ConocoPhillips

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August 25, 2005

2005 SEP 6 PM 1 14

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 32-7 Unit – No. 14-08-001-441
Commerciality Determination
Fruitland Coal Formation
San Juan County, New Mexico
Contract: 040463 Lease: A650115

Ladies and Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 32-7 Unit Agreement, ConocoPhillips Company ("ConocoPhillips"), as Unit Operator, has determined that the following well is capable of producing unitized substances in paying quantities from the Fruitland Coal formation:

Well Name	Dedication	Lease No.	Completion Date	Operator's Determination
San Juan 32-7 Unit #208	E/2 Sec. 34, T32N, R7W	SF 078542	10/03/1990 See Below	Commercial

On 03/09/1995, the San Juan 32-7 Unit #208 well was determined to be non-commercial, however, the production rates have improved since that determination and the well has become commercial.

ConocoPhillips respectfully requests agency confirmation of the enclosed paying well determination with an effective date of 06/01/1999. Also enclosed is an economic summary along with production data for the well.

The lands dedicated to this well cover the E/2 of Section 34, T32N, R7W and are contained within the boundary of the San Juan 32-7 Unit. The NE/4 of Section 34, T32N, R7W is subject to SF-078542 and the SE/4 of Section 34, T32N, R7W is subject to SF-078998. 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 32-7 Unit Fruitland Coal PA working interest owners as listed below. Please contact Janet Stasney at (832) 486-2359 for any technical questions you may have, and direct all other questions to the undersigned at (832) 486-2355.

Respectfully yours,

Jim Penney

Williams Production Company
One Williams Center
P.O. Box 3102 MS 37-5
Tulsa, Oklahoma 74101
Attention: Mr. Barbara Burnett, Landman

San Juan Basin Partnership
C/O EN Vantage Inc.
1415 North Loop West, Suite 1180
Houston, TX 77008

ConocoPhillips

Commerciality Determination

San Juan 32-7 Unit #208
Fruitland Coal
NE, Sec 34, T32N, R7W
San Juan County, NM
API: 30-045-27746

This Fruitland Coal well was spud on 7/25/90 by Phillips Petroleum Company and completed on 10/3/90. The well was previously determined to be non-commercial, but production rates improved since that determination and the well has become commercial. An effective date of 6/99 was used in this analysis.

Estimated capital investment of $410,000 for open hole cavity completion of the San Juan 32-7 Unit #208 Fruitland coal well was used in this determination. Actual operating costs for this well were $102,000/year from 6/99 until 12/03 when a larger compressor was installed. Operating costs thereafter of $152,400/year were used in the analysis.

Income was based on historical San Juan Basin prices for historical production, and a flat non-escalated value of $5.79/MCF and normal transportation costs for future production.

Recommend that this well be determined commercial effective as of 6/1/1999.

Actual Production

Month	Production (MCFD)	Month	Production (MCFD)
Jun-99	1,226	Sep-03	2,773
Jul-99	1,390	Oct-03	2,486
Aug-99	1,660	Nov-03	2,388
Sep-99	1,786	Dec-03	2,724
Oct-99	1,772	Jan-04	3,365
Nov-99	800	Feb-04	3,040
Dec-99	1,093	Mar-04	2,969
Jan-00	1,576	Apr-04	2,783
Feb-00	1,666	May-04	2,671
Mar-00	1,898	Jun-04	2,775
Apr-00	1,721	Jul-04	2,628
May-00	1,862	Aug-04	2,880
Jun-00	1,725	Sep-04	2,505
Jul-00	1,639	Oct-04	2,500
Aug-00	1,474	Nov-04	2,177
Sep-00	1,316	Dec-04	2,552
Oct-00	1,068	Jan-05	1,884
Nov-00	1,821	Feb-05	1,660
Dec-00	2,013	Mar-05	1,681
Jan-01	2,265	Apr-05	1,794
Feb-01	2,314	May-05	1,995
Mar-01	2,302	Jun-05	2,008
Apr-01	2,293		
May-01	2,066		
Jun-01	2,049		
Jul-01	2,169		
Aug-01	2,141		
Sep-01	2,245		
Oct-01	2,315		
Nov-01	2,351		
Dec-01	2,493		
Jan-02	2,790		
Feb-02	2,951		
Mar-02	2,985		
Apr-02	2,781		
May-02	2,627		
Jun-02	3,006		
Jul-02	2,975		
Aug-02	2,901		
Sep-02	3,236		
Oct-02	3,213		
Nov-02	3,191		
Dec-02	3,191		
Jan-03	3,311		
Feb-03	3,226		
Mar-03	3,189		
Apr-03	2,979		
May-03	2,976		
Jun-03	2,795		
Jul-03	2,827		
Aug-03	2,997		

US Summary Report

SJ 32-7 208 Commerciality

Nominal

Case Description

Notes: Commerciality Determination for SJ 32-7 208
Well costs estimated at $410M
Operating costs $8.5M/month until 12/03 when a more expensive compressor was installed, then operating costs increased to $12.7/month.
Historical gas prices used. Includes a deduct for fuel and transportation. Future gas prices based on $5.79/Mcf plus the above deductions.

Case Parameters

Author	Janet Stasney
Linked Well	
Global Parameters	Escalate 2005 LRP (2005 Zero)
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	21,545	410	21,135	12,893	70.42
8.0	12,896	395	12,501	7,612	43.59
10.0	11,542	391	11,151	6,786	39.32
11.0	10,943	389	10,554	6,421	37.42
13.0	9,877	386	9,492	5,771	34.03
15.0	8,960	382	8,578	5,211	31.09
18.0	7,809	377	7,431	4,509	27.37

Company WI

	Initial %	Final %
Working	100.0	100.0
Oil NRI	87.5	87.5
Gas NRI	87.5	87.5
Byprod. NRI	87.5	87.5
Capital	100.0	100.0

Scenarios

Oil	Base
Gas	Base
Interests	Base
Opcosts	Base
Capital	Base

Economic Indicators (Generic)::ConocoPhillips

		BTax	ATax
AARR	%	615.3	399.6
Cash Breakeven	Years	0.8	0.85
NPV @ 13%	M$	9,492	5,771
13% PI (cash)	M$/M$		34.03
13% PI (capital)	M$/M$		15.96
NPV @ 10%	M$	11,151	6,786
10% PI (cash)	M$/M$		39.32
10% PI (capital)	M$/M$		18.36
Dev Cost/BOE	$/BOE	0.32	
Economic Limit Date		2022/08	
Last Scheduled Prod Date		2037/10	
Date of first production		1999/06	
Date of first investment		1999/06	
Discount Date		1999/06	
ROR		615	400

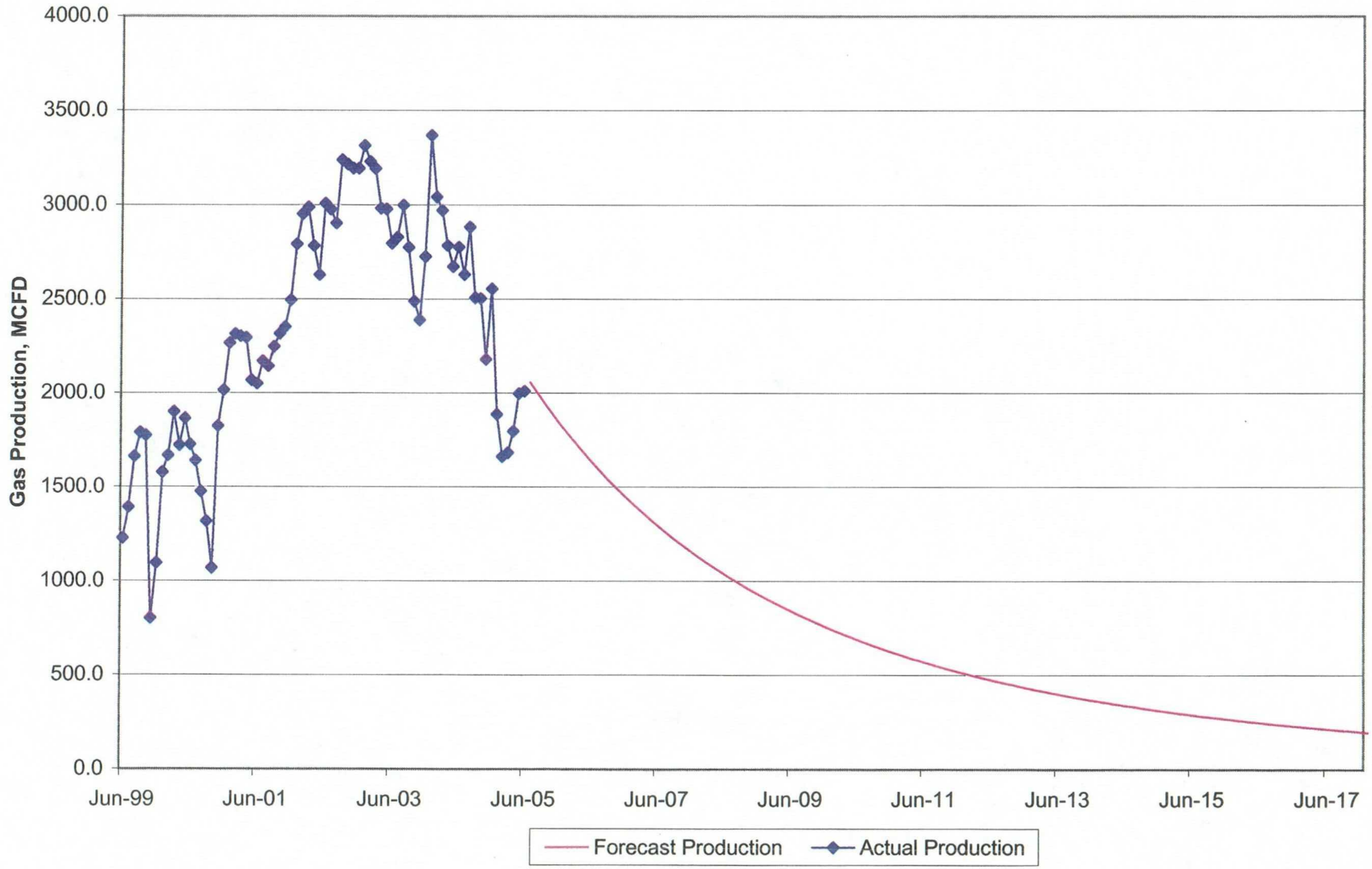
Products Recovery (US)::ConocoPhillips

		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	9,010	8,713	8,713	1,089	7,624
Gas-Sales	MMSCF	9,010	8,713	8,713	1,089	7,624
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

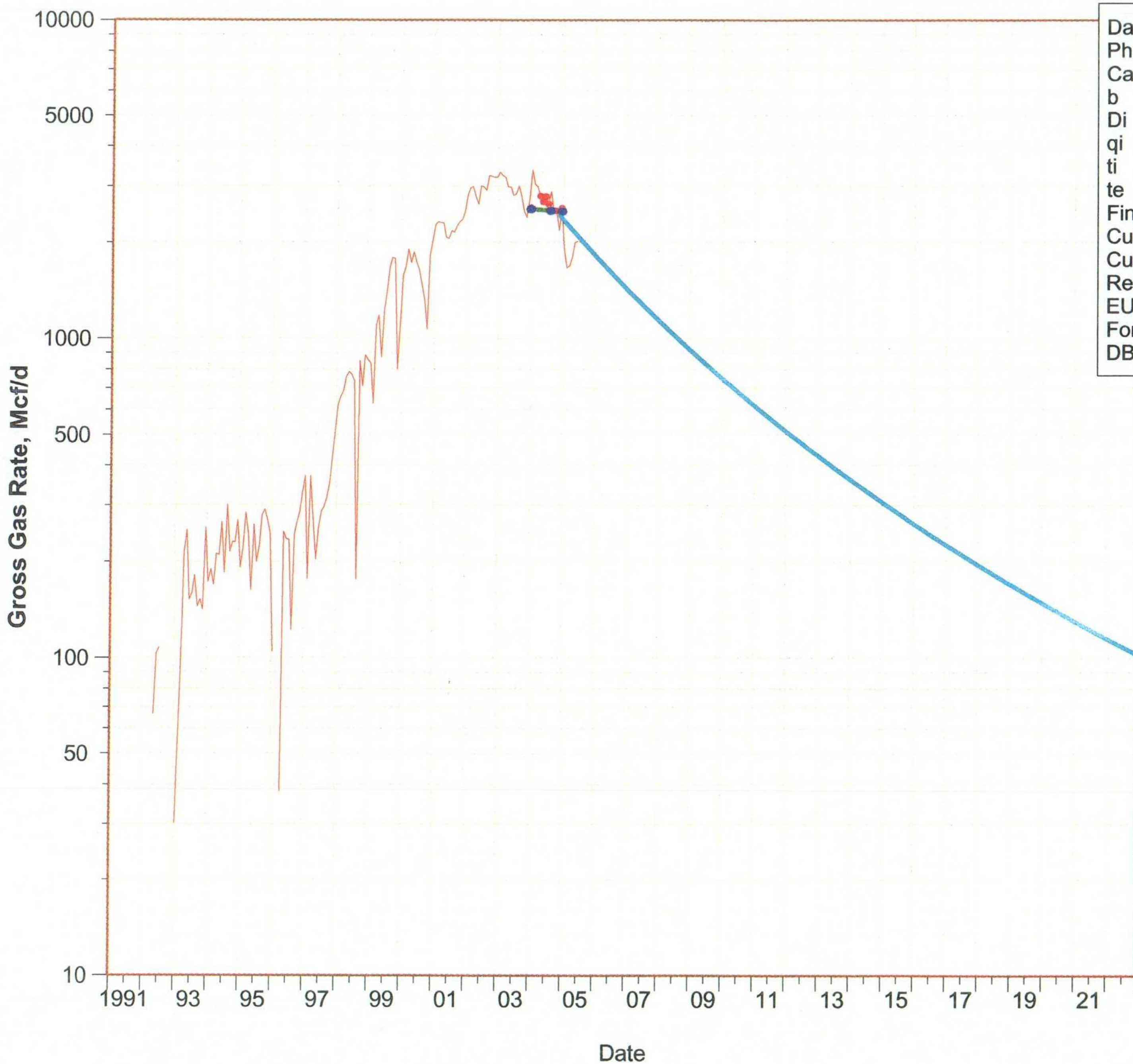
Date	Gross Oil/Cond Volume	Gross Gas Volume	NRI Oil	NRI Gas Sales	Oil Price	Gas Price	Gross # of Wells	Total NRI Revenue	Total Prod Taxes	Total Opcosts	Income Before Reserves & Taxes	Total Capital	BTAX Cash Flow	ATAX Cash Flow	ATAX Cash Flow Disc. 10%	ATAX Cash Flow Disc 13%
	MSTB	MMSCF	MSTB	MMSCF	$/Bbl	$/mcf		M$	M$	M$	M$	M$	M$	M$	M$	M$
1999(12)	0.00	297.73	0.00	260.51	0.00	1.23	1.0	320.43	38.45	59.50	222.48	410.00	-187.52	-185.73	-177.08	-174.72
2000(12)	0.00	603.23	0.00	527.83	0.00	2.53	1.0	1,335.41	160.25	102.00	1,073.16	0.00	1,073.16	673.02	583.37	560.29
2001(12)	0.00	821.21	0.00	718.56	0.00	2.85	1.0	2,047.90	245.75	102.00	1,700.15	0.00	1,700.15	1,052.13	829.07	775.13
2002(12)	0.00	1,090.19	0.00	953.92	0.00	1.49	1.0	1,421.34	170.56	102.00	1,148.78	0.00	1,148.78	713.40	511.04	465.11
2003(12)	0.00	1,054.19	0.00	922.41	0.00	3.29	1.0	3,034.74	364.17	106.20	2,564.37	0.00	2,564.37	1,575.20	1,025.81	908.83
2004(12)	0.00	1,001.88	0.00	876.64	0.00	3.78	1.0	3,313.70	397.64	152.40	2,763.66	0.00	2,763.66	1,693.74	1,002.74	864.80
2005(12)	0.00	691.45	0.00	605.02	0.00	4.92	1.0	2,985.17	358.22	152.40	2,474.55	0.00	2,474.55	1,513.76	814.71	683.98
2006(12)	0.00	592.00	0.00	518.00	0.00	5.00	1.0	2,590.02	310.80	152.40	2,126.82	0.00	2,126.82	1,299.50	635.82	519.62
2007(12)	0.00	468.21	0.00	409.69	0.00	5.00	1.0	2,048.43	245.81	152.40	1,650.22	0.00	1,650.22	1,006.63	447.75	356.21
2008(12)	0.00	376.08	0.00	329.07	0.00	5.00	1.0	1,645.36	197.44	152.40	1,295.52	0.00	1,295.52	790.26	319.55	247.47
2009(12)	0.00	303.95	0.00	265.95	0.00	5.00	1.0	1,329.76	159.57	152.40	1,017.79	0.00	1,017.79	620.85	228.23	172.05
2010(12)	0.00	248.99	0.00	217.86	0.00	5.00	1.0	1,089.32	130.72	152.40	806.20	0.00	806.20	491.78	164.35	120.61
2011(12)	0.00	205.92	0.00	180.18	0.00	5.00	1.0	900.91	108.11	152.40	640.40	0.00	640.40	390.64	118.68	84.78
2012(12)	0.00	172.20	0.00	150.67	0.00	5.00	1.0	753.37	90.40	152.40	510.56	0.00	510.56	311.44	86.02	59.82
2013(12)	0.00	144.34	0.00	126.30	0.00	5.00	1.0	631.50	75.78	152.40	403.32	0.00	403.32	246.03	61.77	41.82
2014(12)	0.00	122.25	0.00	106.97	0.00	5.00	1.0	534.84	64.18	152.40	318.26	0.00	318.26	194.14	44.31	29.20
2015(12)	0.00	104.21	0.00	91.19	0.00	5.00	1.0	455.94	54.71	152.40	248.83	0.00	248.83	151.78	31.50	20.20
2016(12)	0.00	89.61	0.00	78.41	0.00	5.00	1.0	392.05	47.05	152.40	192.61	0.00	192.61	117.49	22.16	13.84
2017(12)	0.00	77.08	0.00	67.44	0.00	5.00	1.0	337.21	40.46	152.40	144.34	0.00	144.34	88.05	15.10	9.18
2018(12)	0.00	66.84	0.00	58.49	0.00	5.00	1.0	292.43	35.09	152.40	104.94	0.00	104.94	64.01	9.98	5.91
2019(12)	0.00	58.25	0.00	50.97	0.00	5.00	1.0	254.83	30.58	152.40	71.85	0.00	71.85	43.83	6.21	3.58
2020(12)	0.00	51.13	0.00	44.74	0.00	5.00	1.0	223.69	26.84	152.40	44.45	0.00	44.45	27.11	3.49	1.96
2021(12)	0.00	44.82	0.00	39.21	0.00	5.00	1.0	196.07	23.53	152.40	20.14	0.00	20.14	12.29	1.44	0.79
2022(12)	0.00	26.87	0.00	23.52	0.00	5.00	1.0	117.58	14.11	101.60	1.87	0.00	1.87	1.14	0.12	0.06
Total	0.00	8,712.63	0.00	7,623.55	---	---	---	28,251.99	3,390.24	3,316.50	21,545.25	410.00	21,135.25	12,892.50	6,786.12	5,770.52

San Juan 32-7 208



Well ID: F893201 API - 300452774600
SAN JUAN 32 7 UNIT 208_FC

Current Oil Cum. : 0.0 Mbbl Current Gas Cum. : 6013.0 MMcf



Database Forecast	Parameters
Phase	: Gas
Case Name	: RESFCST
b	: 0.25
Di	: 0.228288 A.e.
qi	: 2445.39 Mcf/d
ti	: 11/14/2004
te	: 01/31/2049
Final Rate	: 9.9518 Mcf/d
Cum. Prod.	: 5535.65 MMcf
Cum. Date	: 10/15/2004
Reserves	: 4376.61 MMcf
EUR	: 9912.26 MMcf
Forecast Ended By	: Time
DB Forecast Date	: 01/25/2005