12 33

ConocoPhillips

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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

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 32-8 Unit – No. 14-08-001-439
Commerciality Determination
Fruitland Coal Formation
San Juan County, New Mexico
Contract: 040464 Lease: A650251

Ladies and Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 32-8 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 Brad Peterson at (832) 486-2055 for any technical questions you may have, and direct all other questions to Betty Dimiterchik at (832) 486-2339.

Respectfully yours,

Jim Penney

Well Name	Dedication	Lease No.	Completion Date	Operator's Determination
SJ 32-8 #263A	E/2 Sec. 15, T32N, R8W	SF-079380	11/18/2005	Commercial
SJ 32-8 #265	W/2 Sec. 14, T32N, R8W	NM-079380	11/03/2005	Commercial
SJ 32-8 #266A	E/2 Sec. 14, T32N, R8W	SF-079380	11/16/2005	Commercial

ConocoPhillips

Commerciality Determination

SJ 32-8 Unit #263A
Fruitland Coal
SE, Sec 15, T32N, R8W
San Juan County, NM
API: 30-045-32796

The San Juan 32-8 # 263A Fruitland Coal well was spud on 8/30/05 by ConocoPhillips and 1st delivered on 1/3/06.

The actual capital investment of $1,064,314 for completion of the 32-8 # 263A Fruitland coal well was used in this determination. Actual operating costs for this well are $32,200/year.

Income was based on a flat non-escalated value of $5.55/mmBTU. After accounting for fuel, transportation, and BTU value for the gas, the gas price was determined to be $4.71/mcf.

Current reservoir pressure for this well is 1250 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcfd)
Jan-06	1751
Feb-06	1872
Mar-06	1692

US Summary Report

SJ 32-8 # 263A Commerciality Determination

Nominal

Case Description

Notes San Juan 32-8 # 263A commerciality determination.

Case Parameters

Author	Brad Peterson	Cond. Price File
Linked Well		
Global Parameters	Escalate 2007 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	8,739	1,064	7,675	4,682	6.76
8.0	6,157	1,024	5,133	3,101	4.97
10.0	5,722	1,015	4,708	2,836	4.66
11.0	5,526	1,010	4,515	2,716	4.52
13.0	5,167	1,001	4,166	2,498	4.27
15.0	4,850	992	3,857	2,305	4.04
18.0	4,436	980	3,456	2,055	3.75

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	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

		BTax	ATax
AARR	%	167.0	134.1
Cash Breakeven	Years	0.9	1.01
NPV @ 13%	M$	4,166	2,498
13% PI (cash)	M$/M$		4.27
13% PI (capital)	M$/M$		3.50
NPV @ 10%	M$	4,708	2,836
10% PI (cash)	M$/M$		4.66
10% PI (capital)	M$/M$		3.79
Dev Cost/BOE	$/BOE	2.88	
Economic Limit Date		2029/04	
Last Scheduled Prod Date		2029/04	
Date of first production		2006/01	
Date of first investment		2005/08	
Discount Date		2005/01	
ROR		167	134

Products Recovery (US)::ConocoPhillips

		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	2,691	2,691	2,691	471	2,220
Gas-Sales	MMSCF	2,691	2,691	2,691	471	2,220
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

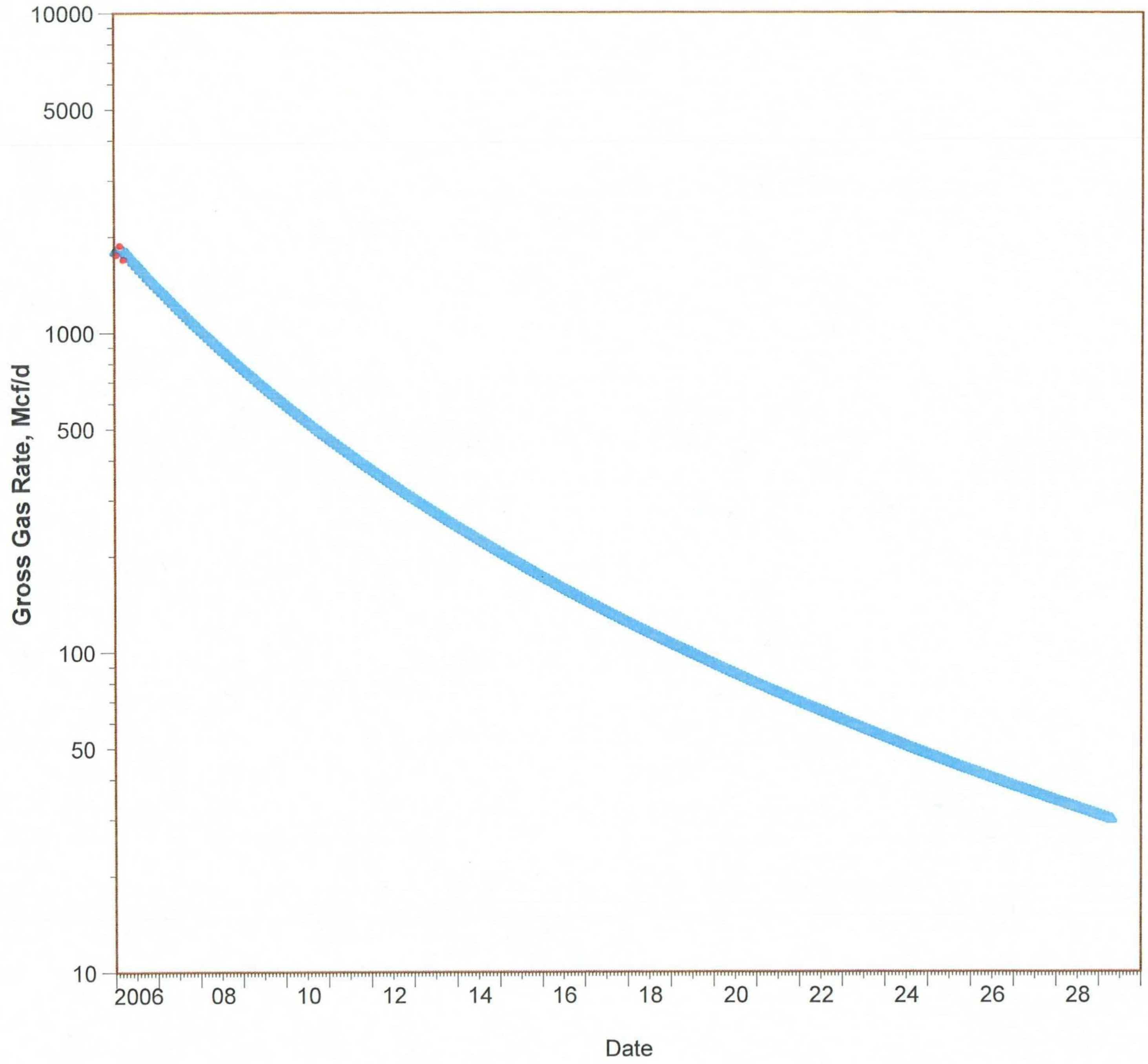
RESERVES AND ECONOMICS

PRODUCTION & REVENUE SUMMARY

Date	Gross Oil/Cond Volume MSTB	Gross Gas Volume MMSCF	NRI Oil MSTB	NRI Gas Sales MMSCF	Oil Price $/Bbl	Gas Price $/mcf	Gross # of Wells	Total NRI Revenue M$	Total Prod Taxes M$	Total Opcosts M$	Income Before Reserves & Taxes M$	Total Capital M$	BTAX Cash Flow M$	ATAX Cash Flow M$	ATAX Cash Flow Disc. 10% M$	ATAX Cash Flow Disc 13% M$
2005(12)	0.00	0.00	0.00	0.00	0.00	0.00	1.0	0.00	0.00	4.42	-4.42	1,064.31	-1,068.73	-812.74	-774.92	-764.56
2006(12)	0.00	595.66	0.00	491.42	0.00	4.71	1.0	2,314.59	212.71	32.20	2,069.68	0.00	2,069.68	1,302.56	1,129.04	1,084.38
2007(12)	0.00	437.47	0.00	360.91	0.00	4.71	1.0	1,699.89	156.22	32.20	1,511.47	0.00	1,511.47	956.24	753.51	704.49
2008(12)	0.00	326.00	0.00	268.95	0.00	4.71	1.0	1,266.77	116.42	32.20	1,118.15	0.00	1,118.15	712.17	510.16	464.31
2009(12)	0.00	247.57	0.00	204.24	0.00	4.71	1.0	961.98	88.41	32.20	841.37	0.00	841.37	540.37	351.90	311.77
2010(12)	0.00	192.51	0.00	158.82	0.00	4.71	1.0	748.06	68.75	32.20	647.12	0.00	647.12	412.91	244.45	210.83
2011(12)	0.00	152.37	0.00	125.71	0.00	4.71	1.0	592.08	54.41	32.20	505.47	0.00	505.47	315.75	169.94	142.67
2012(12)	0.00	122.77	0.00	101.28	0.00	4.71	1.0	477.04	43.84	32.20	401.00	0.00	401.00	248.31	121.49	99.29
2013(12)	0.00	99.71	0.00	82.26	0.00	4.71	1.0	387.45	35.61	32.20	319.65	0.00	319.65	194.98	86.73	69.00
2014(12)	0.00	82.20	0.00	67.82	0.00	4.71	1.0	319.42	29.36	32.20	257.87	0.00	257.87	157.30	63.61	49.26
2015(12)	0.00	68.49	0.00	56.51	0.00	4.71	1.0	266.15	24.46	32.20	209.49	0.00	209.49	127.79	46.97	35.41
2016(12)	0.00	57.76	0.00	47.65	0.00	4.71	1.0	224.44	20.63	32.20	171.61	0.00	171.61	104.68	34.98	25.67
2017(12)	0.00	48.85	0.00	40.30	0.00	4.71	1.0	189.81	17.44	32.20	140.16	0.00	140.16	85.50	25.98	18.56
2018(12)	0.00	41.77	0.00	34.46	0.00	4.71	1.0	162.29	14.91	32.20	115.18	0.00	115.18	70.26	19.40	13.49
2019(12)	0.00	35.96	0.00	29.67	0.00	4.71	1.0	139.74	12.84	32.20	94.70	0.00	94.70	57.77	14.50	9.82
2020(12)	0.00	31.24	0.00	25.77	0.00	4.71	1.0	121.39	11.16	32.20	78.03	0.00	78.03	47.60	10.86	7.16
2021(12)	0.00	27.15	0.00	22.40	0.00	4.71	1.0	105.51	9.70	32.20	63.62	0.00	63.62	38.81	8.05	5.17
2022(12)	0.00	23.79	0.00	19.63	0.00	4.71	1.0	92.46	8.50	32.20	51.76	0.00	51.76	31.57	5.96	3.72
2023(12)	0.00	20.96	0.00	17.29	0.00	4.71	1.0	81.45	7.48	32.20	41.76	0.00	41.76	25.47	4.37	2.66
2024(12)	0.00	18.60	0.00	15.34	0.00	4.71	1.0	72.26	6.64	32.20	33.42	0.00	33.42	20.39	3.18	1.88
2025(12)	0.00	16.48	0.00	13.60	0.00	4.71	1.0	64.05	5.89	32.20	25.97	0.00	25.97	15.84	2.25	1.29
2026(12)	0.00	14.71	0.00	12.13	0.00	4.71	1.0	57.16	5.25	32.20	19.70	0.00	19.70	12.02	1.55	0.87
2027(12)	0.00	13.18	0.00	10.87	0.00	4.71	1.0	51.21	4.71	32.20	14.31	0.00	14.31	8.73	1.02	0.56
2028(12)	0.00	11.88	0.00	9.80	0.00	4.71	1.0	46.16	4.24	32.20	9.71	0.00	9.71	5.93	0.63	0.34
2029(12)	0.00	3.63	0.00	2.99	0.00	4.71	1.0	14.10	1.30	10.59	2.22	0.00	2.22	1.36	0.13	0.07
Total	0.00	2,690.72	0.00	2,219.84	---	---	---	10,455.46	960.86	755.60	8,739.00	1,064.31	7,674.69	4,681.56	2,835.75	2,498.08

Well ID: Z091627 API - 300453281600S01
SAN JUAN 32 8 UNIT 263A_FC
RMS Name: 650615 20028 SAN JUAN 32-8 UNIT # 263A

BASIN CB::FRUITLAND COAL NQ
Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 159.2 MMcf
RESFCST Gas Reserve Type = None



Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0
Di	: 0 A.n.
qi	: 1800 Mcf/d
ti	: 12/31/2005
te	: 03/31/2006
Final Rate	: 29.7592 Mcf/d
Cum. Prod.	: 159.163 MMcf
Cum. Date	: 03/31/2006
Reserves	: 2531.58 MMcf
EUR	: 2690.74 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 05/25/2006
Current Reserves	: 2531.58 MMcf
Current EUR	: 2690.74 MMcf

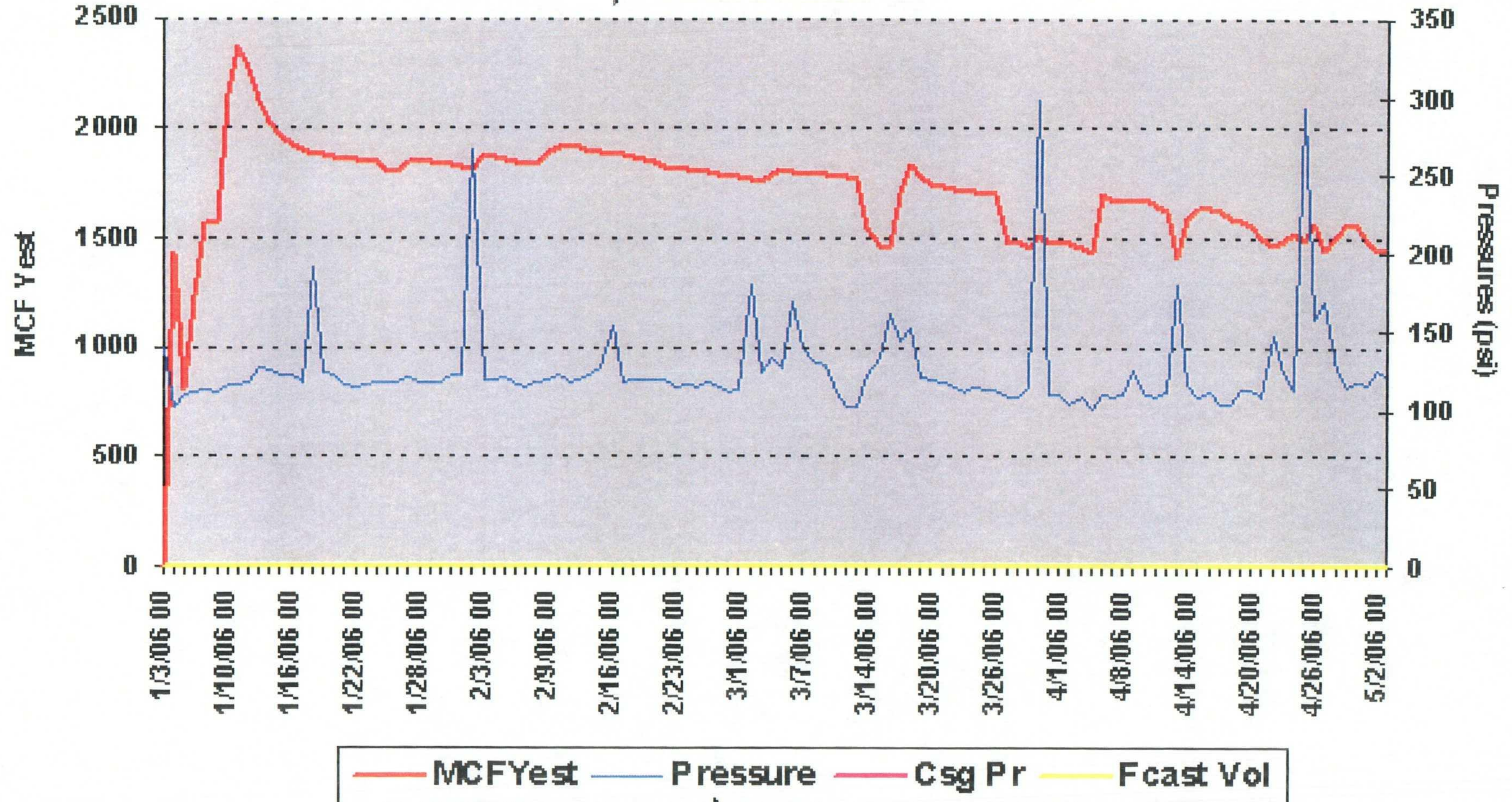
CONOCO
San Juan Production

'25/2006 6:37:23 AM

San Juan Gas Production -365 Day

8392901 SANJUAN 32-8 263A FC

Dan Debrick



ConocoPhillips

Year 2006 Gross Operating Report

Report Date : 5/19/2006

General Information

Responsible Person: BARNETT JD
State: NM
Hierarchy Code: AFFRFPOANC
Hierarchy Name: CBM SJ 32-8
Lease Code: AP650615
Lease Name: SJ 32-8 UNIT #263 FC

GRI/GWI	CWI	NRI	RI/ORRI
Oil :	Oil :	Oil :	Oil :
Gas: 0.7433375	Gas:	Gas: 0.6132534	Gas:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Well Status Information													
Active Producing Completions	1	1	1										
Active Service Completions													
Total Active Completions	1	1	1										
Total Inactive Completions	1	1	1	1									
Production Information - One Month Lag													
Daily Oil Production (Bbl/d)													
Total Oil Production (Bbl)													
Daily Gas Production (Mcf/d)		1,751.26	1,872.36	1,691.87									1,315.40
Total Gas Production (Mcf)		54,289	52,426	52,448									159,163
Daily NGL Sales (Bbl/d)		5.06											1.30
Total NGL Sales (Bbl)		157											157
Total NGL Sales (Gal)		6,591											6,591
Production BOE (BOE)		9,048	8,738	8,741									26,527
Daily Water Production (Bbl/d)		24.19	25.00	69.52									29.79
Total Water Production (Bbl)		750	700	2,155									3,605
Operating Expenditures($)													
Normal Operations		473	498	512									1,483
Compression Expense													
Surface Maintenance	361												361
Rod, Tubing, and Pump Jobs													
Well Workovers													
Induced Recovery													
Salt Water Disposal	2,773	2,178		3,832									8,783
Other Facility Expense		68		14									82
Total Lifting Cost	3,134	2,719	498	4,358									10,709
Gross Performance Metrics													
Lifting Cost/Active Completions ($)	3,134	2,719	498										3,570
Lifting Cost/Active Producing Comp	3,134	2,719	498										3,570
Lifting Cost/BOE ($)		.30	.06	.50									.40
SWD Cost/Bbl ($)		2.90		1.78									1.22
BOE/Active Completions		9,048	8,738										8,842
Net Performance Metrics													
Net Lifting Cost / BOE ($)		.23	.04	.37									.30

Gross Operational Cost/Year

$32,127

ConocoPhillips

Commerciality Determination

SJ 32-8 Unit #265
Fruitland Coal
SW, Sec 14, T32N, R8W
San Juan County, NM
API: 30-045-32829

The San Juan 32-8 # 265 Fruitland Coal well was spud on 9/5/05 by ConocoPhillips and 1st delivered on 12/9/05.

The actual capital investment of $1,263,758 for completion of the 32-8 # 265 Fruitland coal well was used in this determination. Actual operating costs for this well are $39,450/year.

Income was based on a flat non-escalated value of $5.55/mmBTU. After accounting for fuel, transportation, and BTU value for the gas, the gas price was determined to be $4.71/mcf.

Current reservoir pressure for this well is 1450 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcfd)
Dec-05	161
Jan-06	175
Feb-06	160
Mar-06	274

US Summary Report

SJ 32-8 # 265 Commerciality Determination

Nominal

Case Description

Notes San Juan 32-8 # 265 commerciality determination.

Case Parameters

Author	Brad Peterson	Cond. Price File
Linked Well		
Global Parameters	Escalate 2007 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	5,045	1,264	3,781	2,307	3.42
8.0	2,960	1,216	1,744	1,028	2.12
10.0	2,644	1,205	1,439	836	1.92
11.0	2,506	1,200	1,306	751	1.83
13.0	2,260	1,189	1,071	602	1.67
15.0	2,050	1,178	872	475	1.54
18.0	1,788	1,163	624	317	1.36

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	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

		BTax	ATax
AARR	%	30.5	27.0
Cash Breakeven	Years	3.5	3.67
NPV @ 13%	M$	1,071	602
13% PI (cash)	M$/M$		1.67
13% PI (capital)	M$/M$		1.51
NPV @ 10%	M$	1,439	836
10% PI (cash)	M$/M$		1.92
10% PI (capital)	M$/M$		1.69
Dev Cost/BOE	$/BOE	5.35	
Economic Limit Date		2031/08	
Last Scheduled Prod Date		2031/11	
Date of first production		2005/12	
Date of first investment		2005/09	
Discount Date		2005/01	
ROR		31	27

Products Recovery (US)::ConocoPhillips

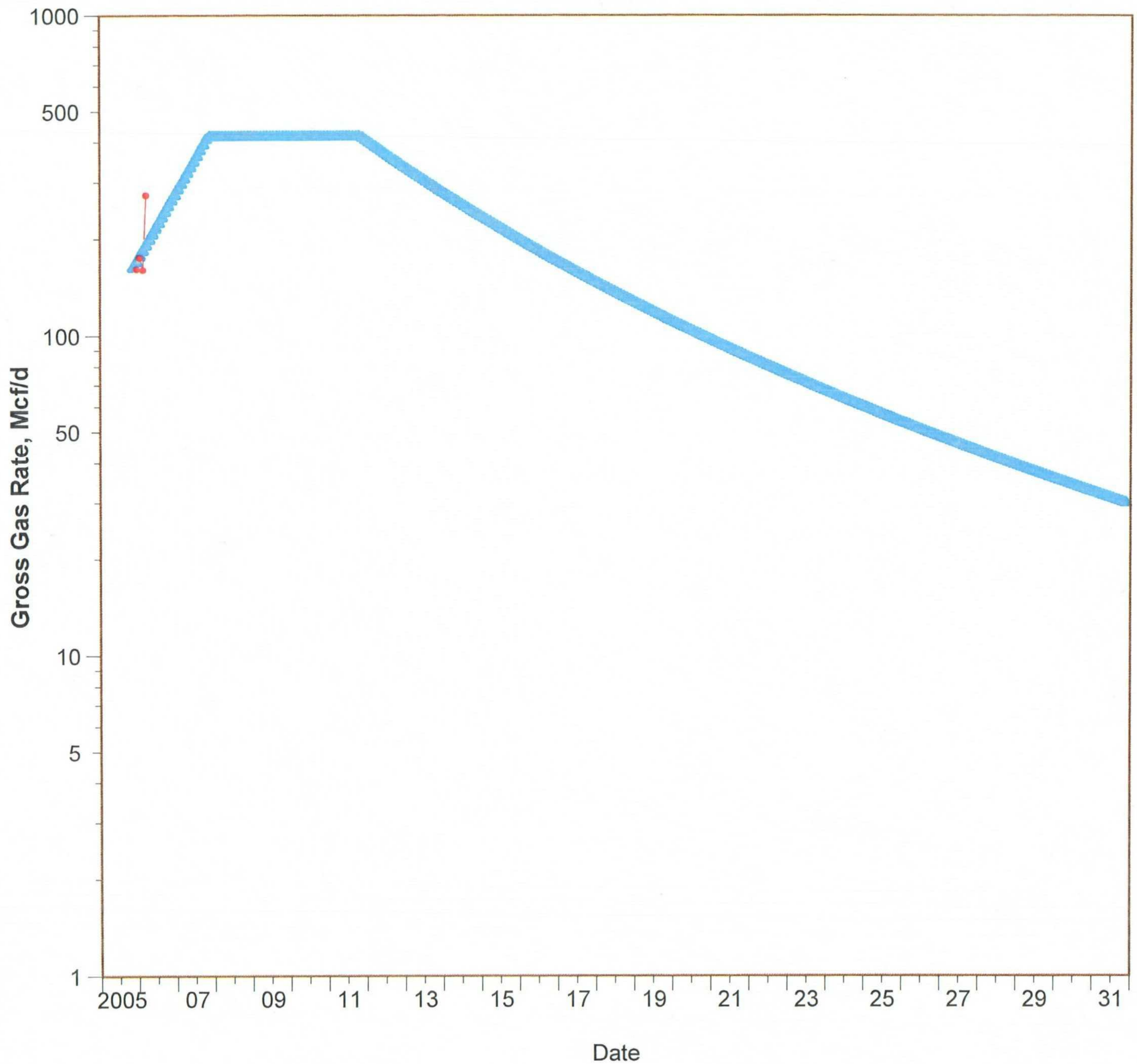
		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	1,720	1,717	1,717	301	1,417
Gas-Sales	MMSCF	1,720	1,717	1,717	301	1,417
Ethane	MSTB	0	0	0	0	0
Propane	MSTB	0	0	0	0	0
Butane	MSTB	0	0	0	0	0
Cond.	MSTB	0	0	0	0	0
Sulphur	MLt	0	0	0	0	0
Other	MSTB	0	0	0	0	0

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	4.99	0.00	4.12	0.00	1.18	1.0	19.39	1.78	2.21	15.40	1,263.76	-1,248.35	-952.45	-908.12	-895.99
2006(12)	0.00	83.03	0.00	68.50	0.00	4.71	1.0	322.65	29.65	39.45	253.54	0.00	253.54	202.22	175.28	168.35
2007(12)	0.00	130.13	0.00	107.36	0.00	4.71	1.0	505.65	46.47	39.45	419.73	0.00	419.73	296.70	233.79	218.58
2008(12)	0.00	152.84	0.00	126.09	0.00	4.71	1.0	593.90	54.58	39.45	499.87	0.00	499.87	340.66	244.03	222.10
2009(12)	0.00	152.42	0.00	125.75	0.00	4.71	1.0	592.28	54.43	39.45	498.40	0.00	498.40	336.24	218.97	194.00
2010(12)	0.00	152.42	0.00	125.75	0.00	4.71	1.0	592.28	54.43	39.45	498.40	0.00	498.40	325.60	192.76	166.25
2011(12)	0.00	152.01	0.00	125.40	0.00	4.71	1.0	590.66	54.28	39.45	496.93	0.00	496.93	311.92	167.88	140.94
2012(12)	0.00	134.34	0.00	110.83	0.00	4.71	1.0	522.00	47.97	39.45	434.58	0.00	434.58	269.49	131.86	107.76
2013(12)	0.00	111.09	0.00	91.65	0.00	4.71	1.0	431.66	39.67	39.45	352.54	0.00	352.54	215.05	95.65	76.10
2014(12)	0.00	93.06	0.00	76.78	0.00	4.71	1.0	361.62	33.23	39.45	288.94	0.00	288.94	176.25	71.27	55.19
2015(12)	0.00	78.67	0.00	64.90	0.00	4.71	1.0	305.68	28.09	39.45	238.13	0.00	238.13	145.26	53.40	40.26
2016(12)	0.00	67.19	0.00	55.43	0.00	4.71	1.0	261.09	23.99	39.45	197.65	0.00	197.65	120.56	40.29	29.57
2017(12)	0.00	57.51	0.00	47.44	0.00	4.71	1.0	223.46	20.54	39.45	163.48	0.00	163.48	99.72	30.30	21.64
2018(12)	0.00	49.70	0.00	41.00	0.00	4.71	1.0	193.11	17.75	39.45	135.91	0.00	135.91	82.91	22.90	15.92
2019(12)	0.00	43.22	0.00	35.66	0.00	4.71	1.0	167.94	15.43	39.45	113.05	0.00	113.05	68.96	17.31	11.72
2020(12)	0.00	37.88	0.00	31.25	0.00	4.71	1.0	147.20	13.53	39.45	94.22	0.00	94.22	57.47	13.12	8.64
2021(12)	0.00	33.20	0.00	27.39	0.00	4.71	1.0	128.99	11.85	39.45	77.69	0.00	77.69	47.39	9.83	6.31
2022(12)	0.00	29.32	0.00	24.19	0.00	4.71	1.0	113.93	10.47	39.45	64.01	0.00	64.01	39.05	7.37	4.60
2023(12)	0.00	26.01	0.00	21.46	0.00	4.71	1.0	101.07	9.29	39.45	52.34	0.00	52.34	31.92	5.47	3.33
2024(12)	0.00	23.23	0.00	19.17	0.00	4.71	1.0	90.27	8.30	39.45	42.53	0.00	42.53	25.94	4.04	2.39
2025(12)	0.00	20.72	0.00	17.10	0.00	4.71	1.0	80.53	7.40	39.45	33.68	0.00	33.68	20.54	2.91	1.68
2026(12)	0.00	18.60	0.00	15.34	0.00	4.71	1.0	72.26	6.64	39.45	26.17	0.00	26.17	15.96	2.06	1.15
2027(12)	0.00	16.75	0.00	13.82	0.00	4.71	1.0	65.10	5.98	39.45	19.66	0.00	19.66	12.00	1.41	0.77
2028(12)	0.00	15.17	0.00	12.52	0.00	4.71	1.0	58.95	5.42	39.45	14.09	0.00	14.09	8.59	0.92	0.49
2029(12)	0.00	13.71	0.00	11.31	0.00	4.71	1.0	53.26	4.89	39.45	8.91	0.00	8.91	5.44	0.53	0.27
2030(12)	0.00	12.46	0.00	10.28	0.00	4.71	1.0	48.41	4.45	39.45	4.51	0.00	4.51	2.75	0.24	0.12
2031(12)	0.00	7.67	0.00	6.33	0.00	4.71	1.0	29.81	2.74	26.26	0.80	0.00	0.80	0.49	0.04	0.02
Total	0.00	1,717.34	0.00	1,416.81	---	---	---	6,673.16	613.26	1,014.72	5,045.18	1,263.76	3,781.42	2,306.67	835.51	602.17

Well ID: Z091628 API - 300453282900
SAN JUAN 32 8 UNIT 265_FC
RMS Name: 709647 20028 SAN JUAN 32-8 UNIT # 265

BASIN CB::FRUITLAND COAL NQ
Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 23.4 MMcf
RESFCST Gas Reserve Type = None



Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0
Di	: -0.48 A.n.
qi	: 160 Mcf/d
ti	: 10/31/2005
te	: 10/31/2007
Final Rate	: 29.9302 Mcf/d
Cum. Prod.	: 23.382 MMcf
Cum. Date	: 03/31/2006
Reserves	: 1696.71 MMcf
EUR	: 1720.09 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 05/25/2006
Current Reserves	: 1696.71 MMcf
Current EUR	: 1720.09 MMcf

ConocoPhillips

Year 2006 Gross Operating Report

Report Date : 5/19/2006

General Information

Responsible Person: AREA MANAGER
State: NM
Hierarchy Code: AFFRFPOANC
Hierarchy Name: CBM SJ 32-8
Lease Code: AP709647
Lease Name: San Juan 32-8 U#265

GRI/GWI	CWI	NRI	RI/ORRI
Oil :	Oil :	Oil :	Oil :
Gas: 0.7433375	Gas:	Gas: 0.6132534	Gas:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Well Status Information													
Active Producing Completions	1	1	1										
Active Service Completions													
Total Active Completions	1	1	1										
Total Inactive Completions	1	1	1	1									
Production Information - One Month Lag													
Daily Oil Production (Bbl/d)													
Total Oil Production (Bbl)													
Daily Gas Production (Mcf/d)	160.94	174.65	160.11	274.06									193.24
Total Gas Production (Mcf)	4,989	5,414	4,483	8,496									23,382
Daily NGL Sales (Bbl/d)													
Total NGL Sales (Bbl)													
Total NGL Sales (Gal)													
Production BOE (BOE)	832	902	747	1,416									3,897
Daily Water Production (Bbl/d)				44.52									11.40
Total Water Production (Bbl)				1,380									1,380
Operating Expenditures($)													
Normal Operations	565	4,706	498	512									6,281
Compression Expense													
Surface Maintenance	1,181	138	251	.									1,570
Rod, Tubing, and Pump Jobs													
Well Workovers													
Induced Recovery													
Salt Water Disposal			2,535	2,763									5,298
Other Facility Expense													
Total Lifting Cost	1,747	4,844	3,284	3,275									13,150
Gross Performance Metrics													
Lifting Cost/Active Completions ($)	1,747	4,844	3,284										4,383
Lifting Cost/Active Producing Comp	1,747	4,844	3,284										4,383
Lifting Cost/BOE ($)	2.10	5.37	4.40	2.31									3.37
SWD Cost/Bbl ($)				2.00									.96
BOE/Active Completions	832	902	747										1,299
Net Performance Metrics													
Net Lifting Cost / BOE ($)	1.59	4.01	3.29	1.73									2.53

Gross Operational Cost/Year

$39,450

ConocoPhillips

Commerciality Determination

SJ 32-8 Unit #266A
Fruitland Coal
SE, Sec 14, T32N, R8W
San Juan County, NM
API: 30-045-33049

The San Juan 32-8 # 266A Fruitland Coal well was spud on 9/22/05 by ConocoPhillips and 1st delivered on 12/30/05.

The actual capital investment of $1,102,700 for completion of the 32-8 # 266A Fruitland coal well was used in this determination. Actual operating costs for this well are $26,000/year.

Income was based on a flat non-escalated value of $5.55/mmBTU. After accounting for fuel, transportation, and BTU value for the gas, the gas price was determined to be $4.71/mcf.

Current reservoir pressure for this well is 1550 psi.

Recommend that this well be determined commercial.

Actual Production

Month	Production (mcfd)
Dec-05	19
Jan-06	387
Feb-06	363
Mar-06	345

US Summary Report

SJ 32-8 # 266A Commerciality Determination

Nominal

Case Description

Notes San Juan 32-8 # 266A commerciality determination.

Case Parameters

Author	Brad Peterson	Cond. Price File
Linked Well		
Global Parameters	Escalate 2007 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	2,499	1,103	1,396	852	2.01
8.0	1,581	1,061	521	286	1.35
10.0	1,441	1,051	389	200	1.25
11.0	1,379	1,047	332	163	1.20
13.0	1,268	1,037	230	96	1.12
15.0	1,172	1,028	144	38	1.05
18.0	1,050	1,015	35	-34	0.96

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	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

		BTax	ATax
AARR	%	19.1	16.5
Cash Breakeven	Years	3.9	4.20
NPV @ 13%	M$	230	96
13% PI (cash)	M$/M$		1.12
13% PI (capital)	M$/M$		1.09
NPV @ 10%	M$	389	200
10% PI (cash)	M$/M$		1.25
10% PI (capital)	M$/M$		1.19
Dev Cost/BOE	$/BOE	9.22	
Economic Limit Date		2027/10	
Last Scheduled Prod Date		2027/10	
Date of first production		2005/12	
Date of first investment		2005/09	
Discount Date		2005/01	
ROR		19	17

Products Recovery (US)::ConocoPhillips

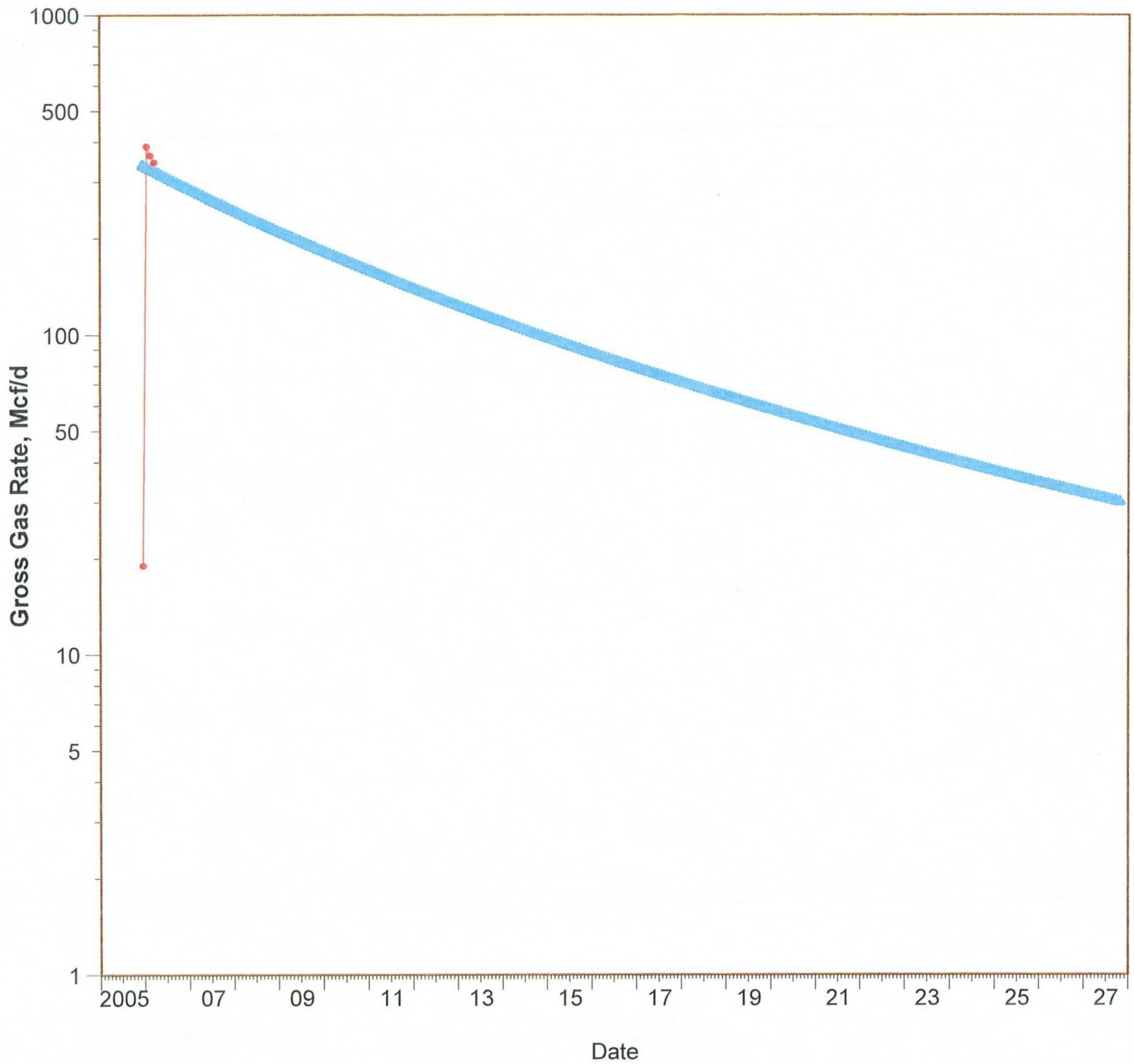
		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	870	870	870	152	717
Gas-Sales	MMSCF	870	870	870	152	717
Ethane	MSTB	0	0	0	0	0
Propane	MSTB	0	0	0	0	0
Butane	MSTB	0	0	0	0	0
Cond.	MSTB	0	0	0	0	0
Sulphur	MLt	0	0	0	0	0
Other	MSTB	0	0	0	0	0

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	0.59	0.00	0.49	0.00	1.18	1.0	2.29	0.21	2.21	-0.13	1,102.57	-1,102.70	-839.24	-800.19	-789.49
2006(12)	0.00	116.02	0.00	95.72	0.00	4.71	1.0	450.84	41.43	26.00	383.40	0.00	383.40	275.37	238.69	229.25
2007(12)	0.00	96.01	0.00	79.21	0.00	4.71	1.0	373.07	34.29	26.00	312.79	0.00	312.79	226.28	178.30	166.70
2008(12)	0.00	82.67	0.00	68.20	0.00	4.71	1.0	321.22	29.52	26.00	265.70	0.00	265.70	193.25	138.44	126.00
2009(12)	0.00	71.30	0.00	58.82	0.00	4.71	1.0	277.05	25.46	26.00	225.59	0.00	225.59	165.72	107.92	95.61
2010(12)	0.00	62.09	0.00	51.22	0.00	4.71	1.0	241.25	22.17	26.00	193.08	0.00	193.08	136.60	80.87	69.75
2011(12)	0.00	54.39	0.00	44.87	0.00	4.71	1.0	211.35	19.42	26.00	165.93	0.00	165.93	108.89	58.61	49.20
2012(12)	0.00	48.04	0.00	39.63	0.00	4.71	1.0	186.67	17.16	26.00	143.52	0.00	143.52	91.38	44.71	36.54
2013(12)	0.00	42.41	0.00	34.99	0.00	4.71	1.0	164.81	15.15	26.00	123.66	0.00	123.66	75.44	33.55	26.69
2014(12)	0.00	37.73	0.00	31.13	0.00	4.71	1.0	146.63	13.48	26.00	107.15	0.00	107.15	65.36	26.43	20.47
2015(12)	0.00	33.71	0.00	27.81	0.00	4.71	1.0	131.01	12.04	26.00	92.97	0.00	92.97	56.71	20.85	15.72
2016(12)	0.00	30.33	0.00	25.02	0.00	4.71	1.0	117.85	10.83	26.00	81.02	0.00	81.02	49.42	16.52	12.12
2017(12)	0.00	27.24	0.00	22.47	0.00	4.71	1.0	105.83	9.73	26.00	70.10	0.00	70.10	42.76	12.99	9.28
2018(12)	0.00	24.60	0.00	20.30	0.00	4.71	1.0	95.61	8.79	26.00	60.82	0.00	60.82	37.10	10.25	7.13
2019(12)	0.00	22.32	0.00	18.41	0.00	4.71	1.0	86.72	7.97	26.00	52.75	0.00	52.75	32.18	8.08	5.47
2020(12)	0.00	20.34	0.00	16.78	0.00	4.71	1.0	79.04	7.26	26.00	45.78	0.00	45.78	27.92	6.37	4.20
2021(12)	0.00	18.50	0.00	15.26	0.00	4.71	1.0	71.88	6.61	26.00	39.28	0.00	39.28	23.96	4.97	3.19
2022(12)	0.00	16.92	0.00	13.96	0.00	4.71	1.0	65.74	6.04	26.00	33.70	0.00	33.70	20.55	3.88	2.42
2023(12)	0.00	15.51	0.00	12.80	0.00	4.71	1.0	60.28	5.54	26.00	28.74	0.00	28.74	17.53	3.01	1.83
2024(12)	0.00	14.29	0.00	11.79	0.00	4.71	1.0	55.54	5.10	26.00	24.44	0.00	24.44	14.91	2.32	1.38
2025(12)	0.00	13.13	0.00	10.83	0.00	4.71	1.0	51.03	4.69	26.00	20.34	0.00	20.34	12.41	1.76	1.01
2026(12)	0.00	12.12	0.00	10.00	0.00	4.71	1.0	47.10	4.33	26.00	16.77	0.00	16.77	10.23	1.32	0.74
2027(12)	0.00	9.39	0.00	7.75	0.00	4.71	1.0	36.49	3.35	21.65	11.49	0.00	11.49	7.01	0.82	0.45
Total	0.00	869.66	0.00	717.47	---	---	---	3,379.30	310.56	569.86	2,498.88	1,102.57	1,396.30	851.75	200.46	95.64

Well ID: Z091630   API - 300453304900
SAN JUAN 32 8 UNIT 266A_FC
RMS Name: 650617 20028 SAN JUAN 32-8 UNIT # 266A

BASIN CB::FRUITLAND COAL NQ
Current Oil Cum. : 0.0 Mbbl   Current Gas Cum. : 33.4 MMcf
RESFCST Gas Reserve Type = None



Working Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0.33
Di	: 0.17 A.n.
qi	: 340 Mcf/d
ti	: 11/30/2005
te	: 10/31/2027
Final Rate	: 29.943 Mcf/d
Cum. Prod.	: 33.448 MMcf
Cum. Date	: 03/31/2006
Reserves	: 836.21 MMcf
EUR	: 869.658 MMcf
Forecast Ended By	: Rate
DB Forecast Date	: 05/25/2006
Current Reserves	: 836.21 MMcf
Current EUR	: 869.658 MMcf

ConocoPhillips

Year 2006 Gross Operating Report

Report Date : 5/19/2006

General Information

Responsible Person: BARNETT JD
State: NM
Hierarchy Code: AFFRFPOANC
Hierarchy Name: CBM SJ 32-8
Lease Code: AP650617
Lease Name: SJ 32-8 UNIT #266 FC

GRI/GWI	CWI	NRI	RI/ORRI
Oil :	Oil :	Oil :	Oil :
Gas: 0.7433375	Gas:	Gas: 0.6132534	Gas:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Well Status Information													
Active Producing Completions	1	1	1										
Active Service Completions													
Total Active Completions	1	1	1										
Total Inactive Completions	1	1	1	1									
Production Information - One Month Lag													
Daily Oil Production (Bbl/d)													
Total Oil Production (Bbl)													
Daily Gas Production (Mcf/d)	18.97	387.23	362.71	345.16									276.43
Total Gas Production (Mcf)	588	12,004	10,156	10,700									33,448
Daily NGL Sales (Bbl/d)	.41	8.75	7.75	7.75									6.13
Total NGL Sales (Bbl)	13	271	217	240									741
Total NGL Sales (Gal)	538	11,391	9,114	10,092									31,135
Production BOE (BOE)	98	2,001	1,693	1,783									5,575
Daily Water Production (Bbl/d)				19.78									5.07
Total Water Production (Bbl)				613									613
Operating Expenditures($)													
Normal Operations	474	473	498	512									1,957
Compression Expense													
Surface Maintenance		490											490
Rod, Tubing, and Pump Jobs													
Well Workovers													
Induced Recovery													
Salt Water Disposal	2,386	1,606	869	1,201									6,062
Other Facility Expense		62	9	4									75
Total Lifting Cost	2,860	2,631	1,377	1,718									8,586
Gross Performance Metrics													
Lifting Cost/Active Completions ($)	2,860	2,631	1,377										2,862
Lifting Cost/Active Producing Comp	2,860	2,631	1,377										2,862
Lifting Cost/BOE ($)	29.19	1.32	.81	.96									1.54
SWD Cost/Bbl ($)				1.96									2.47
BOE/Active Completions	98	2,001	1,693										1,858
Net Performance Metrics													
Net Lifting Cost / BOE ($)	21.93	.99	.61	.73									1.16

Gross Operational Cost/Year
26,000