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February 4, 2005

Bureau of Land Management (3 copies)  
Farmington Resource Area  
1235 La Plata Highway  
Farmington, New Mexico 87401

Commissioner of Public Lands (2 copies)  
State of New Mexico  
PO Box 1148  
Santa Fe, NM 87504-1148

Oil Conservation Division (2 copies)  
State of New Mexico  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505-4000

RE: SAN JUAN 32-7 UNIT  
#14-08-001-441  
San Juan County, New Mexico  
2005 Plan of Development  
Contract C40463

Ladies and Gentlemen:

By letter dated February 5, 2004, ConocoPhillips, as Unit Operator, filed the 2004 Plan of Development (POD) and indicated thirteen (13) wells were planned to be drilled. The 2004 status is shown below:

The following wells were drilled in 2004.

<u>Well Name</u>	<u>Dedicated Acreage</u>	<u>Formation</u>
San Juan 32-7 Unit #204A	N/2 Section 36-32N-7W	Fruitland Coal
San Juan 32-7 Unit #207A	W/2 Section 27-32N-7W	Fruitland Coal
San Juan 32-7 Unit #210A	S/2 Section 36-32N-7W	Fruitland Coal
San Juan 32-7 Unit #214A	W/2 Section 34-32N-7W	Fruitland Coal
San Juan 32-7 Unit #216A	W/2 Section 4-31N-7W	Fruitland Coal
San Juan 32-7 Unit #219A	E/2 Section 5-31N-7W	Fruitland Coal
San Juan 32-7 Unit #230A	E/2 Section 17-31N-7W	Fruitland Coal
San Juan 32-7 Unit #237A	E/2 Section 28-32N-7W	Fruitland Coal
San Juan 32-7 Unit #241A	E/2 Section 21-32N-7W	Fruitland Coal
San Juan 32-7 Unit #245A	E/2 Section 17-32N-7W	Fruitland Coal

The San Juan 32-7 Unit #214A, 237A and 245A were drilled to the Fruitland Coal as infill wells on a drill block basis and the remaining Fruitland wells were drilled as infill wells in the Fruitland Coal Participating Area. The #222A, 233A and 236A wells will be carried over to the 2005 drilling program.

The following wells were re-completed in 2004:

<u>Well Name</u>	<u>Dedicated Acreage</u>	<u>Formation</u>
San Juan 32-7 Unit #68	E/2 Section 34-32N-7W	Mesaverde

Please note that the 32-7 Unit #68 Mesaverde re-completion was inadvertently omitted from the 2004 POD.

2004 Summary – There were eleven (11) wells drilled or re-completed in 2004. Three (3) wells will be carried over to the 2005 drilling program. All operations were conducted in accordance with existing regulatory parameters.

Attached to this letter are unit production plats for each producing formation. The Participating Areas which have been established in the 32-7 Unit are listed below:

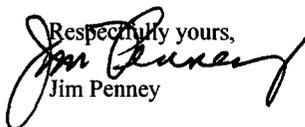
<u>Formation</u>	<u>Revision</u>	<u>Effective</u>
Fruitland Coal	Twentieth	12/1/98
Pictured Cliffs	Twelfth	10/1/01
Mesaverde	Twenty-Third	1/1/82
Dakota	Third	5/1/81

Pursuant to Section 10 of the San Juan 32-7 Unit Agreement, ConocoPhillips, as Unit Operator, hereby submits the following wells for the 2005 POD:

<u>Well Name</u>	<u>Dedicated Acreage</u>	<u>Formation</u>	<u>Operation</u>
San Juan 32-7 Unit #202R	W/2 Section 18-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #213A	NSP Section 7&18-31N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #220A	NSP Section 5&6-31N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #222A	E/2 Section 20-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #227A	NSP Section 18-31N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #228A	NSP Section 7-31N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #233A	W/2 Section 20-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #235A	W/2 Section 29-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #236A	W/2 Section 28-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #240A	E/2 Section 19-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #243A	W/2 Section 19-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #244A	W/2 Section 17-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #246	E/2 Section 18-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #246A	E/2 Section 18-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #247	NSP Section 7-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #248	NSP Section 7&8-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #249	NSP Section 8&9-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #250	W/2 Section 16-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #250A	W/2 Section 16-32N-7W	Fruitland Coal	Drill
San Juan 32-7 Unit #70	E/2 Section 7-32N-7W	Mesaverde/Dakota	Drill
San Juan 32-7 Unit #93	MV E/2 DK N/2 Sec 36-32N-7W	Mesaverde/Dakota	Drill
San Juan 32-7 Unit #37F	E/2 Section 8-32N-7W	Mesaverde/Dakota	Drill
San Juan 32-7 Unit #37M	E/2 Section 8-32N-7W	Mesaverde/Dakota	Drill
San Juan 32-7 Unit #44G	MV E/2 DK S/2 Sec 22-32N-7W	Mesaverde/Dakota	Drill
San Juan 32-7 Unit #69M	MV W/2 DK N/2 Sec 35-32N-7W	Mesaverde/Dakota	Drill
San Juan 32-7 Unit #24	W/2 Section 21-32N-7W	S. Los Pinos FS	Recomplete
San Juan 32-7 Unit #32A	W/2 Section 22-32N-7W	S. Los Pinos FS	Recomplete
San Juan 32-7 Unit #35	E/2 Section 22-32N-7W	Mesaverde/Lewis	Recomplete
San Juan 32-7 Unit #67	W/2 Section 8-32N-7W	Mesaverde	Recomplete

The San Juan 32-7 Unit working interest owners are being provided with a copy of this letter. ConocoPhillips, as Unit Operator, will drill any wells that may be required to prevent drainage and any other wells deemed necessary or requested by the Unit working interest owners under the terms and provisions of the Unit Operating Agreement.

Per Section 10 of the Unit Agreement, please confirm your approval of this POD by signing in the appropriate space below and returning an executed copy to my attention.

Respectfully yours,  
  
Jim Penney

SAN JUAN 32-7 UNIT #14-08-001-441  
2005 INITIAL PLAN OF DEVELOPMENT

\_\_\_\_\_  
Bureau of Land Management

\_\_\_\_\_  
Date

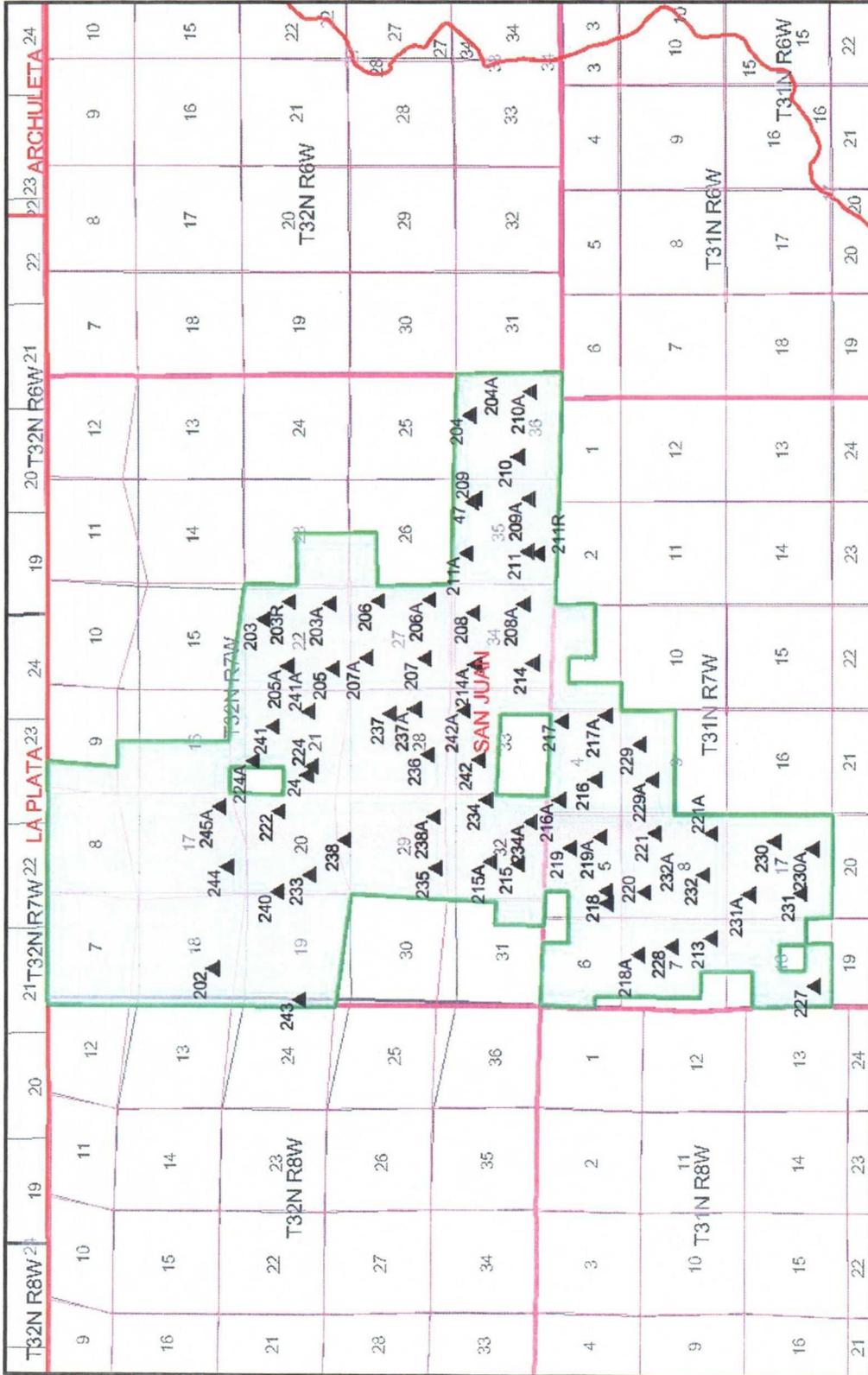
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New Mexico Commissioner of Public Lands

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Date

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New Mexico Oil Conservation Division

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Date

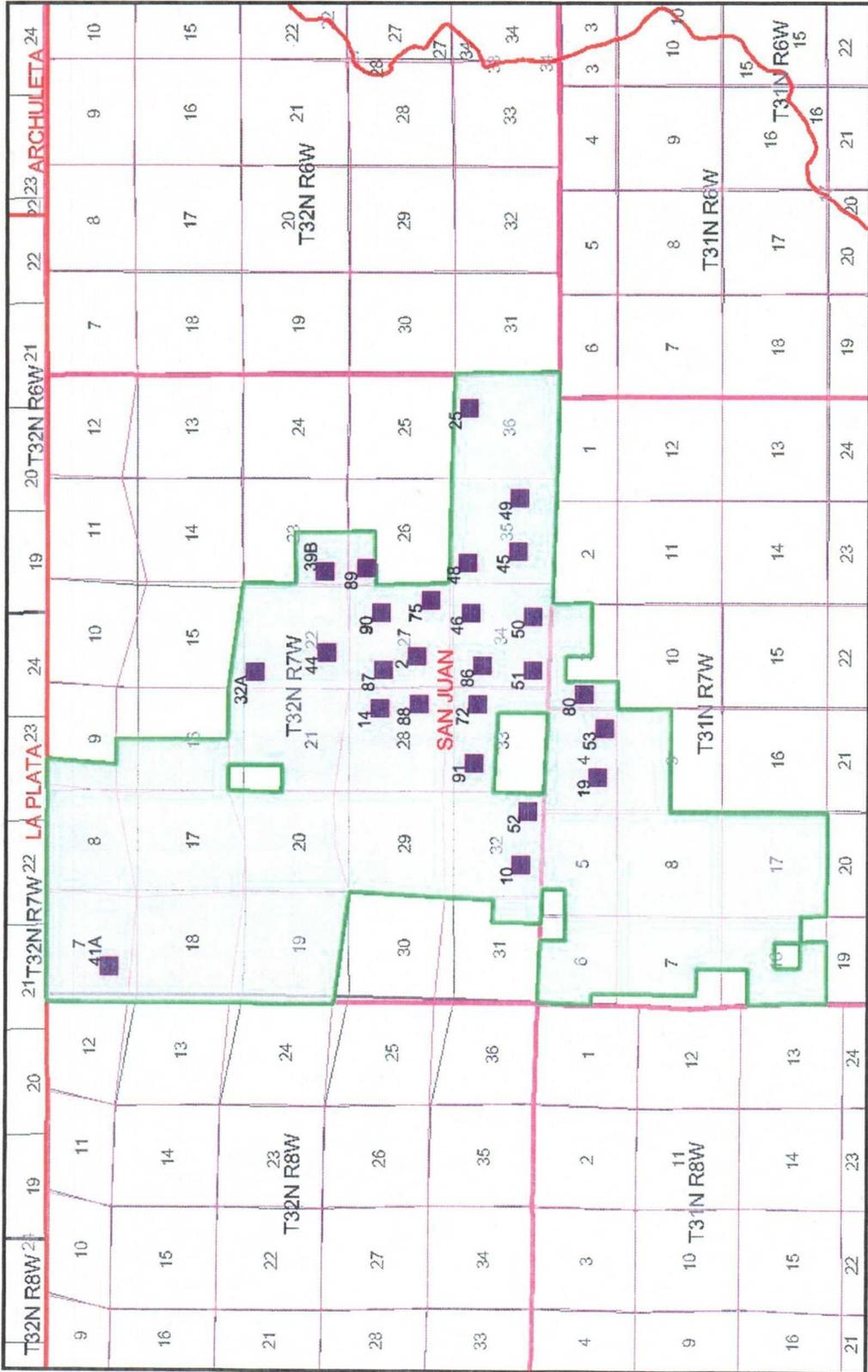
2/14/05



▲ 32-7 Fruitland Coal Wells  
 □ 32-7 Federal Unit

**ConocoPhillips**  
**San Juan 32-7 Unit**  
**Fruitland Coal Wells**

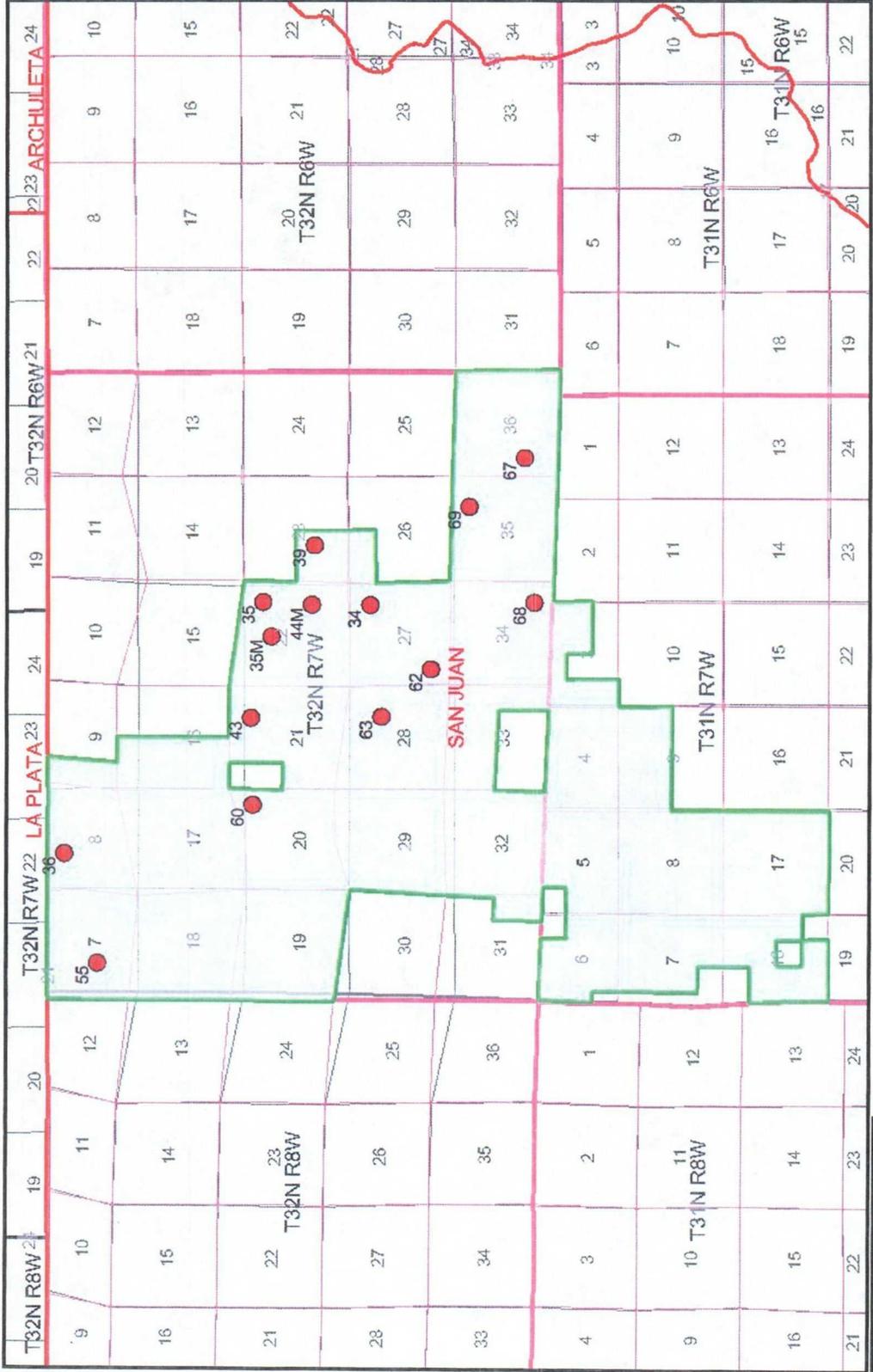
Projection: NAD 1927 SPCS Zone New Mexico West  
 Drawn by: Jim Penney  
 Date: Mon Feb 07 09:38:12 2005



■ SJ 32-7 Pictured Cliffs Wells  
 □ 32-7 Federal Unit

**ConocoPhillips**  
**San Juan 32-7 Unit**  
**Pictured Cliffs Wells**  
 Projection: NAD 1927 SPCS Zone New Mexico West  
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 Date: Mon Feb 07 11:17:54 2005





**ConocoPhillips**  
**San Juan 32-7 Unit**  
**Dakota Wells**

Projection: NAD 1927 SPCS Zone New Mexico West  
 Drawn by: Jim Penney  
 Date: Mon Feb 07 10:22:10 2005

- SJ 32-7 Dakota Wells
- 32-7 Federal Unit