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446

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

July 6, 2011

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: San Juan 32-8 Unit (14-08-001-446)
Commerciality Determination
Pictured Cliffs Formation
San Juan County, New Mexico**

Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 32-8 Unit Agreement, #14-08-001-446, approved, October 21, 1952, ConocoPhillips Company as Unit Operator has determined that the well listed below is capable of producing unitized substances in paying quantities from the Pictured Cliffs Formation. ConocoPhillips Company is seeking confirmation of the well determination enclosed.

Well Name	Dedication	Dedicated Lease	Compl. Date	Determination
SJ 32-8 #267	E/2 Sec. 23-T32N-08W	NMSF-079380	08/23/2006	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 Schedules 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 326-9801.

Sincerely,

Valerie Wells,
Sr. Land Technician

SJ 32-8 4.3

SAN JUAN 32-8 UNIT
WORKING INTEREST OWNERS

BURLINGTON RESOURCES O&G CO LP
CONOCOPHILLIPS COMPANY
WILLIAMS PRODUCTION COMPANY

BURLINGTON RESOURCES

COMMERCIALITY DETERMINATION

BLM DATA SHEET

SAN JUAN 32-8 UNIT 267

WELL INFORMATION		PRODUCTION TAXES	
LEASE	SAN JUAN 32-8 UNIT 267	TAXES FOR:	SAN JUAN, NEW MEXICO
LOCATION	23032N008WJ		2003 - 2004 Commerciality
COUNTY, STATE	SAN JUAN, NEW MEXICO		
FORMATION	PICTURED CLIFFS		<u>GAS % OF REVENUE</u>
PROJECT TYPE	NEWDRILL		
WELL TYPE	GAS WELL	SEVERANCE:	
OPERATOR	CONOCOPHILLIPS CO	Severance, School, Conservation	7.93
SPUD DATE	5/8/2006		
COMP DATE	8/23/2006	AD VALOREM:	
1ST DELIVERY	12/6/2006	Production, Equipment	1.26
COMM GWI %	100.00		
COMM NRI %	87.50	TOTAL %:	9.19
BOARD RATE %	10.00		

AVERAGE HEAT CONTENT

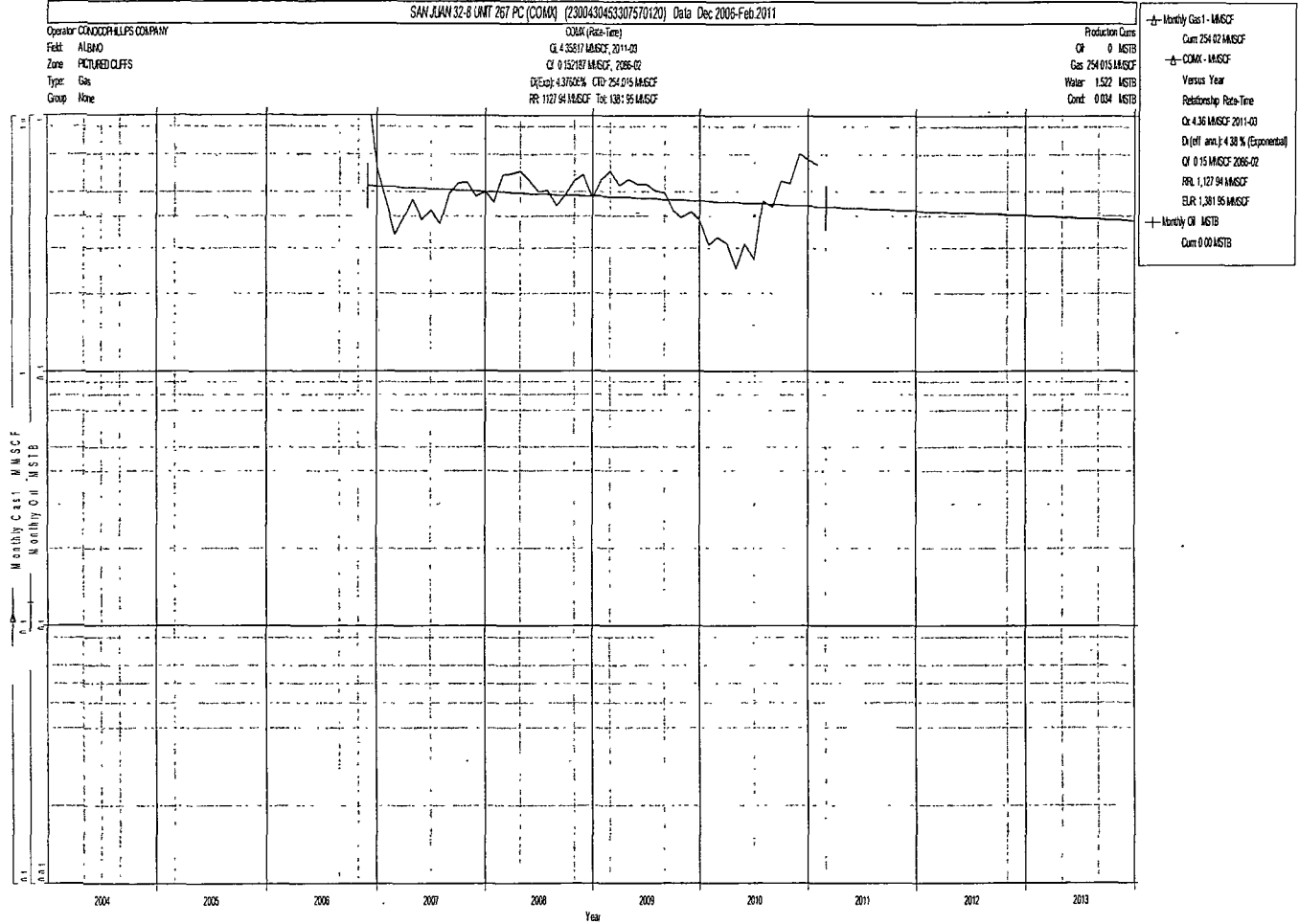
928 MMBtu / Mcf

WELL COST AND ECONOMICS		
811.01	M\$	AVERAGE WELL COST
1,381.70	MMCF	ULT. GROSS GAS RESERVES
149.54	MCFD	INITIAL GAS RATE
13.85	%	RATE OF RETURN
0.35	\$/	P/I, DISC. @ 10.00 %
286.69	M\$	NET PRESENT VALUE, DISC. @ 10.00 %
7.70	YRS	PAYOUT

COMX1 (Time

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 Op costs	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
SAN JUAN 32-8 UNIT 267



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BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-8 UNIT 267

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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 Op costs	Total Oper Inc	Total Capital	Total BT Cash
	mcf/d	MMSCF	MMSCF	MSTB	MSTB	\$/MMBTU	\$/mcf	\$/Bbl	\$/Bbl	M\$	M\$	M\$	M\$	M\$	M\$
2006 10	0.0	0.0	0.00	0.00	0.00	4.86	0.00	35.51	22.66	0.0	0.00	1.02	-1.02	0.00	-1.02
2006 11	0.0	0.0	0.00	0.00	0.00	4.86	0.00	35.51	22.66	0.0	0.00	1.02	-1.02	0.00	-1.02
2006 12	443.8	13.8	0.00	0.00	0.83	4.86	0.00	35.51	22.66	16.4	1.55	1.02	13.87	824.00	-810.13
2007 01	200.5	6.2	0.00	0.00	0.37	4.86	0.00	35.51	22.66	7.4	0.70	1.02	5.71	0.00	5.71
2007 02	166.5	4.7	0.00	0.00	0.28	4.86	0.00	35.51	22.66	5.6	0.52	1.02	4.02	0.00	4.02
2007 03	109.0	3.4	0.00	0.00	0.20	4.86	0.00	35.51	22.66	4.0	0.38	1.02	2.63	0.00	2.63
2007 04	129.3	3.9	0.00	0.00	0.23	4.86	0.00	35.51	22.66	4.6	0.44	1.02	3.18	0.00	3.18
2007 05	149.0	4.6	0.00	0.00	0.28	4.86	0.00	35.51	22.66	5.5	0.52	1.02	3.98	0.00	3.98
2007 06	127.9	3.8	0.00	0.00	0.23	4.86	0.00	35.51	22.66	4.6	0.43	1.02	3.13	0.00	3.13
2007 07	135.2	4.2	0.00	0.00	0.25	4.86	0.00	35.51	22.66	5.0	0.47	1.02	3.51	0.00	3.51
2007 08	119.9	3.7	0.00	0.00	0.22	4.86	0.00	35.51	22.66	4.4	0.42	1.02	3.00	0.00	3.00
2007 09	163.0	4.9	0.00	0.00	0.29	4.86	0.00	35.51	22.66	5.8	0.55	1.02	4.27	0.00	4.27
2007 10	174.4	5.4	0.00	0.00	0.33	4.86	0.00	35.51	22.66	6.5	0.61	1.02	4.83	0.00	4.83
2007 11	182.2	5.5	0.00	0.00	0.33	4.86	0.00	35.51	22.66	6.5	0.61	1.02	4.89	0.00	4.89
2007 12	155.2	4.8	0.00	0.00	0.29	4.86	0.00	35.51	22.66	5.7	0.54	1.02	4.18	0.00	4.18
2008(12)	173.0	63.3	0.00	0.00	3.82	4.86	0.00	35.51	22.66	75.7	7.12	12.30	56.27	0.00	56.27
2009(12)	164.5	60.1	0.00	0.00	3.62	4.86	0.00	35.51	22.66	71.8	6.75	12.30	52.73	0.00	52.73
2010(12)	133.3	48.7	0.00	0.00	2.93	4.86	0.00	35.51	22.66	58.2	5.47	12.30	40.40	0.00	40.40
2011(12)	153.2	55.9	26.07	0.00	3.37	4.86	4.86	35.51	22.66	193.5	19.45	12.30	161.79	0.00	161.79
2012(12)	134.6	49.3	33.43	0.00	2.97	4.86	4.86	35.51	22.66	221.4	22.42	12.30	186.64	0.00	186.64
Sub.	---	346.1	59.50	0.00	20.86	---	---	---	---	702.8	68.96	76.87	556.98	824.00	-267.02
Rem.	---	1,009.5	684.93	0.00	60.85	---	---	---	---	4,535.4	459.33	762.60	3,313.43	0.00	3,313.43
Total	---	1,355.6	744.44	0.00	81.71	---	---	---	---	5,238.2	528.29	839.47	3,870.40	824.00	3,046.40