



445

San Juan Business Unit

ConocoPhillips Company
P.O. Box 4289
Farmington, NM 87499-42892006 SEP 8 PM 3 53
September 6, 2006Bureau of Land Management
Farmington Resource Area
Attn: Mr. Wayne Townsend
1235 La Plata Highway
Farmington, NM 87401State of New Mexico
Commissioner of Public Lands
Attn: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, NM 87504-1148State of New Mexico
Oil Conservation Division
Attn: Ms. Lori Wrotenbery
1220 S. Saint Francis Drive
Santa Fe, NM 87505-4000RE: San Juan 28-7 Unit (14-06-001-459)
Commerciality Determination
Pictured Cliffs Formation
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 28-7 Unit Agreement, #14-06-001-459, approved January 29, 1953, ConocoPhillips Company, as Operator, has determined that the well listed below is not capable of producing unitized substances in paying quantities from the Pictured Cliffs Formation. ConocoPhillips is seeking confirmation of the well determination enclosed.

Well Name	Dedication	Lease No.	Completion Date	Determination
SJ 28-7 Unit #77M	W/2 Sec.32-28N-7W	SF-078498-A	11/10/2004	Non-Commercial

Upon receipt of response from the Bureau of Land Management and concurring responses from the Commissioner of Public Lands and New Mexico Oil Conservation Division, the non-commercial well will be carried on a lease basis.

Copies of this letter are being sent to the working interest owners on the attached sheet. If you have any questions or need any additional information, please contact the undersigned at (505) 599-4030.

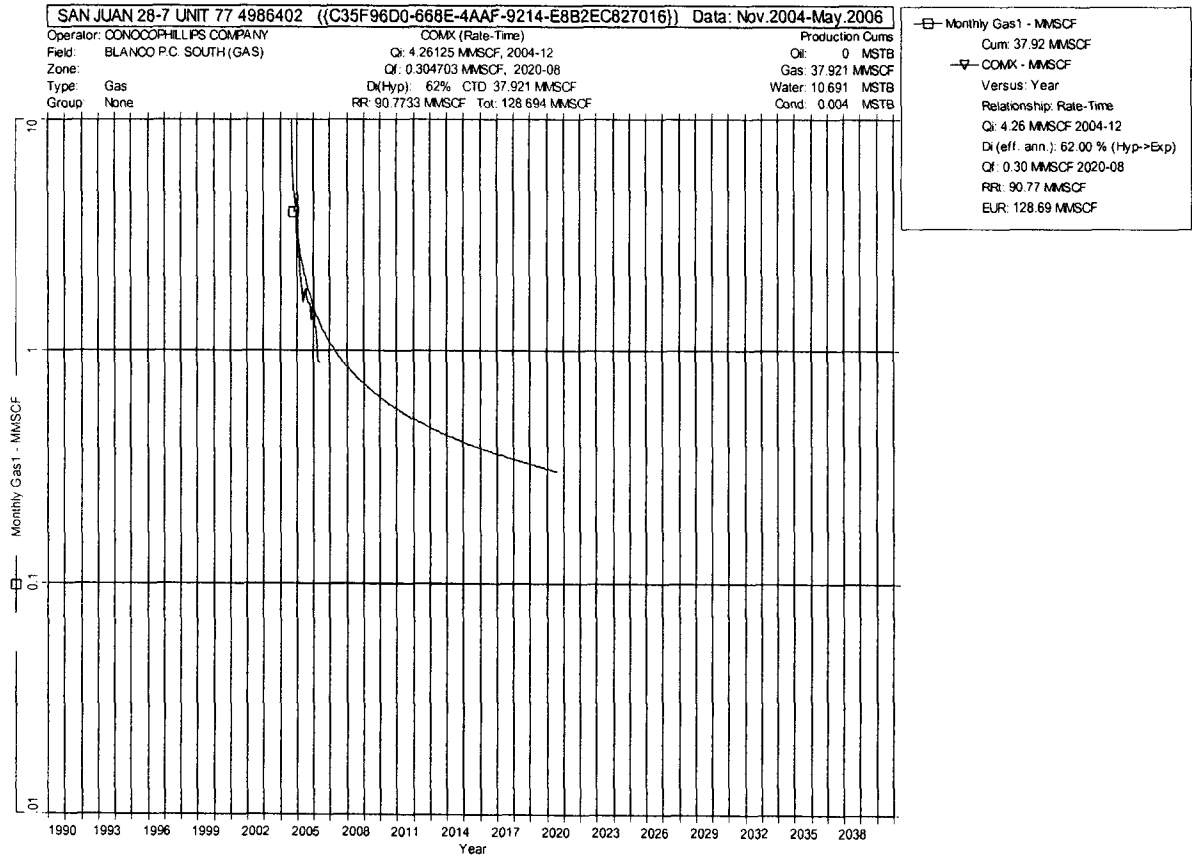
Sincerely,

Dawn Howell
Sr. Land TechnicianDH
SJ 28-7 Unit, 4.1

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
DATA SHEET
SAN JUAN 28-7 UNIT 77

WELL INFORMATION		PRODUCTION TAXES	
LEASE	SAN JUAN 28-7 UNIT 77	TAXES FOR:	RIO ARRIBA, NEW MEXICO
LOCATION	32028N007WN		2003 - 2004 Commerciality
COUNTY, STATE	RIO ARRIBA, NEW MEXICO		
FORMATION	PICTURED CLIFFS		GAS % OF REVENUE
PROJECT TYPE	RECOMPLETION		
WELL TYPE	GAS WELL	SEVERANCE:	
OPERATOR	CONOCOPHILLIPS COMPANY	Severance, School, Conservation	7.93
SPUD DATE	2/7/1957		
COMP DATE	11/10/2004	AD VALOREM:	
1ST DELIVERY	11/19/2004	Production, Equipment	1.40
COMM GWI %	100.00		
COMM NRI %	87.50	TOTAL %:	9.33
BOARD RATE %	10.00		

AVERAGE HEAT CONTENT		WELL COST AND ECONOMICS	
1,000	MMBtu / Mcf	230.00	M\$ AVERAGE WELL COST
		124.74	MMCF ULT. GROSS GAS RESERVES
		140.35	MCFD INITIAL GAS RATE
		8.37	% RATE OF RETURN
		-0.04	\$/ \$ P/I, DISC. @ 10.00 %
		-10.22	M\$ NET PRESENT VALUE, DISC. @ 10.00 %
		6.72	YRS PAYOUT



BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 28-7 UNIT 77

CASH FLOW SUMMARY

Date	Gas1 Rate	Gas1 Volume	Net Gas Volume	Net Cond Volume	Net Oth Volume	Gas1 Price	Gas Price	Cond Price	Oth Price	Net Revenue	Prod Taxes	Total Opcostrs	Total Oper Inc	Total Capital	Total BT Cash
	mcf/d	MMSCF	MMSCF	MSTB	MSTB	\$/MMBTU	\$/mcf	\$/Bbl	\$/Bbl	M\$	M\$	M\$	M\$	M\$	M\$
2004(12)	140.4	4.4	3.46	0.00	0.12	3.87	3.87	35.51	22.66	15.8	1.63	0.30	13.83	230.00	-216.17
2005(12)	64.9	23.7	18.81	0.00	0.65	3.87	3.87	35.51	22.66	85.8	8.89	4.35	72.52	0.00	72.52
2006(12)	39.0	14.2	11.31	0.00	0.39	3.87	3.87	35.51	22.66	51.6	5.34	6.60	39.61	0.00	39.61
2007(12)	31.5	11.5	9.15	0.00	0.32	3.87	3.87	35.51	22.66	41.7	4.32	6.60	30.77	0.00	30.77
2008(12)	25.7	9.4	7.48	0.00	0.26	3.87	3.87	35.51	22.66	34.1	3.54	6.60	23.97	0.00	23.97
2009(12)	22.1	8.1	6.42	0.00	0.22	3.87	3.87	35.51	22.66	29.3	3.03	6.60	19.62	0.00	19.62
2010(12)	19.5	7.1	5.66	0.00	0.20	3.87	3.87	35.51	22.66	25.8	2.68	6.60	16.55	0.00	16.55
2011(12)	17.6	6.4	5.10	0.00	0.18	3.87	3.87	35.51	22.66	23.3	2.41	6.60	14.24	0.00	14.24
2012(12)	16.0	5.9	4.66	0.00	0.16	3.87	3.87	35.51	22.66	21.2	2.20	6.60	12.44	0.00	12.44
2013(12)	14.8	5.4	4.30	0.00	0.15	3.87	3.87	35.51	22.66	19.6	2.03	6.60	10.98	0.00	10.98
2014(12)	13.8	5.0	4.01	0.00	0.14	3.87	3.87	35.51	22.66	18.3	1.89	6.60	9.77	0.00	9.77
2015(12)	13.0	4.7	3.76	0.00	0.13	3.87	3.87	35.51	22.66	17.1	1.78	6.60	8.75	0.00	8.75
2016(12)	12.2	4.5	3.54	0.00	0.12	3.87	3.87	35.51	22.66	16.1	1.67	6.60	7.88	0.00	7.88
2017(12)	11.6	4.2	3.36	0.00	0.12	3.87	3.87	35.51	22.66	15.3	1.59	6.60	7.12	0.00	7.12
2018(12)	11.0	4.0	3.19	0.00	0.11	3.87	3.87	35.51	22.66	14.6	1.51	6.60	6.45	0.00	6.45
2019(12)	10.5	3.8	3.05	0.00	0.11	3.87	3.87	35.51	22.66	13.9	1.44	6.60	5.86	0.00	5.86
2020(12)	9.6	2.4	1.87	0.00	0.06	3.87	3.87	35.51	22.66	8.5	0.88	4.40	3.23	0.00	3.23
Total	---	124.7	99.13	0.00	3.44	---	---	---	---	451.9	46.84	101.45	303.57	230.00	73.57

WORKING INTEREST OWNERS SAN JUAN 28-7 UNIT

DENISE TURNBULL WILLIAMS

DIXIE M MCLANE TRUST

J GLENN TURNER JR

ELIZABETH J TURNER CALLOWAY

JOHN LEE TURNER

FOUR STAR OIL & GAS COMPANY

CONOCO INC

CONOCOPHILLIPS COMPANY

W G PEAVY OIL COMPANY

MARY FRANCES TURNER JR TRUST

DUGAN PRODUCTION CORPORATION

FOREST OIL CORPORATION

MICHAEL S MCLANE TRUST

DAWN J TURNBULL BROWN

DERRICK J TURNBULL

JUNE LIVELY

MARY J BANKS 2104 WINTER SUNDAY WAY

CAROLEE SMITH

XTO ENERGY INC

CHEVRON MIDCONTINENT LP

DJ SIMMONS CO LTD PTSHP

BP AMERICA PRODUCTION COMPANY

WALTER W TYLER DBA TPI PROPERTIES

HOLLY BISHOP

KATHLEEN M MCLANE TRUST



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

September 18, 2006

ConocoPhillips Company
P. O. Box 4289
Farmington, NM 87499-4289

Attention: Ms. Dawn Howell

Re: San Juan 28-7 Unit Well No. 77
W/2 Sec. 32-28N-7W
Non-Commercial Well Determination
Pictured Cliffs Formation
Rio Arriba County, New Mexico

Dear Ms. Howell:

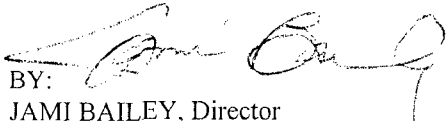
We are in receipt of your letter of September 6, 2006 and the BLM's letter of September 12, 2006 regarding the non-commercial determination for the San Juan 28-7 Unit Well No. 77.

We concur with the BLM that that the San Juan Unit Well No. 77 is a non-commercial well in the Pictured Cliffs Formation and should be produced on a lease basis.

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. David Catanach
TRD-Attn: Mr. Valdean Severson

-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 • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University