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August 2, 2007

Bureau of Land Management
Attn: Mr. Wayne Townsend
Farmington Resource Area
1235 La Plata Highway
Farmington, NM 87401

State of New Mexico
Commissioner of Public Lands
Attn: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, NM 87504-1148

New Mexico Oil Conservation Division
Energy, Minerals & Natural Resources
Attn: Mr. Mark E. Fesmire
1220 S. Saint Francis Drive
Santa Fe, NM 87505-4000

RE: Carracas Canyon Unit # 14-08-0001-19596
Commerciality Determination
Pictured Cliffs Formation
Rio Arriba County, New Mexico

Gentlemen:

Pursuant to the provisions of Section 11 (a) of the Carracas Canyon Unit Agreement, approved January 30, 1987, Energen Resources Corporation, as Operator, has made determinations concerning the ability of the below listed wells as to whether or not they are capable of producing unitized substances in paying quantities from the Pictured Cliffs formation. Energen is seeking confirmation of the well determinations enclosed.

Well Name & Number	Well Dedication	Dedicated Lease	Completion Date	Commerciality Determination
Carracas Canyon Unit 26 B 7	NE/4 26-32N-4W	USA NM-30584	10-28-03	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 wells will be carried on a lease basis and the commercial wells will create an expansion to the participating area.

Copies of this letter and enclosures are being sent to the working interest owners as listed on the attached page.

Sincerely,

David M. Poage
District Landman

Carracas Canyon Unit Working Interest Owners:

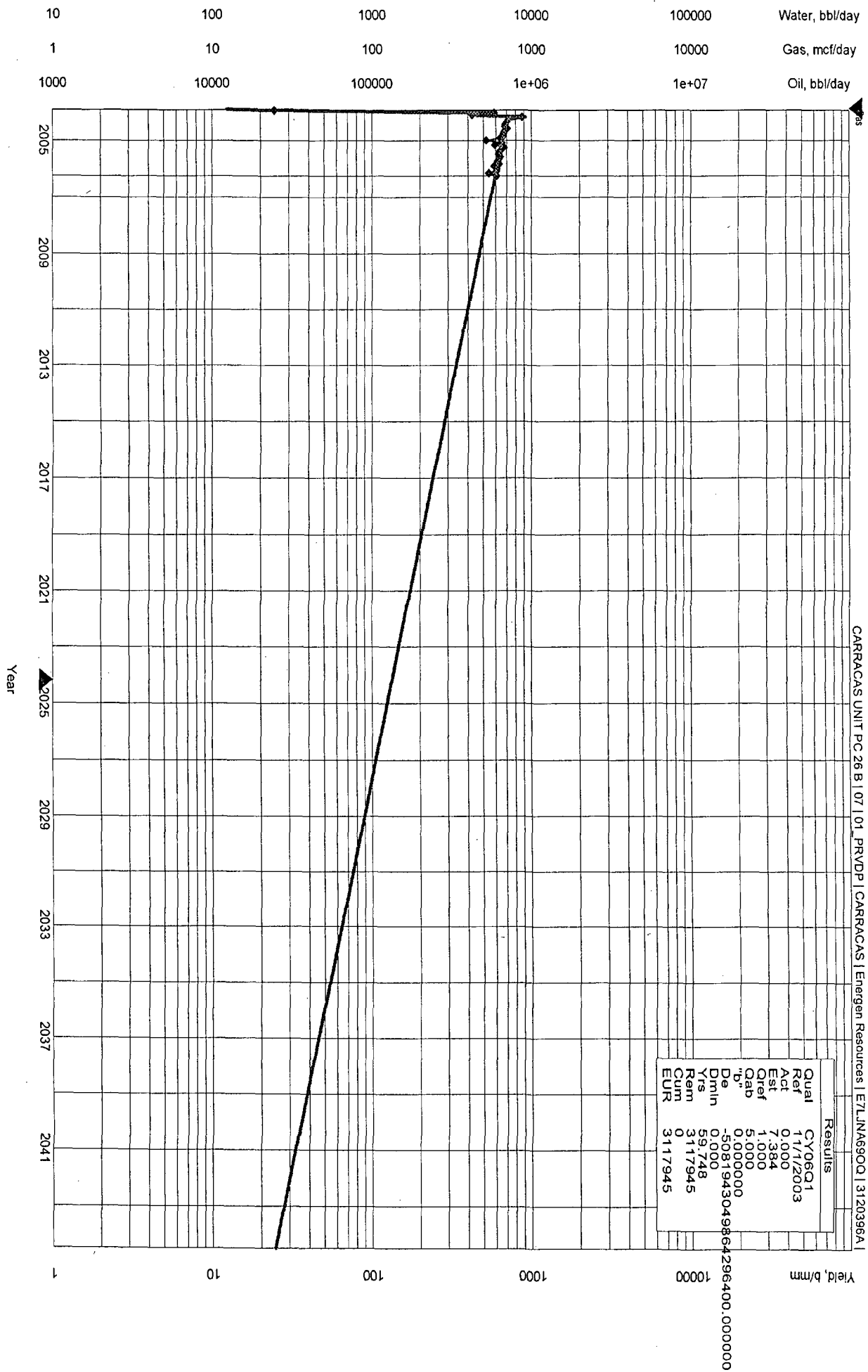
Williams Production Company

CARRACAS UNIT PC 26 B, ID: 07
PROVED/OI PRVDP, PH: E7LNJN630Q
FLD: CARRACAS, RIO ARRIBA, NM
RES: PICTURED CLIFFS, Carracas A
OP: Energen Resources
LOC: N 32.0 W 4.0 SEC 26.0 NE, S

ENERGEN RESOURCES CORPORATION
RESERVES AND ECONOMICS
AS OF DATE: 10/03

DATE : 08/14/06
TIME : 16:08:33
DBS : EECOREs
SETTINGS : EECOREs100yr
SCENARIO : C106Q1

END- MO-YR	NUMBER GROSS WELLS	GROSS PROD OIL + COND --MBLS--	GROSS GAS PRODUCTION --MMCF--	GROSS NGL PRODUCTION --MBLS--	NET OIL + COND --MBLS--	NET GAS VOLUME --MMCF--	NET NGL VOLUME --MBLS--	EFFECTIVE O+C PRICE --\$/BBL--	EFFECTIVE GAS PRICE --\$/MCF--	EFFECTIVE NGL PRICE --\$/BBL--
12-03	1.0	0.000	4.644	0.000	0.000	3.628	0.000	0.000	7.712	0.000
12-04	1.0	0.000	205.548	0.000	0.000	160.559	0.000	0.000	7.712	0.000
12-05	1.0	0.000	193.693	0.000	0.000	151.239	0.000	0.000	7.712	0.000
12-06	1.0	0.000	178.197	0.000	0.000	139.195	0.000	0.000	7.712	0.000
12-07	1.0	0.000	163.942	0.000	0.000	128.059	0.000	0.000	7.712	0.000
12-08	1.0	0.000	150.826	0.000	0.000	117.814	0.000	0.000	7.712	0.000
12-09	1.0	0.000	138.760	0.000	0.000	108.389	0.000	0.000	7.712	0.000
12-10	1.0	0.000	127.659	0.000	0.000	99.718	0.000	0.000	7.712	0.000
12-11	1.0	0.000	117.447	0.000	0.000	91.741	0.000	0.000	7.712	0.000
S TOT	1.0	0.000	1280.717	0.000	0.000	1000.402	0.000	0.000	7.712	0.000
AFTER	1.0	0.000	1303.865	0.000	0.000	1018.484	0.000	0.000	7.712	0.000
TOTAL	1.0	0.000	2584.582	0.000	0.000	2018.886	0.000	0.000	7.712	0.000
END- MO-YR	NET REV OIL + COND --M\$--	NET GAS REVENUE --M\$--	NET NGL REVENUE --M\$--	NET TOTAL REVENUE --M\$--	NET SEV + TAXES --M\$--	NET TOTAL EXP & ADV --M\$--	NET INVEST +ABAND-SALV --M\$--	NET OPER REVENUE --M\$--	BTAX CASHFLOW --M\$--	CUM 8.04 BTAX CF --M\$--
12-03	0.000	27.978	0.000	27.978	2.524	3.606	776.069	21.848	-754.221	-754.566
12-04	0.000	1238.279	0.000	1238.279	111.693	93.583	55.654	1033.004	977.350	167.458
12-05	0.000	1166.856	0.000	1166.856	105.251	92.867	42.198	968.740	926.542	977.683
12-06	0.000	1073.509	0.000	1073.509	96.831	88.256	0.000	888.423	888.423	1697.209
12-07	0.000	987.628	0.000	987.628	89.084	82.800	0.000	815.744	815.744	2308.935
12-08	0.000	908.618	0.000	908.618	81.957	77.782	0.000	748.878	748.878	2828.921
12-09	0.000	835.929	0.000	835.929	75.401	73.167	0.000	687.361	687.361	3270.839
12-10	0.000	769.054	0.000	769.054	69.369	68.921	0.000	630.764	630.764	3646.331
12-11	0.000	707.530	0.000	707.530	63.819	65.016	0.000	578.695	578.695	3965.309
S TOT	0.000	7715.383	0.000	7715.383	695.927	645.998	873.921	6373.457	5499.537	3965.309
AFTER	0.000	7854.831	0.000	7854.831	708.506	1311.761	23.000	5834.563	5811.563	5727.177
TOTAL	0.000	15570.213	0.000	15570.213	1404.433	1957.759	896.921	12208.021	11311.100	5727.177
GROSS WELLS										
GROSS ULT., MB & MMF	0.000	0.000	2584.583	0.000	0.000	1.0	48.58	8.00	5727.177	
GROSS CUM., MB & MMF	0.000	0.000	0.000	0.000	0.000	DISCOUNT *	8.00	9.00	5367.765	
INITIAL W.I., PCT	100.000	100.000	100.000	100.000	100.000	UNDISCOUNTED PAYOUT, YRS.	1.02	10.00	5046.312	
INITIAL N.R.I., PCT	0.000	0.000	78.113	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.07	11.00	4757.248	
FINAL W.I., PCT	100.000	100.000	100.000	100.000	100.000	UNDISCOUNTED NET/INVEST.	13.61	12.00	4496.013	
FINAL N.R.I., PCT	0.000	0.000	78.113	0.000	0.000	DISCOUNTED NET/INVEST.	7.61	13.00	4258.843	
INITIAL PRICES, \$/U	0.000	0.000	7.712	0.000	0.00	RATE-OF-RETURN, PCT	100.00	14.00	4042.611	
						REVERSION, YEARS	0.00	15.00	3844.698	



CARRACAS UNIT PC 26 B | 07 | 01_PRYDP | CARRACAS | Engen Resources | ETLJNA690Q | 3120396A

Results	
Qual	CY06Q1
Ref	11/1/2003
Act	0.000
Est	7.384
Qref	1.000
Qab	5.000
"b"	0.000000
De	-5081943049864296400.000000
Dmin	0.000
Yrs	59.748
Rem	3117945
Cum	0
EUR	3117945