ConocoPhillips
San Juan Business Unit
P.O. Box 4289
Farmington, NM 87499-4289

RECEIVED OCD

July 30, 2010

2010 AUG -1 P 1:03

Bureau of Land Management
Farmington Resource Area
Attn: Mr. Wayne Townsend
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: Ms. Lori Wrotenbery
1220 S. Saint Francis Drive
Santa Fe, NM 87505-4000

RE: Huerfano Unit (I Sec. No. 731)
Commerciality Determination
Dakota Formation
San Juan County, New Mexico

Gentlemen:

Pursuant to the provisions of Section 11(a) of the Huerfano Unit Agreement, #I Sec. No. 731, approved June 6, 1950, Burlington Resources Oil & Gas Company LP, as Operator, has determined that the well listed below is not capable of producing unitized substances in paying quantities from the Dakota formation. Burlington is seeking confirmation of the paying well determination enclosed.

Well Name	Dedication	Dedicated Lse.	Compl. Date	Determination
Huerfano Unit #314	E/2 34-26N-9W	SF-078103-A	2-1-09	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 formal Participating Area Schedule will be prepared and submitted.

Copies of this letter and enclosures are being sent to the working interest owners as listed on the attached page. For technical questions please contact Susan Rainbolt at 326-9574, all other questions to the undersigned at 599-4030.

Sincerely,

Dawn Howell

Dawn Howell, CPLTA
Land Analyst

Huerfano Unit 4.3

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
HUERFANO UNIT 314

WELL INFORMATION

LEASE	HUERFANO UNIT 314
LOCATION	34026N009W
COUNTY, STATE	SAN JUAN, NEW MEXICO
FORMATION	DAKOTA
PROJECT TYPE	NEWDRILL
WELL TYPE	GAS WELL
OPERATOR	CONOCOPHILLIPS CO
SPUD DATE	11/4/2008
COMP DATE	2/1 /2009
1ST DELIVERY	2/19/2009
COMM GWI %	100.00
COMM NRI %	87.50
BOARD RATE %	10.00

AVERAGE HEAT CONTENT

1,000 MMBtu / Mcf

PRODUCTION TAXES

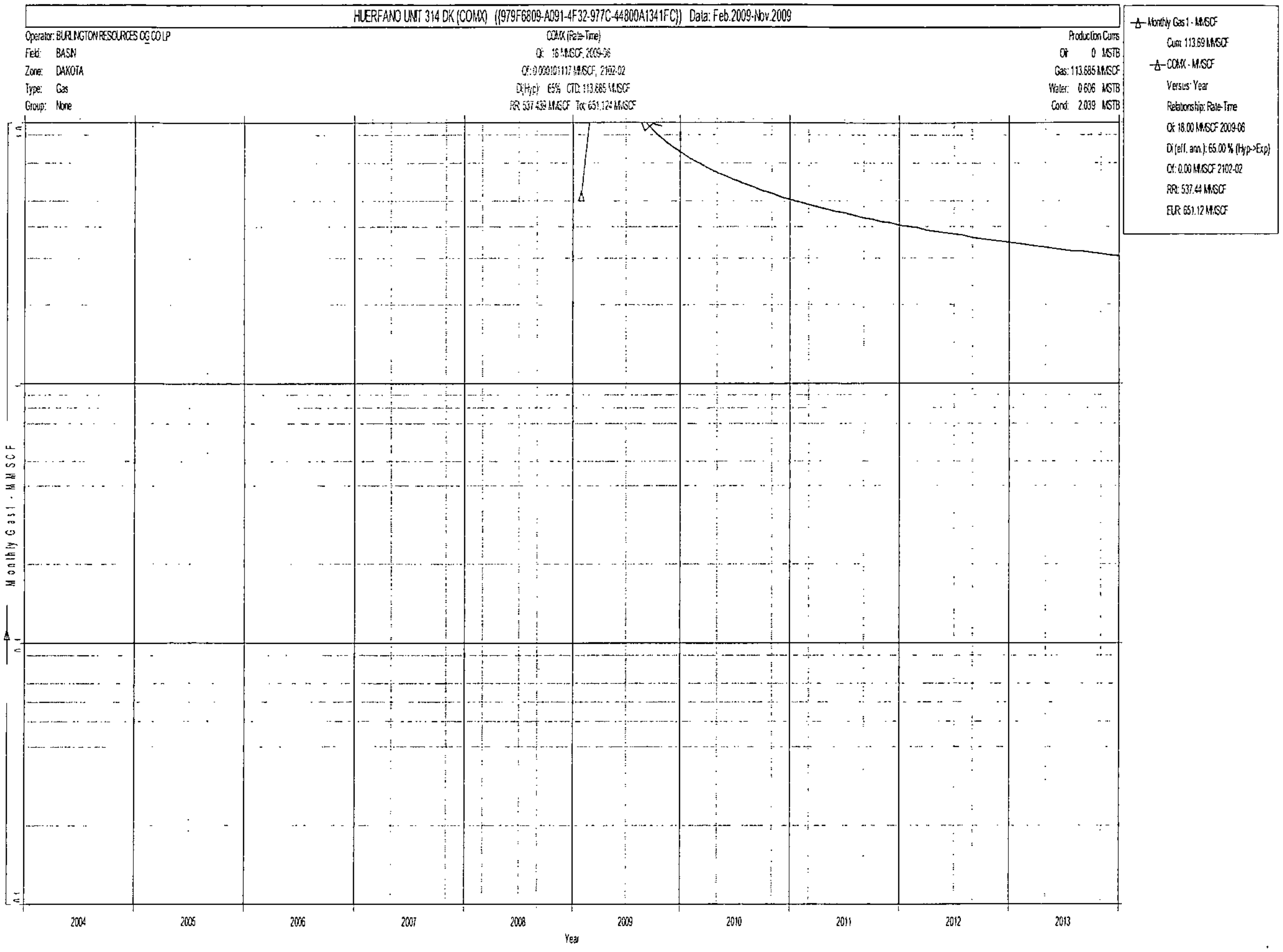
TAXES FOR: SAN JUAN, NEW MEXICO
2003 - 2004 Commerciality

	GAS % OF REVENUE
SEVERANCE:	
Severance, School, Conservation	7.93
AD VALOREM:	
Production, Equipment	1.26
TOTAL %:	9.19

WELL COST AND ECONOMICS

1,304.00	M$	AVERAGE WELL COST
605.77	MMCF	ULT. GROSS GAS RESERVES
357.58	MCFD	INITIAL GAS RATE
13.61	%	RATE OF RETURN
0.11	$/$	P/I, DISC. @ 10.00 %
143.50	M$	NET PRESENT VALUE, DISC. @ 10.00 %
5.22	YRS	PAYOUT

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
HUERFANO UNIT 314



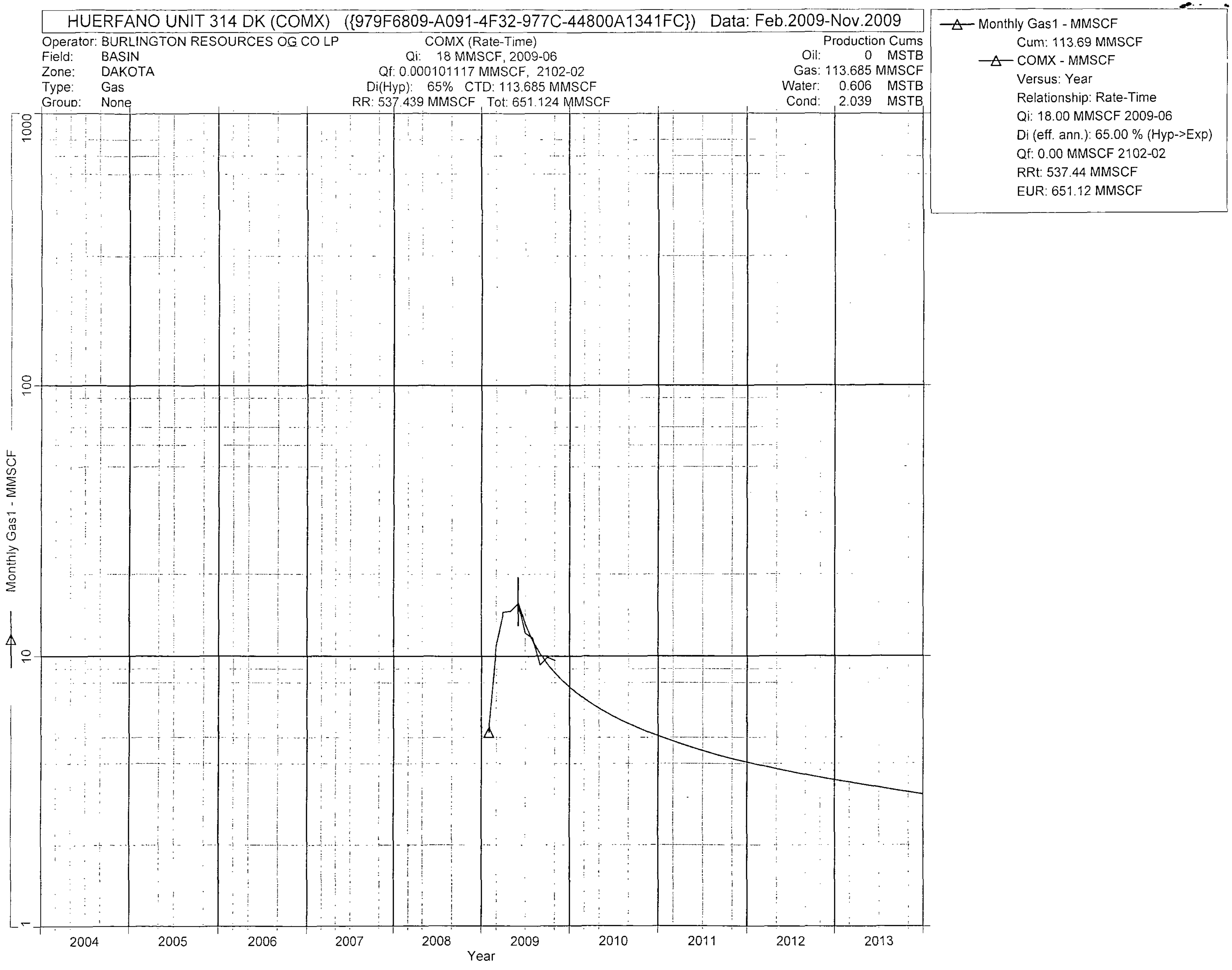
CASH FLOW SUMMARY

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 Opcosts	Total Oper Inc	Total Capital	Total BT Cash
	mcf/d	MMSCF	MMSCF	MSTB	MSTB	$/MMBTU	$/mcf	$/Bbl	$/Bbl	M$	M$	M$	M$	M$	M$

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
HUERFANO UNIT 314

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 Opcosts	Total Oper Inc	Total Capital	Total BT Cash
	mcf/d	MMSCF	MMSCF	MSTB	MSTB	$/MMBTU	$/mcf	$/Bbl	$/Bbl	M$	M$	M$	M$	M$	M$
2009(12)	357.6	76.5	54.68	0.00	5.32	4.86	4.86	35.51	22.66	371.2	37.53	8.76	324.90	1,304.00	-979.10
2010(12)	204.5	74.6	53.33	0.00	5.19	4.86	4.86	35.51	22.66	362.0	36.60	15.01	310.38	0.00	310.38
2011(12)	149.3	54.5	38.93	0.00	3.79	4.86	4.86	35.51	22.66	264.3	26.72	15.01	222.53	0.00	222.53
2012(12)	123.2	45.1	32.22	0.00	3.13	4.86	4.86	35.51	22.66	218.7	22.11	15.01	181.60	0.00	181.60
2013(12)	107.7	39.3	28.10	0.00	2.73	4.86	4.86	35.51	22.66	190.8	19.29	15.01	156.46	0.00	156.46
2014(12)	95.7	34.9	24.97	0.00	2.43	4.86	4.86	35.51	22.66	169.5	17.14	15.01	137.36	0.00	137.36
2015(12)	85.1	31.1	22.21	0.00	2.16	4.86	4.86	35.51	22.66	150.7	15.24	15.01	120.50	0.00	120.50
2016(12)	75.5	27.6	19.75	0.00	1.92	4.86	4.86	35.51	22.66	134.1	13.55	15.01	105.50	0.00	105.50
2017(12)	67.3	24.6	17.57	0.00	1.71	4.86	4.86	35.51	22.66	119.2	12.05	15.01	92.16	0.00	92.16
2018(12)	59.9	21.9	15.62	0.00	1.52	4.86	4.86	35.51	22.66	106.0	10.72	15.01	80.30	0.00	80.30
2019(12)	53.3	19.4	13.89	0.00	1.35	4.86	4.86	35.51	22.66	94.3	9.53	15.01	69.75	0.00	69.75
2020(12)	47.2	17.3	12.36	0.00	1.20	4.86	4.86	35.51	22.66	83.9	8.48	15.01	60.37	0.00	60.37
2021(12)	42.1	15.4	10.99	0.00	1.07	4.86	4.86	35.51	22.66	74.6	7.54	15.01	52.03	0.00	52.03
2022(12)	37.5	13.7	9.77	0.00	0.95	4.86	4.86	35.51	22.66	66.3	6.71	15.01	44.61	0.00	44.61
2023(12)	33.3	12.2	8.69	0.00	0.84	4.86	4.86	35.51	22.66	59.0	5.96	15.01	38.01	0.00	38.01
2024(12)	29.5	10.8	7.73	0.00	0.75	4.86	4.86	35.51	22.66	52.5	5.30	15.01	32.14	0.00	32.14
2025(12)	26.4	9.6	6.87	0.00	0.67	4.86	4.86	35.51	22.66	46.7	4.72	15.01	26.93	0.00	26.93
2026(12)	23.4	8.6	6.11	0.00	0.59	4.86	4.86	35.51	22.66	41.5	4.19	15.01	22.28	0.00	22.28
2027(12)	20.8	7.6	5.44	0.00	0.53	4.86	4.86	35.51	22.66	36.9	3.73	15.01	18.16	0.00	18.16
2028(12)	18.5	6.8	4.83	0.00	0.47	4.86	4.86	35.51	22.66	32.8	3.32	15.01	14.49	0.00	14.49
Sub.	---	551.5	394.08	0.00	38.31	---	---	---	---	2,674.9	270.44	293.99	2,110.47	1,304.00	806.47
Rem.	---	25.3	18.07	0.00	1.76	---	---	---	---	122.6	12.40	80.06	30.17	0.00	30.17
Total	---	576.7	412.14	0.00	40.07	---	---	---	---	2,797.5	282.84	374.05	2,140.64	1,304.00	836.64


HUERFANO UNIT 314 DK (COMX) ({979F6809-A091-4F32-977C-44800A1341FC}) Data: Feb.2009-Nov.2009
Operator: BURLINGTON RESOURCES OG CO LP
Field: BASIN
Zone: DAKOTA
Type: Gas
Group: None
COMX (Rate-Time)
Qi: 18 MMSCF, 2009-06
Qf: 0.000101117 MMSCF, 2102-02
Di(Hyp): 65% CTD: 113.685 MMSCF
RR: 537.439 MMSCF Tot: 651.124 MMSCF
Production Cums
Oil: 0 MSTB
Gas: 113.685 MMSCF
Water: 0.606 MSTB
Cond: 2.039 MSTB
Monthly Gas1 - MMSCF
Cum: 113.69 MMSCF
COMX - MMSCF
Versus: Year
Relationship: Rate-Time
Qi: 18.00 MMSCF 2009-06
Di (eff. ann.): 65.00 % (Hyp->Exp)
Qf: 0.00 MMSCF 2102-02
RRt: 537.44 MMSCF
EUR: 651.12 MMSCF
1000
100
10
1
Monthly Gas1 - MMSCF
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Year

HUERFANO UNIT
DAKOTA FORMATION
WORKING INTEREST OWNERS

AJM LLC
BENSON MONTIN GREER
BETTY T JOHNSTON MARITAL TRUST
BURLINGTON RESOURCES O&G CO LP
CAROLYN BEAMON TILLEY
CATHERYN BEAMON
CLAUDIA MARCIA LUNDELL
CONOCOPHILLIPS COMPANY
EULA MAY JOHNSTON TRUST
FRANKLIN P LILLY
GRAYFORE PARTNERS
GROSS RESOURCES LTD PTSHP
JAMES R BEAMON
KELLY MINERAL INTERESTS JV
LA PLATA GATHERING SYSTEM INC
LANGDON D HARRISON REVOC TRUST B
LINDA JEANNE LUNDELL
MACDONALD HALBERSTADT
REVOCABLE FAMILY TRUST
MARYAN KLINGER TRUST
MCCONNELL LTD CO
MICHAEL R DIMOND
PRODUCTION GATHERING CO LP
ROBERT BEAMON TRUSTEE
ROBERT WALTER LUNDELL
ROGERS-GIBBARD TRUST
SHARON BEAMON BURNS
SUNLAND REFINING CORP
SUSAN BEAMON PORTER
THOMAS YATES JR
V A JOHNSTON LTD
WILLIAM j GREEN ESTATE
XTO ENERGY INC
ZZZ KELLY & TRUST LLC