



2006 JUN 23 PM 12 31

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June 16, 2006

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

CERTIFIED MAIL

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 32-7 Unit – No. 14-08-001-441
Commerciality Determination
Fruitland Coal Formation
San Juan County, New Mexico
Contract: 040463 Lease: A650115

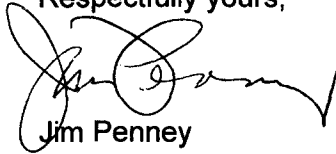
Ladies and Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 32-7 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 Janet Stasney at (832) 486-2359 for any technical questions you may have, and direct all other questions to Betty Dimiterchik at (832) 486-2355.

Respectfully yours,



Jim Penney

Well Name	Dedication	Lease No.	Completion Date	Operator's Determination
SJ 32-7 #222A	E/2 Sec. 20, T32N, R7W	SF078460	6/17/2005	Commercial
SJ 32-7 #236A	W/2 Sec. 28, T32N, R7W	SF078542	9/1/2005	Commercial
SJ 32-7 #248	NSP Sec. 7&8, T32N, R7W	FEE	11/7/2005	Commercial
SJ 32-7 #249	NSP Sec. 8&9, T32N, R7W	FEE	8/3/2005	Commercial
SJ 32-7 #250	W/2 Sec. 16, T32N, R7W	STATE	6/12/2005	Commercial



2006 JUN 23 PM 12:31
~~Commerciality~~ Determination

**San Juan 32-7 Unit #249
Fruitland Coal
NW, Sec 9, T32N, R7W
San Juan County, NM
API: 30-045-32816**

This Fruitland Coal well was spud on May 25, 2005 by ConocoPhillips and completed on August 3, 2005.

Actual capital investment of \$1,303,000 for the fracture stimulated completion of the San Juan 32-7 Unit #249 Fruitland coal well was used in this determination. Estimated operating costs for this well are \$56,400/year.

Income was based on actual prices from 8/05 – 3/06 and a flat non-escalated value of \$6.46/mcf and normal transportation costs for future production.

Recommend that this well be determined commercial.

Actual Production

Month	Production (MCFD)
Aug-05	267
Sep-05	306
Oct-05	320
Nov-05	322
Dec-05	297
Jan-06	329
Feb-06	306
Mar-06	290

US Summary Report

SJ 32-7 249 Commerciality Determination

Nominal

Case Description

Notes Fruitland Coal 2005 Drill
Actual drilling costs: \$1303M
Op Costs: \$56400/yr. Used actual volumes 8/05 - 3/06 and forecasted volumes thereafter.

Case Parameters

Author Janet Stasney Cond. Price File
Linked Well
Global Parameters Escalate 2005 LRP (Yearly)
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	5,513	1,303	4,210	2,568	3.89
8.0	2,937	1,254	1,683	984	2.15
10.0	2,613	1,242	1,371	785	1.93
11.0	2,475	1,237	1,238	701	1.83
13.0	2,237	1,226	1,012	556	1.66
15.0	2,040	1,215	825	435	1.52
18.0	1,800	1,200	600	290	1.35

Company WI

	Initial %	Final %
Working	100.0	100.0
Oil NRI	86.1	86.1
Gas NRI	86.1	86.1
Byprod. NRI	86.1	86.1
Capital	100.0	100.0

Scenarios

Oil	Base
Gas	Post Audit
Interests	Base
Opcoasts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	% 32.8	27.4
Cash Breakeven	Years 3.4	3.75
NPV @ 13%	M\$ 1,012	556
13% PI (cash)	M\$/M\$	1.66
13% PI (capital)	M\$/M\$	1.45
NPV @ 10%	M\$ 1,371	785
10% PI (cash)	M\$/M\$	1.93
10% PI (capital)	M\$/M\$	1.63
Dev Cost/BOE	\$/BOE 4.80	
Economic Limit Date	2044/01	
Last Scheduled Prod Date	2049/08	
Date of first production	2005/08	
Date of first investment	2005/05	
Discount Date	2005/05	
ROR	33	27

Products Recovery (US)::ConocoPhillips

	Gross	Gross Economic	WI	Roy	Net
Oil	MSTB 0	0	0	0	0
Gas-Raw	MMSCF 1,963	1,893	1,893	263	1,630
Gas-Sales	MMSCF 1,963	1,893	1,893	263	1,630
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	Mt 0	0	0	0	0
Other	MSTB 0	0	0	0	0

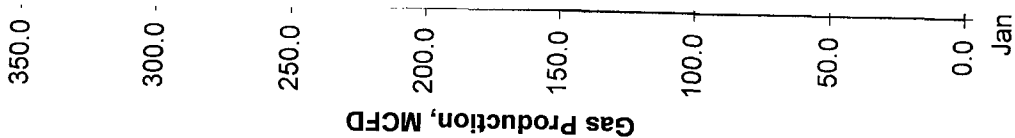
RESERVES AND ECONOMICS PRODUCTION & REVENUE SUMMARY

Date	Gross Oil/Cond Volume	Gross Gas Volume	NRI Oil	NRI Gas Sales	Oil Price	Gas Price	Gross # of Wells	Total NRI Revenue	Total Prod Taxes	Total Opcoasts	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\$
2005(12)	0.00	46.24	0.00	39.82	0.00	4.23	1.0	271.81	32.62	23.50	215.70	1,303.00	-1,087.30	-889.97	-848.55	-837.21
2006(12)	0.00	110.26	0.00	94.93	0.00	5.62	1.0	534.44	64.13	56.40	413.91	0.00	413.91	310.95	269.53	258.86
2007(12)	0.00	109.50	0.00	94.28	0.00	5.30	1.0	499.68	59.96	56.40	383.32	0.00	383.32	281.62	221.91	207.48
2008(12)	0.00	109.80	0.00	94.54	0.00	5.30	1.0	501.05	60.13	56.40	384.52	0.00	384.52	274.74	196.81	179.12
2009(12)	0.00	109.00	0.00	93.85	0.00	5.30	1.0	497.40	59.69	56.40	381.31	0.00	381.31	267.34	174.10	154.24
2010(12)	0.00	102.31	0.00	88.09	0.00	5.30	1.0	466.87	56.02	56.40	354.45	0.00	354.45	241.34	142.88	123.23
2011(12)	0.00	94.45	0.00	81.32	0.00	5.30	1.0	431.00	51.72	56.40	322.88	0.00	322.88	210.56	113.33	95.14
2012(12)	0.00	87.58	0.00	75.41	0.00	5.30	1.0	399.65	47.96	56.40	295.29	0.00	295.29	186.93	91.46	74.75
2013(12)	0.00	80.91	0.00	69.67	0.00	5.30	1.0	369.23	44.31	56.40	268.52	0.00	268.52	163.80	72.86	57.96
2014(12)	0.00	75.09	0.00	64.65	0.00	5.30	1.0	342.67	41.12	56.40	245.15	0.00	245.15	149.54	60.47	46.83
2015(12)	0.00	69.81	0.00	60.11	0.00	5.30	1.0	318.57	38.23	56.40	223.94	0.00	223.94	136.60	50.22	37.86
2016(12)	0.00	65.17	0.00	56.11	0.00	5.30	1.0	297.41	35.69	56.40	205.32	0.00	205.32	125.24	41.85	30.72
2017(12)	0.00	60.60	0.00	52.17	0.00	5.30	1.0	276.52	33.18	56.40	186.94	0.00	186.94	114.03	34.64	24.75
2018(12)	0.00	56.58	0.00	48.72	0.00	5.30	1.0	258.20	30.98	56.40	170.82	0.00	170.82	104.20	28.78	20.01
2019(12)	0.00	52.92	0.00	45.56	0.00	5.30	1.0	241.48	28.98	56.40	156.10	0.00	156.10	95.22	23.91	16.18
2020(12)	0.00	49.67	0.00	42.77	0.00	5.30	1.0	226.67	27.20	56.40	143.07	0.00	143.07	87.27	19.92	13.13
2021(12)	0.00	46.44	0.00	39.98	0.00	5.30	1.0	211.92	25.43	56.40	130.09	0.00	130.09	79.35	16.47	10.56
2022(12)	0.00	43.59	0.00	37.53	0.00	5.30	1.0	198.93	23.87	56.40	118.66	0.00	118.66	72.38	13.65	8.53
2023(12)	0.00	40.97	0.00	35.27	0.00	5.30	1.0	186.95	22.43	56.40	108.12	0.00	108.12	65.95	11.31	6.88
2024(12)	0.00	38.65	0.00	33.28	0.00	5.30	1.0	176.37	21.16	56.40	98.81	0.00	98.81	60.27	9.40	5.56
2025(12)	0.00	36.30	0.00	31.25	0.00	5.30	1.0	165.65	19.88	56.40	89.37	0.00	89.37	54.52	7.73	4.45
2026(12)	0.00	34.22	0.00	29.47	0.00	5.30	1.0	156.17	18.74	56.40	81.03	0.00	81.03	49.43	6.37	3.57
2027(12)	0.00	32.30	0.00	27.81	0.00	5.30	1.0	147.39	17.69	56.40	73.30	0.00	73.30	44.71	5.24	2.86
2028(12)	0.00	30.60	0.00	26.35	0.00	5.30	1.0	139.64	16.76	56.40	66.49	0.00	66.49	40.56	4.32	2.29
2029(12)	0.00	28.86	0.00	24.85	0.00	5.30	1.0	131.69	15.80	56.40	59.49	0.00	59.49	36.29	3.51	1.82
2030(12)	0.00	27.32	0.00	23.52	0.00	5.30	1.0	124.66	14.96	56.40	53.30	0.00	53.30	32.51	2.86	1.44
2031(12)	0.00	25.88	0.00	22.28	0.00	5.30	1.0	118.09	14.17	56.40	47.52	0.00	47.52	28.99	2.32	1.14
2032(12)	0.00	24.61	0.00	21.19	0.00	5.30	1.0	112.31	13.48	56.40	42.43	0.00	42.43	25.89	1.88	0.90
2033(12)	0.00	23.28	0.00	20.05	0.00	5.30	1.0	106.25	12.75	56.40	37.10	0.00	37.10	22.63	1.50	0.70
2034(12)	0.00	22.11	0.00	19.04	0.00	5.30	1.0	100.91	12.11	56.40	32.40	0.00	32.40	19.76	1.19	0.54
2035(12)	0.00	21.02	0.00	18.10	0.00	5.30	1.0	95.91	11.51	56.40	28.00	0.00	28.00	17.08	0.93	0.41
2036(12)	0.00	20.05	0.00	17.26	0.00	5.30	1.0	91.48	10.98	56.40	24.10	0.00	24.10	14.70	0.73	0.31
2037(12)	0.00	19.03	0.00	16.39	0.00	5.30	1.0	86.85	10.42	56.40	20.03	0.00	20.03	12.22	0.55	0.23
2038(12)	0.00	18.14	0.00	15.62	0.00	5.30	1.0	82.77	9.93	56.40	16.44	0.00	16.44	10.03	0.41	0.17
2039(12)	0.00	17.28	0.00	14.88	0.00	5.30	1.0	78.86	9.46	56.40	13.00	0.00	13.00	7.93	0.30	0.12
2040(12)	0.00	16.53	0.00	14.23	0.00	5.30	1.0	75.45	9.05	56.40	9.99	0.00	9.99	6.10	0.21	0.08
Sub.	0.00	1,847.09	0.00	1,590.34	---	---	---	8,520.91	1,022.51	1,997.50	5,500.90	1,303.00	4,197.90	2,560.72	784.97	555.58

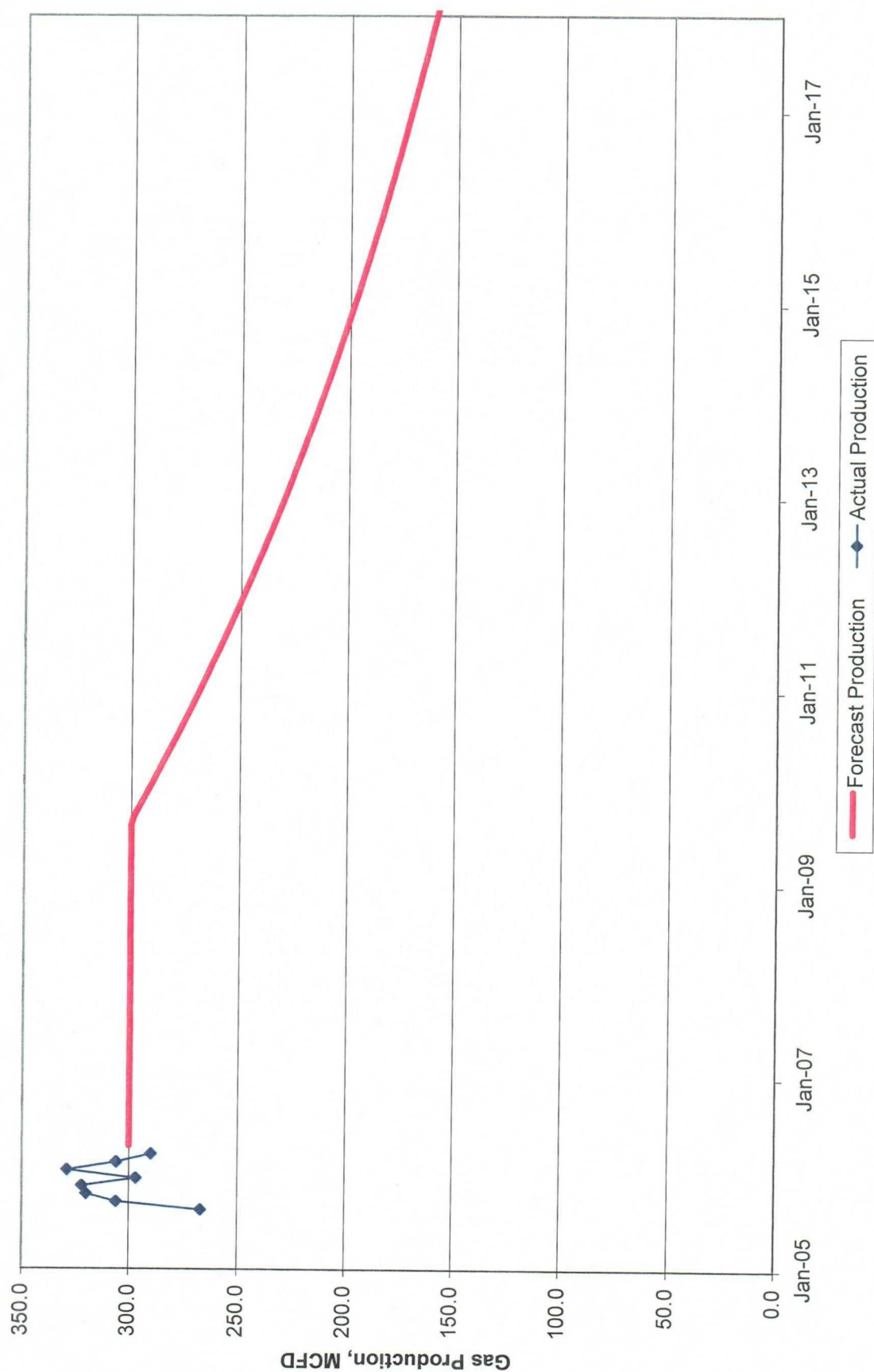
US Summary Report
SJ 32-7 249 Commerciality Determination

Nominal

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\$
Rem.	0.00	46.32	0.00	39.88	---	---	---	211.36	25.36	173.90	12.10	0.00	12.10	7.38	0.22	0
Total	0.00	1,893.41	0.00	1,630.22	---	---	---	8,732.27	1,047.87	2,171.40	5,513.00	1,303.00	4,210.00	2,568.10	785.19	555



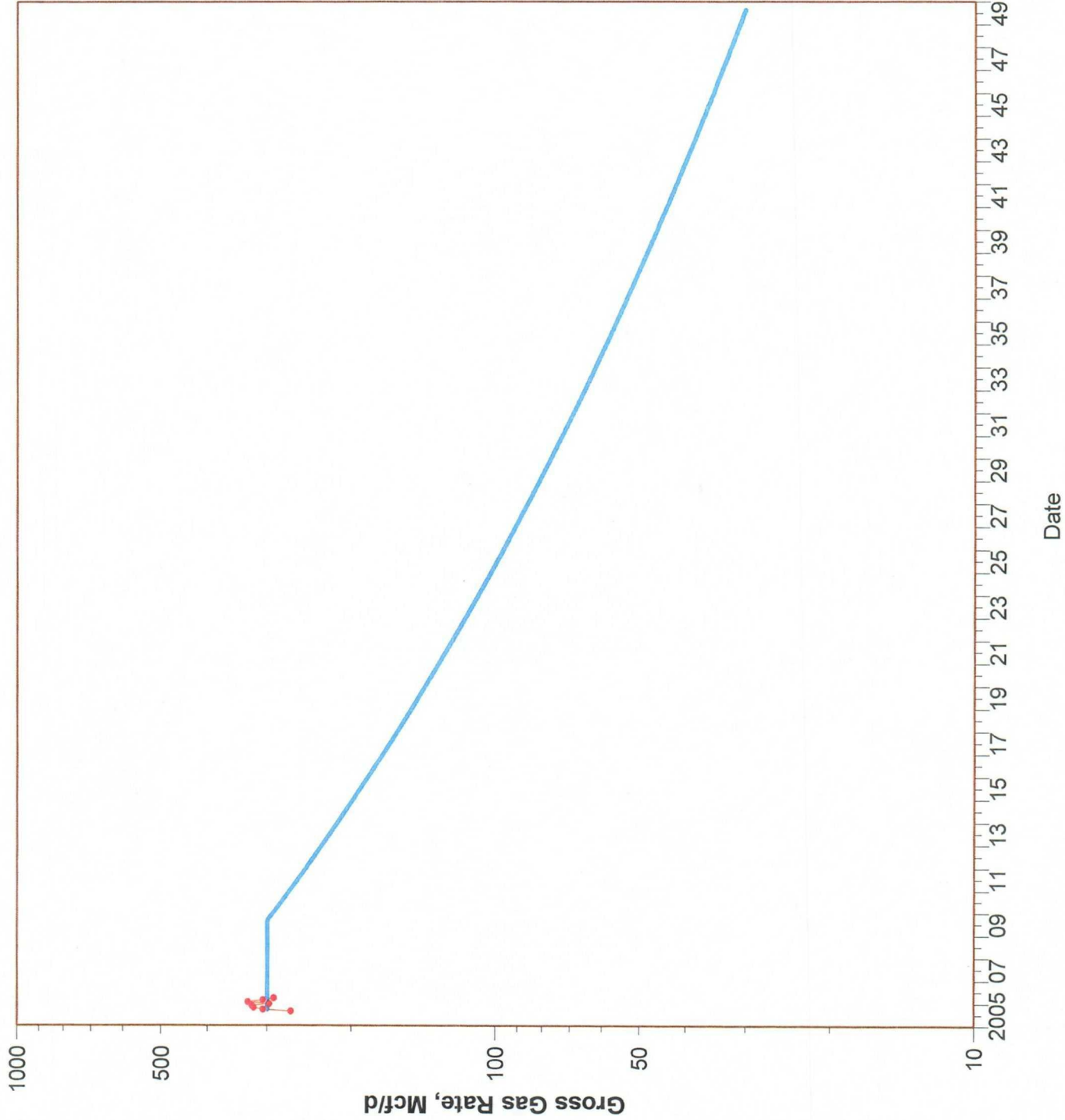
San Juan 32-7 249



Well ID: Z091646 API - 300453281600S01
SAN JUAN 32 7 UNIT 249_FC
RMS Name: 709631 20028 SJ 32-7 249

BASIN CB::FRUITLAND COAL NQ
Current Oil Cum. : 0.0 Mbbbl Current Gas Cum. : 74.0 MMcf
RESFCST Gas Reserve Type = None

Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0
Di	: 0 A.e.
qi	: 300 Mcf/d
ti	: 08/31/2005
te	: 08/31/2009
Final Rate	: 29.9603 Mcf/d
Cum. Prod.	: 74.018 MMcf
Cum. Date	: 03/31/2006
Reserves	: 1862.73 MMcf
EUR	: 1936.74 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 02/07/2006





Commerciality Determination

**San Juan 32-7 Unit #250
Fruitland Coal
SW, Sec 16, T32N, R7W
San Juan County, NM
API: 30-045-32721**

This Fruitland Coal well was spud on April 29, 2005 by ConocoPhillips and completed on June 12, 2005.

Actual capital investment of \$1,189,000 for open hole cavity completion of the San Juan 32-7 Unit #250 Fruitland coal well was used in this determination. Estimated operating costs for this well are \$86,000/year.

Income was based on actual prices from 7/05 – 3/06 and a flat non-escalated value of \$6.46/mcf and normal transportation costs for future production.

Recommend that this well be determined commercial.

Actual Production

Month	Production (MCFD)
Jul-05	388
Aug-05	576
Sep-05	636
Oct-05	678
Nov-05	687
Dec-05	665
Jan-06	628
Feb-06	648
Mar-06	621

US Summary Report

SJ 32-7 250 Commerciality Determination

Nominal

Case Description

Notes Fruitland Coal 2005 Drill
Actual drilling costs: \$1189M
Op Costs: \$86000/yr due to high SWD costs. Used actual volumes 7/05 - 3/06 and forecasted volumes thereafter.

Case Parameters

Author Janet Stasney Cond. Price File
Linked Well
Global Parameters Escalate 2005 LRP (Yearly)
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	3,031	1,189	1,842	1,124	2.77
8.0	2,431	1,144	1,287	746	2.22
10.0	2,315	1,134	1,182	674	2.11
11.0	2,262	1,129	1,133	641	2.06
13.0	2,161	1,119	1,042	580	1.97
15.0	2,069	1,109	960	524	1.88
18.0	1,944	1,095	850	449	1.77

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	Post Audit
Gas	Base
Interests	Base
Opccosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	% 80.7	54.4
Cash Breakeven	Years 1.6	2.02
NPV @ 13%	M\$ 1,042	580
13% PI (cash)	M\$/M\$ 1.97	
13% PI (capital)	M\$/M\$ 1.52	
NPV @ 10%	M\$ 1,182	674
10% PI (cash)	M\$/M\$ 2.11	
10% PI (capital)	M\$/M\$ 1.59	
Dev Cost/BOE	\$/BOE 8.72	
Economic Limit Date	2016/05	
Last Scheduled Prod Date	2023/03	
Date of first production	2005/07	
Date of first investment	2005/04	
Discount Date	2005/04	
ROR	81	54

Products Recovery (US)::ConocoPhillips

		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	1,081	992	992	174	818
Gas-Sales	MMSCF	1,081	992	992	174	818
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	Gas Price	Gross # of Wells	Total NRI Revenue	Total Prod Taxes	Total Opccosts	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\$
2005(12)	0.00	111.21	0.00	91.75	0.00	4.23	1.0	602.07	72.25	43.00	486.82	1,189.00	-702.18	-635.21	-605.65	-597.56
2006(12)	0.00	210.95	0.00	174.03	0.00	5.62	1.0	981.79	117.81	86.00	777.97	0.00	777.97	527.91	457.58	439.48
2007(12)	0.00	160.43	0.00	132.35	0.00	5.30	1.0	701.46	84.18	86.00	531.28	0.00	531.28	367.70	289.74	270.89
2008(12)	0.00	123.38	0.00	101.79	0.00	5.30	1.0	539.47	64.74	86.00	388.73	0.00	388.73	273.79	196.13	178.50
2009(12)	0.00	95.63	0.00	78.89	0.00	5.30	1.0	418.13	50.18	86.00	281.95	0.00	281.95	203.69	132.65	117.52
2010(12)	0.00	75.26	0.00	62.09	0.00	5.30	1.0	329.07	39.49	86.00	203.57	0.00	203.57	147.11	87.09	75.11
2011(12)	0.00	59.87	0.00	49.40	0.00	5.30	1.0	261.80	31.42	86.00	144.38	0.00	144.38	100.49	54.08	45.40
2012(12)	0.00	48.24	0.00	39.79	0.00	5.30	1.0	210.91	25.31	86.00	99.60	0.00	99.60	66.96	32.76	26.78
2013(12)	0.00	39.00	0.00	32.18	0.00	5.30	1.0	170.54	20.47	86.00	64.08	0.00	64.08	39.09	17.39	13.83
2014(12)	0.00	31.91	0.00	26.32	0.00	5.30	1.0	139.51	16.74	86.00	36.76	0.00	36.76	22.42	9.07	7.02
2015(12)	0.00	26.30	0.00	21.70	0.00	5.30	1.0	114.99	13.80	86.00	15.19	0.00	15.19	9.27	3.41	2.57
2016(12)	0.00	9.58	0.00	7.90	0.00	5.30	1.0	41.89	5.03	35.83	1.03	0.00	1.03	0.63	0.21	0.15
Total	0.00	991.74	0.00	818.19	---	---	---	4,511.63	541.40	938.88	3,031.36	1,189.00	1,842.36	1,123.84	674.46	579.71

Well ID: Z091648 API - 300453272100

SAN JUAN 32 7 UNIT 250_FC

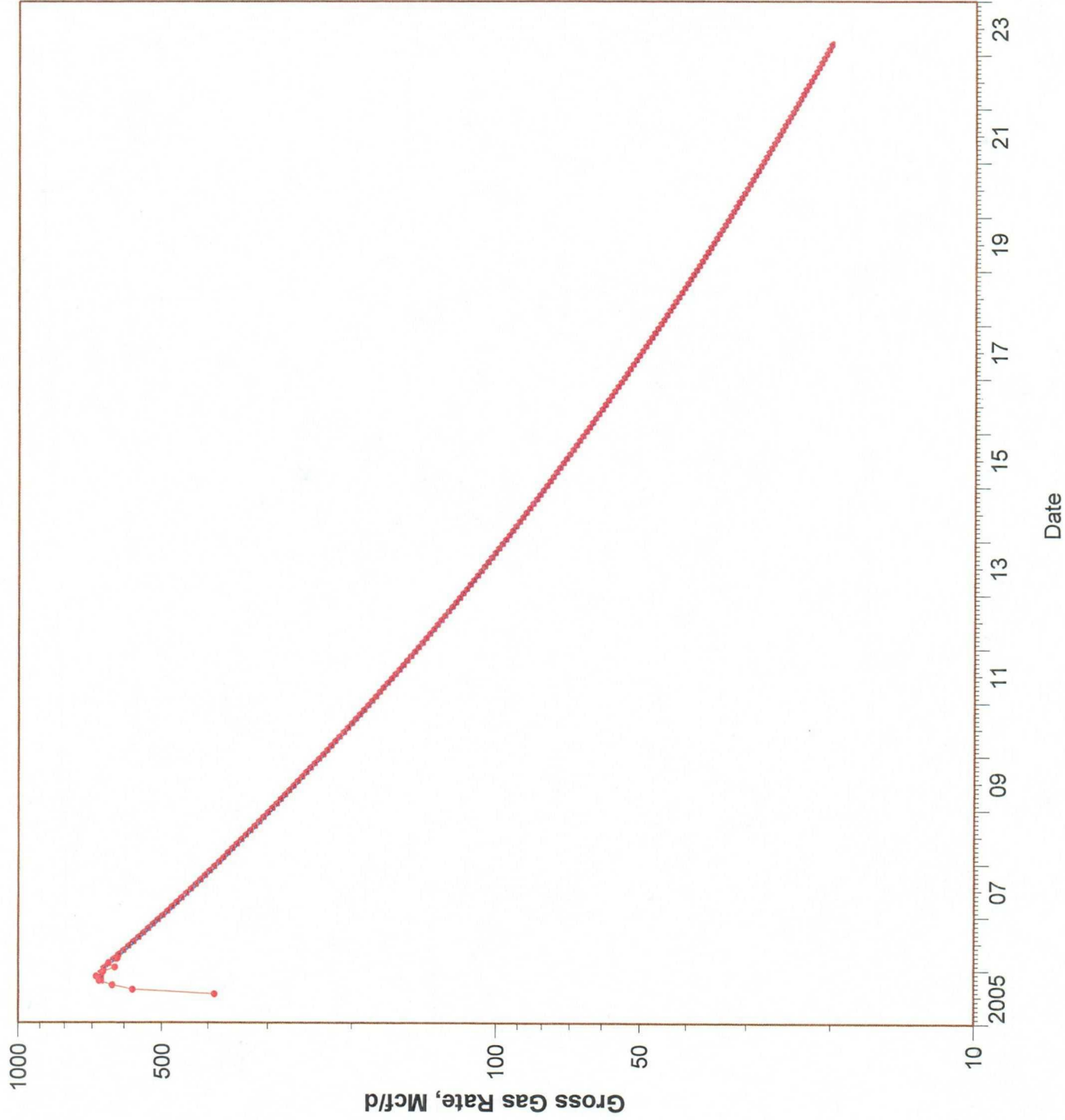
RMS Name:

BASIN CB::FRUITLAND COAL

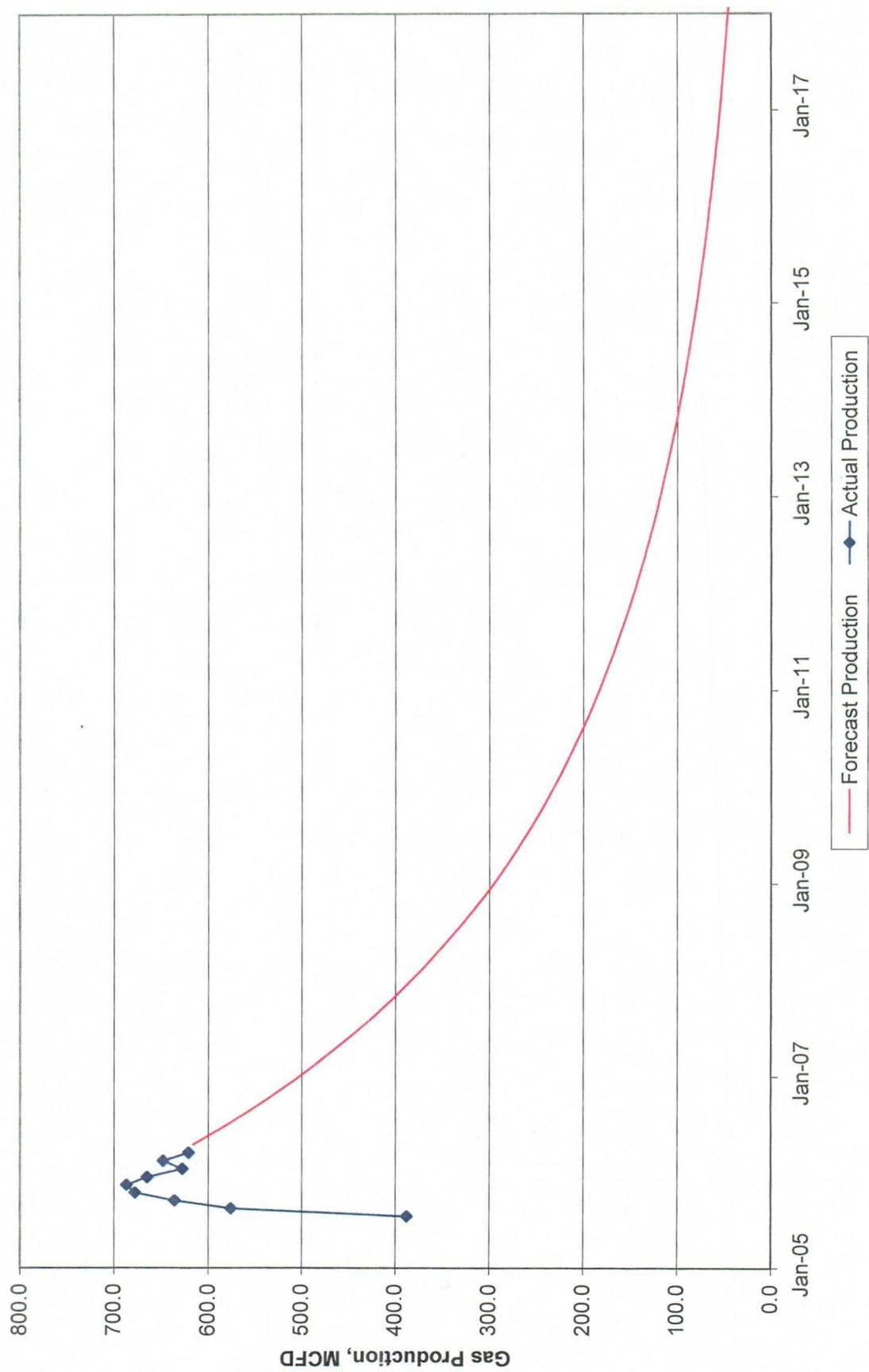
Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 168.1 MMcf

RESFCST Gas Reserve Type = None

Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0
Di	: 0 A.e.
qi	: 670 Mcf/d
ti	: 09/30/2005
te	: 12/31/2005
Final Rate	: 19.8545 Mcf/d
Cum. Prod.	: 168.069 MMcf
Cum. Date	: 03/31/2006
Reserves	: 912.979 MMcf
EUR	: 1081.05 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 11/07/2005



San Juan 32-7 250





Commerciality Determination

2006 JUN 23 PM 12 31
San Juan 32-7 Unit #248
Fruitland Coal
NW, Sec 8, T32N, R7W
San Juan County, NM
API: 30-045-32817

This Fruitland Coal well was spud on September 12, 2005 by ConocoPhillips and completed on November 7, 2005.

Actual capital investment of \$1,016,000 for the fracture stimulated completion of the San Juan 32-7 Unit #248 Fruitland coal well was used in this determination. Estimated operating costs for this well are \$68,400/year.

Income was based on actual prices from 12/05 – 3/06 and a flat non-escalated value of \$6.46/mcf and normal transportation costs for future production.

Recommend that this well be determined commercial.

Actual Production

Month	Production (MCFD)
Dec-05	291
Jan-06	242
Feb-06	228
Mar-06	241

US Summary Report
SJ 32-7 248 Commerciality Determination
Nominal

Case Description					
Notes	Fruitland Coal 2005 Drillwell Actual drilling costs: \$1016M Op Costs: \$68,400/yr. Used actual volumes 12/05 - 3/06 and forecasted volumes thereafter.				

Case Parameters		
Author	Janet Stasney	Cond. Price File
Linked Well		
Global Parameters	Escalate 2005 LRP (Yearly)	
Model	ConocoPhillips	
Oil Price File		
Gas Price File		
Oil Offset 1		
Gas Offset 1		

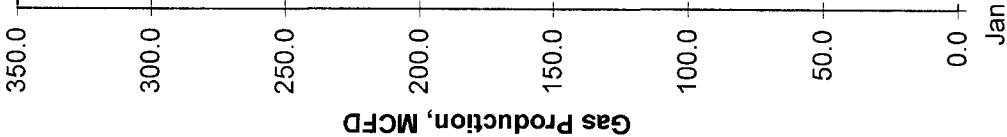
Net Present Values (Generic)::ConocoPhillips					
Disc	Inc Before	Before Tax	Before Tax	After Tax	Cash
Rate	Res & Tax	Cap. Inv	Cash Flow	Cash Flow	PI
(%)	M\$	M\$	M\$	M\$	
0.0	4,050	1,016	3,034	1,851	3.42
8.0	2,176	978	1,198	697	1.95
10.0	1,928	969	960	546	1.75
11.0	1,822	964	858	481	1.66
13.0	1,639	956	683	369	1.51
15.0	1,486	947	538	276	1.39
18.0	1,299	935	363	163	1.23

Company WI			Scenarios	
	Initial %	Final %	Oil	Base
Working	100.0	100.0	Gas	Base
Oil NRI	87.3	87.3	Interests	Base
Gas NRI	87.3	87.3	Opcosts	Base
Byprod. NRI	87.3	87.3	Capital	Base
Capital	100.0	100.0		

Economic Indicators (Generic)::ConocoPhillips				
		BTax	ATax	
AARR	%	28.0	24.0	
Cash Breakeven	Years	3.5	3.81	
NPV @ 13%	M\$	683	369	
13% PI (cash)	M\$/M\$		1.51	
13% PI (capital)	M\$/M\$		1.39	
NPV @ 10%	M\$	960	546	
10% PI (cash)	M\$/M\$		1.75	
10% PI (capital)	M\$/M\$		1.56	
Dev Cost/BOE	\$/BOE	4.65		
Economic Limit Date		2036/08		
Last Scheduled Prod Date		2036/08		
Date of first production		2005/12		
Date of first investment		2005/09		
Discount Date		2005/09		
ROR		28	24	

Products Recovery (US)::ConocoPhillips					
		Gross	Gross Economic	WI	Roy
Oil	MSTB	0	0	0	0
Gas-Raw	MMSCF	1,501	1,501	1,501	190
Gas-Sales	MMSCF	1,501	1,501	1,501	190
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\$
2005(12)	0.00	9.02	0.00	7.88	0.00	2.05	0.5	64.60	7.75	5.70	51.15	1,016.00	-964.85	-765.34	-729.72	-719.97
2006(12)	0.00	88.73	0.00	77.49	0.00	5.62	1.0	434.15	52.10	68.40	313.65	0.00	313.65	236.91	205.35	197.23
2007(12)	0.00	89.42	0.00	78.09	0.00	5.30	1.0	413.89	49.67	68.40	295.83	0.00	295.83	217.72	171.56	160.40
2008(12)	0.00	89.67	0.00	78.31	0.00	5.30	1.0	415.03	49.80	68.40	296.82	0.00	296.82	212.39	152.15	138.47
2009(12)	0.00	89.42	0.00	78.09	0.00	5.30	1.0	413.89	49.67	68.40	295.83	0.00	295.83	207.54	135.16	119.74
2010(12)	0.00	87.52	0.00	76.43	0.00	5.30	1.0	405.06	48.61	68.40	288.05	0.00	288.05	195.31	115.63	99.72
2011(12)	0.00	81.32	0.00	71.02	0.00	5.30	1.0	376.38	45.17	68.40	262.82	0.00	262.82	170.93	91.99	77.23
2012(12)	0.00	75.71	0.00	66.11	0.00	5.30	1.0	350.41	42.05	68.40	239.96	0.00	239.96	151.68	74.21	60.65
2013(12)	0.00	70.21	0.00	61.32	0.00	5.30	1.0	324.97	39.00	68.40	217.57	0.00	217.57	132.72	59.03	46.96
2014(12)	0.00	65.40	0.00	57.11	0.00	5.30	1.0	302.70	36.32	68.40	197.98	0.00	197.98	120.77	48.83	37.82
2015(12)	0.00	61.01	0.00	53.28	0.00	5.30	1.0	282.38	33.89	68.40	180.09	0.00	180.09	109.86	40.38	30.44
2016(12)	0.00	57.15	0.00	49.90	0.00	5.30	1.0	264.49	31.74	68.40	164.35	0.00	164.35	100.26	33.50	24.59
2017(12)	0.00	53.31	0.00	46.55	0.00	5.30	1.0	246.73	29.61	68.40	148.72	0.00	148.72	90.72	27.56	19.69
2018(12)	0.00	49.93	0.00	43.60	0.00	5.30	1.0	231.10	27.73	68.40	134.97	0.00	134.97	82.33	22.74	15.81
2019(12)	0.00	46.83	0.00	40.90	0.00	5.30	1.0	216.75	26.01	68.40	122.34	0.00	122.34	74.62	18.74	12.68
2020(12)	0.00	44.09	0.00	38.50	0.00	5.30	1.0	204.07	24.49	68.40	111.18	0.00	111.18	67.82	15.48	10.20
2021(12)	0.00	41.33	0.00	36.09	0.00	5.30	1.0	191.30	22.96	68.40	99.95	0.00	99.95	60.97	12.65	8.12
2022(12)	0.00	38.90	0.00	33.97	0.00	5.30	1.0	180.05	21.61	68.40	90.04	0.00	90.04	54.92	10.36	6.47
2023(12)	0.00	36.65	0.00	32.01	0.00	5.30	1.0	169.64	20.36	68.40	80.88	0.00	80.88	49.34	8.46	5.14
2024(12)	0.00	34.66	0.00	30.27	0.00	5.30	1.0	160.42	19.25	68.40	72.77	0.00	72.77	44.39	6.92	4.09
2025(12)	0.00	32.63	0.00	28.50	0.00	5.30	1.0	151.03	18.12	68.40	64.51	0.00	64.51	39.35	5.58	3.21
2026(12)	0.00	30.84	0.00	26.93	0.00	5.30	1.0	142.73	17.13	68.40	57.20	0.00	57.20	34.89	4.50	2.52
2027(12)	0.00	29.17	0.00	25.47	0.00	5.30	1.0	135.01	16.20	68.40	50.41	0.00	50.41	30.75	3.60	1.97
2028(12)	0.00	27.69	0.00	24.18	0.00	5.30	1.0	128.17	15.38	68.40	44.39	0.00	44.39	27.08	2.88	1.53
2029(12)	0.00	26.17	0.00	22.85	0.00	5.30	1.0	121.12	14.53	68.40	38.18	0.00	38.18	23.29	2.25	1.17
2030(12)	0.00	24.82	0.00	21.67	0.00	5.30	1.0	114.87	13.78	68.40	32.69	0.00	32.69	19.94	1.75	0.88
2031(12)	0.00	23.56	0.00	20.57	0.00	5.30	1.0	109.04	13.09	68.40	27.56	0.00	27.56	16.81	1.34	0.66
2032(12)	0.00	22.44	0.00	19.60	0.00	5.30	1.0	103.87	12.46	68.40	23.00	0.00	23.00	14.03	1.02	0.49
2033(12)	0.00	21.28	0.00	18.58	0.00	5.30	1.0	98.47	11.82	68.40	18.25	0.00	18.25	11.14	0.74	0.34
2034(12)	0.00	20.24	0.00	17.68	0.00	5.30	1.0	93.69	11.24	68.40	14.05	0.00	14.05	8.57	0.52	0.23
2035(12)	0.00	19.27	0.00	16.83	0.00	5.30	1.0	89.21	10.70	68.40	10.10	0.00	10.10	6.16	0.34	0.15
2036(12)	0.00	12.37	0.00	10.81	0.00	5.30	1.0	57.27	6.87	45.60	4.80	0.00	4.80	2.93	0.15	0.06
Total	0.00	1,500.78	0.00	1,310.60	---	---	---	6,992.49	839.10	2,103.30	4,050.09	1,016.00	3,034.09	1,850.79	545.66	368.72

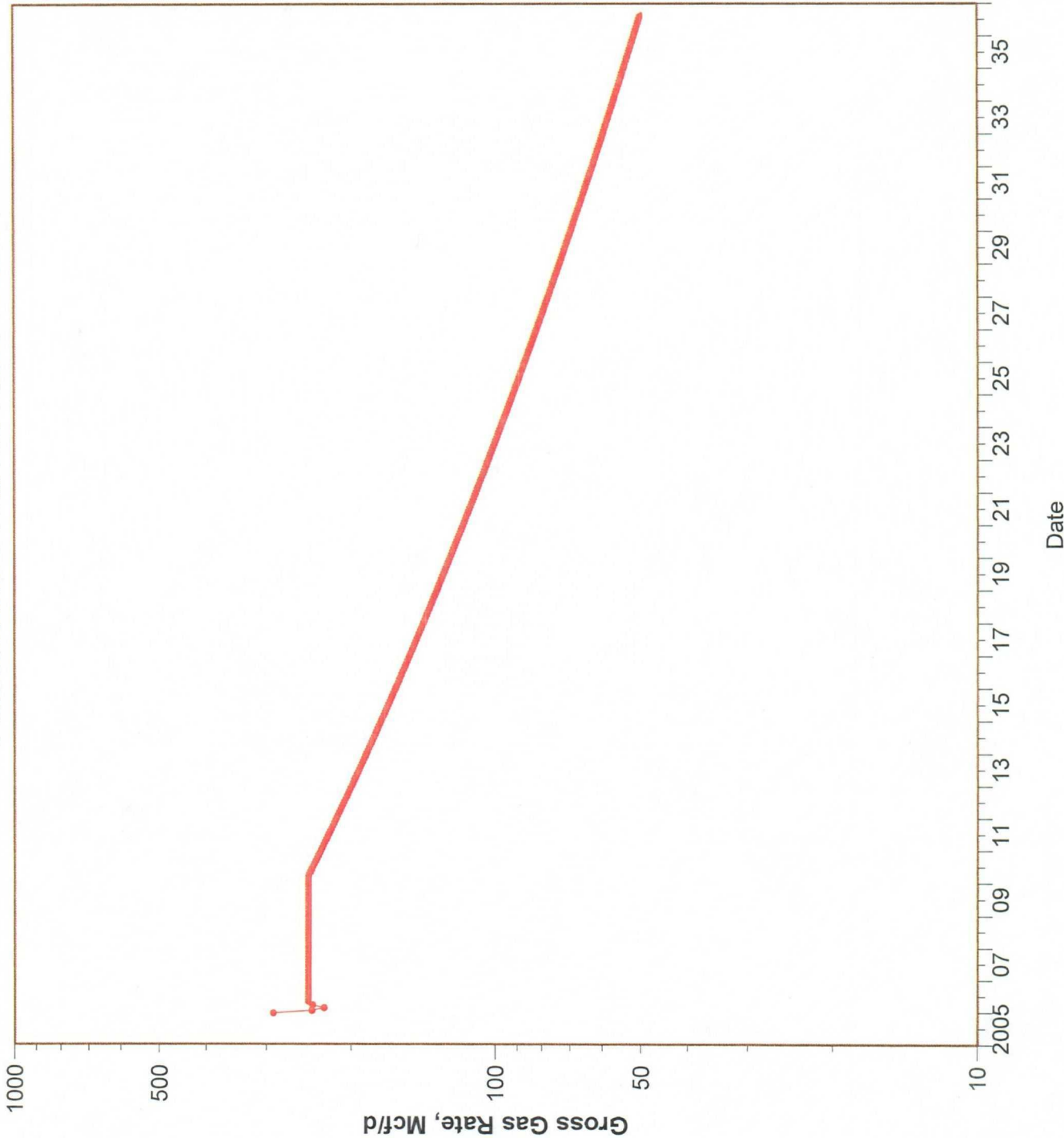


San Juan 32-7 248



Well ID: Z091644 API - 300453281700
SAN JUAN 32 7 UNIT 248_FC
RMS Name: 709640 20028 SJ 32-7 #248

BASIN CB::FRUITLAND COAL NQ
Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 30.3 MMcf
RESFCST Gas Reserve Type = None
CONOCOPHILLIPS COMPANY CONOCOPHILLIPS



Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0
Di	: 0 A.e.
qi	: 245 Mcf/d
ti	: 03/31/2006
te	: 03/31/2010
Final Rate	: 49.9033 Mcf/d
Cum. Prod.	: 30.34 MMcf
Cum. Date	: 03/31/2006
Reserves	: 1470.4 MMcf
EUR	: 1500.74 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 02/07/2006



Commerciality Determination

**San Juan 32-7 Unit #222A
Fruitland Coal
SE, Sec 20, T32N, R7W
San Juan County, NM
API: 30-045-32818**

This Fruitland Coal well was spud on May 10, 2005 by ConocoPhillips and completed on June 17, 2005.

Actual capital investment of \$1,176,000 for open hole cavity completion of the San Juan 32-7 Unit #222A Fruitland coal well was used in this determination. Estimated operating costs for this well are \$62,400/year.

Income was based on actual prices from 7/05 – 3/06 and a flat non-escalated value of \$6.46/mcf and normal transportation costs for future production.

Recommend that this well be determined commercial.

Actual Production

Month	Production (MCFD)
Jul-05	387
Aug-05	1,192
Sep-05	1,291
Oct-05	1,277
Nov-05	1,326
Dec-05	1,330
Jan-06	1,379
Feb-06	1,487
Mar-06	1,601

US Summary Report

SJ 32-7 222A Commerciality Determination

Nominal

Case Description

Notes Fruitland Coal 2005 Infill Drillwell
Actual drilling costs: \$1176M
Op Costs: \$62,400/yr. Used actual volumes 7/05 - 3/06
and forecasted volumes thereafter.

Case Parameters

Author Janet Stasney Cond. Price File
Linked Well
Global Parameters Escalate 2005 LRP (Yearly)
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	4,874	1,176	3,698	2,256	8.12
8.0	4,147	1,132	3,015	1,801	6.91
10.0	3,998	1,121	2,877	1,709	6.66
11.0	3,927	1,116	2,811	1,666	6.54
13.0	3,794	1,106	2,687	1,584	6.32
15.0	3,669	1,097	2,572	1,508	6.11
18.0	3,497	1,083	2,414	1,404	5.82

Company WI

	Initial %	Final %
Working	100.0	100.0
Oil NRI	83.8	83.8
Gas NRI	83.8	83.8
Byprod. NRI	83.8	83.8
Capital	100.0	100.0

Scenarios

Oil	Base
Gas	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	%	799.9
Cash Breakeven	Years	0.7
NPV @ 13%	M\$	2,687
13% PI (cash)	M\$/M\$	6.32
13% PI (capital)	M\$/M\$	2.43
NPV @ 10%	M\$	2,877
10% PI (cash)	M\$/M\$	6.66
10% PI (capital)	M\$/M\$	2.52
Dev Cost/BOE	\$/BOE	6.48
Economic Limit Date		2014/01
Last Scheduled Prod Date		2014/01
Date of first production		2005/07
Date of first investment		2005/05
Discount Date		2005/05
ROR		>800
		326

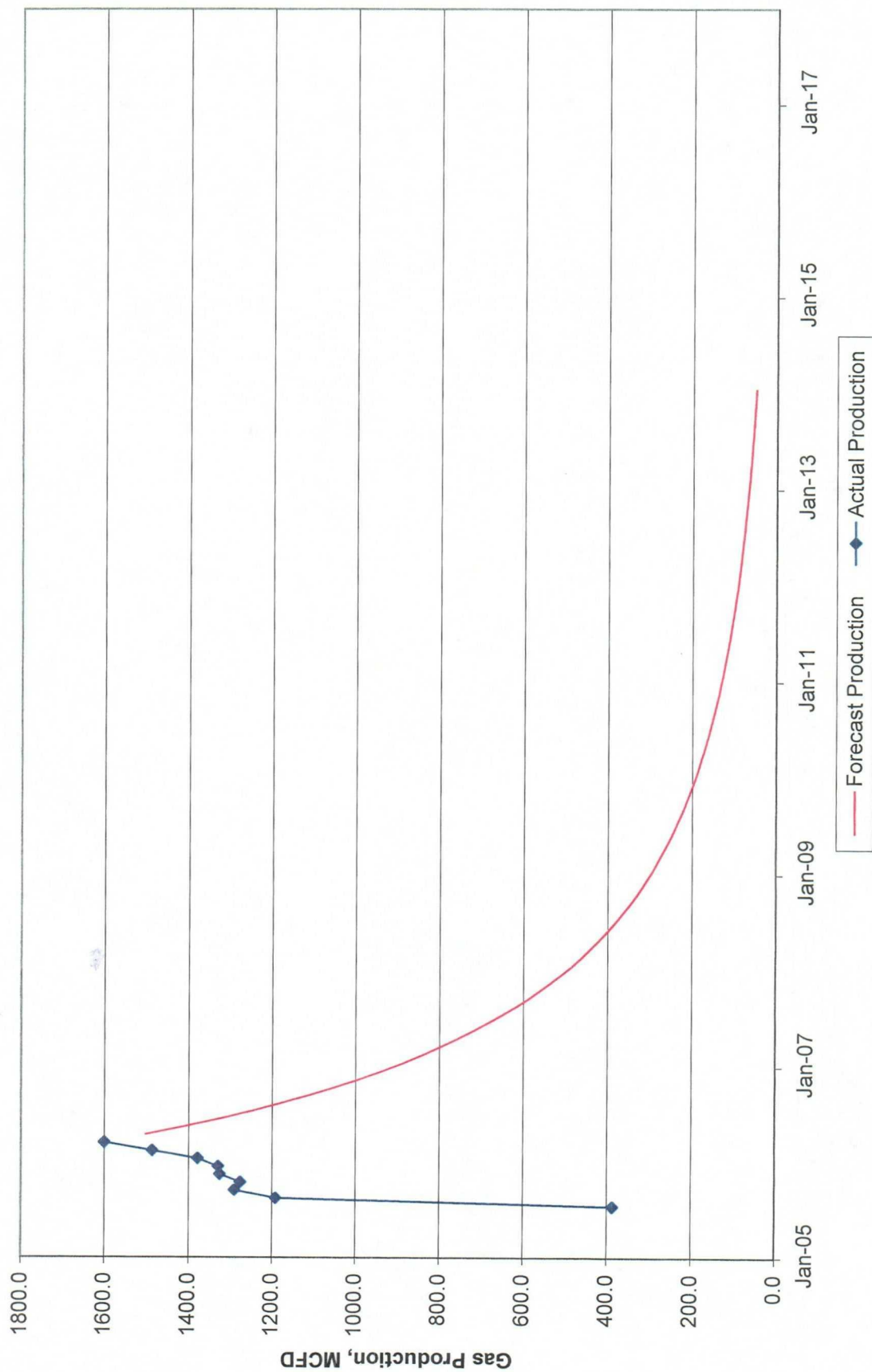
Products Recovery (US)::ConocoPhillips

		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-raw	MMSCF	1,300	1,300	1,300	211	1,090
Gas-Sales	MMSCF	1,300	1,300	1,300	211	1,090
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	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\$
2005(12)	0.00	208.28	0.00	174.51	0.00	4.76	0.8	1,163.12	139.57	31.20	992.34	1,176.00	-183.66	-316.65	-301.91	-297.88
2006(12)	0.00	462.05	0.00	387.14	0.00	5.62	1.0	2,186.58	262.39	62.40	1,861.79	0.00	1,861.79	1,188.46	1,030.14	989.39
2007(12)	0.00	247.68	0.00	207.53	0.00	5.30	1.0	1,099.90	131.99	62.40	905.51	0.00	905.51	595.50	469.25	438.72
2008(12)	0.00	142.71	0.00	119.57	0.00	5.30	1.0	633.73	76.05	62.40	495.28	0.00	495.28	338.38	242.40	220.61
2009(12)	0.00	88.55	0.00	74.19	0.00	5.30	1.0	393.21	47.19	62.40	283.62	0.00	283.62	204.36	133.09	117.91
2010(12)	0.00	58.50	0.00	49.02	0.00	5.30	1.0	259.81	31.18	62.40	166.23	0.00	166.23	124.08	73.46	63.35
2011(12)	0.00	40.48	0.00	33.92	0.00	5.30	1.0	179.76	21.57	62.40	95.78	0.00	95.78	70.71	38.06	31.95
2012(12)	0.00	29.12	0.00	24.40	0.00	5.30	1.0	129.33	15.52	62.40	51.41	0.00	51.41	37.50	18.35	15.00
2013(12)	0.00	21.48	0.00	18.00	0.00	5.30	1.0	95.38	11.45	62.40	21.53	0.00	21.53	13.14	5.84	4.65
2014(12)	0.00	1.56	0.00	1.31	0.00	5.30	1.0	6.93	0.83	5.20	0.89	0.00	0.89	0.55	0.22	0.17
Total	0.00	1,300.40	0.00	1,089.58	---	---	---	6,147.73	737.73	535.60	4,874.41	1,176.00	3,698.41	2,256.03	1,708.88	1,583.87

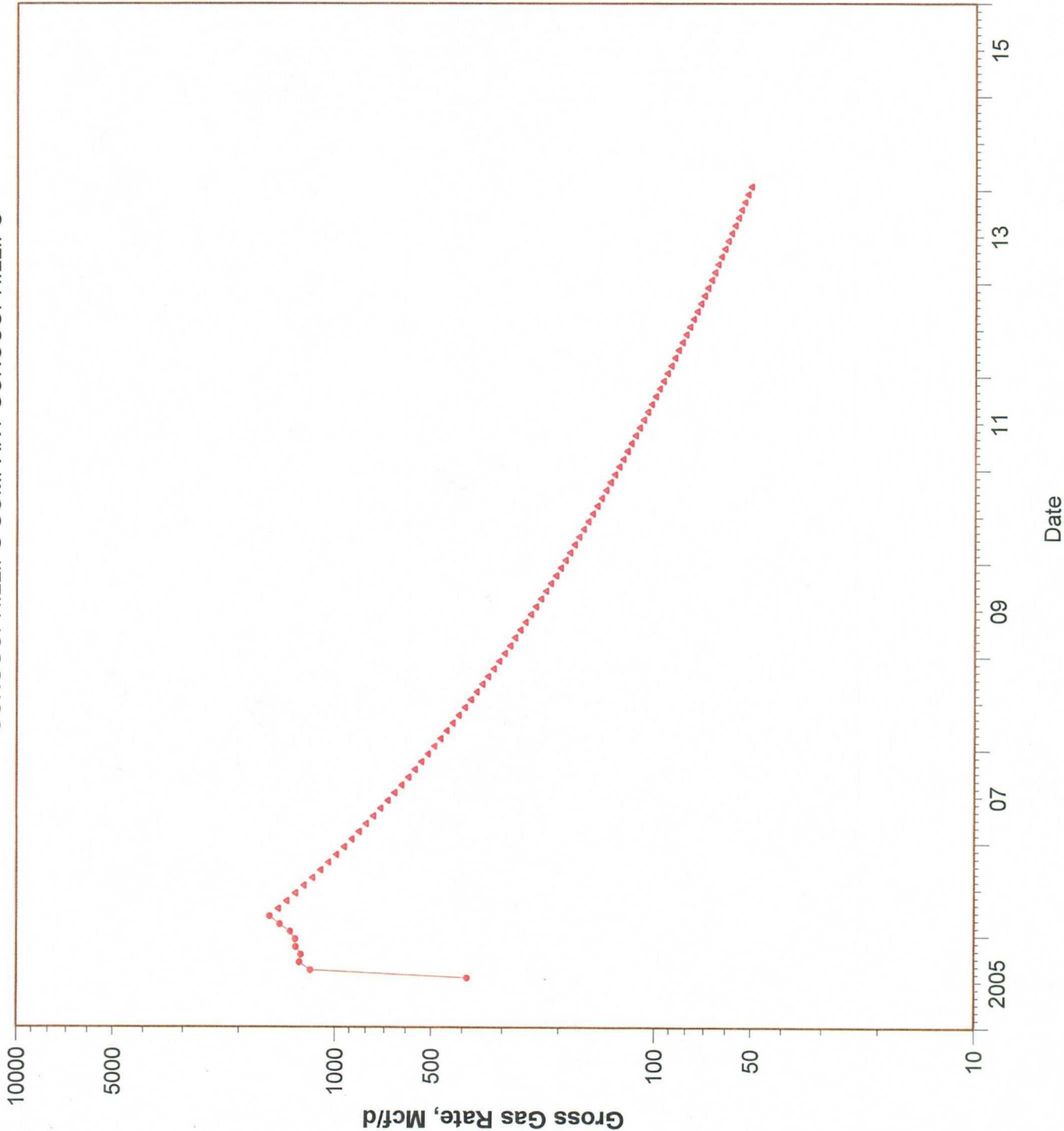
San Juan 32-7 222A



Well ID: Z088024 API - 300453281800S01
SAN JUAN 32 7 UNIT 222A_FC
RMS Name: 650361 20028 WELL #222A

BASIN CB::FRUITLAND COAL NQ
Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 342.3 MMcf
RESFCST Gas Reserve Type = Proven-Developed

CONOCOPHILLIPS COMPANY CONOCOPHILLIPS



Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0.3
Di	: 0.536124 A.e.
qi	: 1550 Mcf/d
ti	: 03/31/2006
te	: 01/31/2014
Final Rate	: 49.722 Mcf/d
Cum. Prod.	: 342.26 MMcf
Cum. Date	: 03/31/2006
Reserves	: 958.111 MMcf
EUR	: 1300.37 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 02/02/2006



Commerciality Determination

**San Juan 32-7 Unit #236A
Fruitland Coal
NW, Sec 28, T32N, R7W
San Juan County, NM
API: 30-045-32448**

This Fruitland Coal well was spud on July 17, 2005 by ConocoPhillips and completed on September 1, 2005.

Actual capital investment of \$1,382,000 for open hole cavity completion of the San Juan 32-7 Unit #236A Fruitland coal well was used in this determination. Estimated operating costs for this well are \$52,800/year.

Income was based on actual prices from 12/05 – 3/06 and a flat non-escalated value of \$6.46/mcf and normal transportation costs for future production.

Recommend that this well be determined commercial.

Actual Production

Month	Production (MCFD)
Dec-05	805
Jan-06	1,596
Feb-06	1,423
Mar-06	1,417

US Summary Report

SJ 32-7 236A Commerciality Determination

Nominal

Case Description

Notes Fruitland Coal 2005 Infill Drillwell
Actual drilling costs: \$1382M
Op Costs: \$52800/yr. Used actual volumes 12/05 - 3/06
and forecasted volumes thereafter.

Case Parameters

Author Janet Stasney Cond. Price File
Linked Well
Global Parameters Escalate 2005 LRP (Yearly)
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	5,653	1,382	4,271	2,605	3.62
8.0	4,388	1,330	3,059	1,820	2.90
10.0	4,149	1,318	2,832	1,673	2.76
11.0	4,038	1,312	2,727	1,605	2.70
13.0	3,832	1,300	2,532	1,479	2.58
15.0	3,644	1,289	2,355	1,365	2.47
18.0	3,391	1,272	2,119	1,212	2.32

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	Post Audit
Interests	Base
Opcoats	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

	BTax	ATax
AARR	% 114.2	85.3
Cash Breakeven	Years 1.1	1.28
NPV @ 13%	M\$ 2,532	1,479
13% PI (cash)	M\$/M\$ 2.58	
13% PI (capital)	M\$/M\$ 2.14	
NPV @ 10%	M\$ 2,832	1,673
10% PI (cash)	M\$/M\$ 2.76	
10% PI (capital)	M\$/M\$ 2.27	
Dev Cost/BOE	\$/BOE 6.30	
Economic Limit Date	2018/06	
Last Scheduled Prod Date	2018/06	
Date of first production	2005/12	
Date of first investment	2005/07	
Discount Date	2005/07	
ROR	114	85

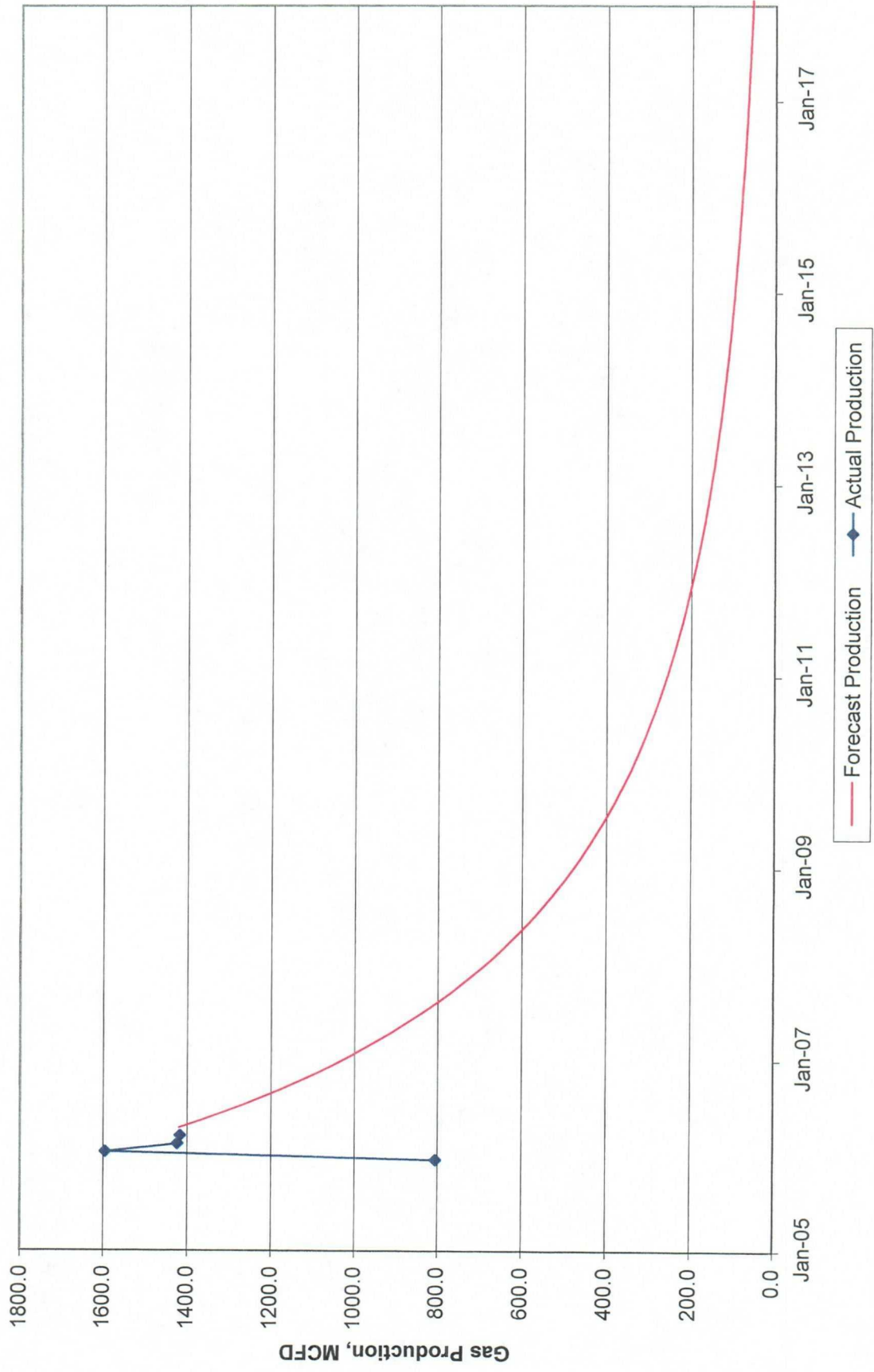
Products Recovery (US)::ConocoPhillips

		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	1,595	1,595	1,595	279	1,316
Gas-Sales	MMSCF	1,595	1,595	1,595	279	1,316
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	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\$
2005(12)	0.00	24.95	0.00	20.59	0.00	1.37	1.0	168.82	20.26	4.40	144.16	1,382.00	-1,237.84	-995.54	-949.21	-936.53
2006(12)	0.00	489.52	0.00	387.36	0.00	5.62	1.0	2,196.42	263.57	52.80	1,880.05	0.00	1,880.05	1,208.84	1,047.80	1,006.36
2007(12)	0.00	307.96	0.00	254.07	0.00	5.30	1.0	1,346.56	161.59	52.80	1,132.17	0.00	1,132.17	741.32	584.15	546.15
2008(12)	0.00	210.57	0.00	173.72	0.00	5.30	1.0	920.73	110.49	52.80	757.44	0.00	757.44	504.66	361.51	329.02
2009(12)	0.00	148.98	0.00	122.91	0.00	5.30	1.0	651.40	78.17	52.80	520.43	0.00	520.43	354.31	230.73	204.42
2010(12)	0.00	109.20	0.00	90.09	0.00	5.30	1.0	477.47	57.30	52.80	367.37	0.00	367.37	250.75	148.45	128.03
2011(12)	0.00	82.19	0.00	67.81	0.00	5.30	1.0	359.37	43.12	52.80	263.44	0.00	263.44	175.13	94.26	79.13
2012(12)	0.00	63.42	0.00	52.32	0.00	5.30	1.0	277.29	33.27	52.80	191.21	0.00	191.21	123.85	60.60	49.52
2013(12)	0.00	49.60	0.00	40.92	0.00	5.30	1.0	216.87	26.02	52.80	138.05	0.00	138.05	84.21	37.46	29.80
2014(12)	0.00	39.57	0.00	32.64	0.00	5.30	1.0	173.00	20.76	52.80	99.44	0.00	99.44	60.66	24.53	19.00
2015(12)	0.00	32.01	0.00	26.41	0.00	5.30	1.0	139.96	16.79	52.80	70.36	0.00	70.36	42.92	15.78	11.89
2016(12)	0.00	26.30	0.00	21.70	0.00	5.30	1.0	115.00	13.80	52.80	48.40	0.00	48.40	29.52	9.87	7.24
2017(12)	0.00	21.73	0.00	17.93	0.00	5.30	1.0	95.03	11.40	52.80	30.83	0.00	30.83	18.80	5.71	4.08
2018(12)	0.00	9.42	0.00	7.77	0.00	5.30	1.0	41.17	4.94	26.40	9.83	0.00	9.83	6.00	1.66	1.15
Total	0.00	1,595.42	0.00	1,316.22	---	---	---	7,179.09	861.49	664.40	5,653.20	1,382.00	4,271.20	2,605.43	1,673.29	1,479.26

San Juan 32-7 236A



Well ID: Z090884 API - 300453244800

SAN JUAN 32 7 UNIT 236A_FC

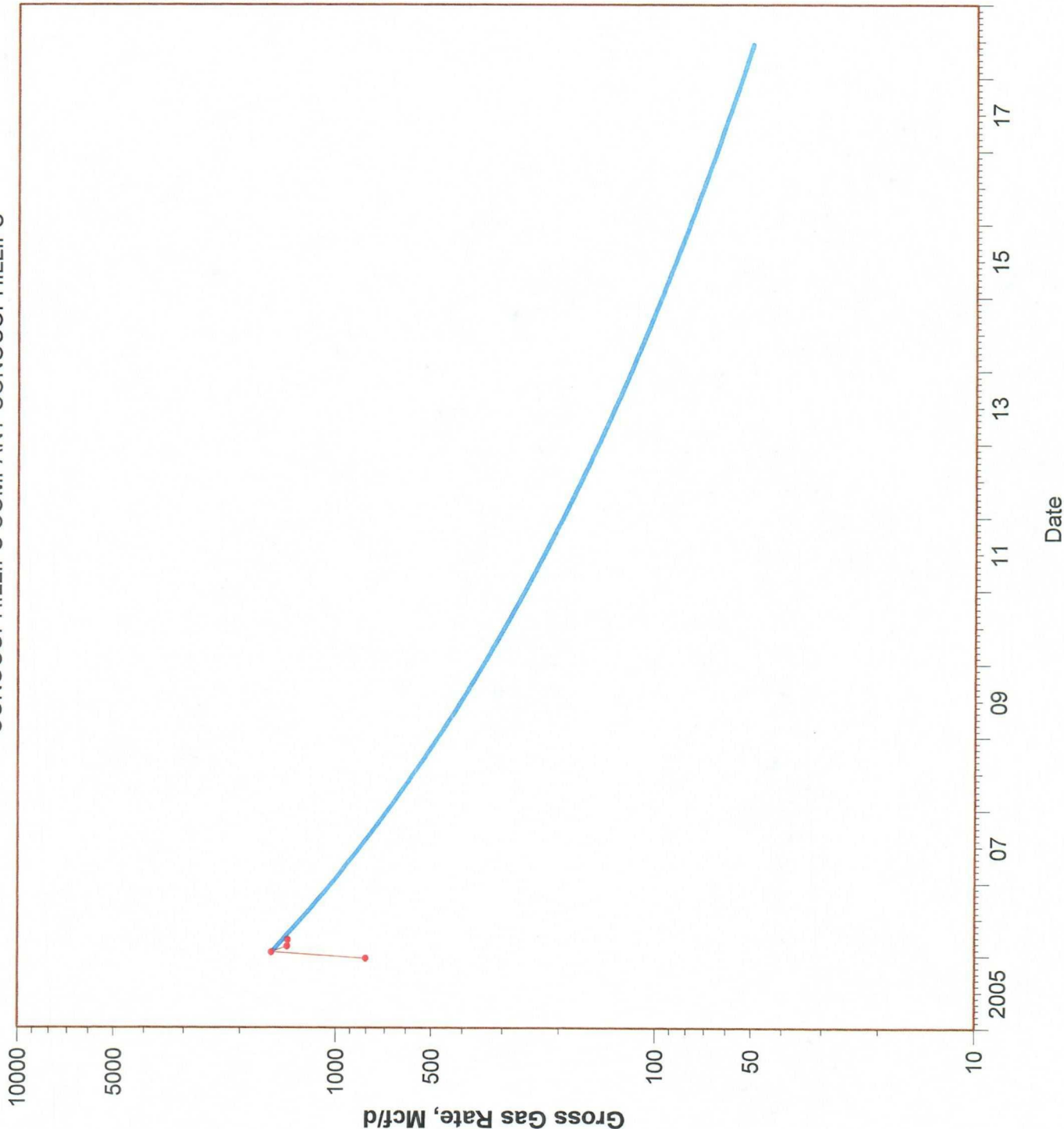
RMS Name: 708978 20028 SJ 32-7 #236A

BASIN CB::FRUITLAND COAL NQ

Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 158.2 MMcf

RESFCST Gas Reserve Type = Proven-Developed

CONOCOPHILLIPS COMPANY CONOCOPHILLIPS



Database Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0.3
Di	: 0.389134 A.e.
qi	: 1630 Mcf/d
ti	: 12/31/2005
te	: 06/30/2018
Final Rate	: 49.8012 Mcf/d
Cum. Prod.	: 24.952 MMcf
Cum. Date	: 12/31/2005
DB Forecast Date	: 02/03/2006
Current Reserves	: 1437.23 MMcf
Current EUR	: 1595.43 MMcf