



ConocoPhillips Company
San Juan Business Unit
3401 E. 30th Street
Farmington, NM 87402

September 25, 2006

Bureau of Land Management (3)
Attn: Mr. Wayne Townsend
1235 La Plata Highway
Farmington, NM 87401

State of New Mexico (2)
Commissioner of Public Lands
Attn: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, NM 87501-1148

State of New Mexico (2)
Oil Conservation Division
Energy & Minerals Department
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
Fruitland Participating Area
San Juan County, New Mexico

Dear Sir or Madam:

Pursuant to Section 11(a) of the above referenced Unit Agreement, approved October 21, 1952, **CONOCOPHILLIPS, as Unit Operator**, has determined that the well listed below is capable of producing unitized substances in paying quantities from the Fruitland Coal Formation. ConocoPhillips is seeking confirmation of the well determination enclosed.

Well Name	Dedication	Lease No.	Completion Date	Determination
U-DA #2	N/2 Sec. 02-31N-8W	E-1195-11	4/10/2003	Commercial

The lands dedicated to the U-DA #2 well are subject to Communitization Agreement dated 5-7-1999. The N/2N/2, ada Lots 1-4, is covered by State Lease E-1195-11 and is contained within the boundary of the San Juan 32-8 Unit.

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. Please contact Karen Stevens at 326-9754 for any technical questions, and all other questions to the undersigned 599-4030

Sincerely,

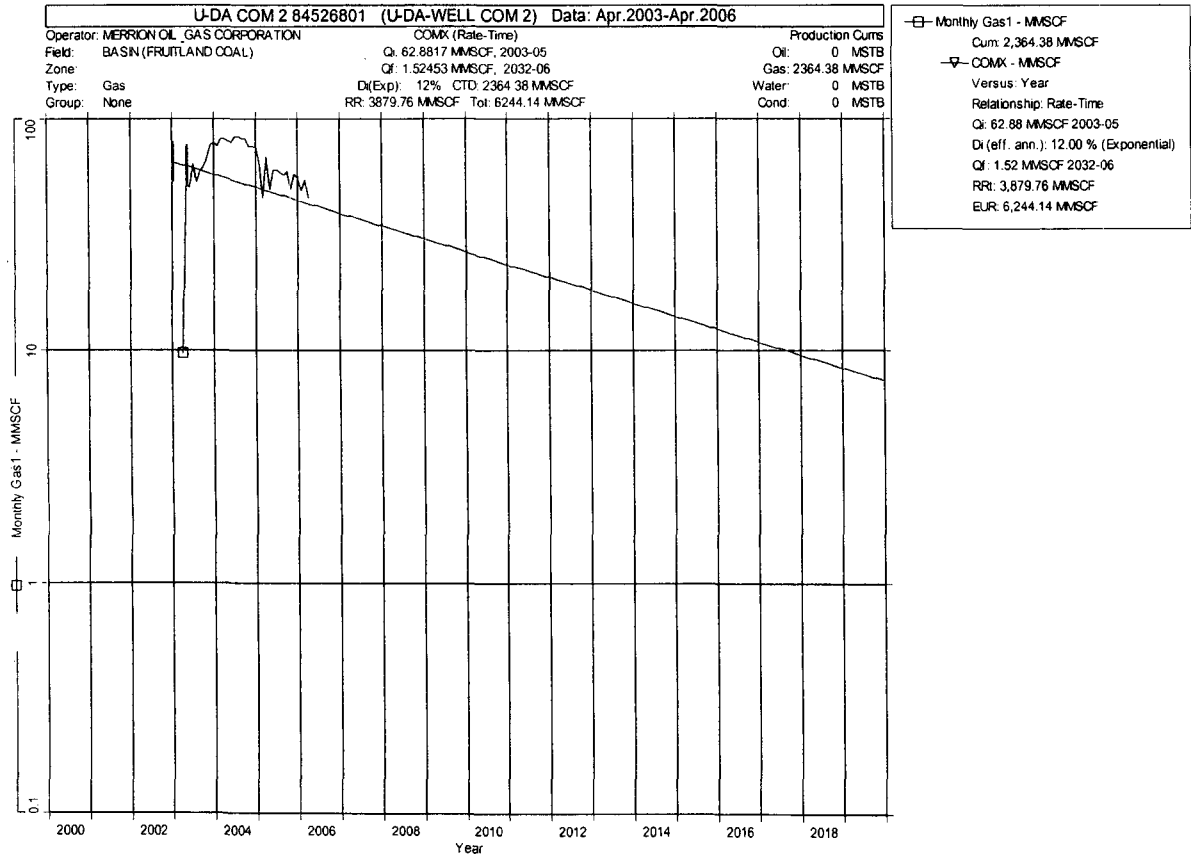
Dawn Howell
Sr. Land Technician

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BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
U-DA COM 2

WELL INFORMATION		PRODUCTION TAXES	
LEASE	U-DA COM 2	TAXES FOR:	SAN JUAN, NEW MEXICO
LOCATION	02031N008WB		2003 - 2004 Commerciality
COUNTY, STATE	SAN JUAN, NEW MEXICO		
FORMATION	FRUITLAND COAL		GAS % OF REVENUE
PROJECT TYPE	NEWDRIILL		
WELL TYPE	GAS WELL	SEVERANCE:	
OPERATOR	MERRION OIL & GAS CORPORATION	Severance, School, Conservation	7.93
SPUD DATE	2/12/2003		
COMP DATE	4/10/2003	AD VALOREM:	
1ST DELIVERY	4/1/2003	Production, Equipment	1.40
COMM GWI %	100.00		
COMM NRI %	87.50	TOTAL %:	9.33
BOARD RATE %	10.00		

AVERAGE HEAT CONTENT		WELL COST AND ECONOMICS	
1,000	MMBtu / Mcf	1,096.13	M\$ AVERAGE WELL COST
		6,234.38	MMCF ULT. GROSS GAS RESERVES
		1,681.39	MCDF INITIAL GAS RATE
		>800.00	% RATE OF RETURN
		9.75	\$/ \$ P/I, DISC. @ 10.00 %
		10,688.87	M\$ NET PRESENT VALUE, DISC. @ 10.00 %
		0.51	YRS PAYOUT



BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
U-DA COM 2

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\$
2003 05	1,681.4	52.1	40.04	0.00	0.00	4.63	4.63	35.51	22.66	185.4	19.53	5.00	160.85	1,096.15	-935.30
2003 06	1,682.4	50.5	38.77	0.00	0.00	4.63	4.63	35.51	22.66	179.5	18.91	5.00	155.60	0.00	155.60
2003 07	2,046.1	63.4	48.72	0.00	0.00	4.63	4.63	35.51	22.66	225.6	23.77	5.00	196.82	0.00	196.82
2003 08	1,720.8	53.3	40.98	0.00	0.00	4.63	4.63	35.51	22.66	189.7	19.99	5.00	164.74	0.00	164.74
2003 09	1,969.7	59.1	45.39	0.00	0.00	4.63	4.63	35.51	22.66	210.2	22.14	5.00	183.02	0.00	183.02
2003 10	2,011.5	62.4	47.90	0.00	0.00	4.63	4.63	35.51	22.66	221.8	23.37	5.00	193.42	0.00	193.42
2003 11	2,248.2	67.4	51.81	0.00	0.00	4.63	4.63	35.51	22.66	239.9	25.27	5.00	209.61	0.00	209.61
2003 12	2,470.9	76.6	58.84	0.00	0.00	4.63	4.63	35.51	22.66	272.4	28.70	5.00	238.73	0.00	238.73
2004 01	2,554.2	79.2	60.82	0.00	0.00	4.63	4.63	35.51	22.66	281.6	29.67	5.00	246.94	0.00	246.94
2004 02	2,622.1	76.0	58.41	0.00	0.00	4.63	4.63	35.51	22.66	270.5	28.49	5.00	236.96	0.00	236.96
2004 03	2,642.4	81.9	62.92	0.00	0.00	4.63	4.63	35.51	22.66	291.3	30.69	5.00	255.64	0.00	255.64
2004 04	2,728.3	81.8	62.87	0.00	0.00	4.63	4.63	35.51	22.66	291.1	30.67	5.00	255.43	0.00	255.43
2004 05	2,582.3	80.1	61.49	0.00	0.00	4.63	4.63	35.51	22.66	284.7	30.00	5.00	249.71	0.00	249.71
2004 06	2,633.7	79.0	60.69	0.00	0.00	4.63	4.63	35.51	22.66	281.0	29.61	5.00	246.41	0.00	246.41
2004 07	2,697.5	83.6	64.24	0.00	0.00	4.63	4.63	35.51	22.66	297.4	31.33	5.00	261.07	0.00	261.07
2004 08	2,694.1	83.5	64.15	0.00	0.00	4.63	4.63	35.51	22.66	297.0	31.30	5.00	260.74	0.00	260.74
2004 09	2,708.7	81.3	62.42	0.00	0.00	4.63	4.63	35.51	22.66	289.0	30.45	5.00	253.57	0.00	253.57
2004 10	2,620.3	81.2	62.40	0.00	0.00	4.63	4.63	35.51	22.66	288.9	30.44	5.00	253.46	0.00	253.46
2004 11	2,541.1	76.2	58.56	0.00	0.00	4.63	4.63	35.51	22.66	271.1	28.57	5.00	237.57	0.00	237.57
2004 12	2,452.5	76.0	58.40	0.00	0.00	4.63	4.63	35.51	22.66	270.4	28.49	5.00	236.91	0.00	236.91
Sub.	---	1,444.8	1,109.84	0.00	0.00	---	---	---	---	5,138.6	541.40	100.00	4,497.16	1,096.15	3,401.01
Rem.	---	4,789.6	3,679.18	0.00	0.00	---	---	---	---	17,034.6	1,794.76	820.00	14,419.83	-0.30	14,420.13
Total	---	6,234.4	4,789.02	0.00	0.00	---	---	---	---	22,173.2	2,336.16	920.00	18,916.99	1,095.85	17,821.14

**SAN JUAN 32-8 UNIT
WORKING INTEREST OWNERS**

ANDREW B. KELLY, JR.
2575 SUNSET DR.
ATLANTA, GEORGIA 30345

CHARLES E KELLY
1648 ELLIS ST, SUITE 302
BOZEMAN, MONTANA 59715

FOUR STAR OIL & GAS COMPANY
NOJV MANAGER - SAN JUAN BASIN
P O BOX 36336
HOUSTON, TX 77236

SUSANNA P KELLY
ATTN STEVE WILLIAMSON
PO BOX 1865
BOZEMAN, MONTANA 59771

SUSANNA P KELLY JR
8383 CHAPMAN
BOZEMAN, MONTANA 59715

WILLIAMS PRODUCTION COMPANY
C/O ONE WILLIAMS CENTER
P O BOX 3102 MS 37 5
TULSA, OKLAHOMA 74101
ATTN: BARBARA BURNETT

WINTERGREEN ENERGY CORP
ATTN: ALICE J GARNER STE 125
P O BOX 820489
DALLAS, TEXAS 75382

CONOCOPHILLIPS COMPANY
P O BOX 2197
HOUSTON, TX 77522-2197

PHILLIPS SAN JUAN PARTNERS
c/o CONOCOPHILLIPS
P O BOX 2197
HOUSTON, TX 77522-2197

PHILLIPS-NEW MEXICO PTNERS LP
CONOCOPHILLIPS COMPANY
P O BOX 2197
HOUSTON, TX 77522-2197