420

ConocoPhillips

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

July 28, 2009 2009 JUL 30 PM 1 42

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 32-7 UNIT, #14-08-001-441**
Commerciality Determinations
Dakota Formation
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Per letter dated July 7, 2009, Burlington Resources indicated that the wells listed below were capable of producing unitized substances in paying quantities from the Dakota formation. After further review, we found this to be incorrect. The 32-7 Unit #13M well is the only well capable of producing in paying quantities, the other two have been determined to be **unable** to produce in paying quantities from the Dakota formation. Attached for your consideration are revised paying well determinations.

Well Name	Dedication	Lease No.	Comp. Date	Determination
SJ 32-7 Unit #10A	W/2 32-32N-7W	E-503-13	3/10/2008	Non-Commercial
SJ 32-7 Unit #13M	W/2 16-32N-7W	E-503-8	12/4/2006	Commercial
SJ 32-7 Unit #38	N/2 33-32N-7W	SF-078543	10/25/2006	Non-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 for the commercial well, the non-commercial well will continue to be reported on a lease basis.

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 599-4030.

Sincerely,

Dawn Howell

Dawn Howell
Staff Land Technician

SJ 32-7 Unit, 4.3

SAN JUAN 32-7 UNIT
WORKING INTEREST OWNERS

CONOCOPHILLIPS COMPANY

ENERGEN RESOURCES CORPORATION

WILLIAMS PRODUCTION COMPANY

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 10A

WELL INFORMATION

LEASE	SAN JUAN 32-7 UNIT 10A
LOCATION	32032N007W
COUNTY, STATE	RIO ARRIBA, NEW MEXICO
FORMATION	DAKOTA
PROJECT TYPE	NEWDRILL
WELL TYPE	GAS WELL
OPERATOR	CONOCOPHILLIPS CO
SPUD DATE	11/1/2007
COMP DATE	3/10/2008
1ST DELIVERY	4/14/2008
COMM GWI %	100.00
COMM NRI %	87.50
BOARD RATE %	10.00

AVERAGE HEAT CONTENT

1,000 MMBtu / Mcf

PRODUCTION TAXES

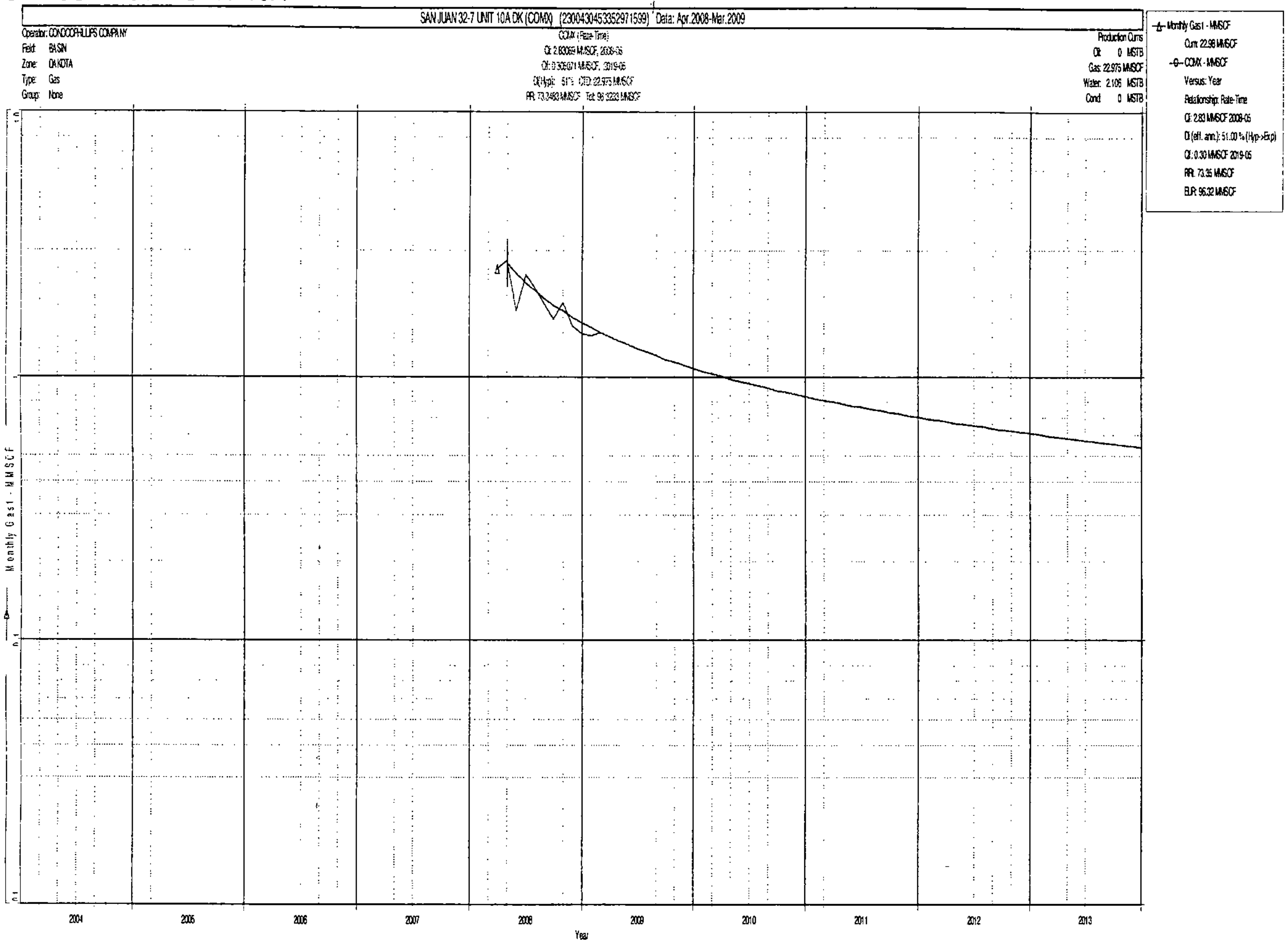
TAXES FOR: RIO ARRIBA, NEW MEXICO
2003 - 2004 Commerciality

	GAS % OF REVENUE
SEVERANCE:	
Severance, School, Conservation	7.93
AD VALOREM:	
Production, Equipment	1.40
TOTAL %:	9.33

WELL COST AND ECONOMICS

1,032.00	M$	AVERAGE WELL COST
93.78	MMCF	ULT. GROSS GAS RESERVES
88.68	MCFD	INITIAL GAS RATE
0.00	%	RATE OF RETURN
-0.78	$/$	P/I, DISC. @ 10.00 %
-806.91	M$	NET PRESENT VALUE, DISC. @ 10.00 %
0.00	YRS	PAYOUT

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 10A



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$

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 10A

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$
2008 05	88.7	2.7	1.96	0.00	0.19	4.86	4.86	35.51	22.66	13.3	1.36	1.32	10.65	1,032.00	-1,021.35
2008 06	59.0	1.8	1.26	0.00	0.12	4.86	4.86	35.51	22.66	8.6	0.88	1.32	6.38	0.00	6.38
2008 07	78.3	2.4	1.73	0.00	0.17	4.86	4.86	35.51	22.66	11.8	1.20	1.32	9.25	0.00	9.25
2008 08	69.5	2.2	1.54	0.00	0.15	4.86	4.86	35.51	22.66	10.5	1.07	1.32	8.07	0.00	8.07
2008 09	62.8	1.9	1.35	0.00	0.13	4.86	4.86	35.51	22.66	9.1	0.93	1.32	6.89	0.00	6.89
2008 10	52.9	1.6	1.17	0.00	0.11	4.86	4.86	35.51	22.66	8.0	0.81	1.32	5.82	0.00	5.82
2008 11	63.9	1.9	1.37	0.00	0.13	4.86	4.86	35.51	22.66	9.3	0.95	1.32	7.03	0.00	7.03
2008 12	49.8	1.5	1.10	0.00	0.11	4.86	4.86	35.51	22.66	7.5	0.77	1.32	5.41	0.00	5.41
2009 01	46.8	1.5	1.04	0.00	0.10	4.86	4.86	35.51	22.66	7.0	0.72	1.32	5.00	0.00	5.00
2009 02	50.8	1.4	1.02	0.00	0.10	4.86	4.86	35.51	22.66	6.9	0.70	1.32	4.87	0.00	4.87
2009 03	47.5	1.5	1.05	0.00	0.10	4.86	4.86	35.51	22.66	7.1	0.73	1.32	5.09	0.00	5.09
2009 04	47.1	1.4	1.01	0.00	0.10	4.86	4.86	35.51	22.66	6.9	0.70	1.32	4.83	0.00	4.83
2009 05	44.0	1.4	1.19	0.00	0.09	4.86	4.86	35.51	22.66	7.7	0.79	1.32	5.56	0.00	5.56
2009 06	43.9	1.3	1.15	0.00	0.09	4.86	4.86	35.51	22.66	7.4	0.76	1.32	5.33	0.00	5.33
2009 07	41.1	1.3	1.11	0.00	0.09	4.86	4.86	35.51	22.66	7.2	0.74	1.32	5.11	0.00	5.11
2009 08	39.8	1.2	1.08	0.00	0.09	4.86	4.86	35.51	22.66	6.9	0.71	1.32	4.92	0.00	4.92
2009 09	39.9	1.2	1.05	0.00	0.08	4.86	4.86	35.51	22.66	6.7	0.69	1.32	4.73	0.00	4.73
2009 10	37.5	1.2	1.02	0.00	0.08	4.86	4.86	35.51	22.66	6.6	0.67	1.32	4.56	0.00	4.56
2009 11	37.7	1.1	0.99	0.00	0.08	4.86	4.86	35.51	22.66	6.4	0.65	1.32	4.40	0.00	4.40
2009 12	35.6	1.1	0.96	0.00	0.08	4.86	4.86	35.51	22.66	6.2	0.64	1.32	4.25	0.00	4.25
Sub.	---	31.6	24.17	0.00	2.20	---	---	---	---	161.0	16.48	26.40	118.16	1,032.00	-913.84
Rem.	---	62.0	54.25	0.00	4.31	---	---	---	---	349.1	35.81	147.84	165.40	0.00	165.40
Total	---	93.6	78.42	0.00	6.51	---	---	---	---	510.1	52.29	174.24	283.56	1,032.00	-748.44

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 13M

WELL INFORMATION

LEASE	SAN JUAN 32-7 UNIT 13M
LOCATION	16032N007W
COUNTY, STATE	RIO ARRIBA, NEW MEXICO
FORMATION	DAKOTA
PROJECT TYPE	NEWDRILL
WELL TYPE	GAS WELL
OPERATOR	CONOCOPHILLIPS CO
SPUD DATE	12/4/2006
COMP DATE	12/4/2006
1ST DELIVERY	1/4/2007
COMM GWI %	100.00
COMM NRI %	87.50
BOARD RATE %	10.00

AVERAGE HEAT CONTENT

1,000 MMBtu / Mcf

PRODUCTION TAXES

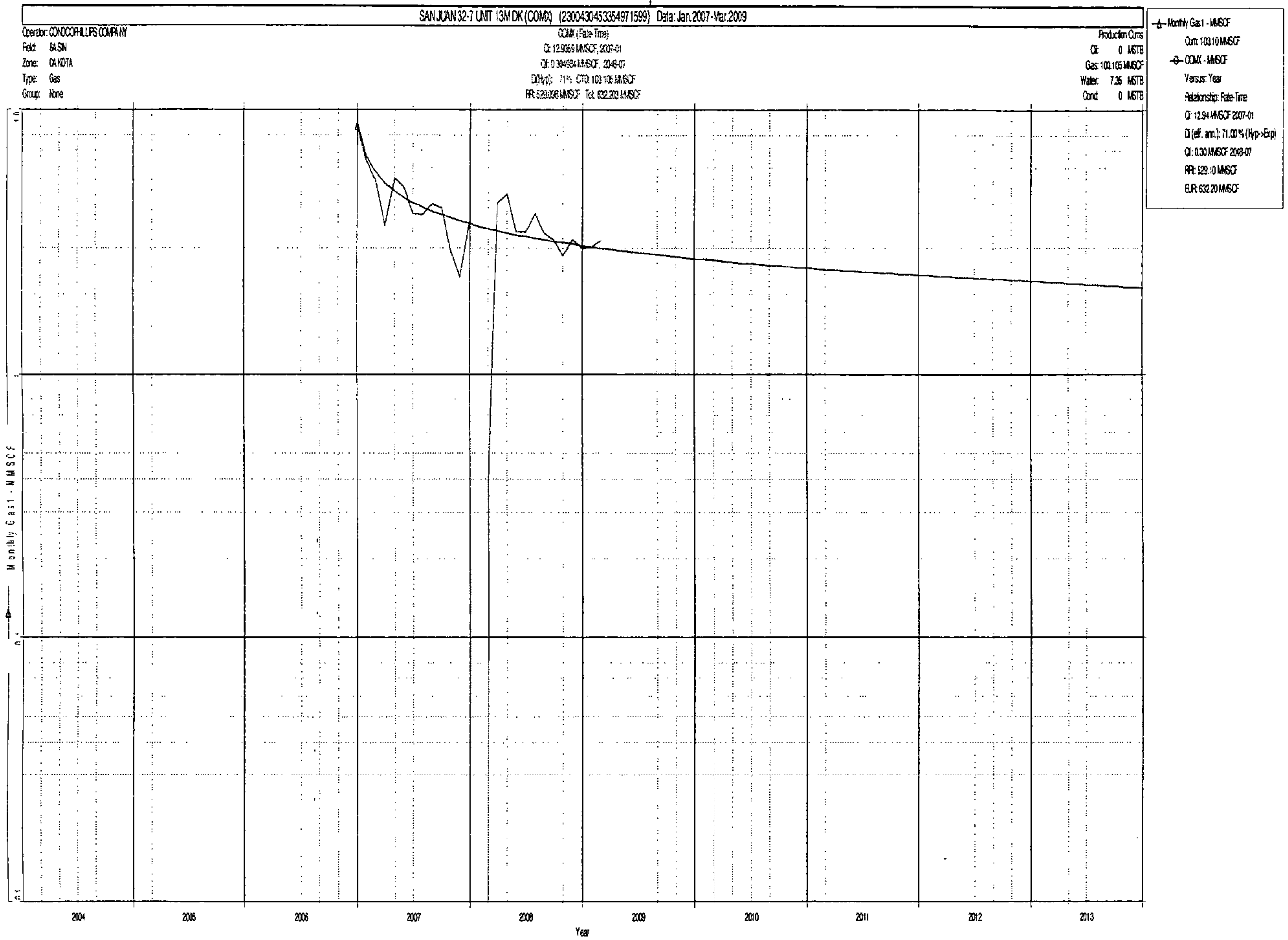
TAXES FOR: RIO ARRIBA, NEW MEXICO
2003 - 2004 Commerciality

	GAS % OF REVENUE
SEVERANCE:	
Severance, School, Conservation	7.93
AD VALOREM:	
Production, Equipment	1.40
TOTAL %:	9.33

WELL COST AND ECONOMICS

1,032.00	M$	AVERAGE WELL COST
632.20	MMCF	ULT. GROSS GAS RESERVES
281.00	MCFD	INITIAL GAS RATE
10.24	%	RATE OF RETURN
0.01	$/$	P/I, DISC. @ 10.00 %
12.37	M$	NET PRESENT VALUE, DISC. @ 10.00 %
7.70	YRS	PAYOUT

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 13M



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$

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 13M

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$
2007 01	281.0	8.7	6.22	0.00	0.61	4.86	4.86	35.51	22.66	42.3	4.32	1.32	36.62	1,032.00	-995.38
2007 02	228.6	6.4	4.57	0.00	0.44	4.86	4.86	35.51	22.66	31.1	3.17	1.32	26.56	0.00	26.56
2007 03	173.4	5.4	3.84	0.00	0.37	4.86	4.86	35.51	22.66	26.1	2.66	1.32	22.09	0.00	22.09
2007 04	121.4	3.6	2.60	0.00	0.25	4.86	4.86	35.51	22.66	17.7	1.80	1.32	14.54	0.00	14.54
2007 05	178.4	5.5	3.95	0.00	0.38	4.86	4.86	35.51	22.66	26.8	2.74	1.32	22.76	0.00	22.76
2007 06	171.2	5.1	3.67	0.00	0.36	4.86	4.86	35.51	22.66	24.9	2.55	1.32	21.05	0.00	21.05
2007 07	130.2	4.0	2.88	0.00	0.28	4.86	4.86	35.51	22.66	19.6	2.00	1.32	16.25	0.00	16.25
2007 08	128.9	4.0	2.86	0.00	0.28	4.86	4.86	35.51	22.66	19.4	1.98	1.32	16.09	0.00	16.09
2007 09	146.4	4.4	3.14	0.00	0.31	4.86	4.86	35.51	22.66	21.3	2.18	1.32	17.81	0.00	17.81
2007 10	136.5	4.2	3.02	0.00	0.29	4.86	4.86	35.51	22.66	20.5	2.10	1.32	17.12	0.00	17.12
2007 11	98.3	2.9	2.11	0.00	0.20	4.86	4.86	35.51	22.66	14.3	1.46	1.32	11.52	0.00	11.52
2007 12	75.2	2.3	1.67	0.00	0.16	4.86	4.86	35.51	22.66	11.3	1.16	1.32	8.83	0.00	8.83
2008 01	124.5	3.9	2.76	0.00	0.27	4.86	4.86	35.51	22.66	18.7	1.91	1.32	15.48	0.00	15.48
2008 02	0.0	0.0	0.00	0.00	0.00	4.86	4.86	35.51	22.66	0.0	0.00	1.32	-1.32	0.00	-1.32
2008 03	12.5	0.4	0.28	0.00	0.03	4.86	4.86	35.51	22.66	1.9	0.19	1.32	0.37	0.00	0.37
2008 04	148.2	4.4	3.18	0.00	0.31	4.86	4.86	35.51	22.66	21.6	2.20	1.32	18.05	0.00	18.05
2008 05	154.3	4.8	3.42	0.00	0.33	4.86	4.86	35.51	22.66	23.2	2.37	1.32	19.51	0.00	19.51
2008 06	115.2	3.5	2.47	0.00	0.24	4.86	4.86	35.51	22.66	16.8	1.71	1.32	13.74	0.00	13.74
2008 07	111.7	3.5	2.47	0.00	0.24	4.86	4.86	35.51	22.66	16.8	1.72	1.32	13.76	0.00	13.76
2008 08	131.2	4.1	2.91	0.00	0.28	4.86	4.86	35.51	22.66	19.7	2.01	1.32	16.39	0.00	16.39
Sub.	---	81.2	58.02	0.00	5.64	---	---	---	---	393.8	40.23	26.40	327.21	1,032.00	-704.79
Rem.	---	550.7	393.57	0.00	38.27	---	---	---	---	2,671.5	272.91	630.96	1,767.60	0.00	1,767.60
Total	---	631.9	451.59	0.00	43.91	---	---	---	---	3,065.3	313.14	657.36	2,094.82	1,032.00	1,062.82

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 38

WELL INFORMATION

LEASE	SAN JUAN 32-7 UNIT 38
LOCATION	33032N007W
COUNTY, STATE	RIO ARRIBA, NEW MEXICO
FORMATION	DAKOTA
PROJECT TYPE	NEWDRILL
WELL TYPE	GAS WELL
OPERATOR	CONOCOPHILLIPS CO
SPUD DATE	10/25/2006
COMP DATE	11/27/2006
1ST DELIVERY	12/15/2006
COMM GWI %	100.00
COMM NRI %	87.50
BOARD RATE %	10.00

PRODUCTION TAXES

TAXES FOR: RIO ARRIBA, NEW MEXICO
2003 - 2004 Commerciality

	GAS % OF REVENUE
SEVERANCE:	
Severance, School, Conservation	7.93
AD VALOREM:	
Production, Equipment	1.40
TOTAL %:	9.33

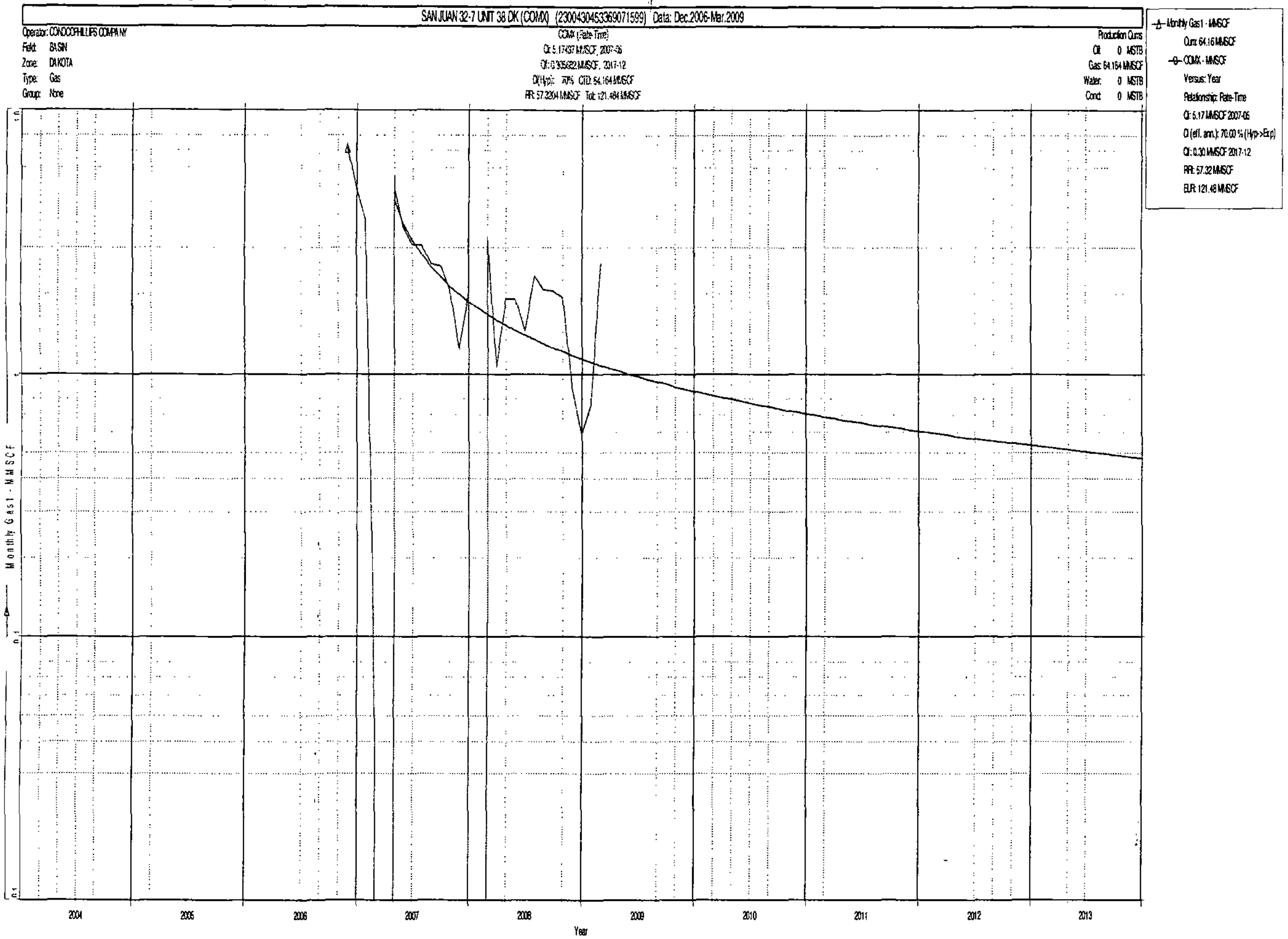
AVERAGE HEAT CONTENT

1,000 MMBtu / Mcf

WELL COST AND ECONOMICS

1,032.00	M$	AVERAGE WELL COST
105.49	MMCF	ULT. GROSS GAS RESERVES
164.32	MCFD	INITIAL GAS RATE
0.00	%	RATE OF RETURN
-0.76	$/$	P/I, DISC. @ 10.00 %
-784.57	M$	NET PRESENT VALUE, DISC. @ 10.00 %
0.00	YRS	PAYOUT

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 38



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$

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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$
2007 05	164.3	5.1	3.64	0.00	0.35	4.86	4.86	35.51	22.66	24.7	2.52	1.32	20.86	1,032.00	-1,011.14
2007 06	120.8	3.6	2.59	0.00	0.25	4.86	4.86	35.51	22.66	17.6	1.80	1.32	14.46	0.00	14.46
2007 07	99.4	3.1	2.20	0.00	0.21	4.86	4.86	35.51	22.66	14.9	1.53	1.32	12.10	0.00	12.10
2007 08	98.3	3.0	2.18	0.00	0.21	4.86	4.86	35.51	22.66	14.8	1.51	1.32	11.95	0.00	11.95
2007 09	86.4	2.6	1.85	0.00	0.18	4.86	4.86	35.51	22.66	12.6	1.28	1.32	9.97	0.00	9.97
2007 10	82.4	2.6	1.83	0.00	0.18	4.86	4.86	35.51	22.66	12.4	1.27	1.32	9.80	0.00	9.80
2007 11	69.1	2.1	1.48	0.00	0.14	4.86	4.86	35.51	22.66	10.1	1.03	1.32	7.71	0.00	7.71
2007 12	39.8	1.2	0.88	0.00	0.09	4.86	4.86	35.51	22.66	6.0	0.61	1.32	4.05	0.00	4.05
2008 01	65.0	2.0	1.44	0.00	0.14	4.86	4.86	35.51	22.66	9.8	1.00	1.32	7.46	0.00	7.46
2008 02	0.0	0.0	0.00	0.00	0.00	4.86	4.86	35.51	22.66	0.0	0.00	1.32	-1.32	0.00	-1.32
2008 03	105.4	3.3	2.33	0.00	0.23	4.86	4.86	35.51	22.66	15.8	1.62	1.32	12.91	0.00	12.91
2008 04	35.5	1.1	0.76	0.00	0.07	4.86	4.86	35.51	22.66	5.2	0.53	1.32	3.32	0.00	3.32
2008 05	62.2	1.9	1.38	0.00	0.13	4.86	4.86	35.51	22.66	9.3	0.95	1.32	7.07	0.00	7.07
2008 06	63.6	1.9	1.36	0.00	0.13	4.86	4.86	35.51	22.66	9.3	0.94	1.32	6.99	0.00	6.99
2008 07	46.6	1.4	1.03	0.00	0.10	4.86	4.86	35.51	22.66	7.0	0.72	1.32	4.98	0.00	4.98
2008 08	76.0	2.4	1.68	0.00	0.16	4.86	4.86	35.51	22.66	11.4	1.17	1.32	8.94	0.00	8.94
2008 09	69.0	2.1	1.48	0.00	0.14	4.86	4.86	35.51	22.66	10.0	1.03	1.32	7.69	0.00	7.69
2008 10	66.1	2.0	1.46	0.00	0.14	4.86	4.86	35.51	22.66	9.9	1.01	1.32	7.60	0.00	7.60
2008 11	64.8	1.9	1.39	0.00	0.13	4.86	4.86	35.51	22.66	9.4	0.96	1.32	7.14	0.00	7.14
2008 12	28.3	0.9	0.63	0.00	0.06	4.86	4.86	35.51	22.66	4.3	0.43	1.32	2.50	0.00	2.50
Sub.	---	44.2	31.60	0.00	3.07	---	---	---	---	214.5	21.91	26.40	166.19	1,032.00	-865.81
Rem.	---	61.0	43.59	0.00	4.24	---	---	---	---	295.9	30.22	141.24	124.40	0.00	124.40
Total	---	105.2	75.19	0.00	7.31	---	---	---	---	510.4	52.14	167.64	290.59	1,032.00	-741.41