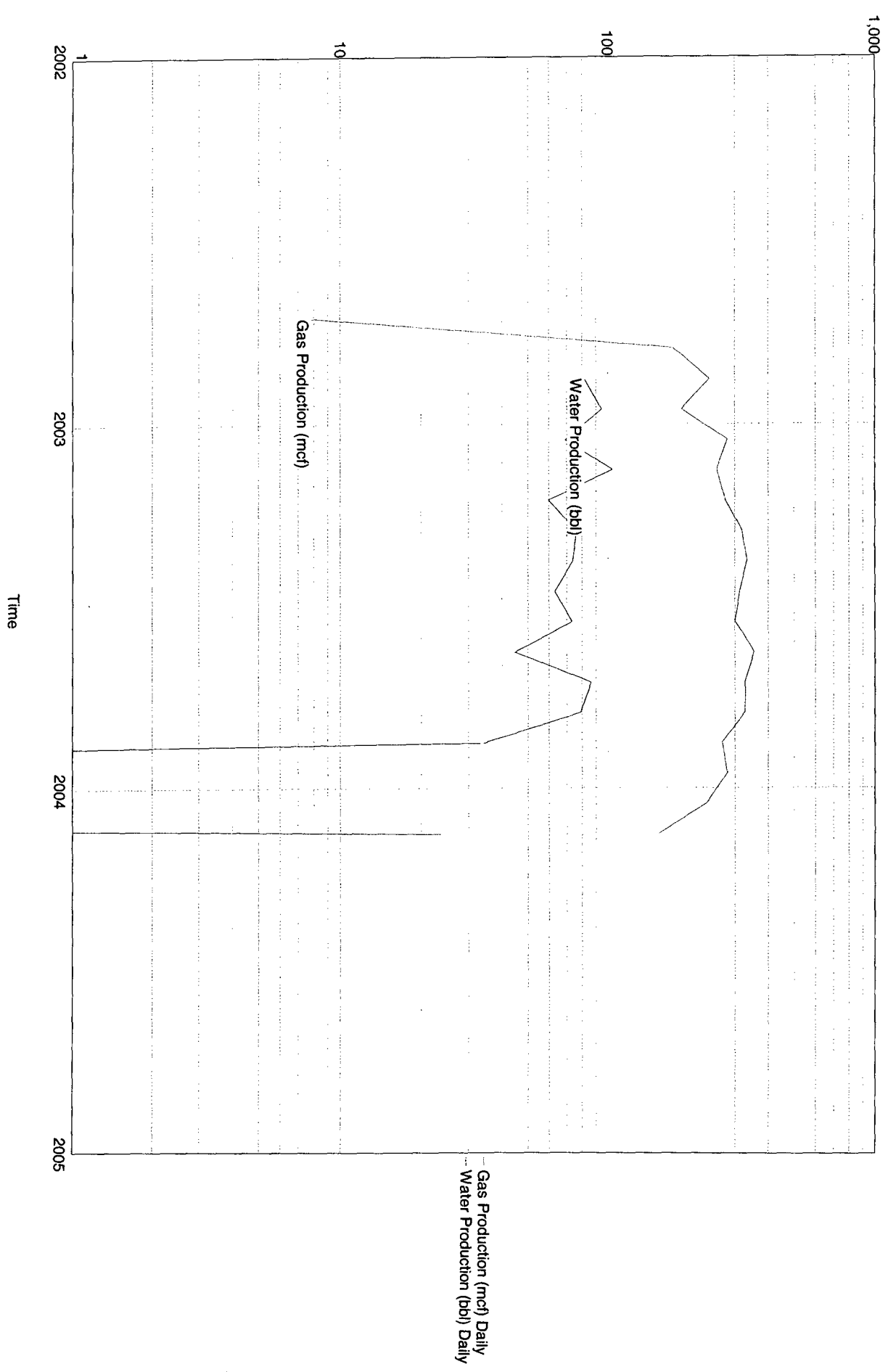
*** 2004 -- 1/2 year actual production and 1/2 year forecasted production

Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 15 32N 8W NW NE SW

32-8 # 258

SAN JUAN 32 8 UNIT - BASIN

Production Rates



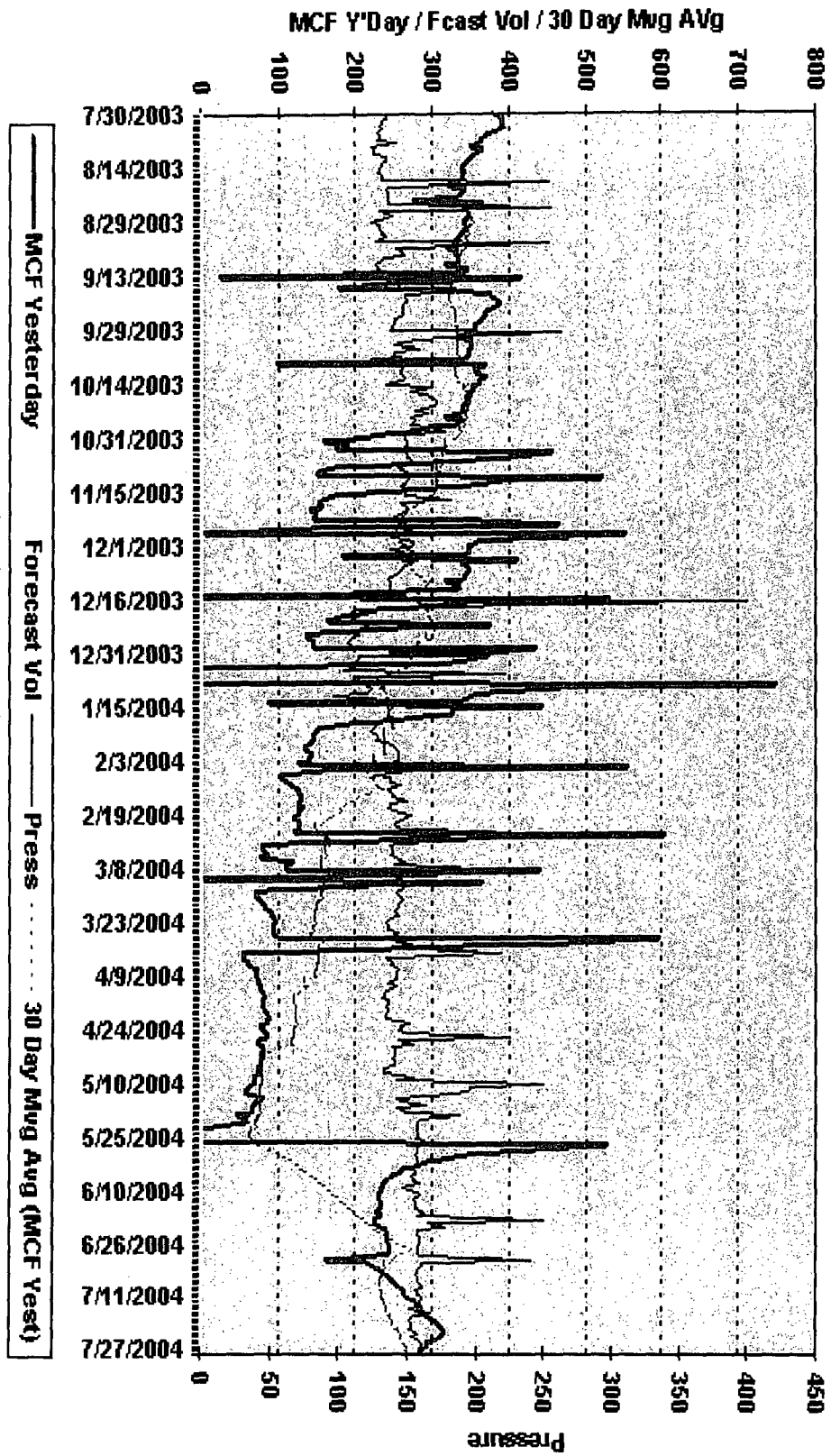
nono

San Juan Gas Production - 365 Day

7/29/2004 12:30:46 PM

98-564-01 SANJUAN 32-8 258 FC

Dan Debrick



32-8 # 258 Offset Wells

Well	Location	State	Current		Peak	Current		Production
			Gas Production			Gas Production	Water Production	
Susco 16 State # 101	NE Section 16 T32NR8W	New Mexico	10		200	12	Decline ?	
Reese Mesa # 102	SE Section 10 T32NR8W	New Mexico	275		275	20	Incline	
Trail Canyon # 104	NE Section 21 T32NR8W	New Mexico	600		775	30	Plateau	
San Juan 32-8 # 259A	SE Section 22 T32NR8W	New Mexico	750		750	40	Incline	
San Juan 32-8 # 213	SW Section 22 T32NR8W	New Mexico	675		900	25	Decline ?	
San Juan 32-8 # 254	SW Section 23 T32NR8W	New Mexico	250		260	22	Decline ?	
Reese Mesa # 7	SW Section 11 T32NR8W	New Mexico	150		250	0	Decline ?	
Reese Mesa # 100	SW Section 13 T32NR8W	New Mexico	55		55	15	Incline	
Average			346		433	21		

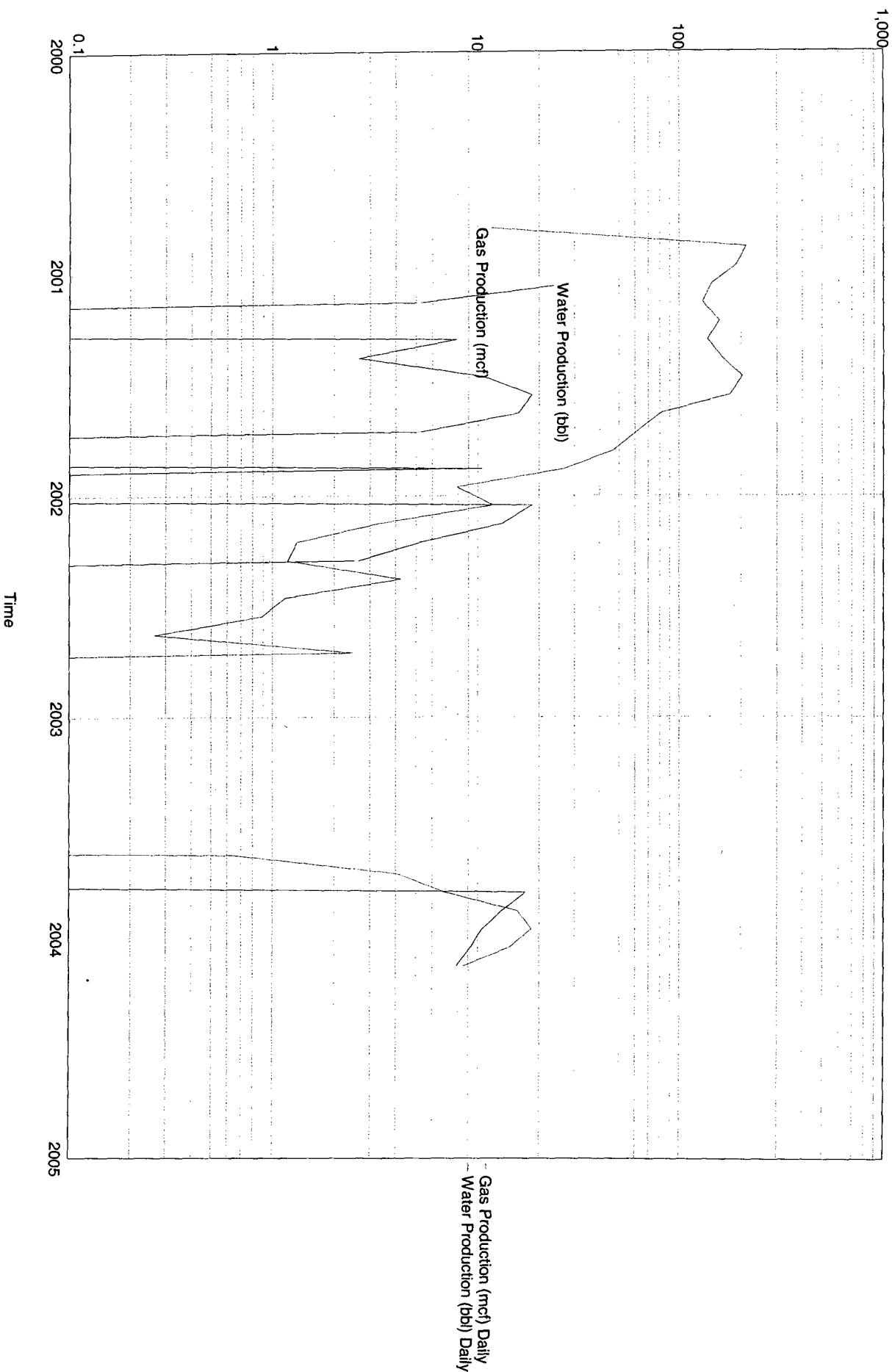
*** Wells on decline due to production optimization problems. Wells should still be on incline due to reservoir pressures greater than 1100 psi.

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 NE SW NE

Susco 16 State # 101

SUSCO 16 STATE - BASIN

Production Rates

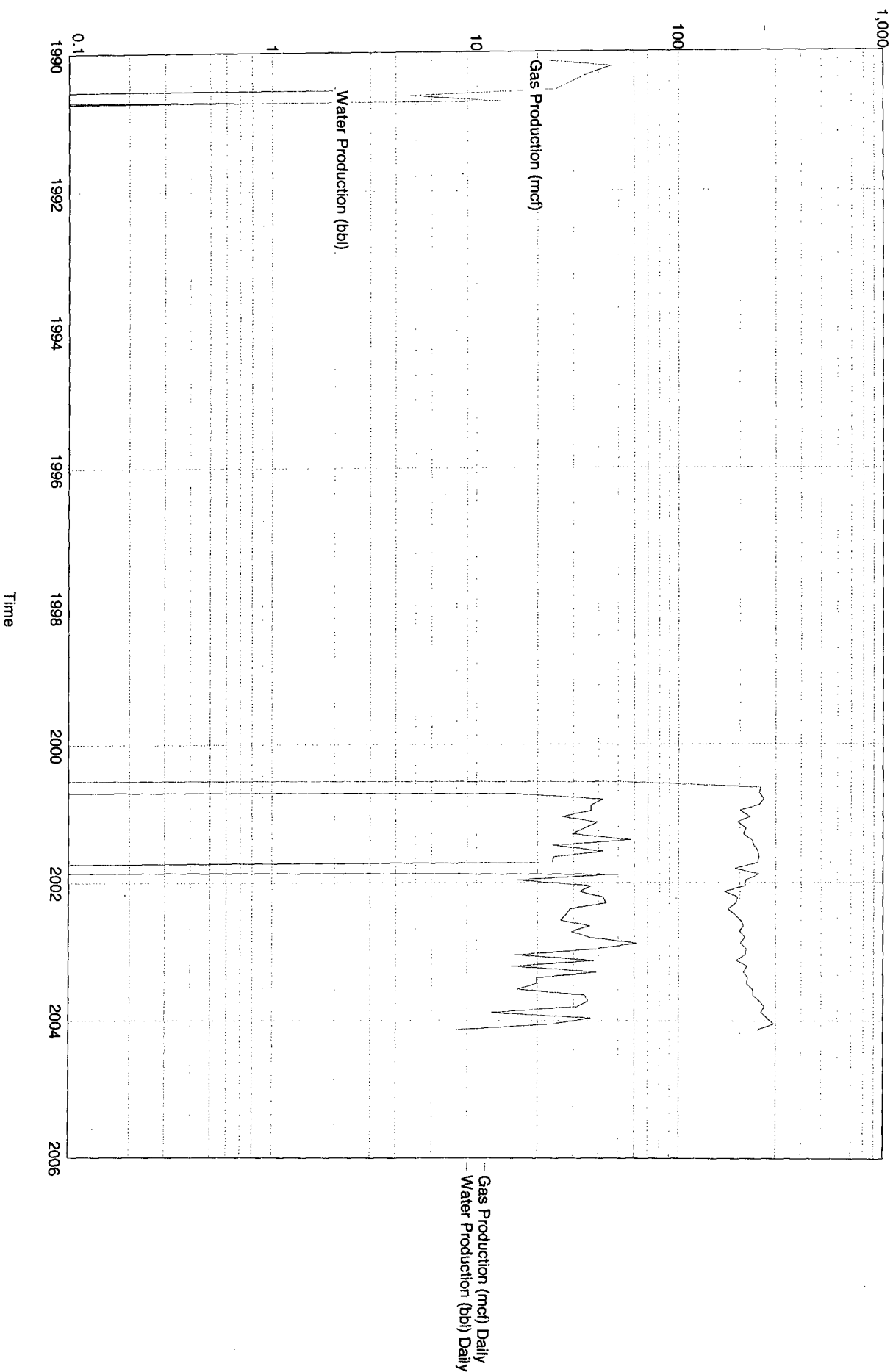


Lease Name: REESE MESA
 County, State: SAN JUAN, NM
 Operator: BURLINGTON RESOURCES O&G CO LP
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 10 32N 8W SE NW SE

Reese Mesa # 102

REESE MESA - BASIN

Production Rates

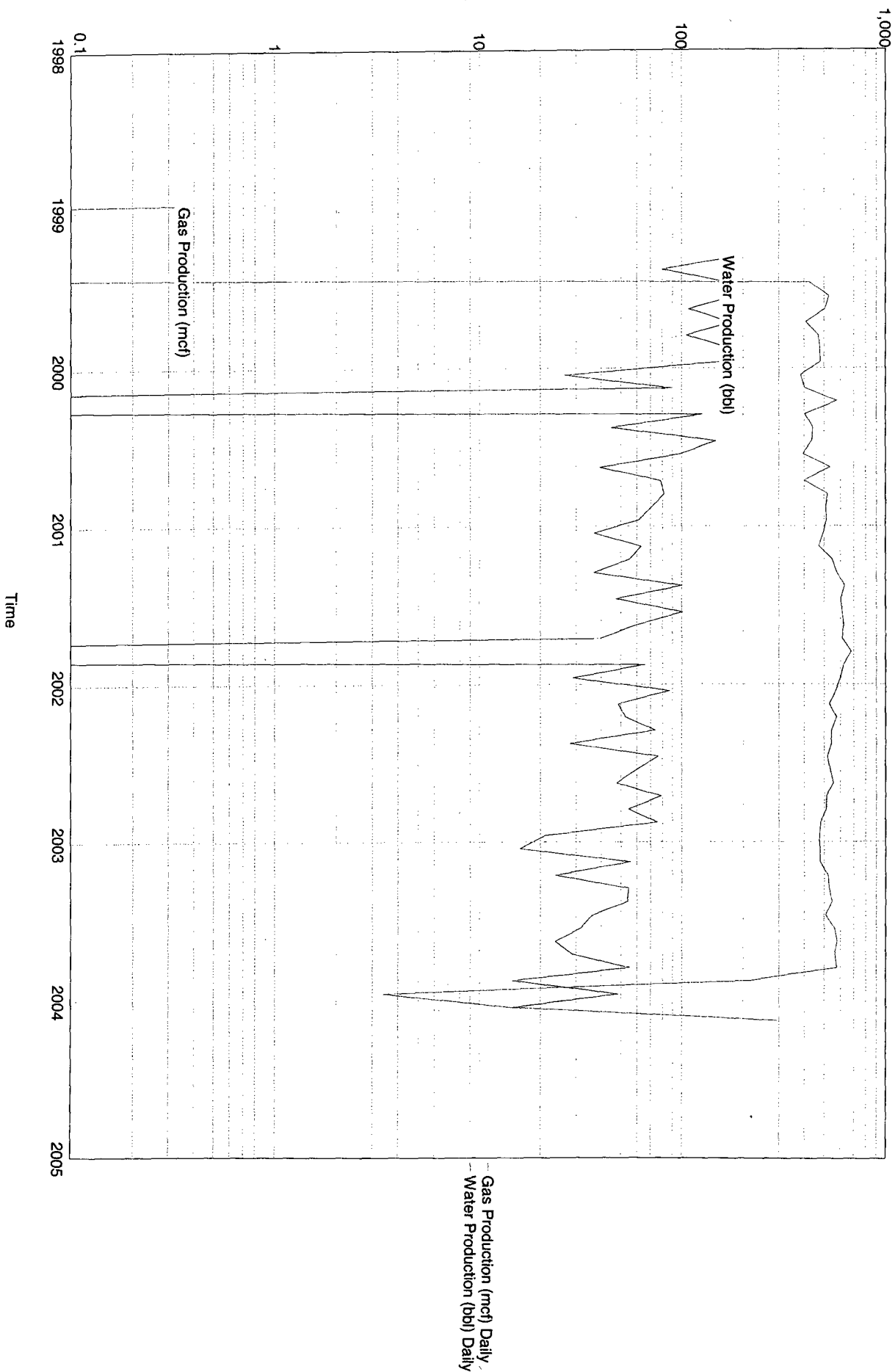


Lease Name: TRAIL CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 21 32N 8W NW SE NE

Trail Canyon #104

TRAIL CANYON - BASIN

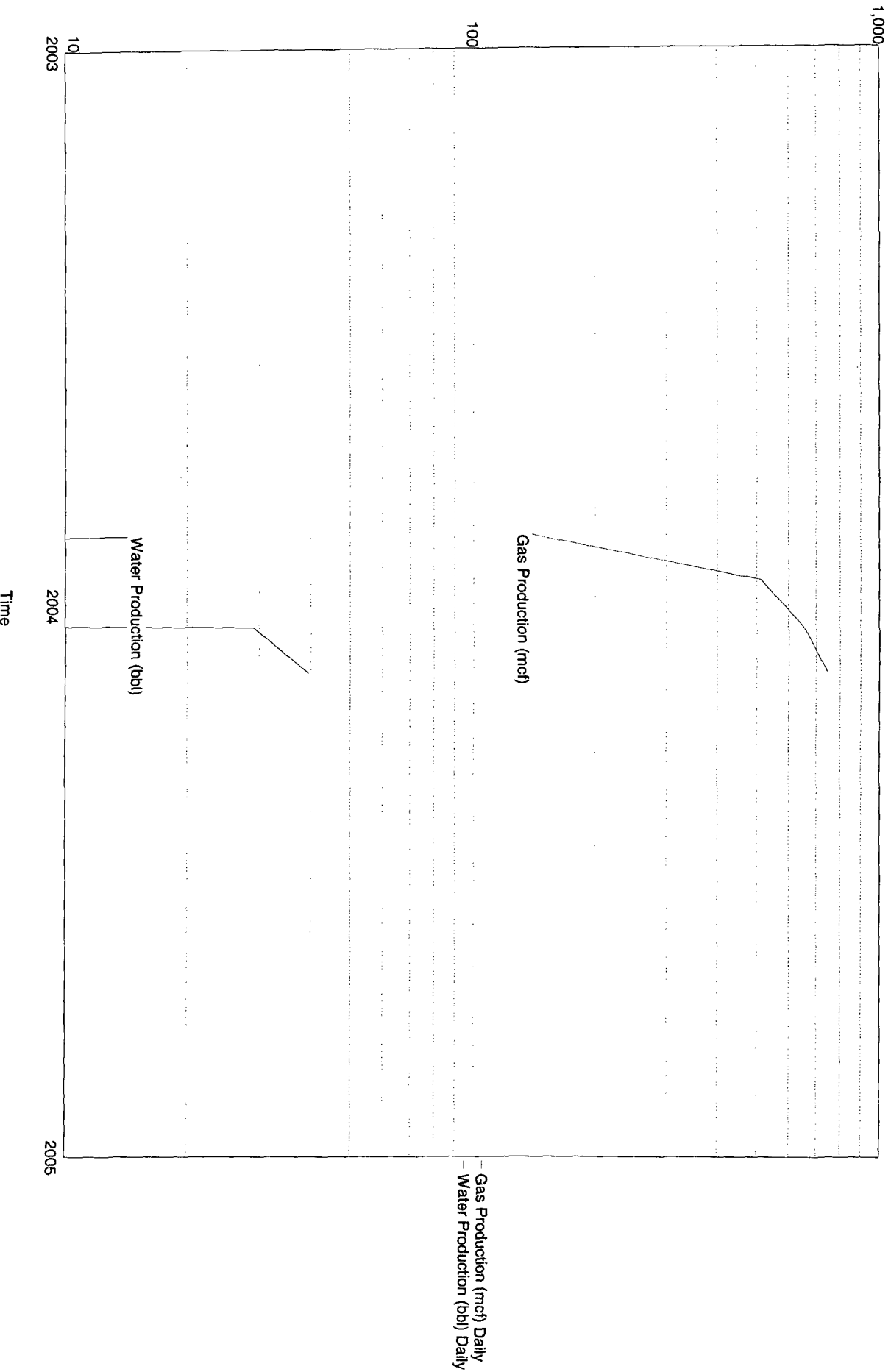
Production Rates



Lease Name: SAN JUAN 32 8 UNIT
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 22 32N 8W NW SE SE

32-8 # 259A

SAN JUAN 32 8 UNIT - BASIN

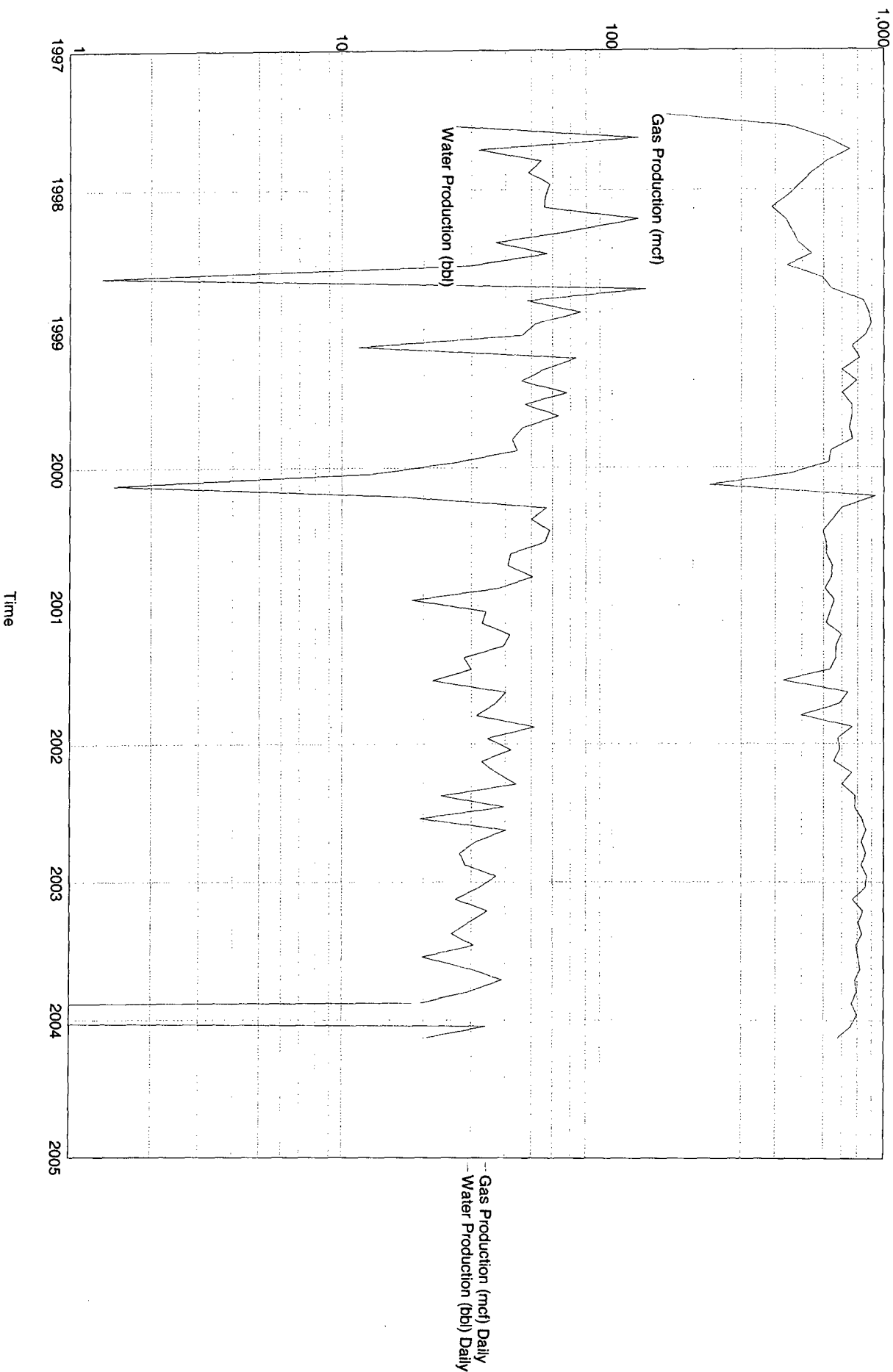


Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 22 32N 8W SE SW

32-8 # 213

SAN JUAN 32 8 UNIT - BASIN

Production Rates

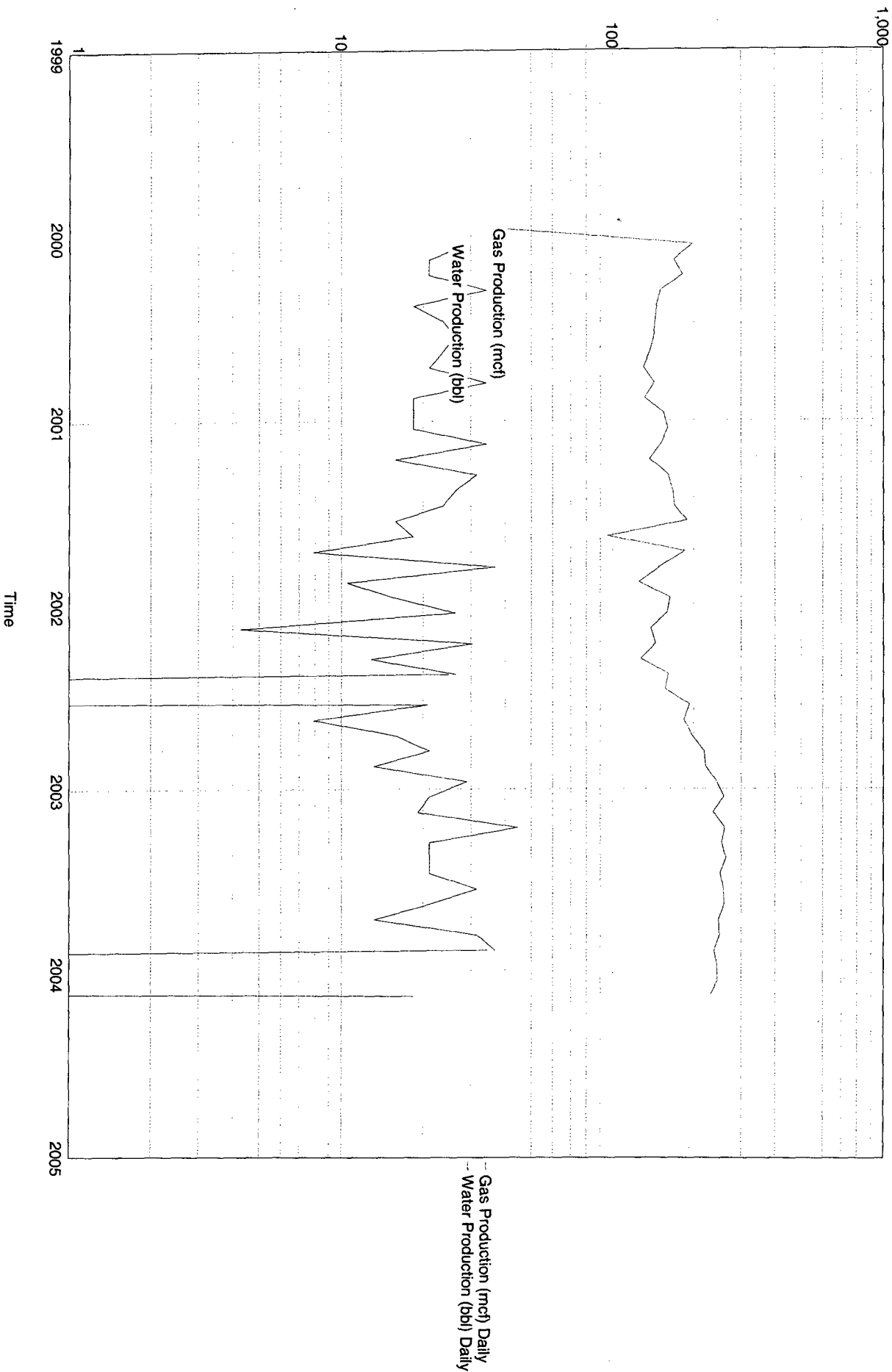


Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 23 32N 8W SW SW

32-8 # 254

SAN JUAN 32 8 UNIT - BASIN

Production Rates

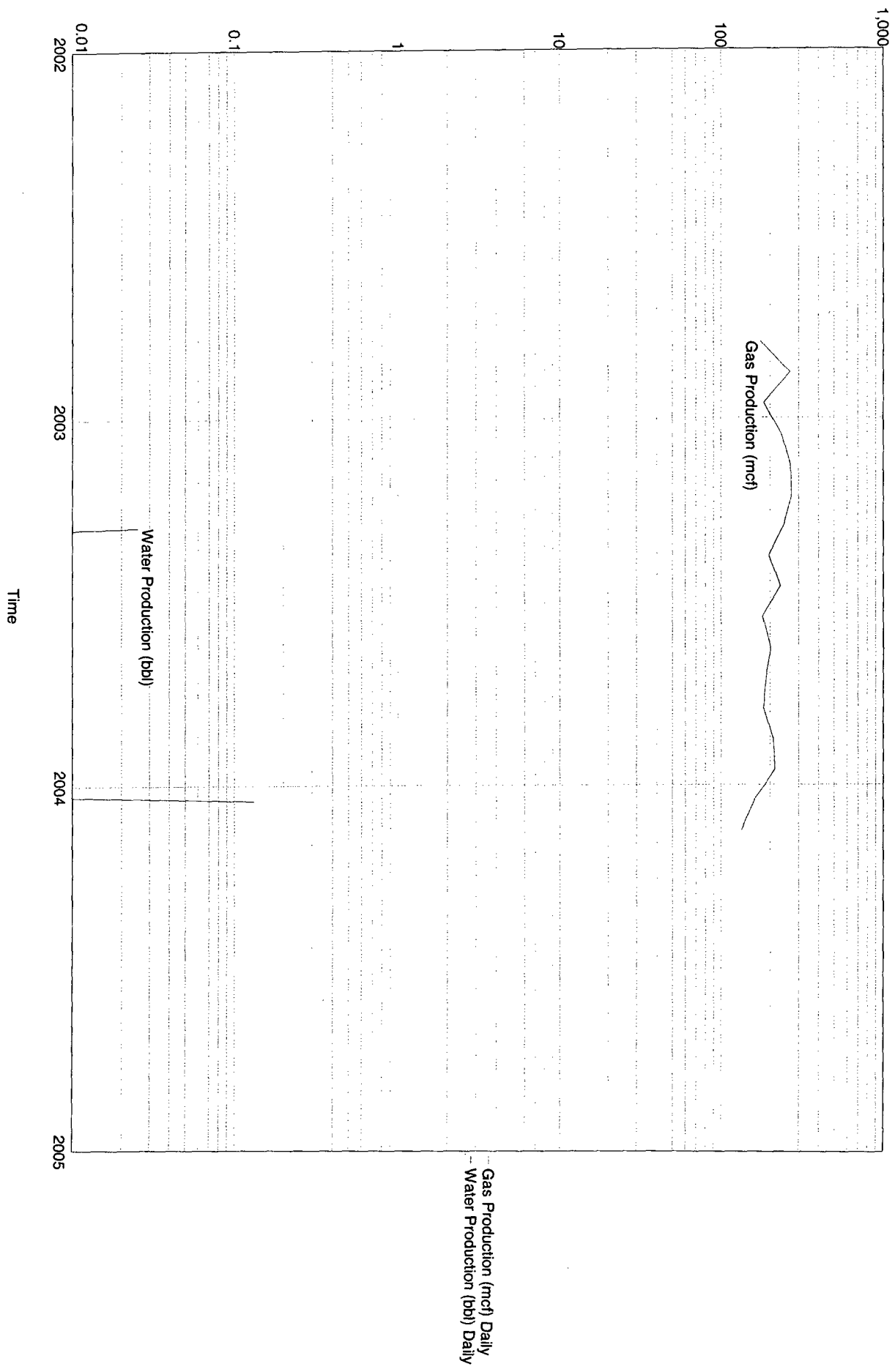


Lease Name: REESE MESA
 County, State: SAN JUAN, NM
 Operator: BURLINGTON RESOURCES O&G CO LP
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 11 32N 8W SE NW SW

Reese Mesa # 7

REESE MESA - BASIN

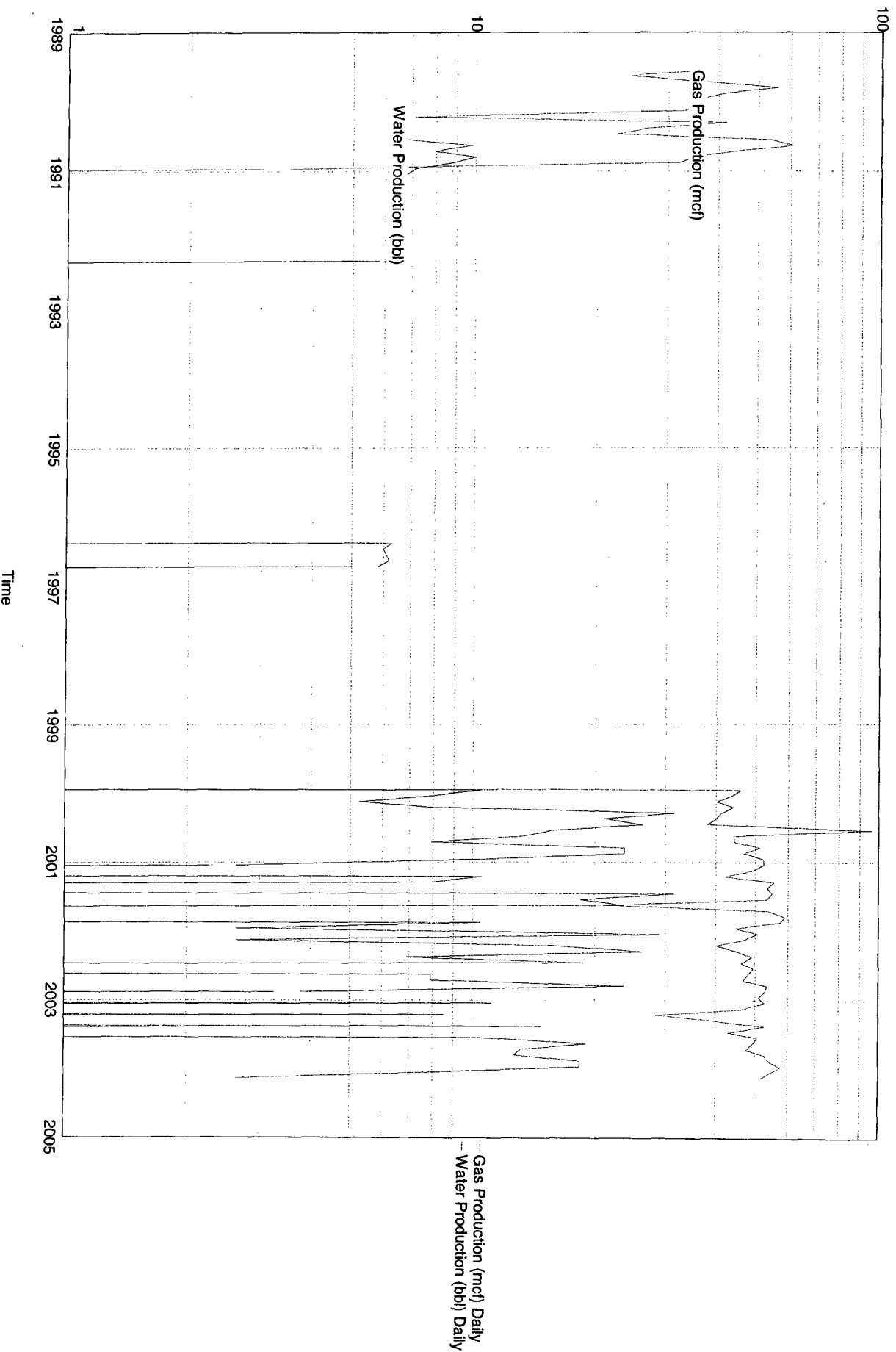
Production Rates



Lease Name: REESE MESA
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 13 32N 8W SE NW SW

Reese Mesa # 100

REESE MESA - BASIN





Commerciality Determination

**SJ 32-8 Unit #260
Fruitland Coal
SW, Sec 18, T32N, R8W
San Juan County, NM
API: 30-045-30996**

This Fruitland Coal well was spud on 6/10/02 by Phillips Petroleum and completed on 9/6/02.

The actual capital investment of \$623,000 for open hole cavity completion of the 32-8 # 260 Fruitland coal well was used in this determination. Actual operating costs for this well are \$55,000/year.

Income was based on a flat non-escalated value of \$4.35/mmBTU. The 32-8 # 258 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 1050 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcf)
May-03	280
June-03	242
July-03	240
August-03	250
September-03	279
October-03	407
November-03	400
December-03	389
January-04	382
February-04	419
March-04	411
April-04	589
May-04	653

US Summary Report

SJ 32-8 # 260

Nominal

Case Description

Notes Commercial economics for drilling and completing the San Juan 32-8 # 260.

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	6,073	623	5,450	3,325	7.08
8.0	3,458	599	2,858	1,720	4.33
10.0	3,075	594	2,481	1,486	3.91
11.0	2,908	591	2,317	1,383	3.72
13.0	2,613	586	2,027	1,203	3.39
15.0	2,363	581	1,782	1,050	3.10
18.0	2,051	574	1,478	860	2.75

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

Oil	Base
Gas	Base
Interests	Base
Opcoats	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	%	65.4
Cash Breakeven	Years	2.4
NPV @ 13%	M\$	2,027
13% PI (cash)	M\$/M\$	3.39
13% PI (capital)	M\$/M\$	3.05
NPV @ 10%	M\$	2,481
10% PI (cash)	M\$/M\$	3.91
10% PI (capital)	M\$/M\$	3.50
Dev Cost/BOE	\$/BOE	1.70
Economic Limit Date	2034/01	
Last Scheduled Prod Date	2033/12	
Date of first production	2002/11	
Date of first investment	2002/06	
Discount Date	2002/06	

Products Recovery (US)::ConocoPhillips

	Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0
Gas-Raw	MMSCF	2,672	2,672	468	2,205
Gas-Sales	MMSCF	2,672	2,672	468	2,205
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 Opcoats	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\$
2002(12)	0.00	0.47	0.00	0.39	0.00	1.12	1.0	1.52	0.14	55.00	-53.62	623.00	-676.62	-535.40	-510.49	-503.67
2003(12)	0.00	97.02	0.00	80.04	0.00	3.91	1.0	313.36	28.80	55.00	229.56	0.00	229.56	172.49	149.51	143.60
2004(12)	0.00	215.32	0.00	177.64	0.00	3.92	1.0	695.46	63.91	55.00	576.55	0.00	576.55	377.36	297.35	278.01
2005(12)	0.00	238.40	0.00	196.68	0.00	3.92	1.0	770.02	70.76	55.00	644.25	0.00	644.25	413.80	296.42	269.78
2006(12)	0.00	238.28	0.00	196.58	0.00	3.92	1.0	769.61	70.73	55.00	643.89	0.00	643.89	410.10	267.07	236.61
2007(12)	0.00	219.35	0.00	180.96	0.00	3.91	1.0	708.46	65.11	55.00	588.35	0.00	588.35	372.29	220.41	190.09
2008(12)	0.00	191.12	0.00	157.67	0.00	3.91	1.0	617.28	56.73	55.00	505.56	0.00	505.56	317.06	170.64	143.26
2009(12)	0.00	166.40	0.00	137.28	0.00	3.91	1.0	537.46	49.39	55.00	433.07	0.00	433.07	268.51	131.37	107.37
2010(12)	0.00	145.95	0.00	120.41	0.00	3.91	1.0	471.41	43.32	55.00	373.09	0.00	373.09	227.58	101.23	80.53
2011(12)	0.00	128.55	0.00	106.06	0.00	3.91	1.0	415.21	38.16	55.00	322.06	0.00	322.06	196.45	79.44	61.52
2012(12)	0.00	113.96	0.00	94.02	0.00	3.91	1.0	368.09	33.83	55.00	279.26	0.00	279.26	170.35	62.62	47.21
2013(12)	0.00	100.85	0.00	83.20	0.00	3.91	1.0	325.73	29.93	55.00	240.79	0.00	240.79	146.88	49.09	36.02
2014(12)	0.00	89.81	0.00	74.10	0.00	3.91	1.0	290.09	26.66	55.00	208.43	0.00	208.43	127.14	38.63	27.59
2015(12)	0.00	80.25	0.00	66.20	0.00	3.91	1.0	259.18	23.82	55.00	180.36	0.00	180.36	110.02	30.39	21.13
2016(12)	0.00	72.11	0.00	59.49	0.00	3.91	1.0	232.90	21.40	55.00	156.49	0.00	156.49	95.46	23.97	16.23
2017(12)	0.00	64.63	0.00	53.32	0.00	3.91	1.0	208.74	19.18	55.00	134.56	0.00	134.56	82.08	18.73	12.35
2018(12)	0.00	58.25	0.00	48.06	0.00	3.91	1.0	188.15	17.29	55.00	115.86	0.00	115.86	70.68	14.67	9.41
2019(12)	0.00	52.64	0.00	43.43	0.00	3.91	1.0	170.03	15.63	55.00	99.41	0.00	99.41	60.64	11.44	7.14
2020(12)	0.00	47.82	0.00	39.45	0.00	3.91	1.0	154.46	14.19	55.00	85.26	0.00	85.26	52.01	8.92	5.42
2021(12)	0.00	43.30	0.00	35.73	0.00	3.91	1.0	139.87	12.85	55.00	72.01	0.00	72.01	43.93	6.85	4.05
2022(12)	0.00	39.42	0.00	32.52	0.00	3.91	1.0	127.32	11.70	55.00	60.61	0.00	60.61	36.98	5.24	3.02
2023(12)	0.00	35.95	0.00	29.66	0.00	3.91	1.0	116.13	10.67	55.00	50.45	0.00	50.45	30.78	3.97	2.22
2024(12)	0.00	32.95	0.00	27.19	0.00	3.91	1.0	106.43	9.78	55.00	41.65	0.00	41.65	25.41	2.98	1.62
2025(12)	0.00	30.09	0.00	24.83	0.00	3.91	1.0	97.20	8.93	55.00	33.27	0.00	33.27	20.29	2.16	1.15
2026(12)	0.00	27.62	0.00	22.78	0.00	3.91	1.0	89.20	8.20	55.00	26.00	0.00	26.00	15.86	1.54	0.79
2027(12)	0.00	25.39	0.00	20.94	0.00	3.91	1.0	81.99	7.54	55.00	19.46	0.00	19.46	11.87	1.04	0.53
2028(12)	0.00	23.44	0.00	19.34	0.00	3.91	1.0	75.70	6.96	55.00	13.74	0.00	13.74	8.38	0.67	0.33
2029(12)	0.00	21.56	0.00	17.79	0.00	3.91	1.0	69.63	6.40	55.00	8.23	0.00	8.23	5.02	0.37	0.17
2030(12)	0.00	19.92	0.00	16.43	0.00	3.91	1.0	64.33	5.91	55.00	3.42	0.00	3.42	2.09	0.14	0.06
2031(12)	0.00	18.43	0.00	15.20	0.00	3.91	1.0	59.52	5.47	55.00	-0.95	0.00	-0.95	-0.58	-0.03	-0.02
2032(12)	0.00	17.13	0.00	14.13	0.00	3.91	1.0	55.31	5.08	55.00	-4.77	0.00	-4.77	-2.91	-0.16	-0.07
2033(12)	0.00	15.85	0.00	13.07	0.00	3.91	1.0	51.18	4.70	55.00	-8.52	0.00	-8.52	-5.20	-0.26	-0.11
2034(12)	0.00	0.00	0.00	0.00	0.00	0.00	1.0	0.00	0.00	4.67	-4.67	0.00	-4.67	-2.85	-0.13	-0.05
total	0.00	2,672.23	0.00	2,204.59	---	---	---	8,630.97	793.19	1,764.67	6,073.11	623.00	5,450.11	3,324.57	1,485.77	1,203.81

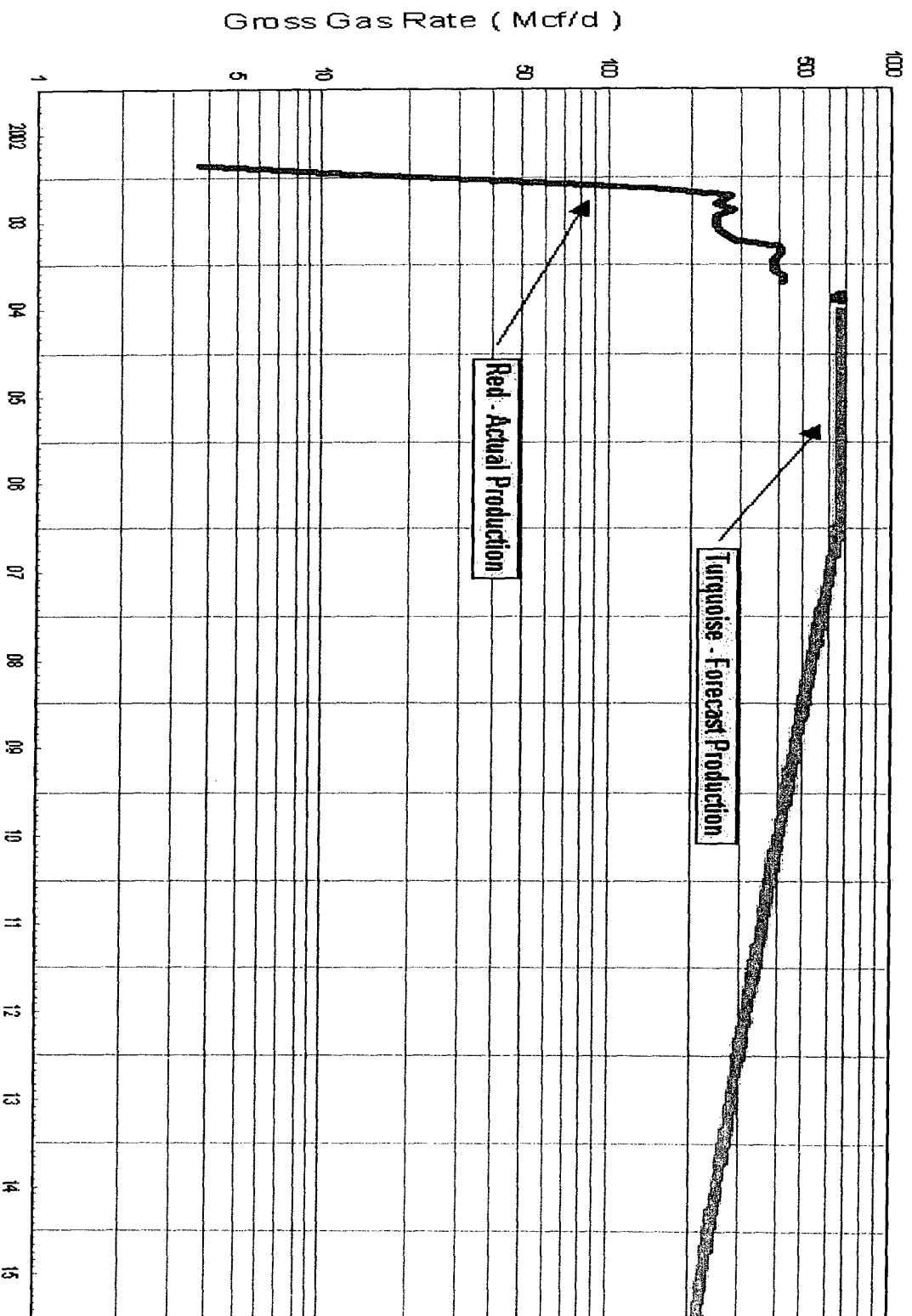
32-8 # 260

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Page: 1

Click on the Cost Object for Value Category & Transaction

			Budget	Planned	Actual	Commts	Assigned	Available
-	WAS J2T 0001	Drig/Comp & Facilities SJ	0	743,149	622,520	0	622,520	120,629
+	WAS J2T 0001 01	Drill & Complete SJ 32-S	0	505,702	456,629	0	456,629	49,073
+	WAS J2T 0001 02	Equipment & Facilities SJ	0	237,447	165,891	0	165,891	71,556

32-8 # 260 Production Forecast



32-8 # 260 Past Production and Forecast

Date	Average Daily Gas Production (MCFD)	Total Gas Production (MCF)
2002	2.2	470
2003	265.81	97,019
2004	588	215,322
2005	653	238,405
2006	653	238,280
2007	601	219,345
2008	522	191,117
2009	456	166,402
2010	400	145,953
2011	352	128,554
2012	311	113,963
2013	276	100,848
2014	246	89,814
2015	220	80,245
2016	197	72,107
2017	177	64,628
2018	160	58,254
2019	144	52,644
2020	131	47,821
2021	119	43,304
2022	108	39,418
2023	99	35,954
2024	90	32,952
2025	82	30,094
2026	76	27,616
2027	70	25,386
2028	64	23,438
2029	59	21,559
2030	55	19,918
2031	50	18,429
2032	47	17,125
2033	43	15,847

Cumulative Production

2,672 MMCF

*** Actual Production in Black

*** Forecasted Production in Red

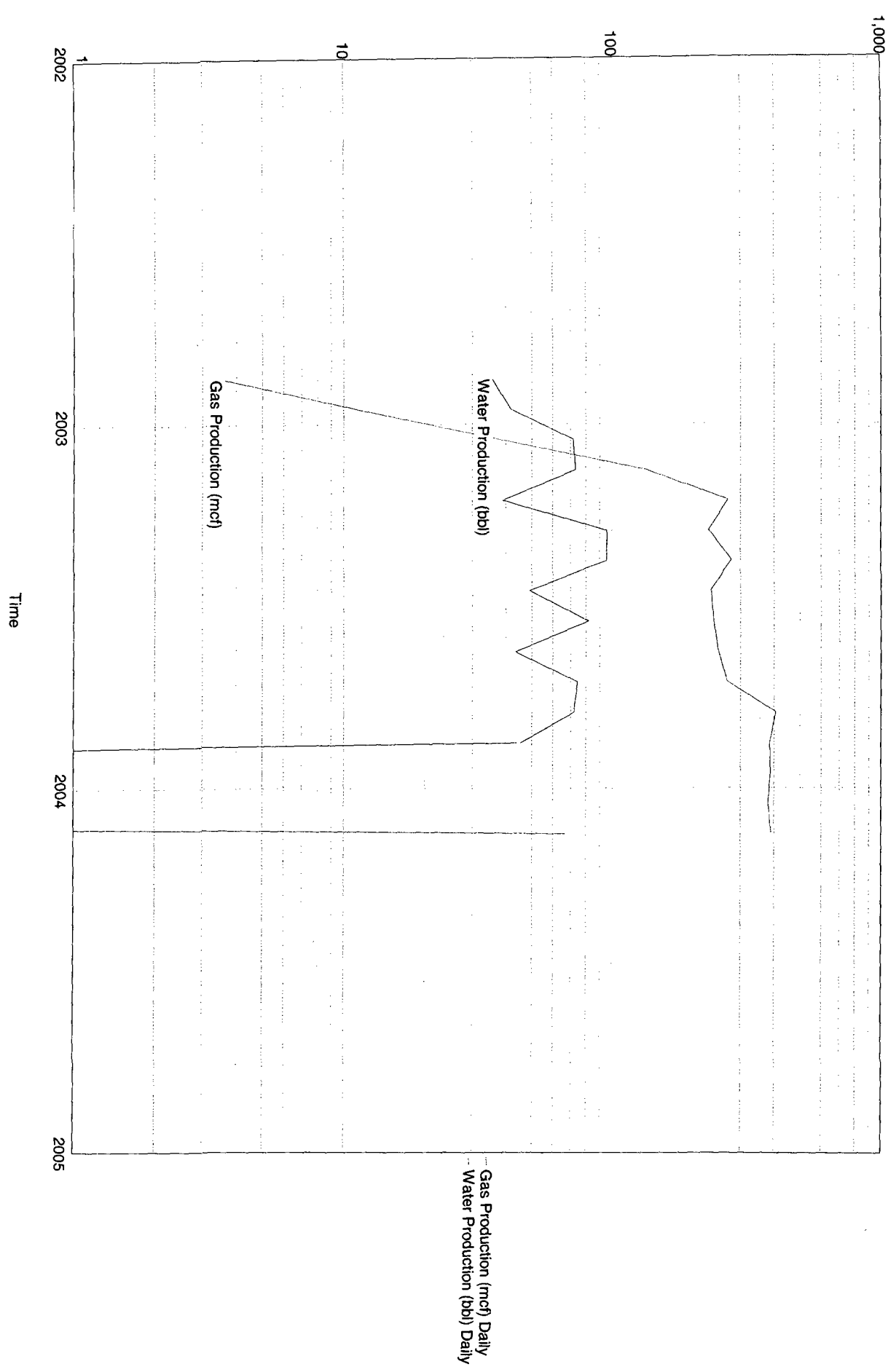
*** 2004 -- 1/2 year actual production and 1/2 year forecasted production

Lease Name: SAN JUAN 32 8 UNIT
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 18 32N 8W SE NW SW

32-8 # 260

SAN JUAN 32 8 UNIT - BASIN

Production Rates



32-8 # 260 Offset Wells

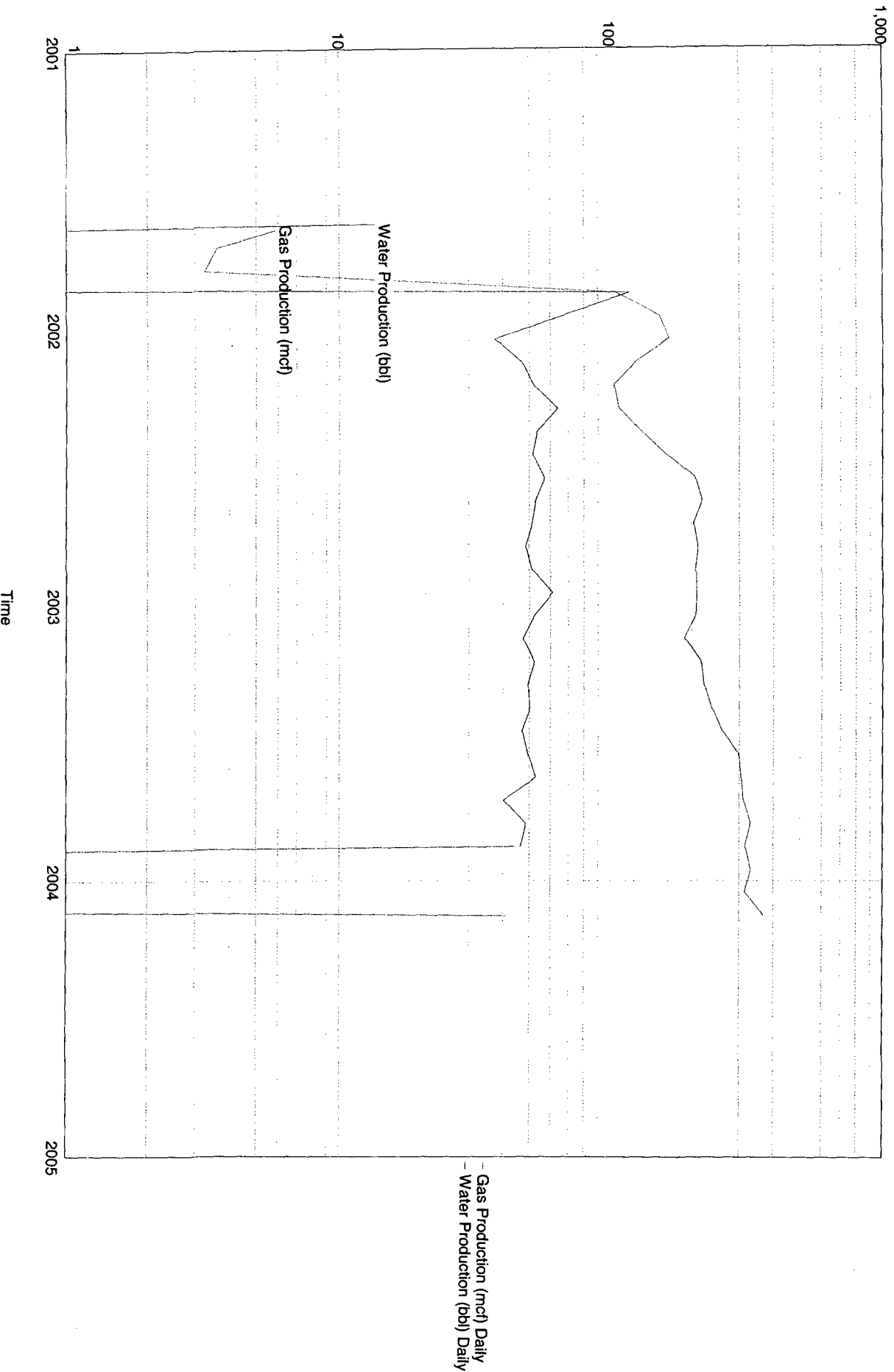
Well	Location	State	Current Gas Production	Peak Gas Production	Current Water Production	Production
San Juan 32-8 # 261	SW Section 17 T32NR8W	New Mexico	370	370	45	Incline
Trial Canyon # 103	NE Section 18 T32NR8W	New Mexico	150	200	45	Incline
San Juan 32-8 # 247	SW Section 19 T32NR8W	New Mexico	3200	3200	30	Incline
San Juan 32-8 # 257	NE Section 19 T32NR8W	New Mexico	900	1300	60	Decline
San Juan 32 Fed 13 # 1	NE Section 13 T32NR9W	New Mexico	150	150	75	Incline
San Juan 32 Fed 13 # 1A	SE Section 13 T32NR9W	New Mexico	175	175	40	Incline
San Juan 32 Fed 24 # 1	NE Section 24 T32NR9W	New Mexico	1000	1500	40	Plateau
Average			849	985	48	

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

Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 17 32N 8W W2 SW SW

32-8 # 261

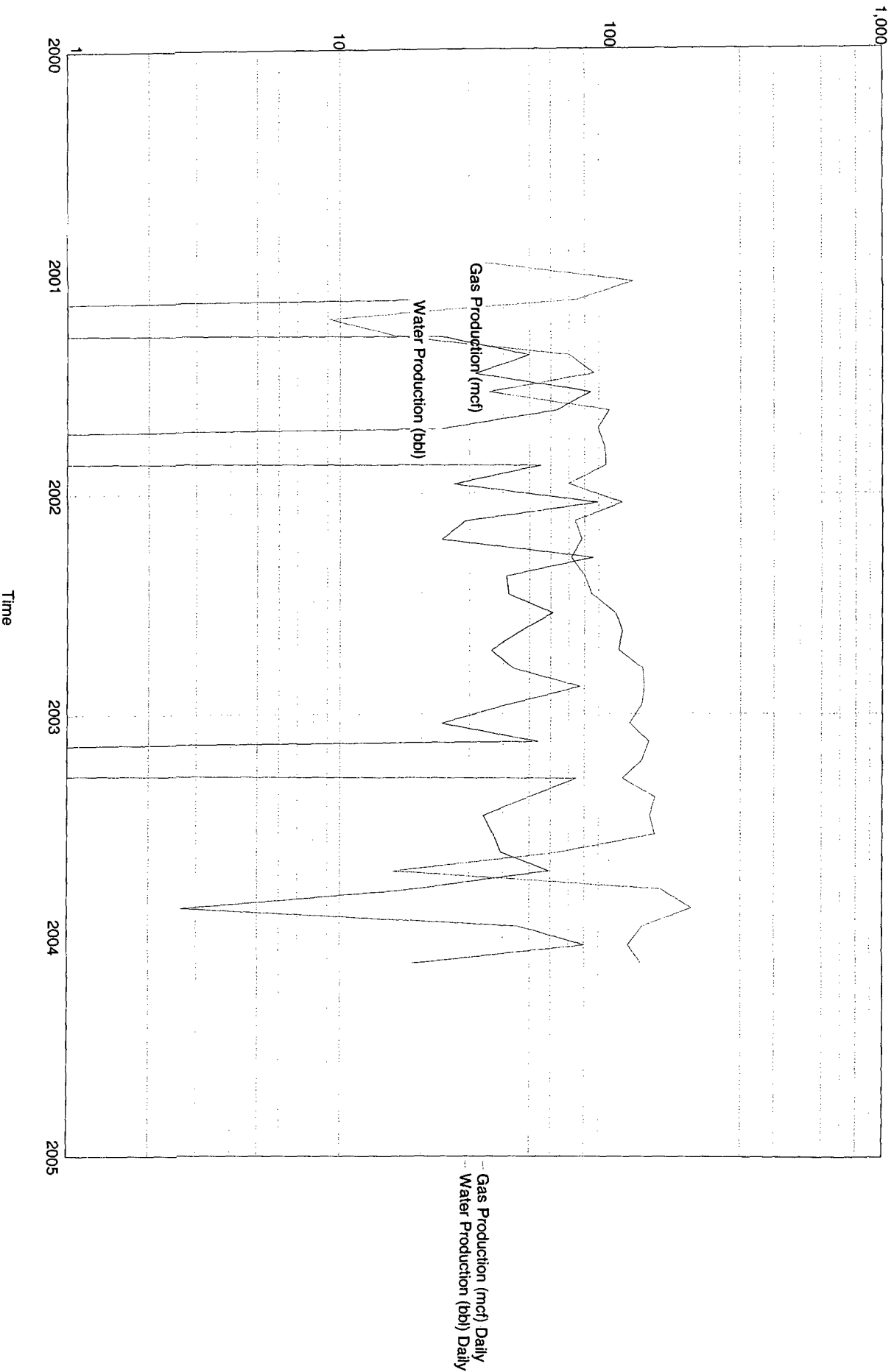
SAN JUAN 32 8 UNIT - BASIN



Lease Name: TRAIL CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 18 32N 8W NW SE NE

Trail Canyon # 103

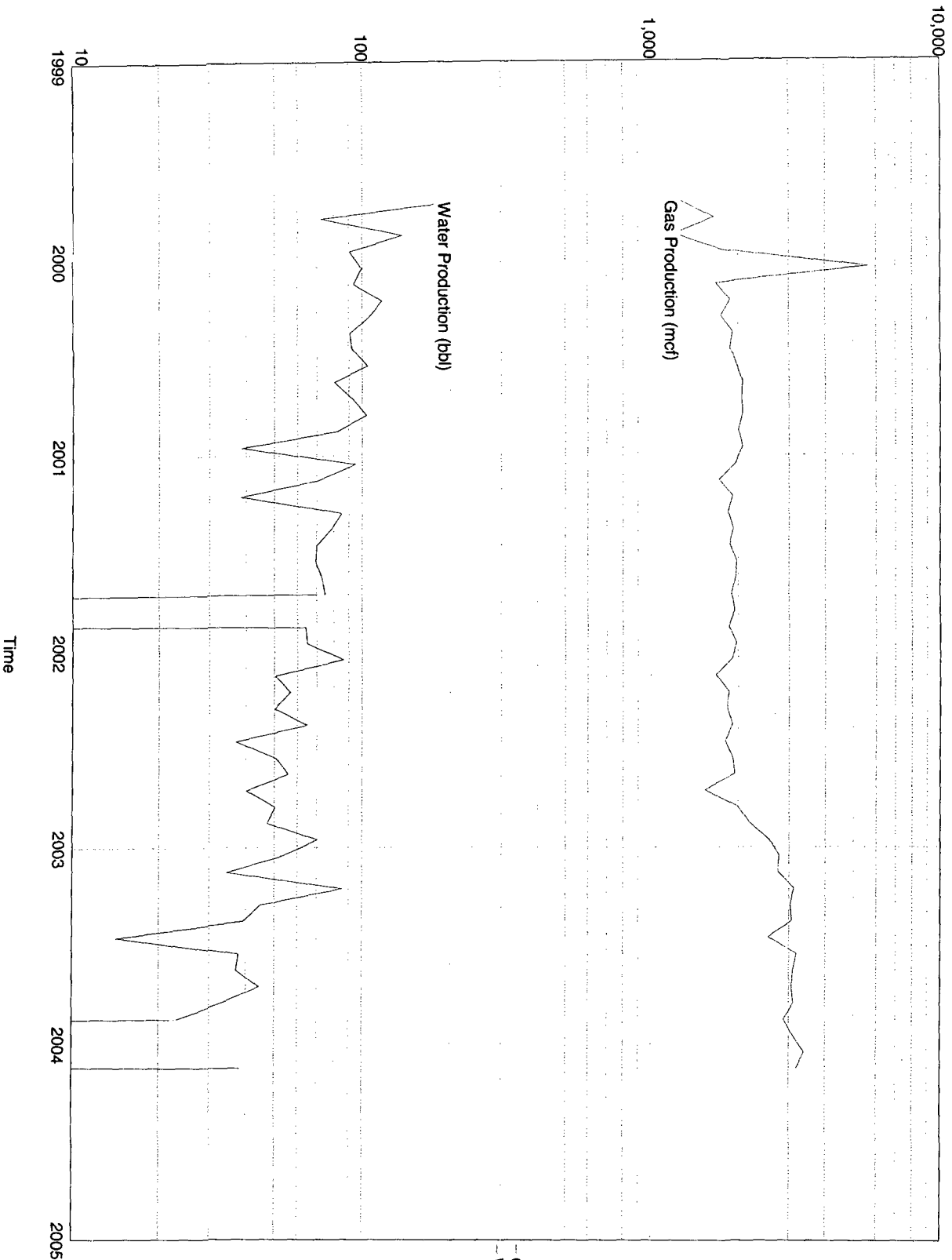
TRAIL CANYON - BASIN



Lease Name: SAN JUAN 32 8 UNIT
 County/ State: SAN JUAN, NM
 Operator: CONOCOPHILIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 19 32N 8W SW NW SW

32-8 # 247

SAN JUAN 32 8 UNIT - BASIN



Production Rates

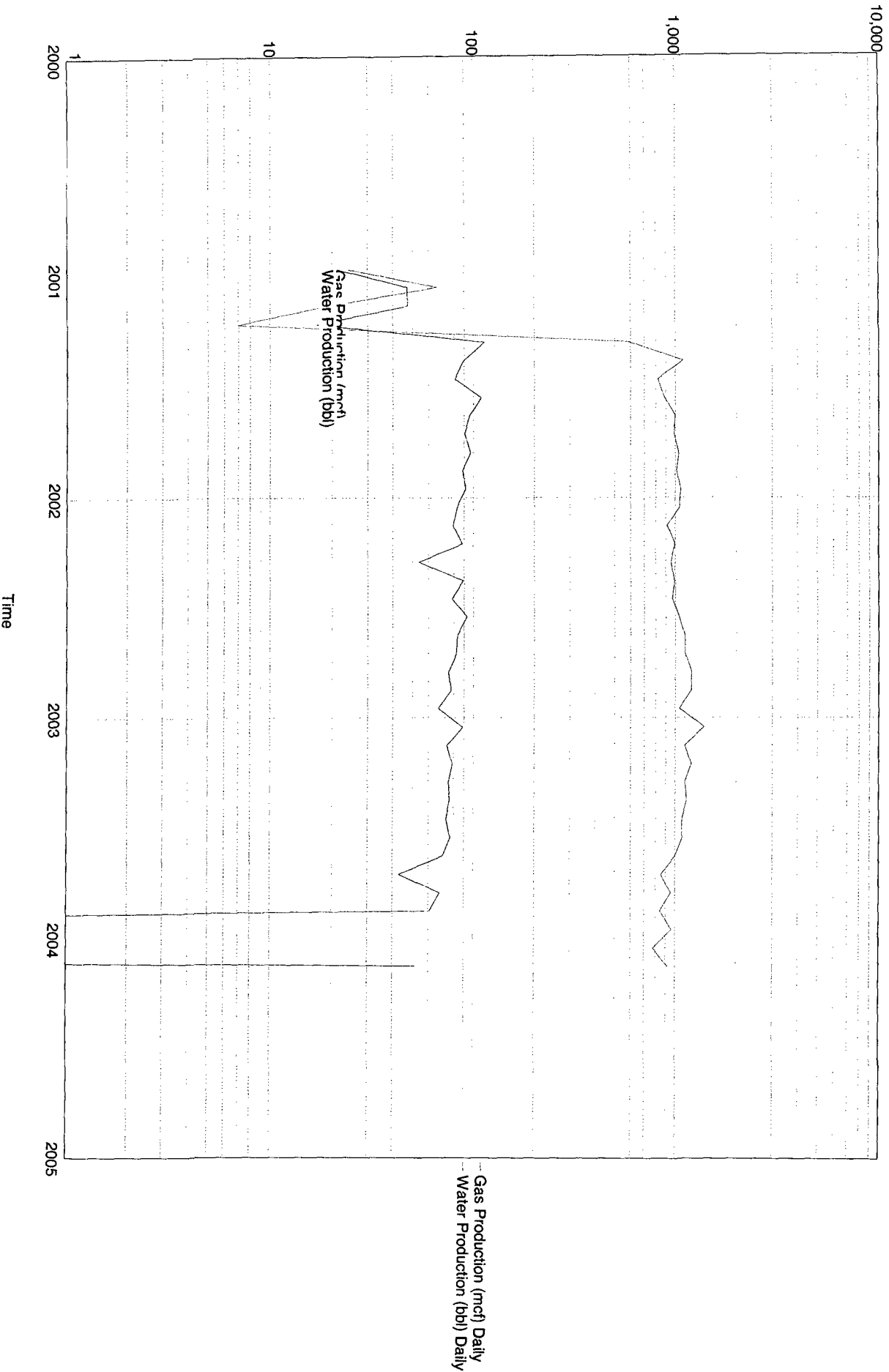
Gas Production (mcf) Daily
 Water Production (bbl) Daily

Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 19 32N 8W SW NE NE

32-8 # 257

SAN JUAN 32 8 UNIT - BASIN

Production Rates

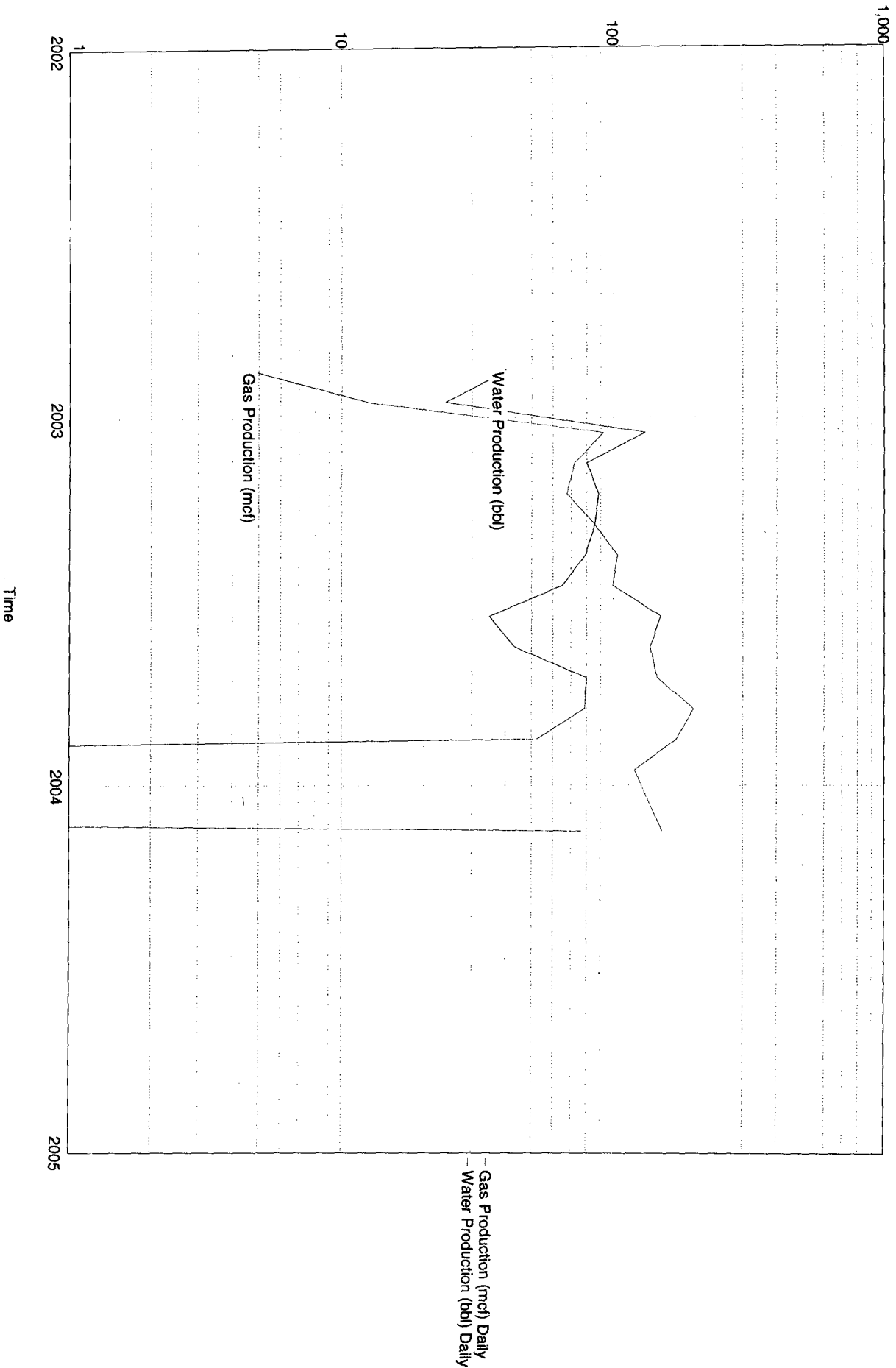


Lease Name: SAN JUAN 32 FED 13
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 13 32N 9W SE SW NE

32 Fed 13 # 1

SAN JUAN 32 FED 13 - BASIN

Production Rates

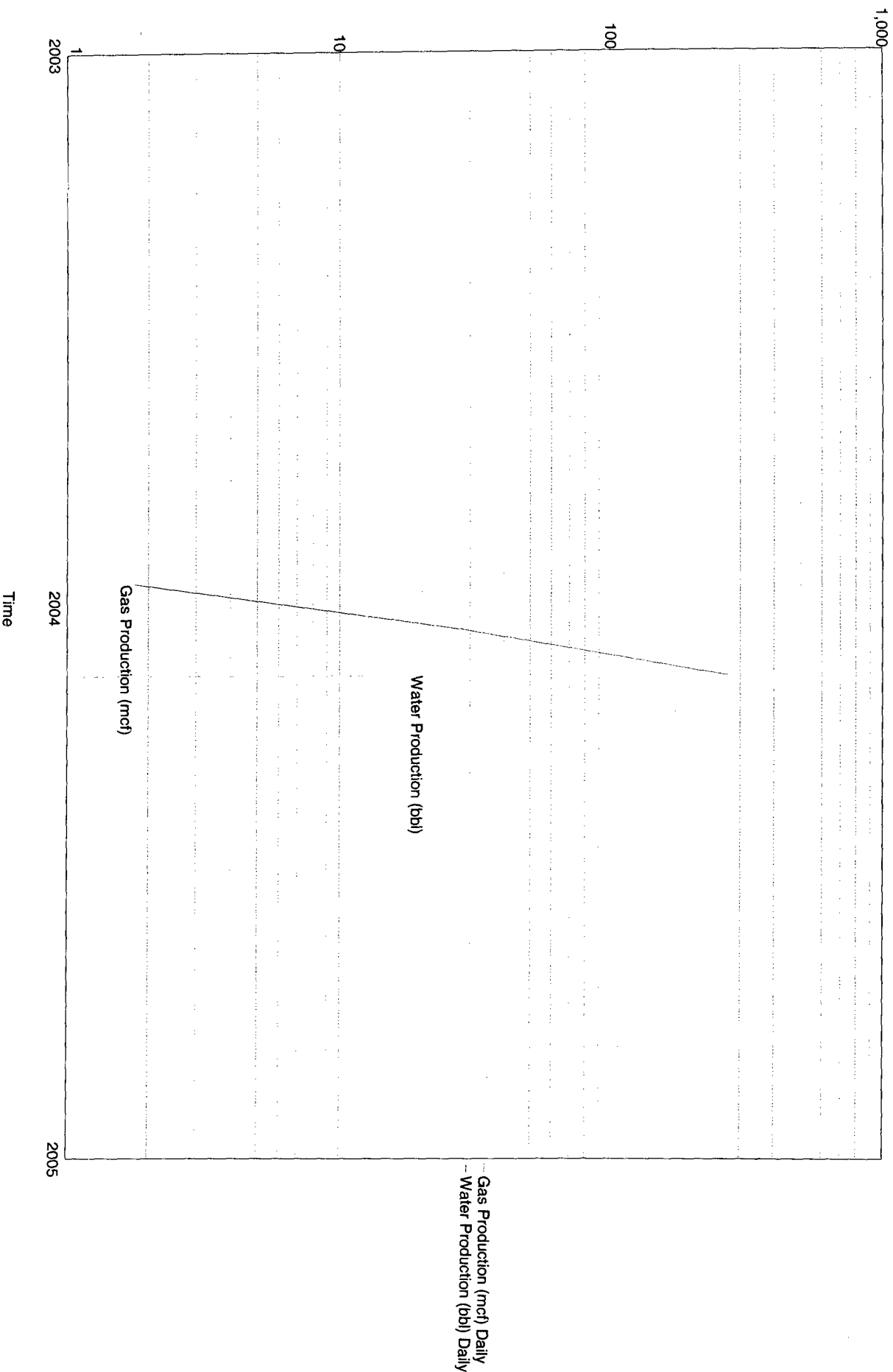


Lease Name: SAN JUAN 32 FED 13
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 13 32N 9W SE NW SE

32 Fed 13 # 14

SAN JUAN 32 FED 13 - BASIN

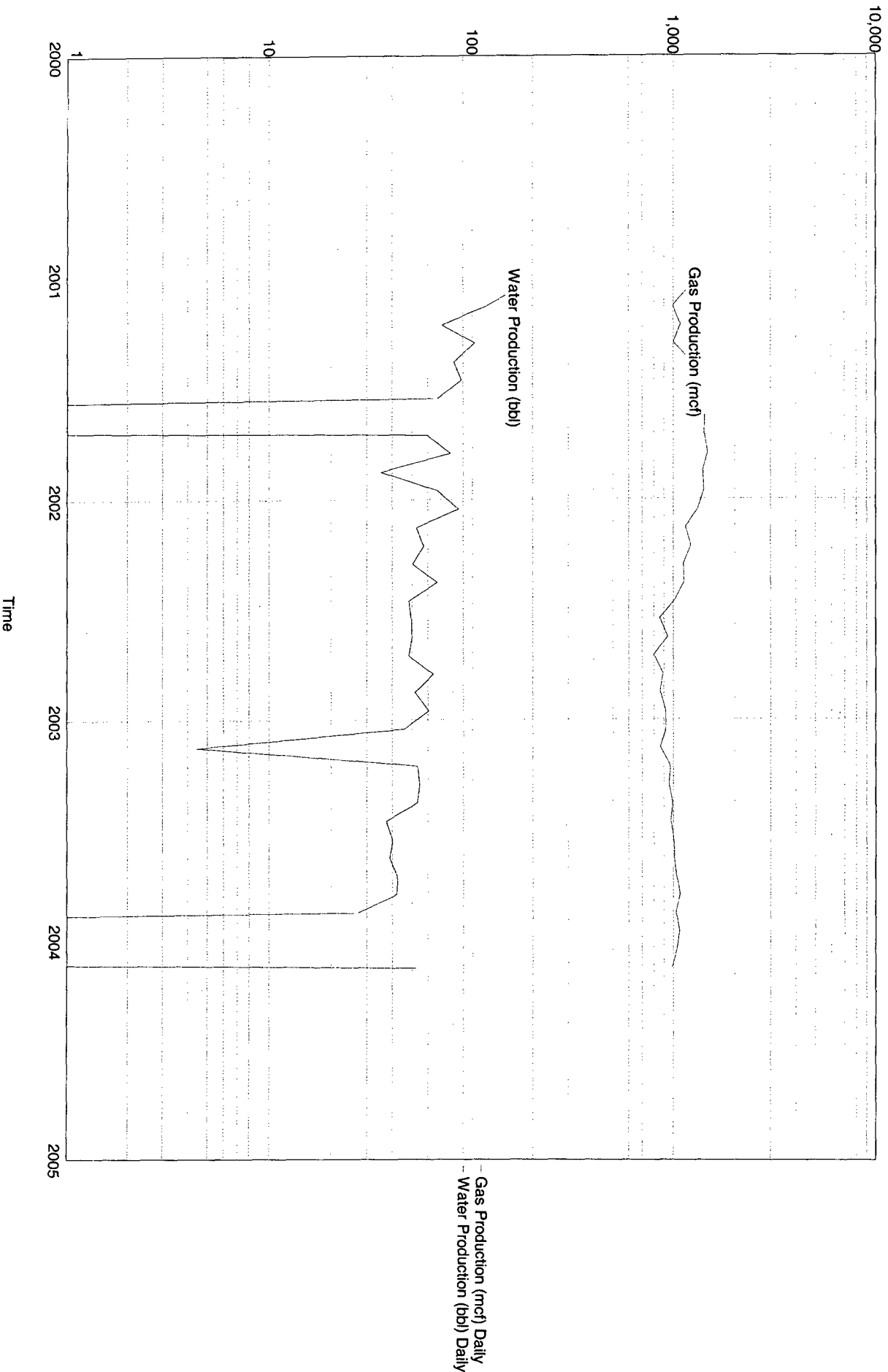
Production Rates



Lease Name: SAN JUAN 32 FEDERAL 24
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 24 32N 9W SE NW NE

32 Fed 24 # 1

SAN JUAN 32 FEDERAL 24 - BASIN





Commerciality Determination

**SJ 32-8 Unit #262
Fruitland Coal
NE, Sec 17, T32N, R8W
San Juan County, NM
API: 30-045-30989**

This Fruitland Coal well was spud on 4/22/02 by Phillips Petroleum and completed on 7/29/2002.

The actual capital investment of \$661,000 for open hole cavity completion of the 32-8 # 262 Fruitland coal well was used in this determination. Actual operating costs for this well are \$35,000/year.

Income was based on a flat non-escalated value of \$4.35/mmBTU. The 32-8 # 262 has a gas content of 900 BTU, therefore the gas price used for this well was \$3.915/MCF.

An error by the gas gatherer led to the well being connected into a 900+ psi gathering system. Optimization of the wellhead compressor by the gas gatherer is an ongoing problem.

Current reservoir pressure for this well is 1250 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcf)
May-03	134
June-03	310
July-03	218
August-03	325
September-03	363
October-03	444
November-03	370
December-03	376
January-04	377
February-04	313
March-04	392
April-04	399
May-04	383

US Summary Report

SJ 32-8 # 262

Nominal

Case Description

Notes Commercial economics for drilling and completing the San Juan 32-8 # 262.

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	Inc Before	Before Tax	Before Tax	After Tax	Cash
Rate	Res & Tax	Cap. Inv	Cash Flow	Cash Flow	PI
(%)	M\$	M\$	M\$	M\$	
0.0	3,714	661	3,053	1,862	4.36
8.0	2,145	636	1,509	895	2.68
10.0	1,914	630	1,284	754	2.43
11.0	1,813	627	1,186	692	2.31
13.0	1,635	622	1,014	583	2.12
15.0	1,484	616	867	490	1.95
18.0	1,295	609	686	375	1.73

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

Oil	Base
Gas	Base
Interests	Base
Opcoats	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	%	43.0
Cash Breakeven	Years	3.1
NPV @ 13%	M\$	1,014
13% PI (cash)	M\$/M\$	2.12
13% PI (capital)	M\$/M\$	1.94
NPV @ 10%	M\$	1,284
10% PI (cash)	M\$/M\$	2.43
10% PI (capital)	M\$/M\$	2.20
Dev Cost/BOE	\$/BOE	3.05
Economic Limit Date		2027/12
Last Scheduled Prod Date		2027/12
Date of first production		2002/12
Date of first investment		2002/04
Discount Date		2002/04

Products Recovery (US)::ConocoPhillips

	Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0
Gas-Raw	MMSCF	1,576	1,576	276	1,301
Gas-Sales	MMSCF	1,576	1,576	276	1,301
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 Opcoats	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\$
2002(12)	0.00	0.11	0.00	0.09	0.00	0.44	1.0	0.36	0.03	35.00	-34.67	661.00	-695.67	-554.51	-528.70	-521.64
2003(12)	0.00	77.92	0.00	64.28	0.00	3.92	1.0	251.68	23.13	35.00	193.55	0.00	193.55	152.50	132.19	126.96
2004(12)	0.00	142.52	0.00	117.58	0.00	3.91	1.0	460.33	42.30	35.00	383.03	0.00	383.03	260.87	205.56	192.19
2005(12)	0.00	146.00	0.00	120.45	0.00	3.91	1.0	471.56	43.34	35.00	393.23	0.00	393.23	261.94	187.64	170.78
2006(12)	0.00	145.32	0.00	119.89	0.00	3.91	1.0	469.35	43.13	35.00	391.22	0.00	391.22	257.03	167.39	148.30
2007(12)	0.00	130.83	0.00	107.93	0.00	3.91	1.0	422.55	38.83	35.00	348.72	0.00	348.72	226.93	134.35	115.87
2008(12)	0.00	113.80	0.00	93.88	0.00	3.91	1.0	367.55	33.78	35.00	298.77	0.00	298.77	191.45	103.04	86.51
2009(12)	0.00	99.02	0.00	81.69	0.00	3.91	1.0	319.81	29.39	35.00	255.42	0.00	255.42	160.41	78.48	64.14
2010(12)	0.00	86.87	0.00	71.67	0.00	3.91	1.0	280.58	25.79	35.00	219.80	0.00	219.80	134.08	59.64	47.44
2011(12)	0.00	76.59	0.00	63.19	0.00	3.91	1.0	247.39	22.74	35.00	189.65	0.00	189.65	115.69	46.78	36.23
2012(12)	0.00	68.02	0.00	56.11	0.00	3.91	1.0	219.69	20.19	35.00	164.50	0.00	164.50	100.35	36.89	27.81
2013(12)	0.00	60.33	0.00	49.77	0.00	3.91	1.0	194.86	17.91	35.00	141.95	0.00	141.95	86.59	28.94	21.24
2014(12)	0.00	53.88	0.00	44.45	0.00	3.91	1.0	174.03	15.99	35.00	123.04	0.00	123.04	75.05	22.80	16.29
2015(12)	0.00	48.30	0.00	39.85	0.00	3.91	1.0	156.00	14.34	35.00	106.67	0.00	106.67	65.07	17.97	12.50
2016(12)	0.00	43.56	0.00	35.94	0.00	3.91	1.0	140.69	12.93	35.00	92.76	0.00	92.76	56.58	14.21	9.62
2017(12)	0.00	39.20	0.00	32.34	0.00	3.91	1.0	126.61	11.64	35.00	79.97	0.00	79.97	48.78	11.13	7.34
2018(12)	0.00	35.48	0.00	29.27	0.00	3.91	1.0	114.61	10.53	35.00	69.08	0.00	69.08	42.14	8.74	5.61
2019(12)	0.00	32.21	0.00	26.58	0.00	3.91	1.0	104.05	9.56	35.00	59.49	0.00	59.49	36.29	6.84	4.27
2020(12)	0.00	29.40	0.00	24.26	0.00	3.91	1.0	94.97	8.73	35.00	51.24	0.00	51.24	31.26	5.36	3.26
2021(12)	0.00	26.76	0.00	22.08	0.00	3.91	1.0	86.43	7.94	35.00	43.49	0.00	43.49	26.53	4.14	2.45
2022(12)	0.00	24.48	0.00	20.20	0.00	3.91	1.0	79.07	7.27	35.00	36.80	0.00	36.80	22.45	3.18	1.83
2023(12)	0.00	22.45	0.00	18.52	0.00	3.91	1.0	72.51	6.66	35.00	30.85	0.00	30.85	18.82	2.42	1.36
2024(12)	0.00	20.69	0.00	17.07	0.00	3.91	1.0	66.82	6.14	35.00	25.68	0.00	25.68	15.66	1.83	1.00
2025(12)	0.00	19.00	0.00	15.67	0.00	3.91	1.0	61.36	5.64	35.00	20.72	0.00	20.72	12.64	1.35	0.72
2026(12)	0.00	17.53	0.00	14.46	0.00	3.91	1.0	56.63	5.20	35.00	16.43	0.00	16.43	10.02	0.97	0.50
2027(12)	0.00	16.21	0.00	13.37	0.00	3.91	1.0	52.36	4.81	35.00	12.54	0.00	12.54	7.65	0.67	0.34
Total	0.00	1,576.48	0.00	1,300.60	---	---	---	5,091.85	467.94	910.00	3,713.91	661.00	3,052.91	1,862.27	753.82	582.90

NAP Gross Cost Report

32-8 # 262

SARP-ZPSARNAP
System: PRD-010
Variant:

NAP Gross Cost Report

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Page: 1

Help Notes:

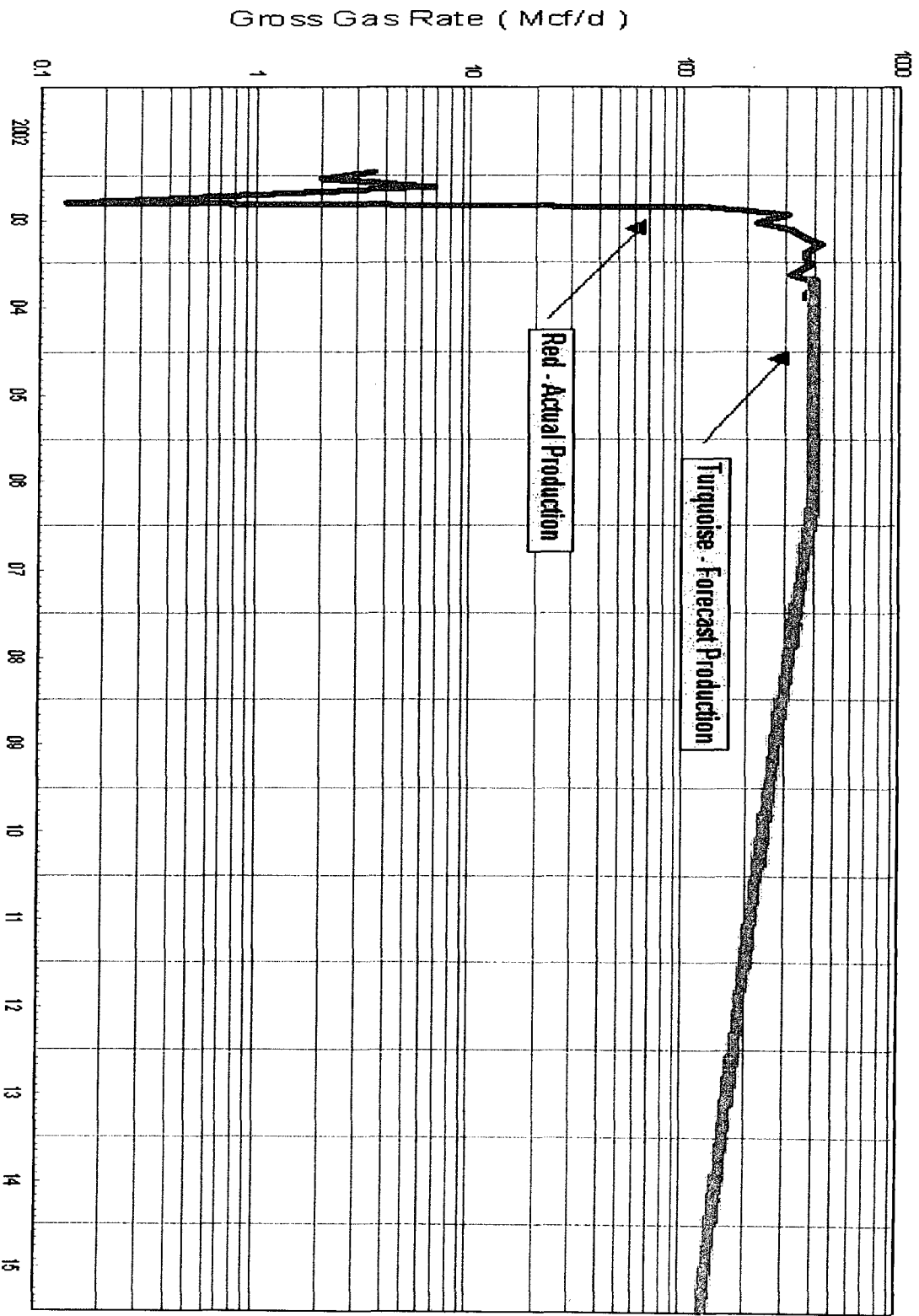
Click on the Descriptions to see Period Drill-down.

Click on the Costs for Line Items and close the window before choosing another Line Item.

Click on the Cost Object for Value Category & Transaction.

			Budget	Planned	Actual	Points	Assigned	Available
-	WA5 J2U 0001	Drig/Comp & Facilities SJ	0	764,001	660,447	0	660,447	103,554
+	WA5 J2U 0001 01	Drill & Complete SJ 32-8	0	497,287	472,962	0	472,962	24,325
+	WA5 J2U 0001 02	Equipment & Facilities SJ	0	266,714	187,485	0	187,485	79,229

32-8 # 262



32-8 # 262 Past Production and Forecast

Date	Average Daily Gas Production (MCFD)	Total Gas Production (MCF)
2002	4	111
2003	213.48	77,921
2004	389	142,524
2005	400	146,000
2006	398	145,316
2007	358	130,827
2008	311	113,796
2009	271	99,017
2010	238	86,871
2011	210	76,594
2012	186	68,018
2013	165	60,330
2014	148	53,882
2015	132	48,300
2016	119	43,559
2017	107	39,199
2018	97	35,484
2019	88	32,214
2020	80	29,403
2021	73	26,759
2022	67	24,480
2023	62	22,451
2024	57	20,687
2025	52	18,998
2026	48	17,533
2027	44	16,210

Cumulative Production **1,576 MMCF**

*** Actual Production in Black

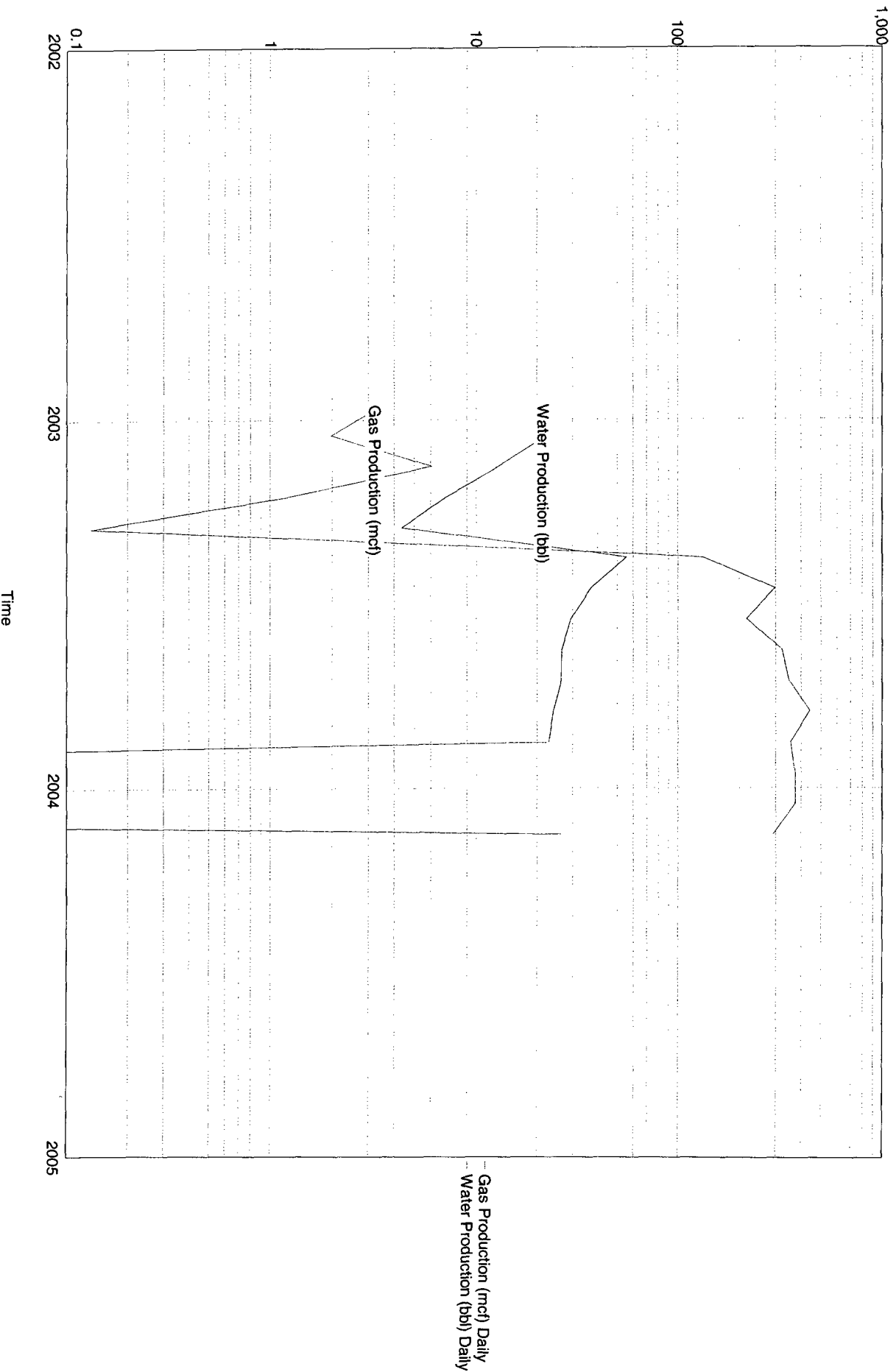
*** Forecasted Production in Red

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

Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 17 32N 8W NE SW NE

32-8 # 242

SAN JUAN 32 8 UNIT - BASIN



32-8 # 262 Offset Wells

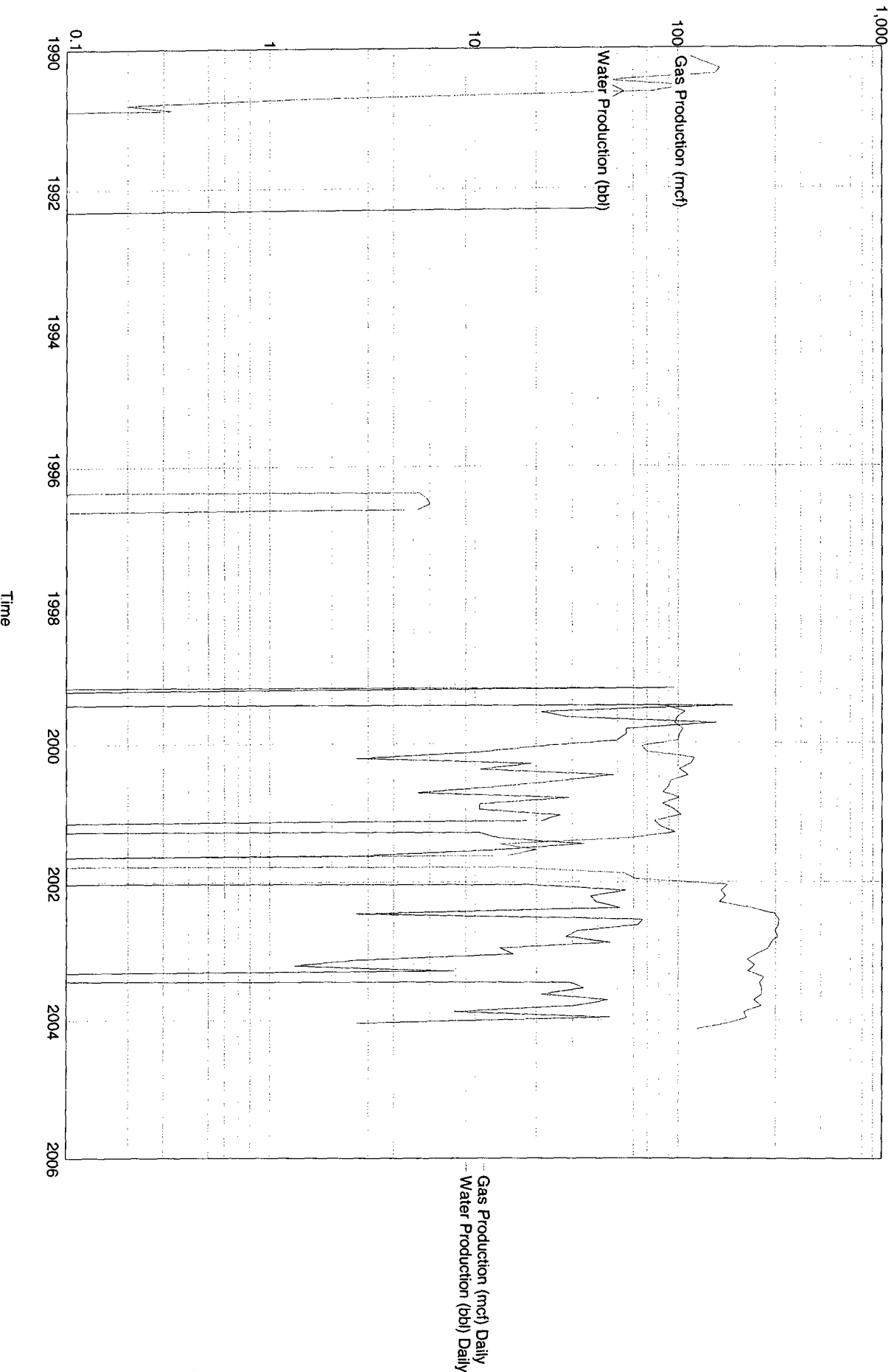
Well	Location	State	Current		Peak		Current		Production
			Gas Production		Gas Production		Water Production		
Trail Canyon # 101	SE Section 8 T32NR8W	New Mexico	150		300		25		Decline ?
Susco 16 State # 101	NE Section 16 T32NR8W	New Mexico	10		200		12		Decline ?
San Juan 32-8 # 264	SW Section 9 T32NR8W	New Mexico	212		212		15		Incline
Trail Canyon # 100	SE Section 7 T32NR8W	New Mexico	200		200		40		Incline
San Juan 32-8 # 261	SW Section 17 T32NR8W	New Mexico	370		370		45		Incline
Rattlesnake Canyon # 105	NE Section 20 T32NR8W	New Mexico	1000		1200		42		Plateau
Susco 16 State # 100	SW Section 16 T32NR8W	New Mexico	175		400		15		Decline ?
Trail Canyon # 103	NE Section 18 T32NR8W	New Mexico	150		200		45		Incline
Average			283		385		30		

*** Wells on decline due to production optimization problems. Wells should still be on incline due to reservoir pressures greater than 1100 psi.

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

Trail Canyon # 101

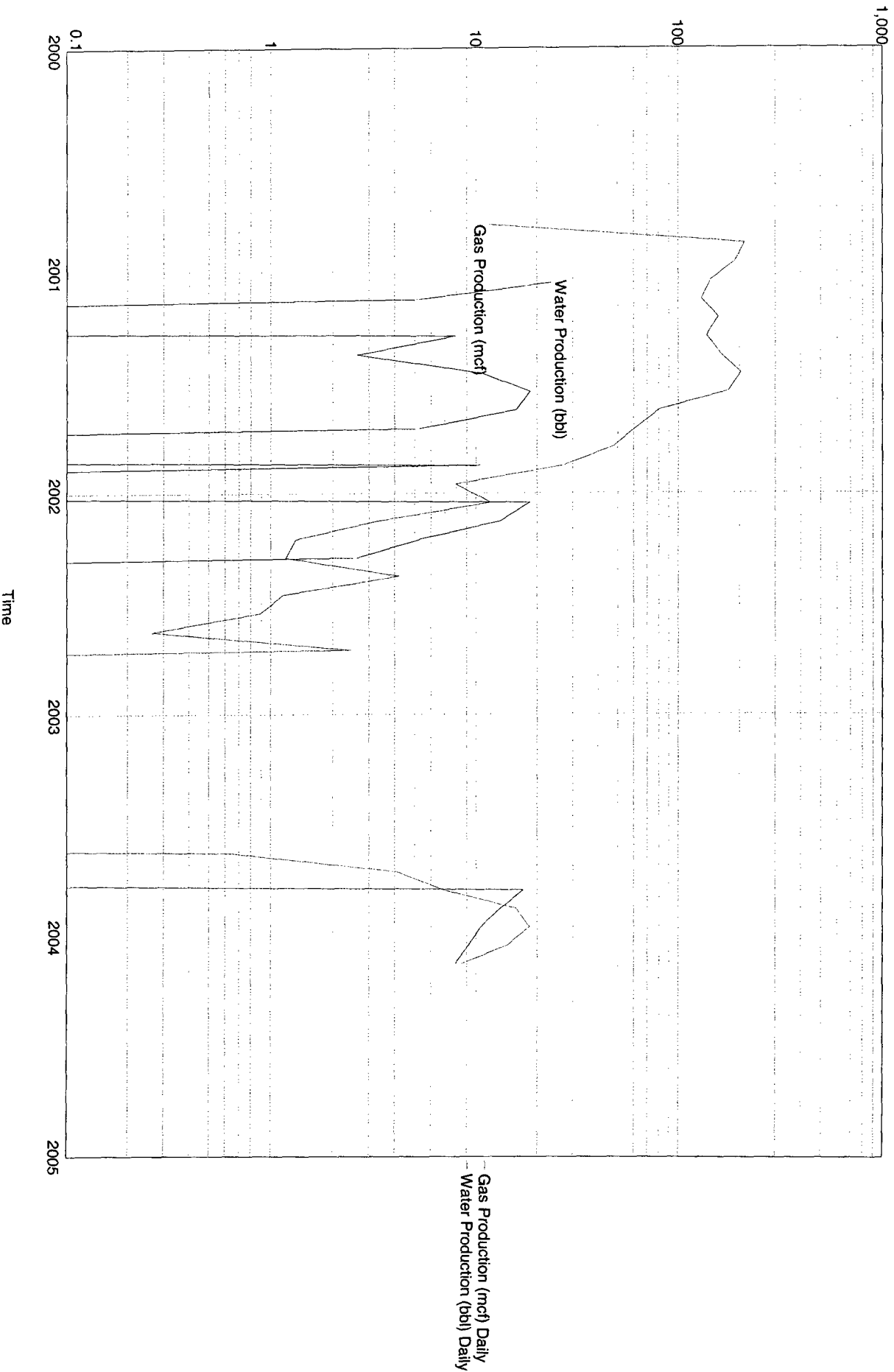
TRAIL CANYON - BASIN



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 NE SW NE

Susco 16 State #101

SUSCO 16 STATE - BASIN

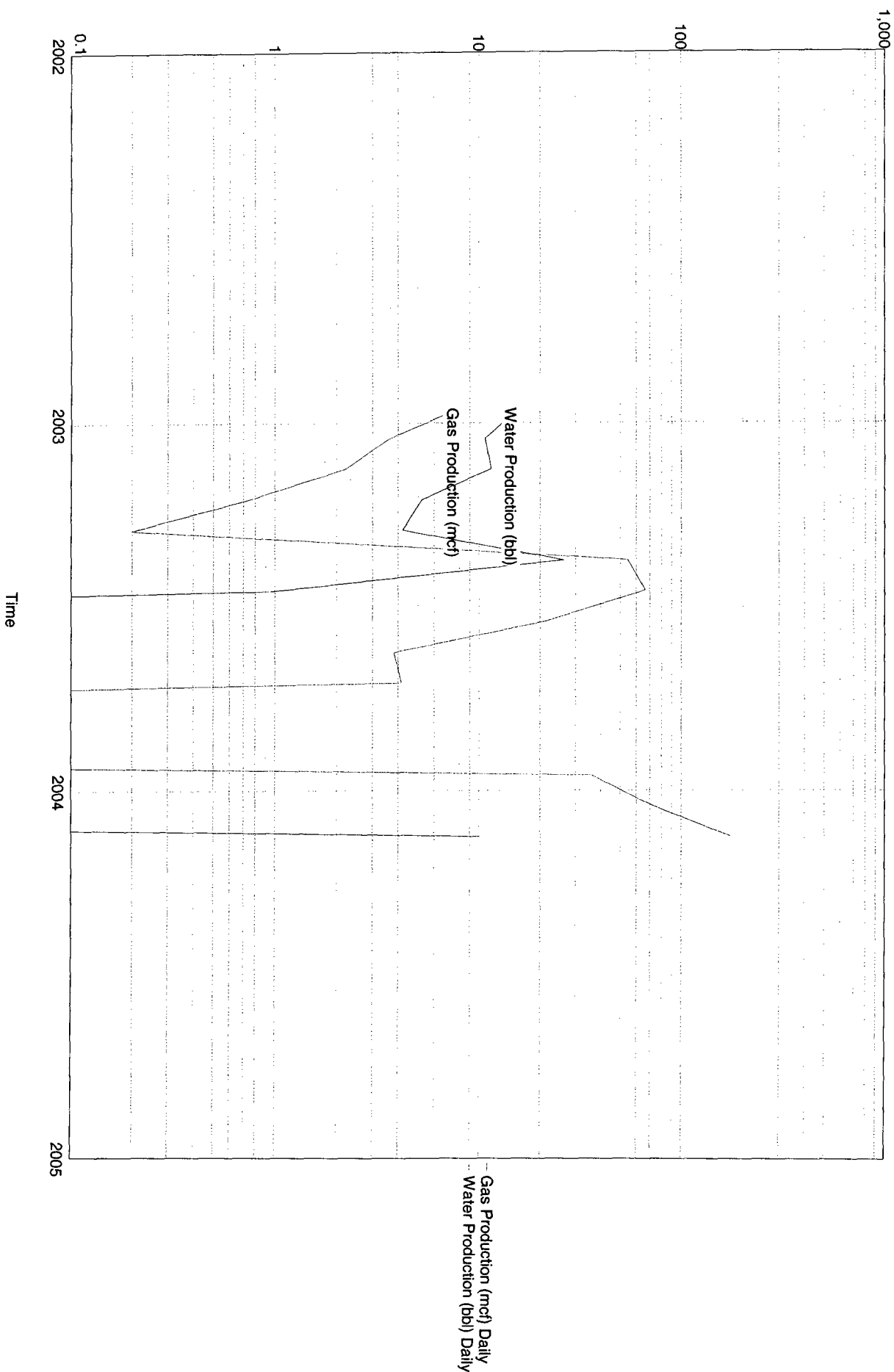


Lease Name: SAN JUAN 32 8 UNIT
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 9 32N 8W NE NW SW

32-8 # 264

SAN JUAN 32 8 UNIT - BASIN

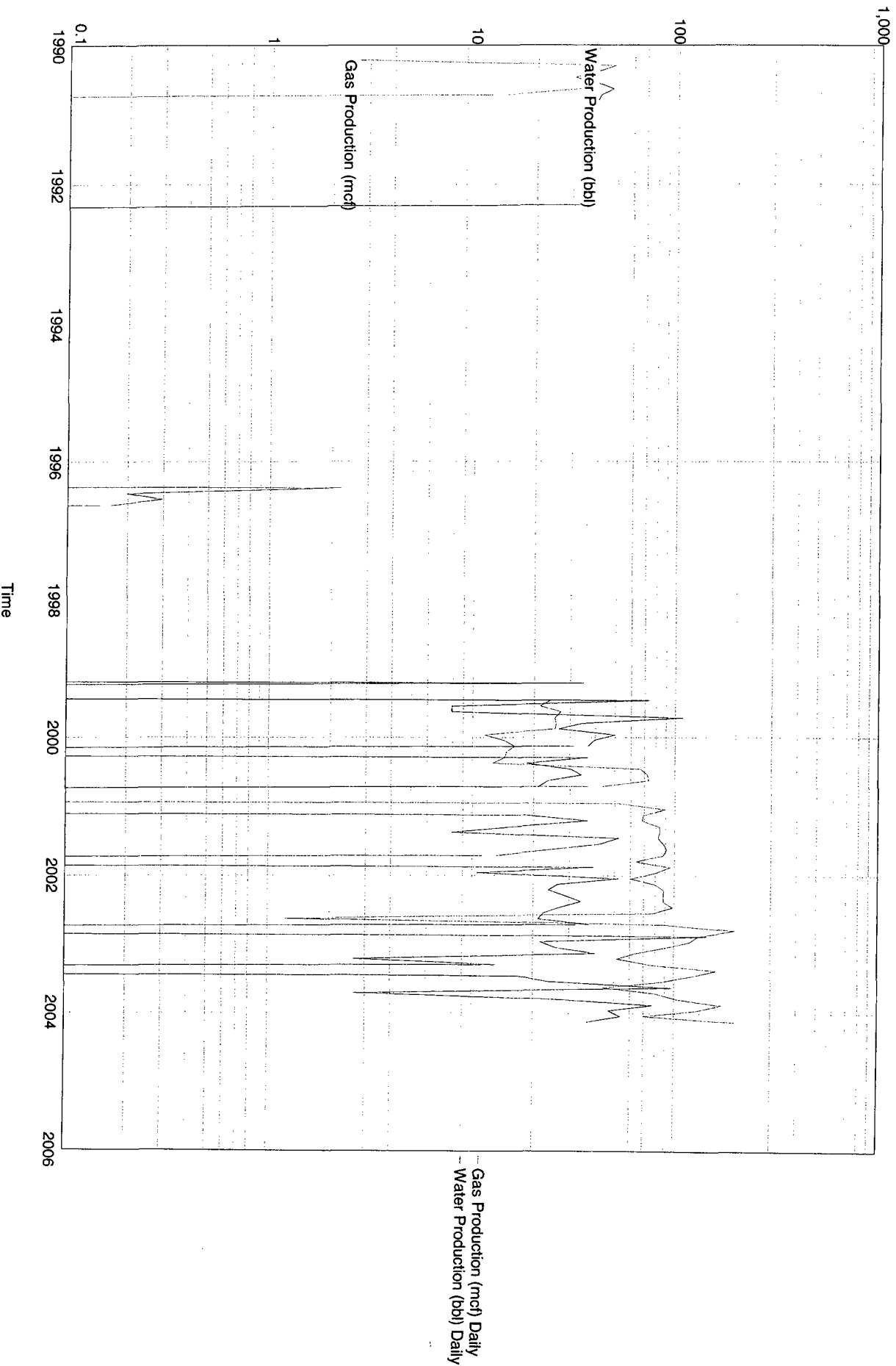
Production Rates



Lease Name: TRAIL CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 7 32N 8W SW NE SE

Trail Canyon # 100

TRAIL CANYON - BASIN

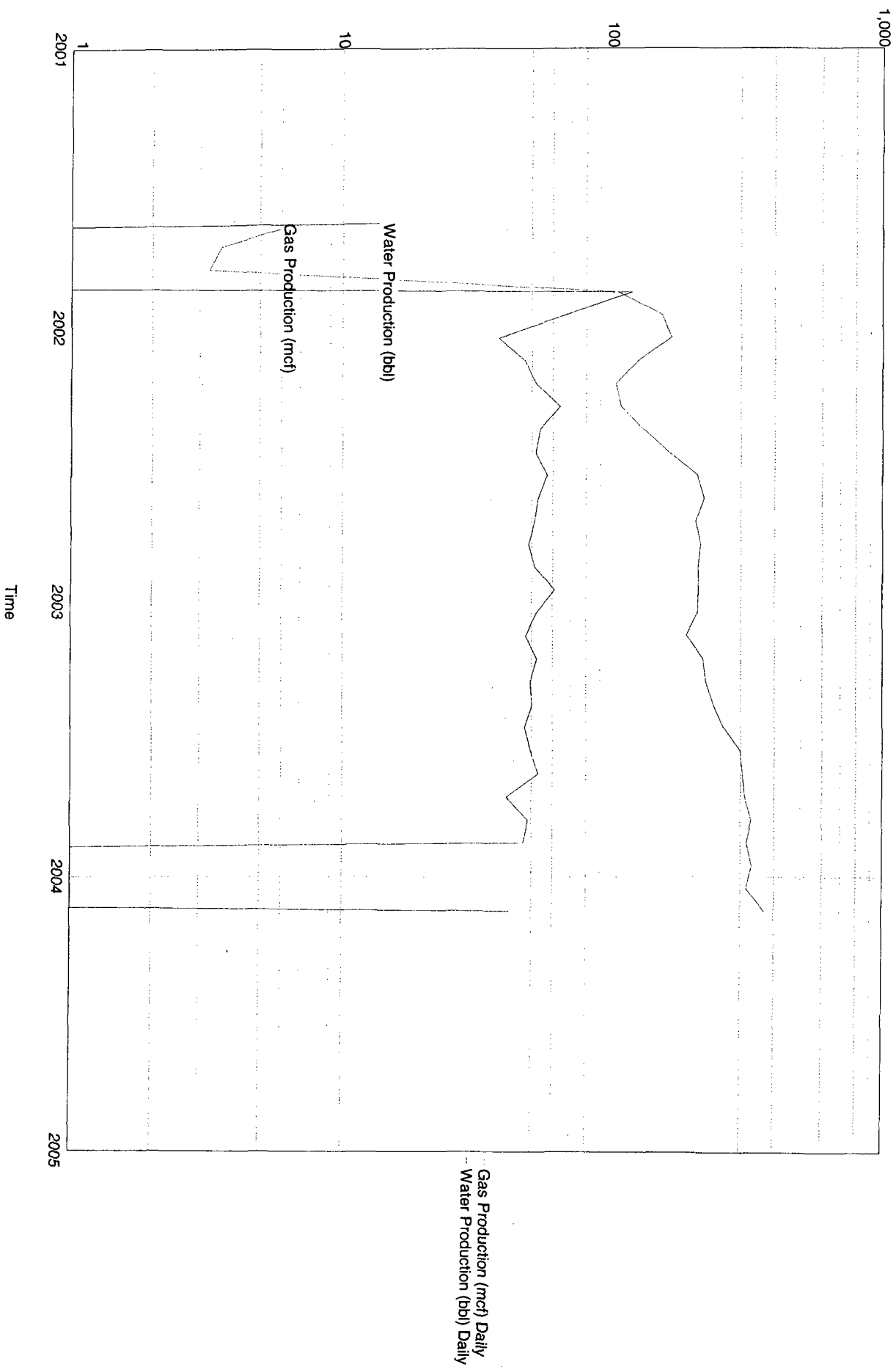


Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 17 32N 8W W2 SW SW

32-8 # 261

SAN JUAN 32 8 UNIT - BASIN

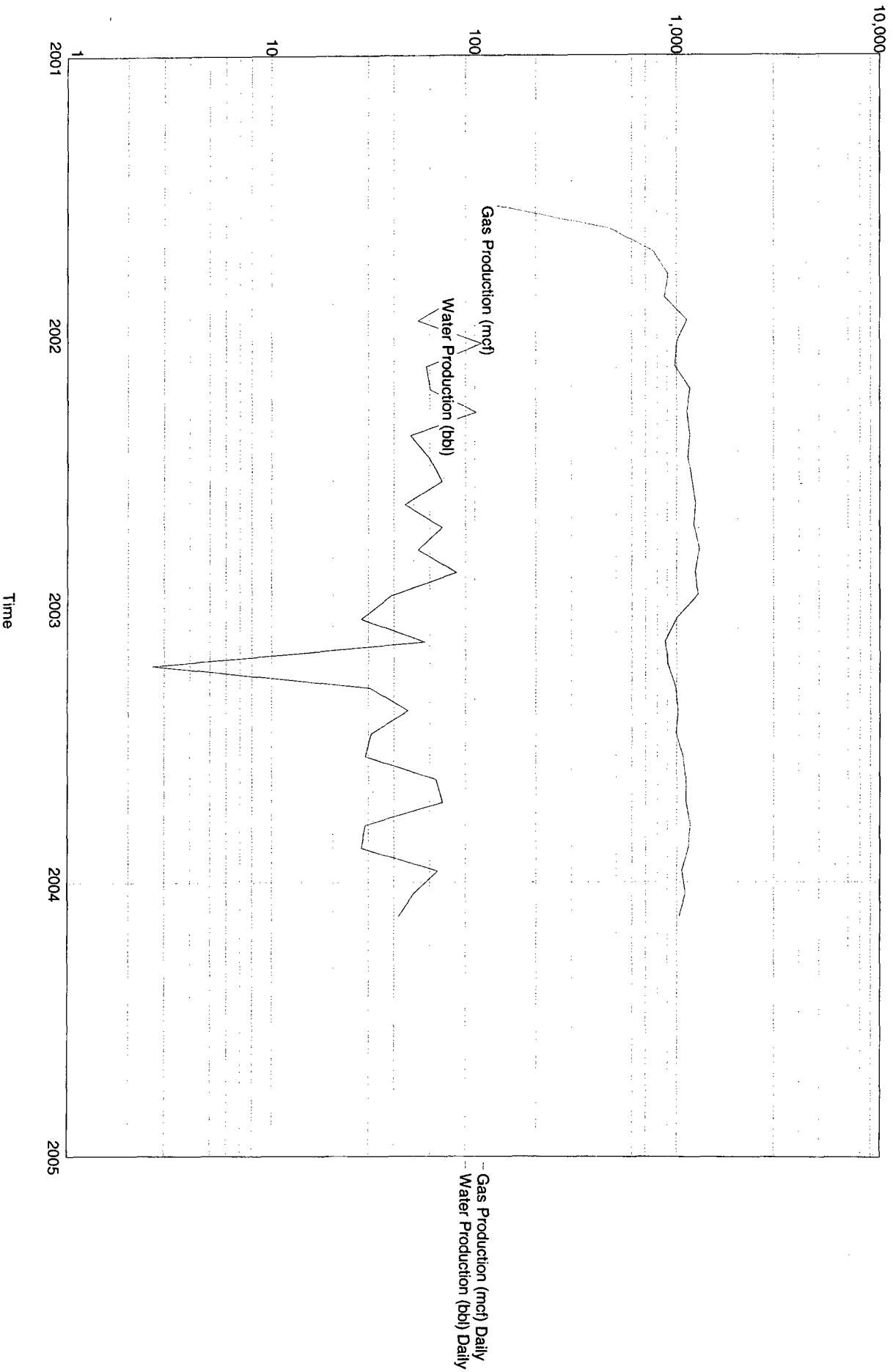
Production Rates



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 # 105

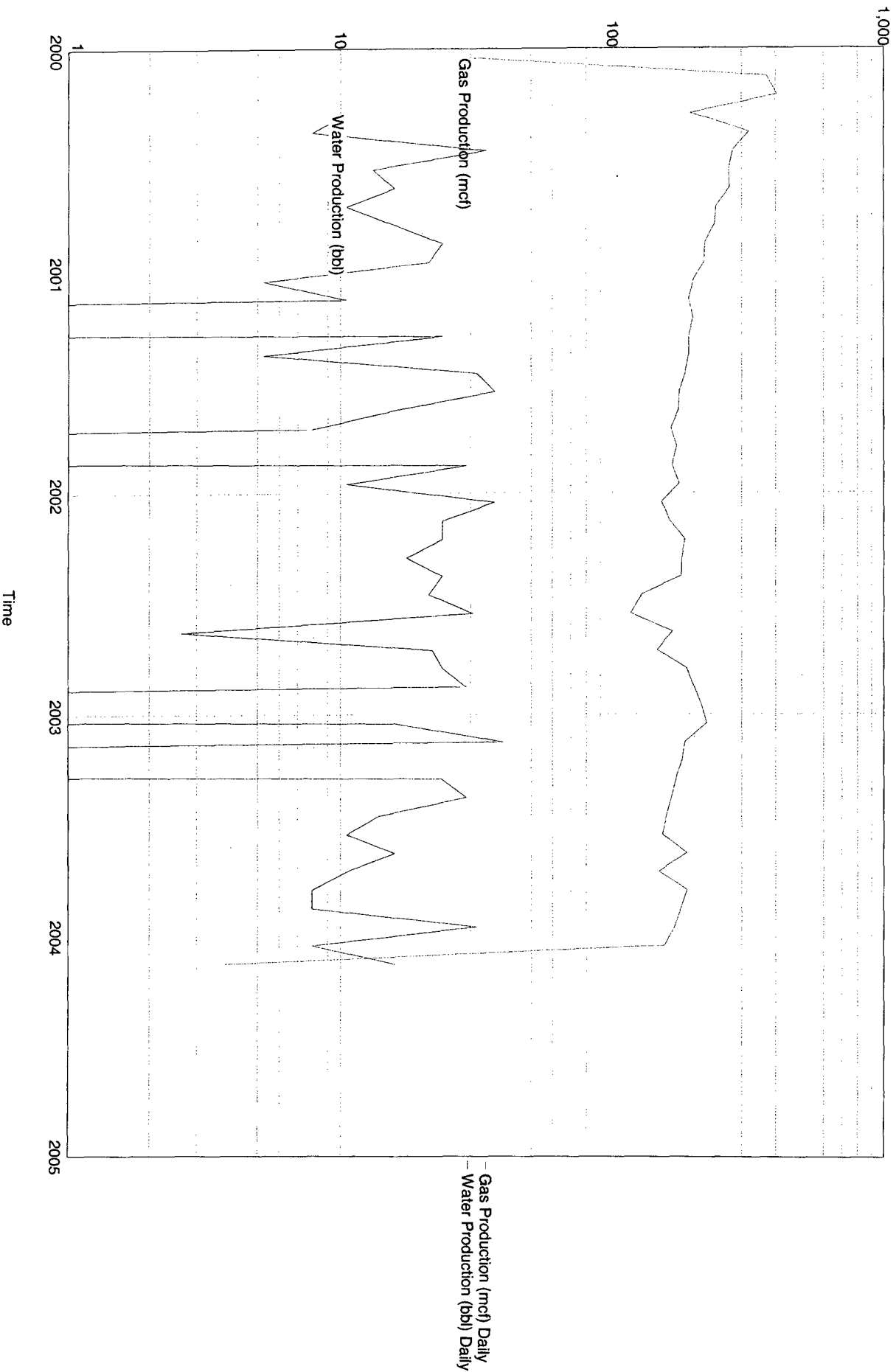
RATTLESNAKE CANYON - BASIN



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 # 100

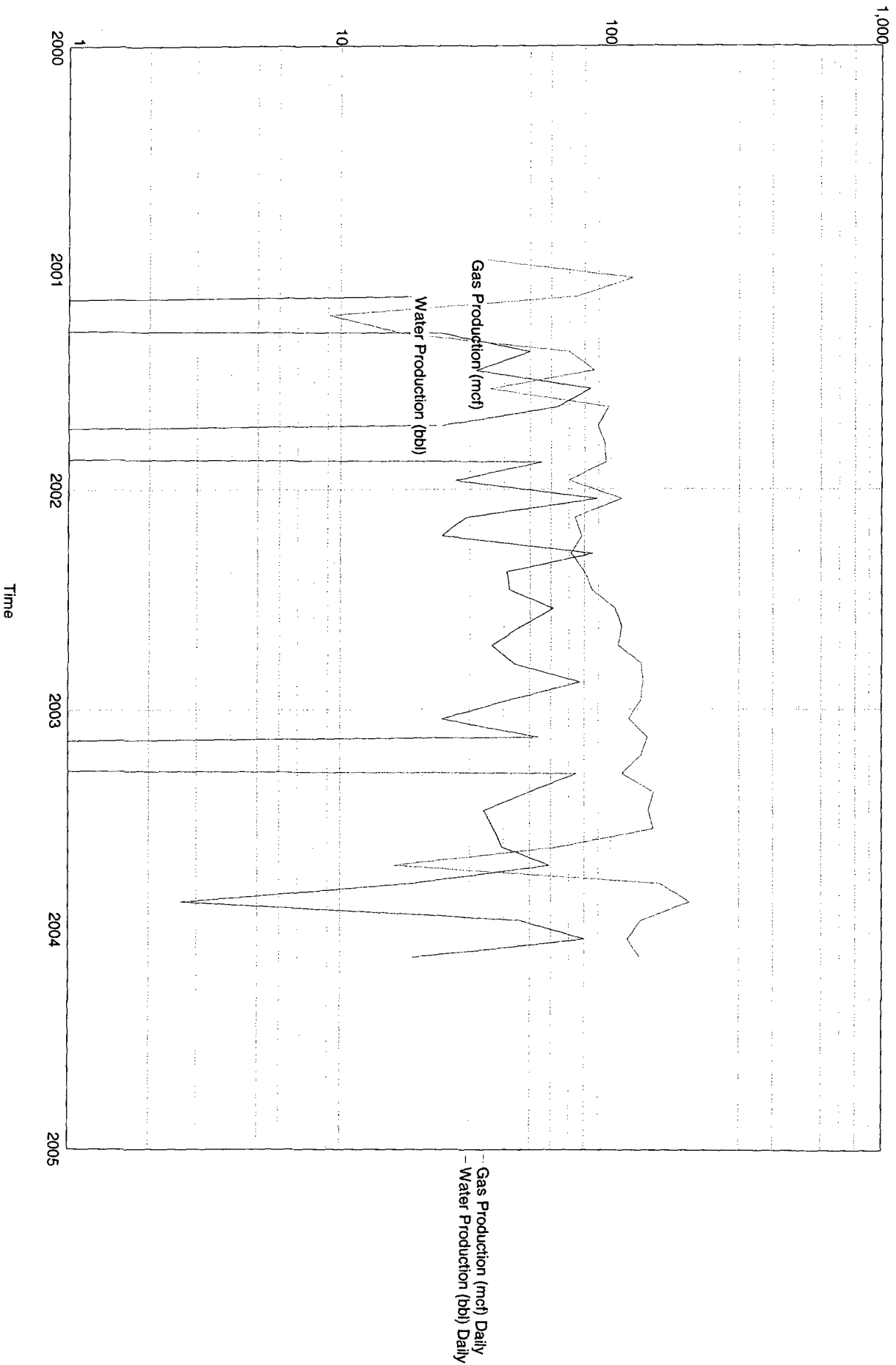
SUSCO 16 STATE - BASIN



Lease Name: TRAIL CANYON
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 18 32N 8W NW SE NE

Trail Canyon #103

TRAIL CANYON - BASIN





Commerciality Determination

**SJ 32-8 Unit #264
Fruitland Coal
SW, Sec 9, T32N, R8W
San Juan County, NM
API: 30-045-30985**

This Fruitland Coal well was spud on 5/28/02 by Phillips Petroleum and completed on 8/18/2002.

The actual capital investment of \$617,000 for open hole cavity completion of the 32-8 # 264 Fruitland coal well was used in this determination. Actual operating costs for this well are \$35,000/year.

Income was based on a flat non-escalated value of \$4.35/mmBTU. The 32-8 # 264 has a gas content of 900 BTU, therefore the gas price used for this well was \$3.915/MCF.

The well had a pumping unit problem, which was fixed on 11/20/2003, restoring production from the well. Also, an error by the gas gatherer led to the well being connected into a 900+ psi gathering system. Optimization of the wellhead compressor by the gas gatherer is an ongoing problem.

Current reservoir pressure for this well is 1350 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcf)
May-03	55
June-03	69
July-03	21
August-03	0
September-03	1
October-03	0
November-03	0
December-03	36
January-04	72
February-04	187
March-04	198
April-04	207
May-04	212

US Summary Report

SJ 32-8 # 264

Nominal

Case Description

Notes Commercial economics for drilling and completing the San Juan 32-8 # 264.

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	Inc Before	Before Tax	Before Tax	After Tax	Cash
Rate	Res & Tax	Cap. Inv	Cash Flow	Cash Flow	PI
(%)	M\$	M\$	M\$	M\$	
0.0	3,694	617	3,077	1,877	4.62
8.0	1,947	594	1,354	803	2.61
10.0	1,695	588	1,106	647	2.31
11.0	1,585	586	999	580	2.18
13.0	1,393	580	812	462	1.95
15.0	1,231	575	655	363	1.75
18.0	1,032	568	464	242	1.51

Company WI

	Initial %	Final %
Working	100.0	100.0
Oil NRI	85.0	85.0
Gas NRI	85.0	85.0
Byprod. NRI	85.0	85.0
Capital	100.0	100.0

Scenarios

	Base
Oil	Base
Gas	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	30.5	27.4
Cash Breakeven	Years	4.4
NPV @ 13%	M\$	812
13% PI (cash)	M\$/M\$	1.95
13% PI (capital)	M\$/M\$	1.80
NPV @ 10%	M\$	1,106
10% PI (cash)	M\$/M\$	2.31
10% PI (capital)	M\$/M\$	2.10
Dev Cost/BOE	\$/BOE	2.88
Economic Limit Date	2026/12	
Last Scheduled Prod Date	2026/12	
Date of first production	2002/05	
Date of first investment	2002/05	
Discount Date	2002/05	

Products Recovery (US)::ConocoPhillips

	Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0
Gas-raw	MMSCF	1,512	1,512	227	1,285
Gas-Sales	MMSCF	1,512	1,512	227	1,285
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\$
2002(12)	0.00	0.26	0.00	0.22	0.00	3.91	1.0	0.85	0.08	35.00	-34.23	617.00	-651.23	-518.73	-494.59	-487.98
2003(12)	0.00	4.66	0.00	3.97	0.00	3.91	1.0	15.52	1.43	35.00	-20.90	0.00	-20.90	19.40	16.81	16.15
2004(12)	0.00	43.37	0.00	36.86	0.00	3.92	1.0	144.31	13.26	35.00	96.05	0.00	96.05	84.00	66.19	61.89
2005(12)	0.00	108.77	0.00	92.45	0.00	3.91	1.0	361.95	33.26	35.00	293.68	0.00	293.68	199.75	143.09	130.23
2006(12)	0.00	140.91	0.00	119.77	0.00	3.91	1.0	468.91	43.09	35.00	390.82	0.00	390.82	255.57	166.43	147.45
2007(12)	0.00	146.10	0.00	124.19	0.00	3.91	1.0	486.18	44.68	35.00	406.50	0.00	406.50	261.24	154.66	133.38
2008(12)	0.00	146.05	0.00	124.14	0.00	3.91	1.0	486.02	44.67	35.00	406.35	0.00	406.35	256.47	138.03	115.88
2009(12)	0.00	133.87	0.00	113.79	0.00	3.91	1.0	445.47	40.94	35.00	369.53	0.00	369.53	229.71	112.39	91.85
2010(12)	0.00	112.87	0.00	95.94	0.00	3.91	1.0	375.60	34.52	35.00	306.08	0.00	306.08	186.71	83.05	66.07
2011(12)	0.00	95.93	0.00	81.54	0.00	3.91	1.0	319.22	29.34	35.00	254.89	0.00	254.89	155.48	62.87	48.69
2012(12)	0.00	82.15	0.00	69.83	0.00	3.91	1.0	273.37	25.12	35.00	213.25	0.00	213.25	130.08	47.82	36.05
2013(12)	0.00	70.84	0.00	60.21	0.00	3.91	1.0	235.73	21.66	35.00	179.06	0.00	179.06	109.23	36.50	26.79
2014(12)	0.00	61.47	0.00	52.25	0.00	3.91	1.0	204.55	18.80	35.00	150.76	0.00	150.76	91.96	27.94	19.96
2015(12)	0.00	53.65	0.00	45.60	0.00	3.92	1.0	178.53	16.41	35.00	127.13	0.00	127.13	77.55	21.42	14.89
2016(12)	0.00	47.08	0.00	40.01	0.00	3.91	1.0	158.66	14.40	35.00	107.26	0.00	107.26	65.43	16.43	11.12
2017(12)	0.00	41.51	0.00	35.29	0.00	3.91	1.0	138.14	12.70	35.00	90.45	0.00	90.45	55.17	12.59	8.30
2018(12)	0.00	36.77	0.00	31.26	0.00	3.91	1.0	122.37	11.25	35.00	76.13	0.00	76.13	46.44	9.64	6.18
2019(12)	0.00	32.72	0.00	27.81	0.00	3.91	1.0	108.87	10.00	35.00	63.86	0.00	63.86	38.96	7.35	4.59
2020(12)	0.00	29.22	0.00	24.84	0.00	3.91	1.0	97.24	8.94	35.00	53.30	0.00	53.30	32.51	5.58	3.39
2021(12)	0.00	26.19	0.00	22.27	0.00	3.91	1.0	87.17	8.01	35.00	44.16	0.00	44.16	28.94	4.20	2.48
2022(12)	0.00	23.57	0.00	20.03	0.00	3.91	1.0	78.42	7.21	35.00	36.21	0.00	36.21	22.09	3.13	1.80
2023(12)	0.00	21.27	0.00	18.08	0.00	3.91	1.0	70.77	6.50	35.00	29.27	0.00	29.27	17.85	2.30	1.29
2024(12)	0.00	19.25	0.00	16.37	0.00	3.91	1.0	64.07	5.89	35.00	23.18	0.00	23.18	14.14	1.66	0.90
2025(12)	0.00	17.48	0.00	14.86	0.00	3.91	1.0	58.17	5.35	35.00	17.83	0.00	17.83	10.87	1.16	0.62
2026(12)	0.00	15.91	0.00	13.53	0.00	3.91	1.0	52.96	4.87	35.00	13.09	0.00	13.09	7.99	0.77	0.40
total	0.00	1,511.86	0.00	1,285.08	---	---	---	5,031.09	462.36	875.00	3,693.73	617.00	3,076.73	1,876.80	647.41	462.38

•NAP Gross Cost Report

32-8 # 264

SARP-ZPSARNAP
 System: PRD-010
 Variant:

NAP Gross Cost Report

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 Page: 1

Help Notes:

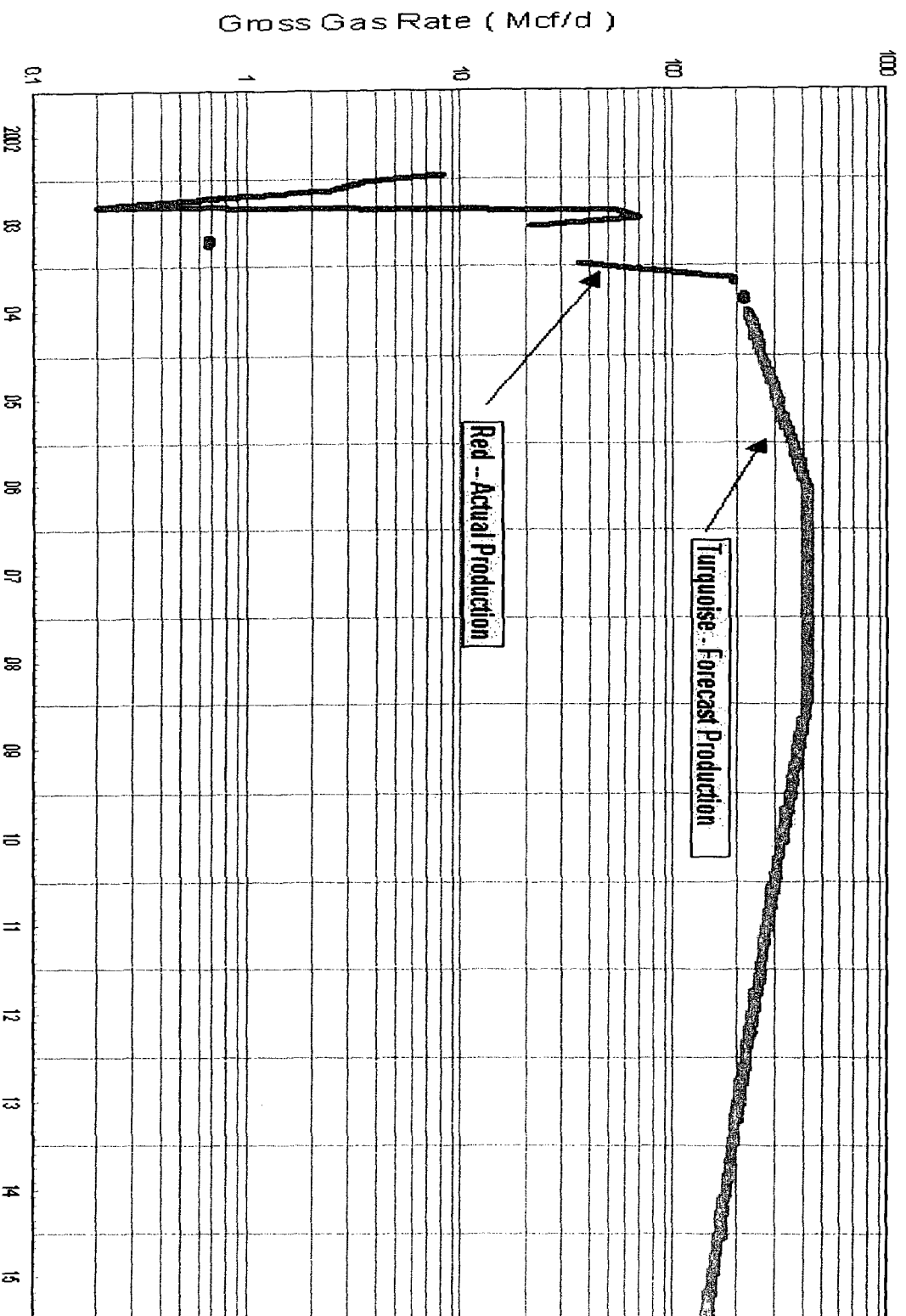
Click on the Descriptions to see Period Drill-down.

Click on the Costs for Line Items and close the window before choosing another Line Item.

Click on the Cost Object for Value Category & Transaction.

		Budget	Planned	Actual	Commts	Assigned	Available
-	WA5.J2Y.0001						
	Drig/Comp & Facilities SJ	0	810,133	616,332	0	616,332	193,801
+	WA5.J2Y.0001.01						
	Drill & Complete SJ 32-8	0	496,597	409,015	0	409,015	87,582
+	WA5.J2Y.0001.02						
	Equipment & Facilities SJ	0	313,536	207,317	0	207,317	106,219

32-8 # 264 Production Forecast



32-8 # 264 Past Production and Forecast

Date	Average Daily Gas Production (MCFD)	Total Gas Production (MCF)	
2002	9	256	
2003	13	4,665	*** Fixed Pumping Unit 11/20/2003
2004	177	43,367	
2005	298	108,766	
2006	385	140,910	
2007	400	146,100	
2008	400	146,050	
2009	367	133,866	
2010	308	112,869	
2011	263	95,928	
2012	225	82,150	
2013	194	70,837	
2014	168	61,469	
2015	147	53,650	
2016	129	47,076	
2017	114	41,512	
2018	100	36,774	
2019	90	32,715	
2020	80	29,220	
2021	72	26,195	
2022	64	23,565	
2023	58	21,268	
2024	53	19,254	
2025	48	17,481	
2026	43	15,915	

Cumulative Production 1,512 MMCF

*** Actual Production in Black

*** Forecasted Production in Red

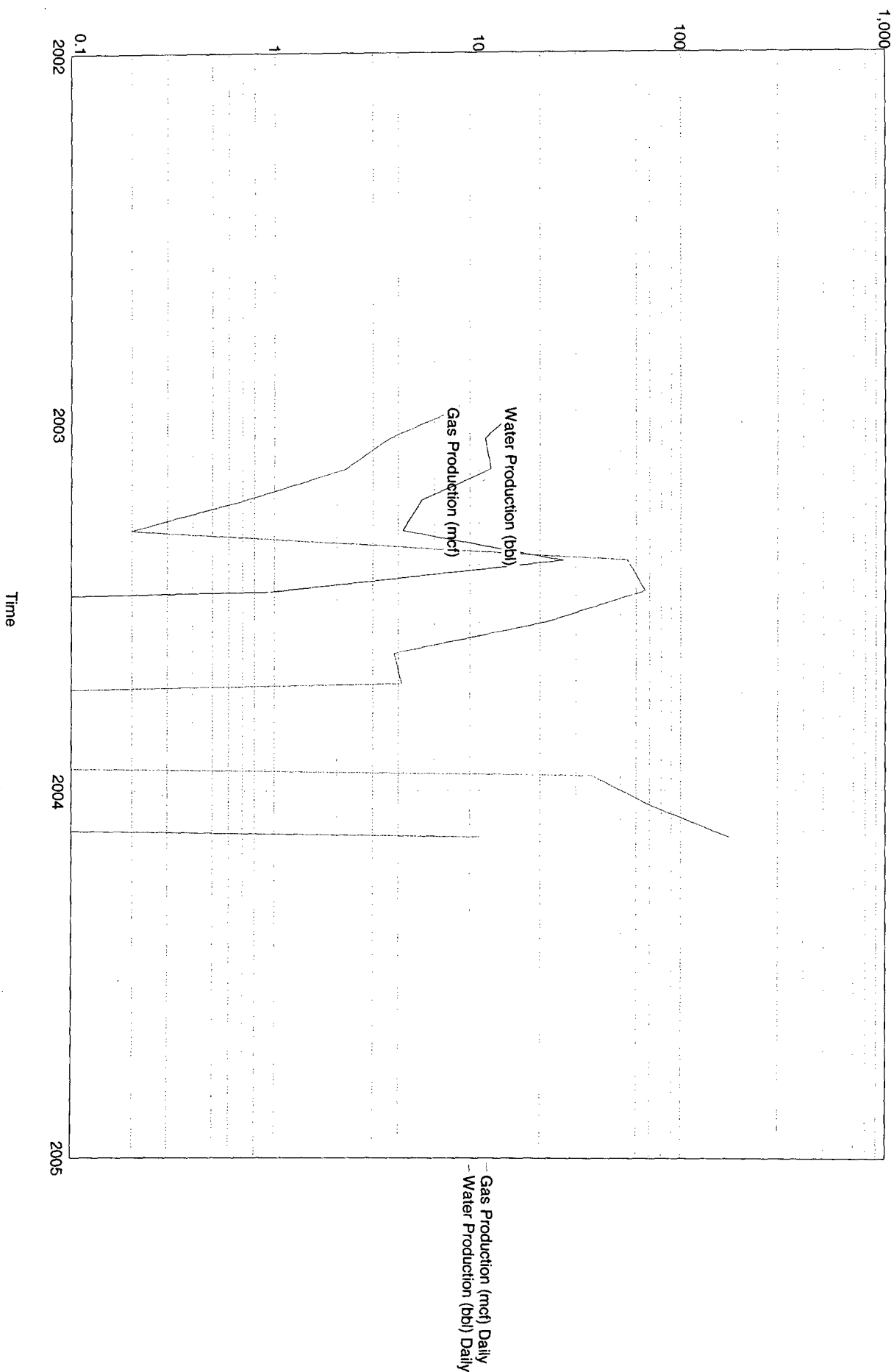
*** 2004 -- 1/2 year actual production and 1/2 year forecasted production

Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 9 32N 8W NE NW SW

32-8 # 264

SAN JUAN 32 8 UNIT - BASIN

Production Rates



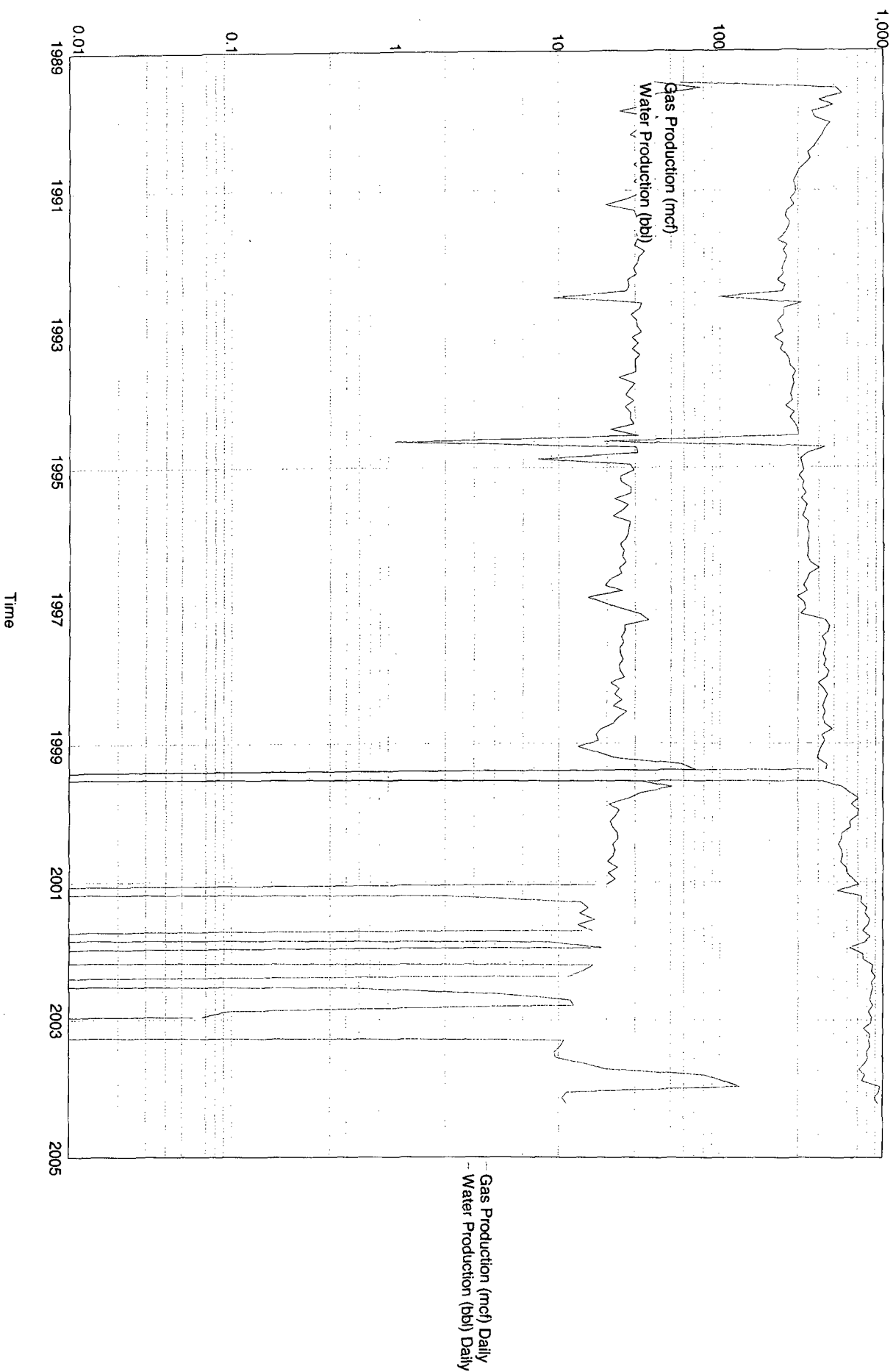
32-8 # 264 Offset Wells

Well	Location	State	Current		Peak	Current		Production
			Gas Production	Water Production		Gas Production	Water Production	
Southern Ute 32-8 # 23-2	NE Section 23 T32NR8W	Colorado	900	15	900		15	Incline
Southern Ute 32-8 # 23-3	SW Section 23 T32NR8W	Colorado	450	17	1000		17	Incline
Southern Ute 32-8 # 24-1	NE Section 24 T32NR8W	Colorado	550	14	650		14	Incline
Southern Ute 32-8 # 24-2	NW Section 24 T32NR8W	Colorado	250	12	600		12	Decline ?
Southern Ute 32-8 # 24-3	SE Section 24 T32NR8W	Colorado	450	15	675		15	Plateau
San Juan 32-8 # 262	NE Section 17 T32NR8W	New Mexico	300	25	400		25	Decline ?
Trail Canyon # 101	SE Section 8 T32NR8W	New Mexico	150	25	300		25	Decline ?
Susco 16 State # 101	NE Section 16 T32NR8W	New Mexico	10	12	200		12	Decline ?
Reese Mesa # 102	SE Section 10 T32NR8W	New Mexico	275	20	275		20	Incline
Average			371	17	556			

*** Wells on decline due to production optimization problems. Wells should still be on incline due to reservoir pressures greater than 1100 psi.

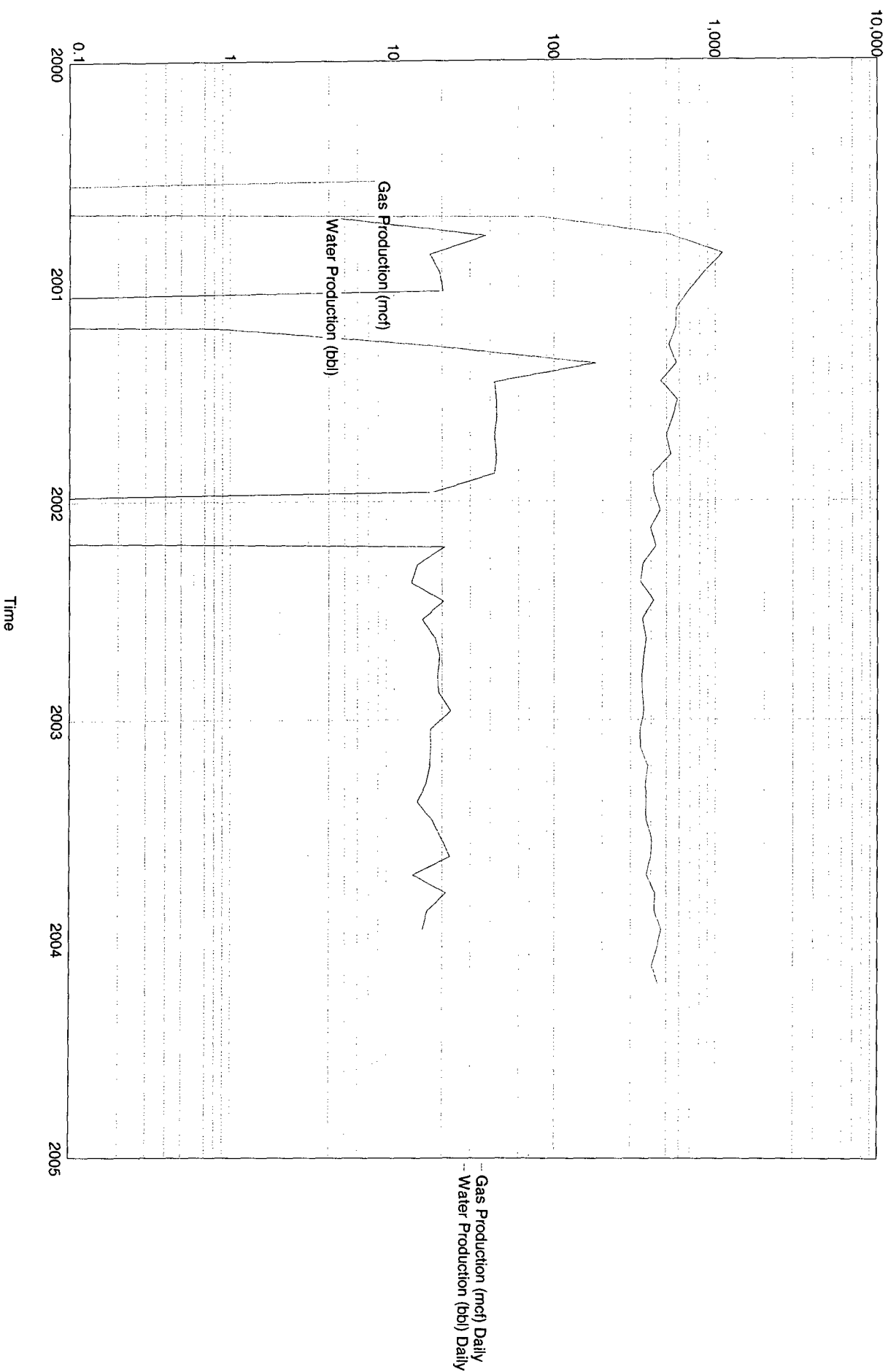
Lease Name: SO UTE 32-8 #23-2
County/ State: LA PLATA, CO
Operator: BP AMERICA PRODUCTION COMPANY
Field: IGNACIO-BLANCO
Reservoir: FRUITLAND COAL
Location: 23 32N 8W NE NW NE

SO UTE 32-8 #23-2 - IGNACIO-BLANCO



Lease Name: SO UTE 32-8 #23-3
County, State: LA PLATA, CO
Operator: BP AMERICA PRODUCTION COMPANY
Field: IGNACIO-BLANCO
Reservoir: FRUITLAND COAL
Location: 23 32N 8W NE SE SW

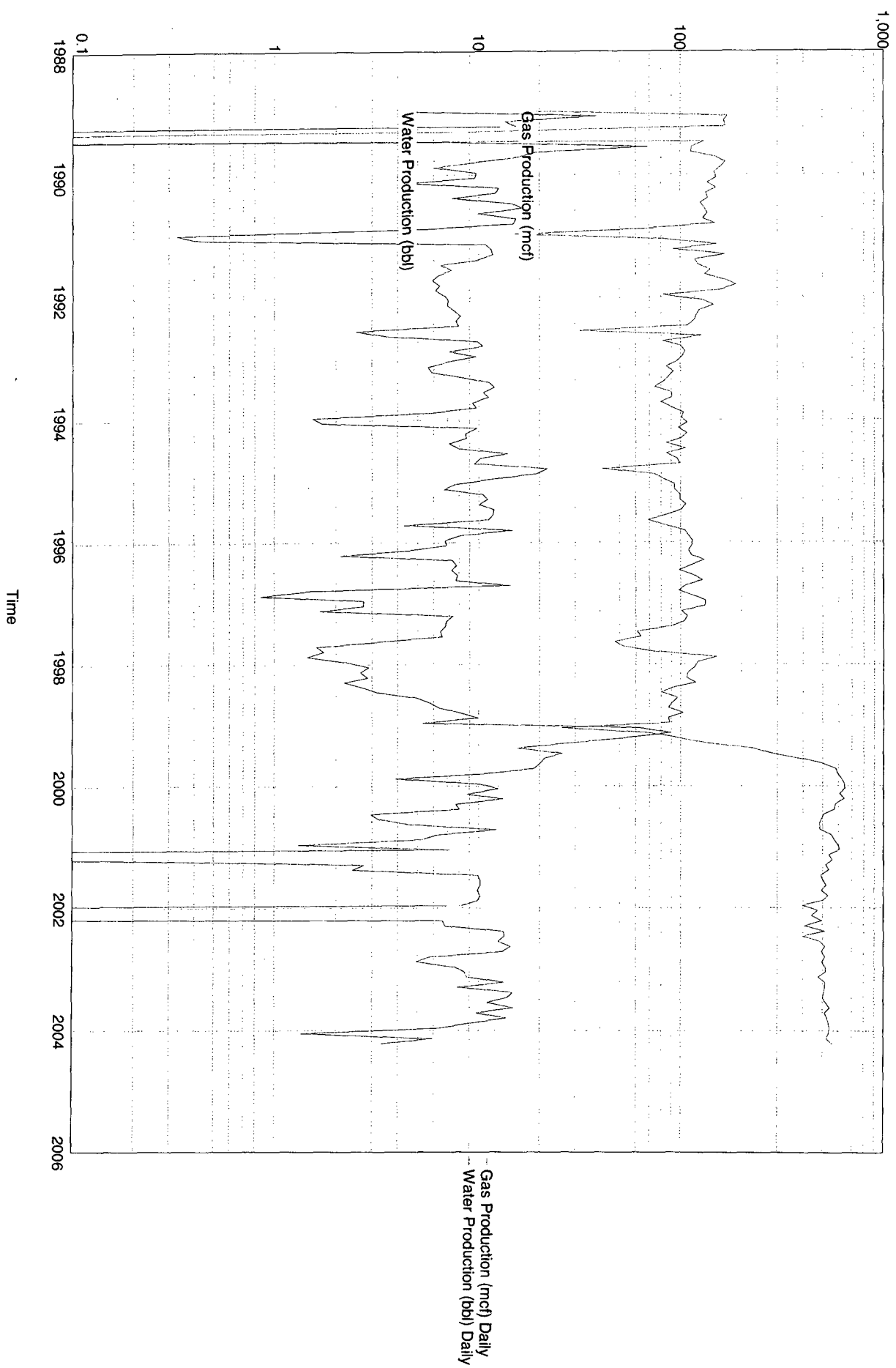
SO UTE 32-8 #23-3 - IGNACIO-BLANCO



Lease Name: SO UTE 32-8 #24-1
County, State: LA PLATA, CO
Operator: BP AMERICA PRODUCTION COMPANY
Field: IGNACIO-BLANCO
Reservoir: FRUITLAND COAL
Location: 24 32N 8W NE SW NE

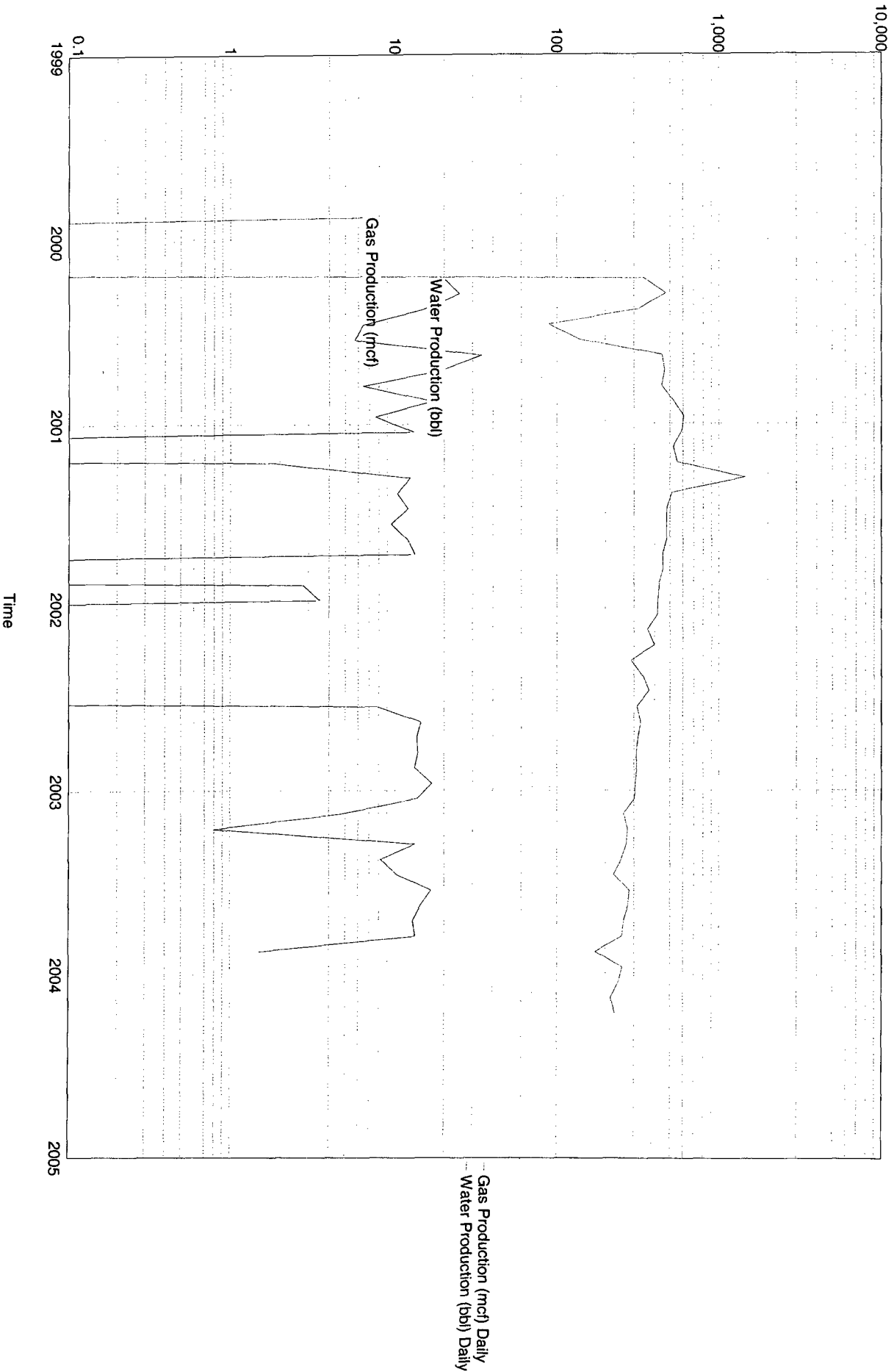
SO UTE 32-8 #24-1 - IGNACIO-BLANCO

Production Rates



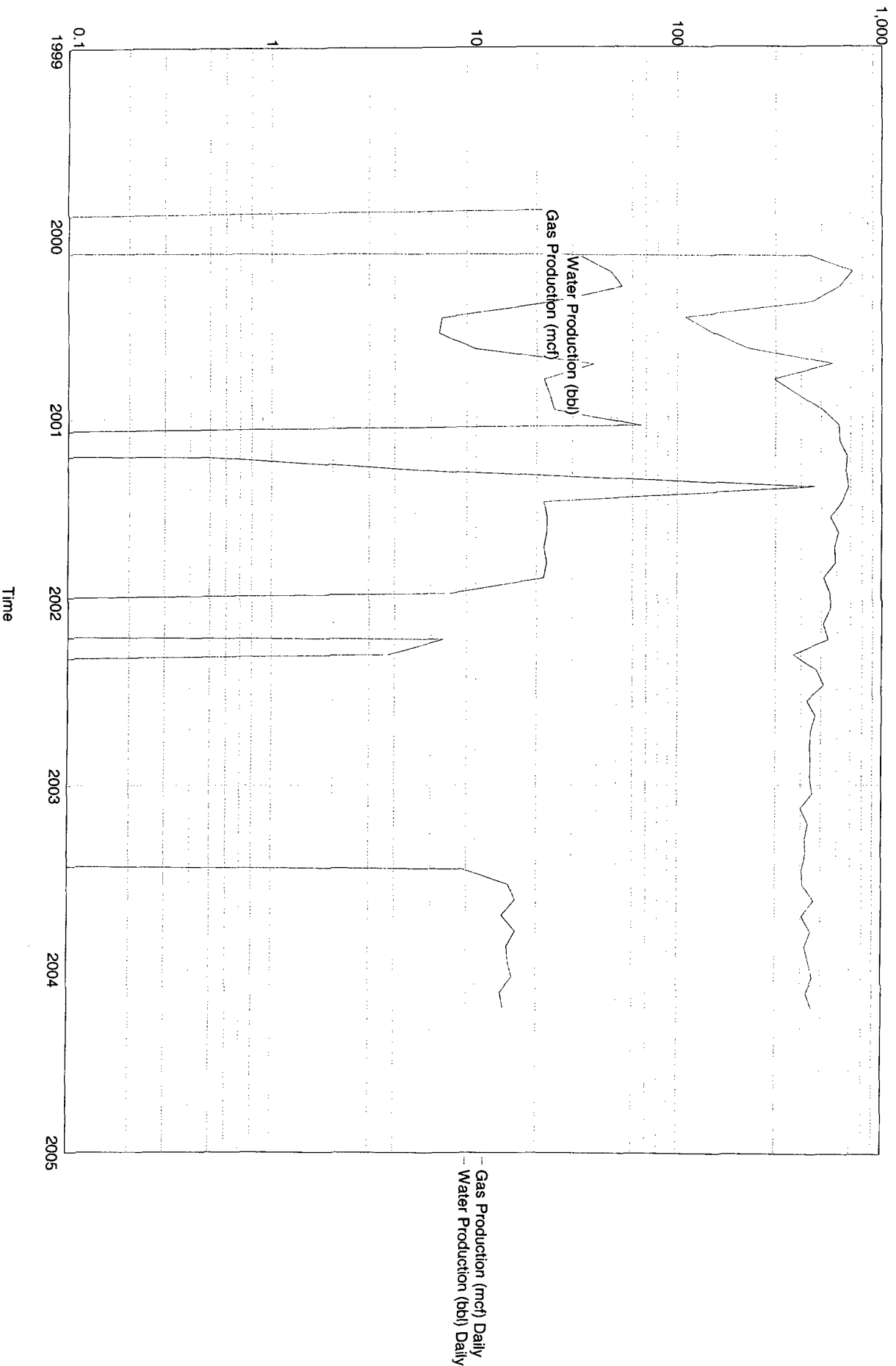
Lease Name: SO UTE 32-8 #24-2
County, State: LA PLATA, CO
Operator: BP AMERICA PRODUCTION COMPANY
Field: IGNACIO-BLANCO
Reservoir: FRUITLAND COAL
Location: 24 32N 8W NE SW NW

SO UTE 32-8 #24-2 - IGNACIO-BLANCO



Lease Name: SO UTE 32-8 #24-3
County, State: LA PLATA, CO
Operator: BP AMERICA PRODUCTION COMPANY
Field: IGNACIO-BLANCO
Reservoir: FRUITLAND COAL
Location: 24 32N 8W NW SE

SO UTE 32-8 #24-3 - IGNACIO-BLANCO

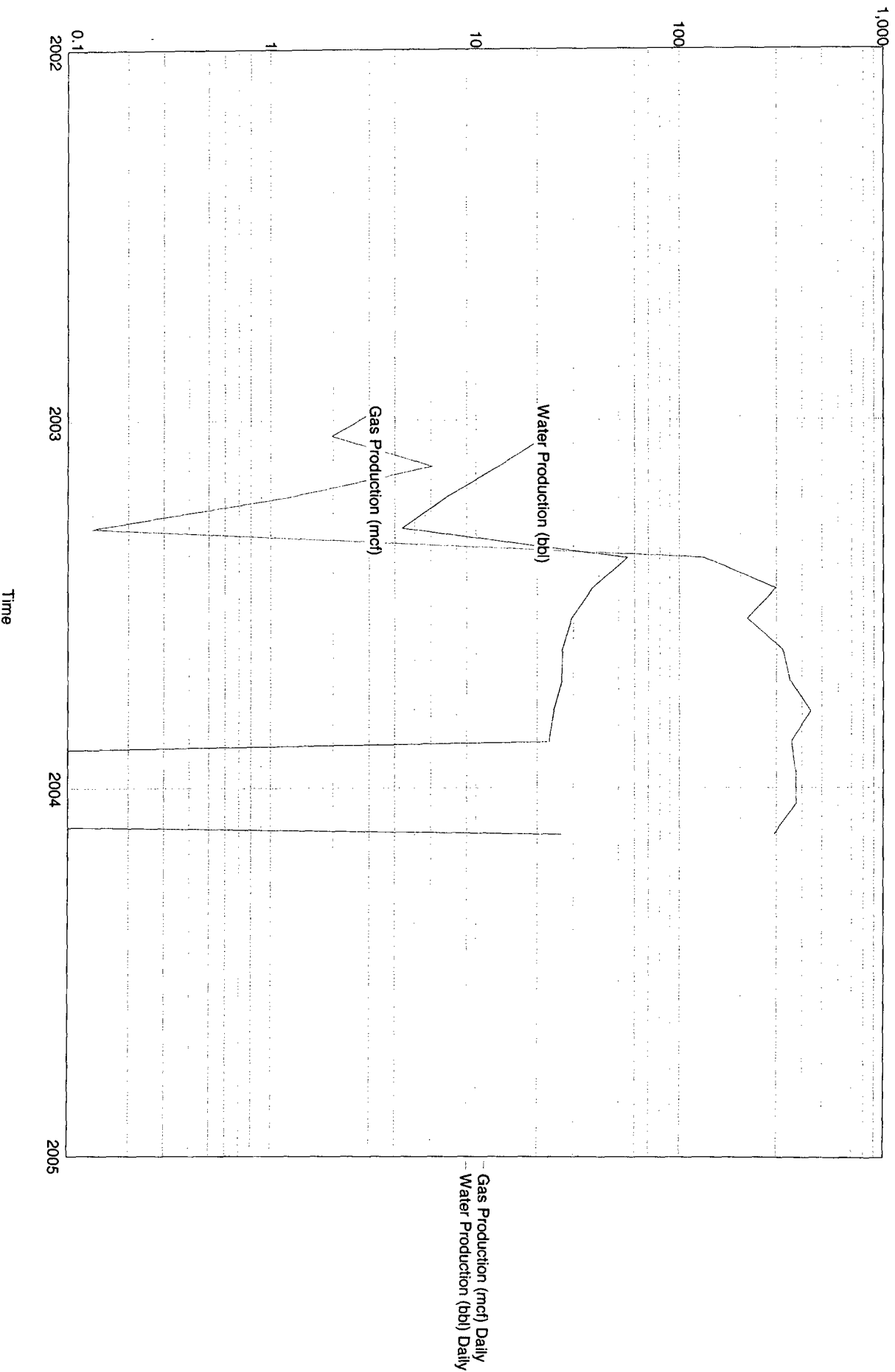


Lease Name: SAN JUAN 32 8 UNIT
 County, State: SAN JUAN, NM
 Operator: CONOCOPHILLIPS COMPANY
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 17 32N 8W NE SW NE

32-8 # 262

SAN JUAN 32 8 UNIT - BASIN

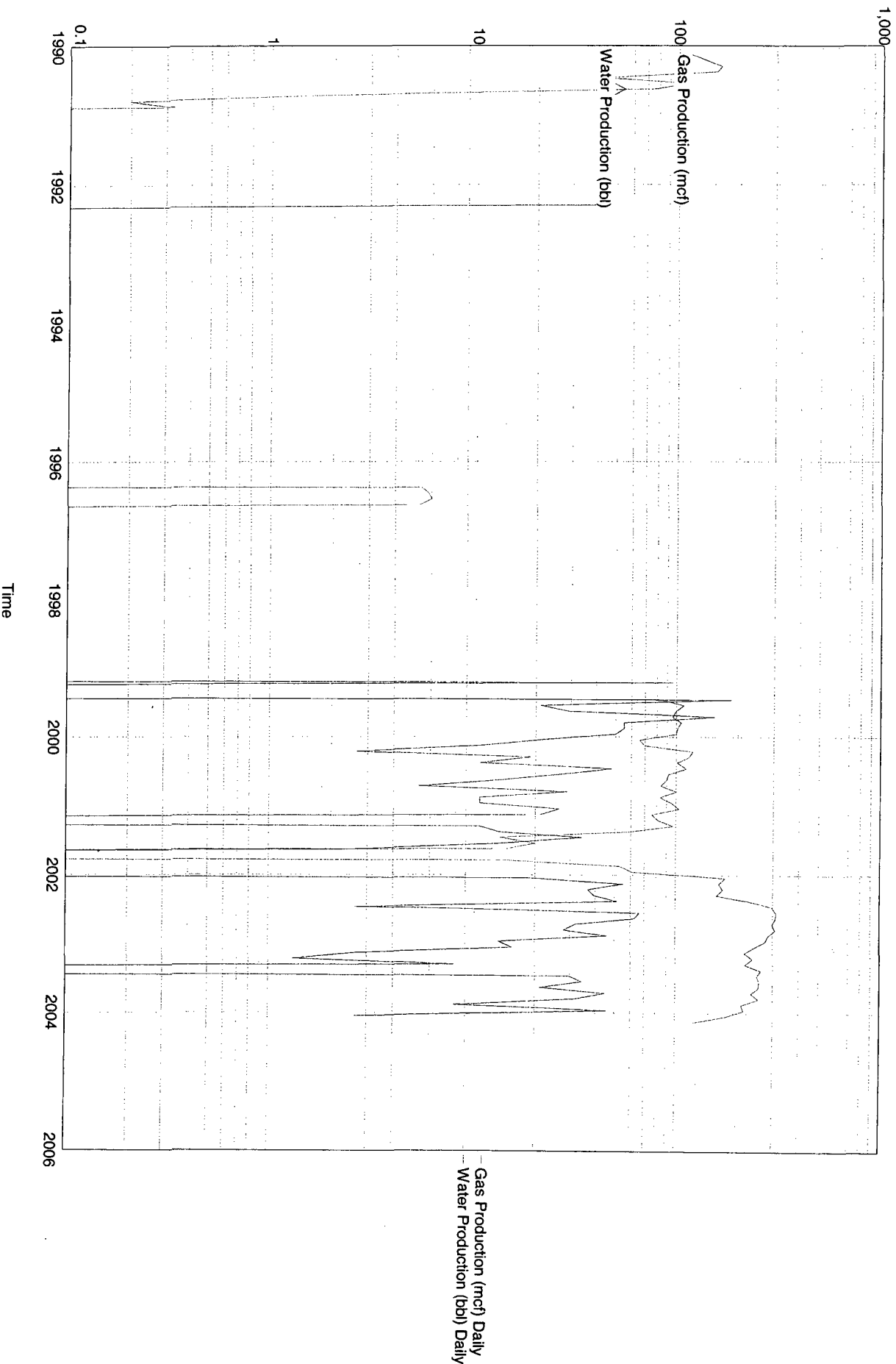
Production Rates



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

Trail Canyon #101

TRAIL CANYON - BASIN

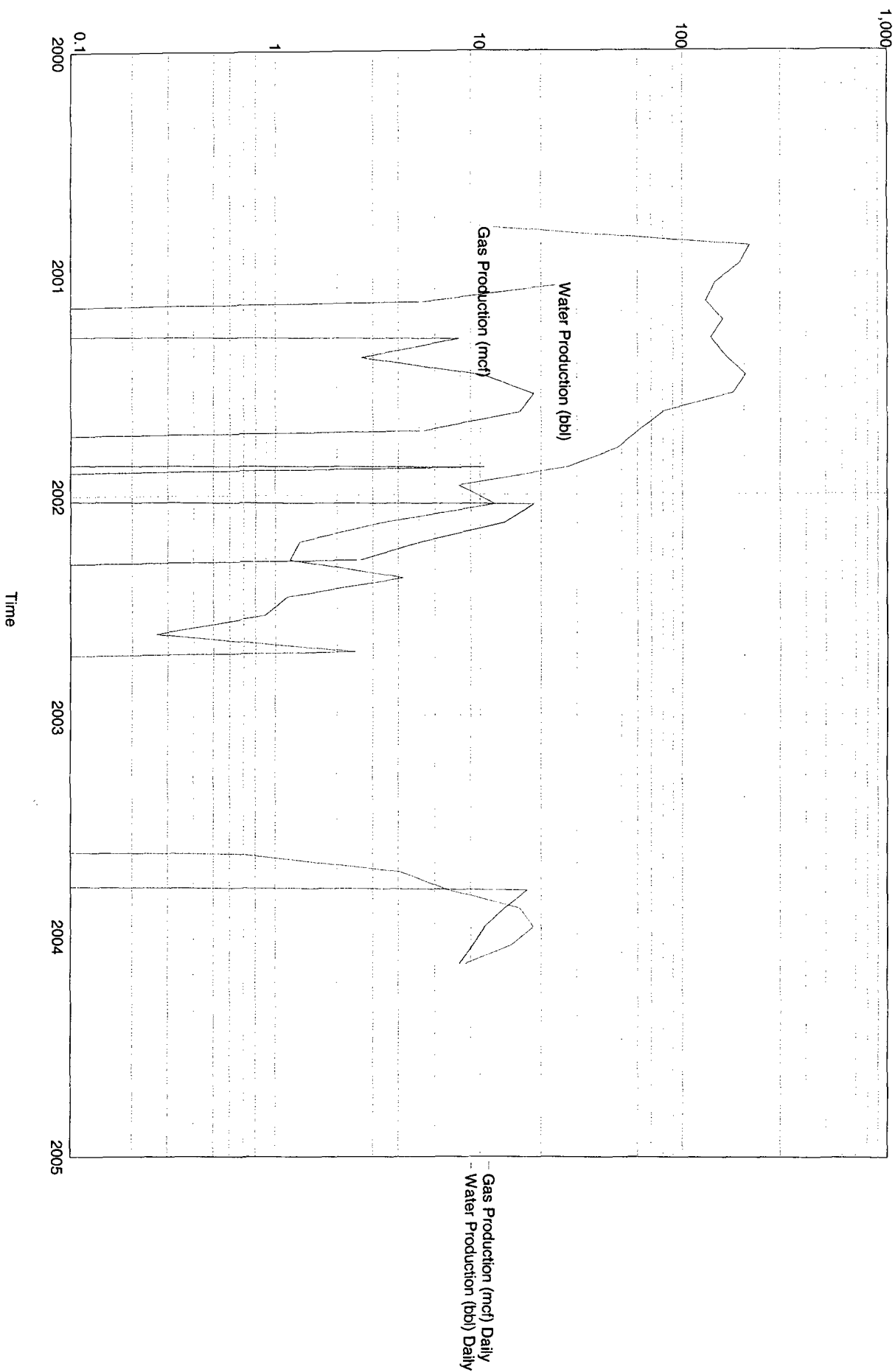


Lease Name: SUSCO 16 STATE
County, State: SAN JUAN, NM
Operator: BURLINGTON RESOURCES O&G CO LP
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 16 32N 8W NE SW NE

Susco 16 State #101

SUSCO 16 STATE - BASIN

Production Rates

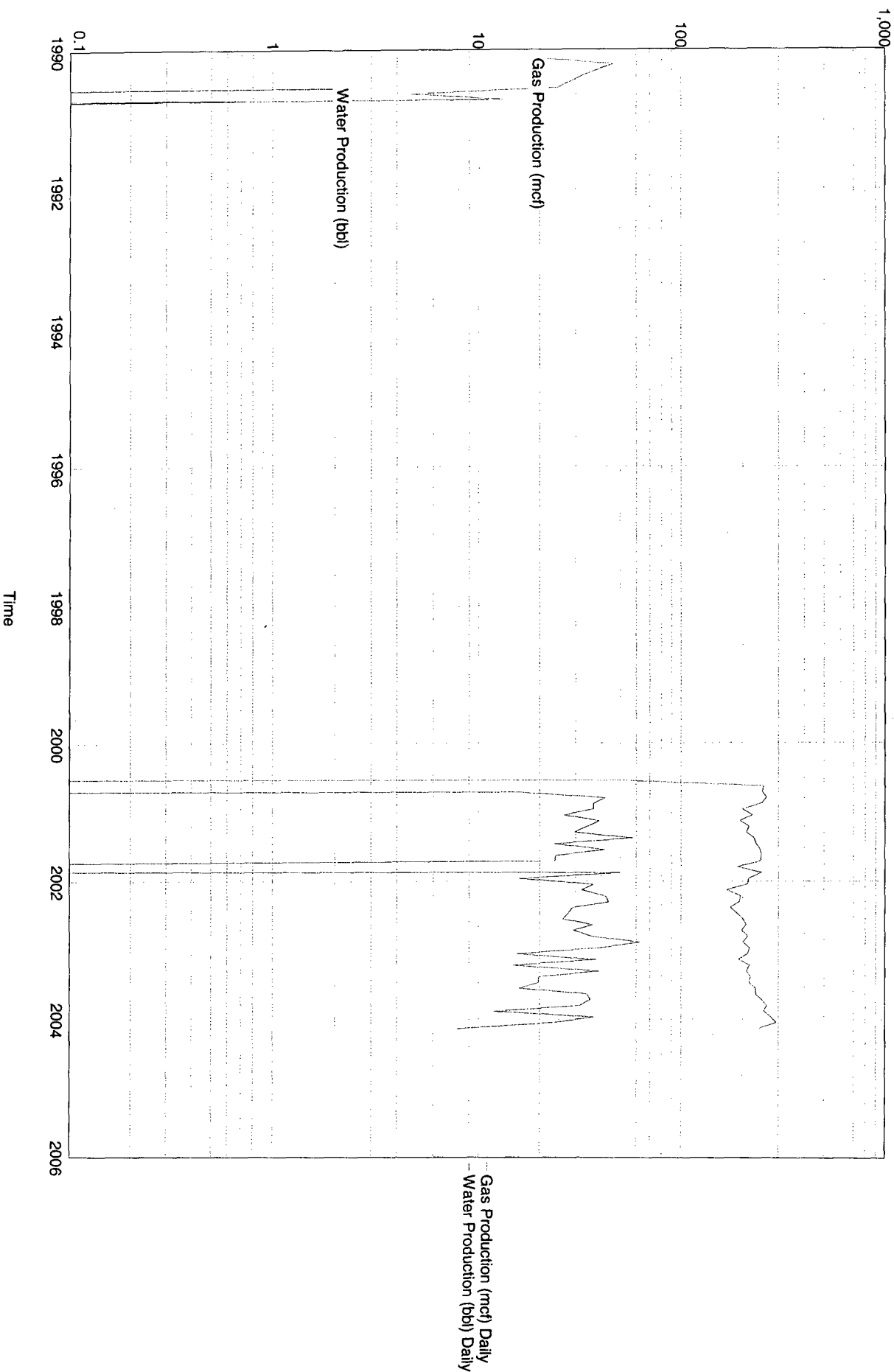


Lease Name: REESE MESA
 County, State: SAN JUAN, NM
 Operator: BURLINGTON RESOURCES O&G CO LP
 Field: BASIN
 Reservoir: FRUITLAND COAL
 Location: 10 32N 8W SE NW SE

Reese Mesa #102

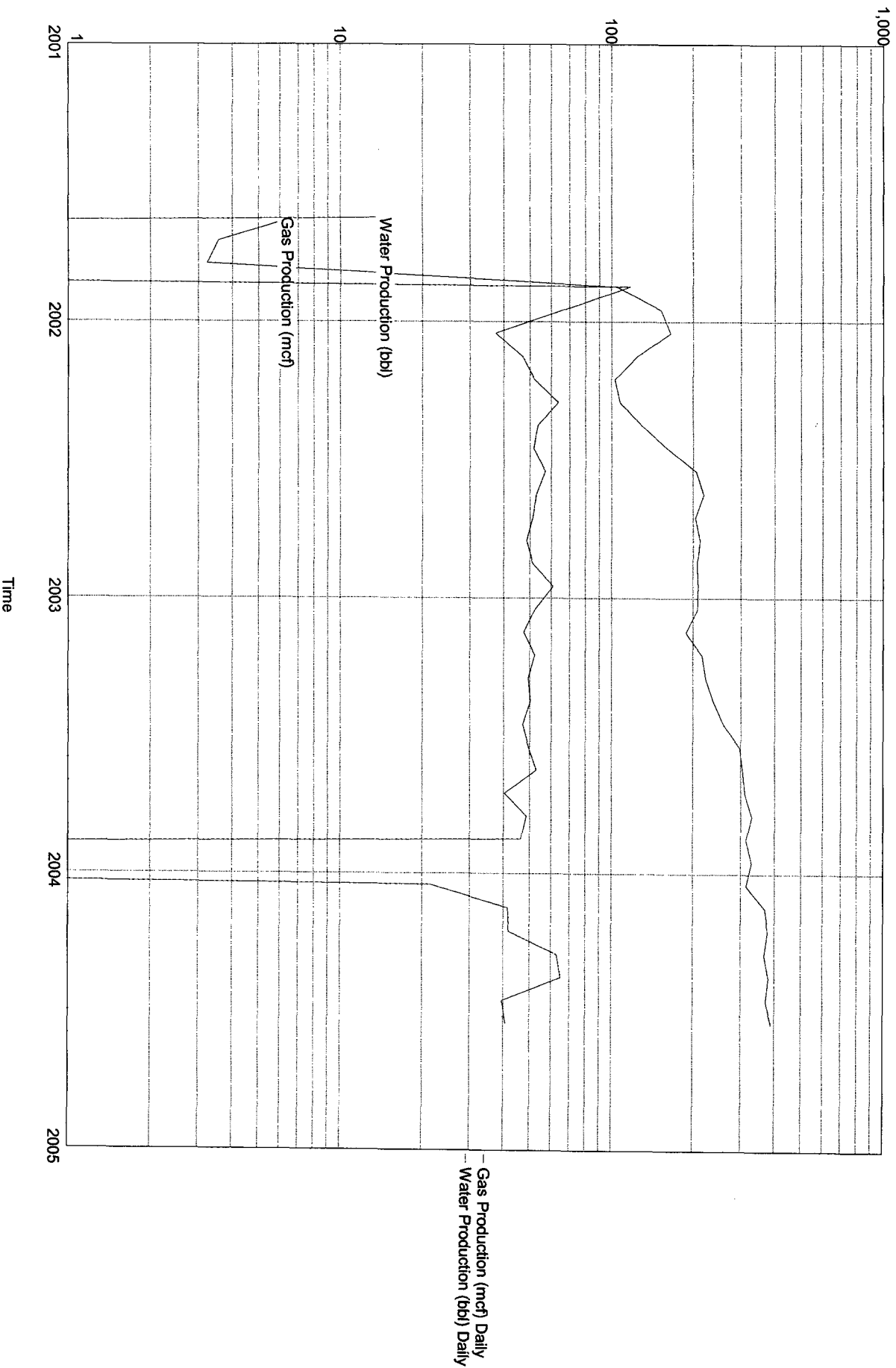
REESE MESA - BASIN

Production Rates



Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 17 32N 8W W2 SW SW

SAN JUAN 32 8 UNIT - BASIN





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

Fax (505) 827-5766

www.nmstatelands.org

RECEIVED

January 14, 2005

ConocoPhillips Company
600 N. Dairy Ashford - 3WL
Houston, Texas 77079-1175

Attention: Mr. Jim Penney

JAN 20 2005
Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505

Re: San Juan 32-8 Unit
Commerciality Determinations
Fruitland Coal Formation - July 17, 2001 Completion Date
Rattlesnake Canyon Well No. 105 E/2 20-32N-8W
San Juan County, New Mexico

Dear Mr. Penney:

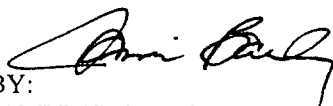
We are in receipt of your letter of December 9, 2004 and a copy of the Bureau of Land Management's letter of January 7, 2005 regarding the referenced commerciality determination for the Rattlesnake Canyon Com Well No. 105.

We concur with the Bureau of Land Management that the Rattlesnake Canyon Com Well No. 105 is a commercial well in the Fruitland Coal formation. The lands that are committed to the San Juan 32-8 Unit should be included in the San Juan 32-8 Unit Fruitland Coal participating area.

Please submit an application for the appropriate expansion of the Fruitland Coal participating area to this office for approval.

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

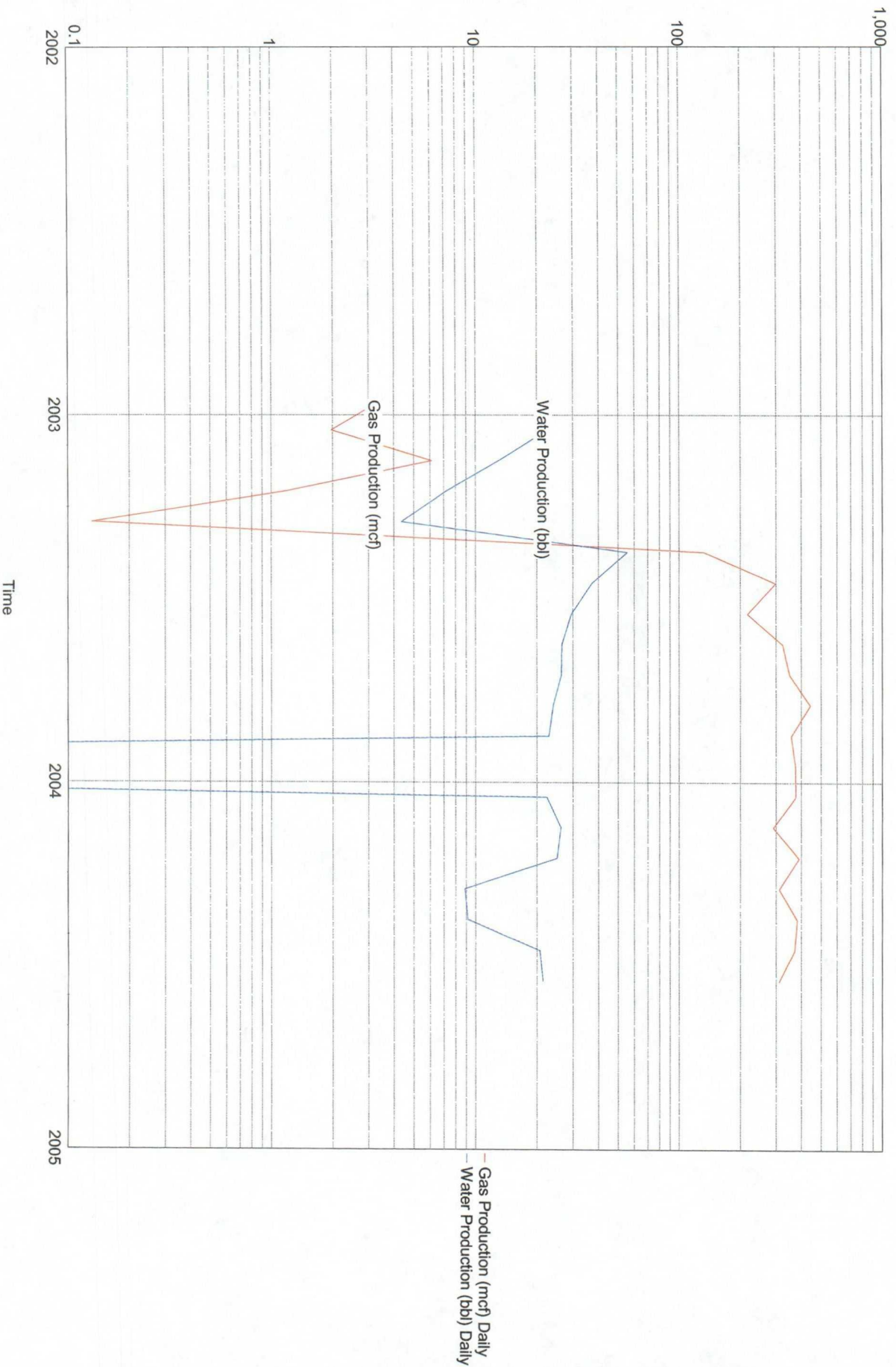
BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm
pc: Reader File
BLM-Farmington Attn: Mr. Wayne Townsend
OCD-Santa Fe Attn: Mr. Roy Johnson
TRD-Attn: Mr. Valdean Severson
RMD-Linda Vieira

-State Land Office Beneficiaries -

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Lease Name: SAN JUAN 32 8 UNIT
County, State: SAN JUAN, NM
Operator: CONOCOPHILLIPS COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 17 32N 8W NE SW NE

SAN JUAN 32 8 UNIT - BASIN





PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
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COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

February 16, 2005

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

Attn: Mr. Jim Penney

Re: 2005 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 above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the unit area and the need for further development of the unit may exist. You may be contacted 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

A handwritten signature in black ink, appearing to read "Jami Bailey".

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

PL/JB/cpm
xc: Reader File

OCD

BLM

-State Land Office Beneficiaries -

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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL

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SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

February 25, 2003

ConocoPhillips Company
P. O. Box 2197 - 3WL-5061
Houston, Texas 77252-2197

Attention: Ms. Betty Dimiterchik

Re: San Juan 32-8 Unit
Commerciality Determinations
Fruitland Coal Formation
San Juan 32-8 Unit Well No. 262, E/2 Sec. 17-32N-8W
San Juan 32-8 Unit Well No. 264, S/2 Sec. 9-32N-8W
San Juan 32-8 Unit Well No. 260, S/2 Sec. 18-32N-8W
San Juan 32-8 Unit Well No. 258, W/2 Sec. 15-32N-8W
San Juan County, New Mexico

Dear Ms Dimiterchik:

We are in receipt of your letter of August 2, 2004 and a copy of the Bureau of Land Management's letter of August 12, 2004 regarding the above referenced commerciality determinations for the San Juan 32-8 Unit Well Nos. 262, 264, 260 and 258.

We concur with the Bureau of Land Management that the above referenced San Juan 32-8 Unit Wells are commercial wells in the Fruitland Coal formation and should be included in the Fruitland Coal participating area.

Please submit an application for the appropriate expansion of the Fruitland Coal participating area to this office for approval.

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/pm

pc: Reader File
BLM-Farmington Attn: Mr. Wayne Townsend
OCD-Santa Fe Attn: Mr. Roy Johnson
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