

446
RECEIVED OCDConocoPhillips
San Juan Business Unit
P.O. Box 4289
Farmington, NM 87499-4289

2011 JUL -7 P 12: 06

July 6, 2011

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 32-8 Unit (14-08-001-446)
Commerciality Determination
Pictured Cliffs Formation
San Juan County, New Mexico**

Gentlemen:

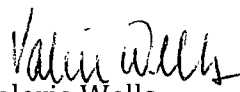
Pursuant to the provisions of Section 11(a) of the San Juan 32-8 Unit Agreement, #14-08-001-446, approved, October 21, 1952, ConocoPhillips Company as Unit Operator has determined that the well listed below is not capable of producing unitized substances in paying quantities from the Pictured Cliffs Formation. ConocoPhillips Company is seeking confirmation of the well determination enclosed.

Well Name	Dedication	Dedicated Lease	Compl. Date	Determination
SJ 32-8 258A	NW/4 Sec. 15-T32N-R08W	NMSF-079353	07/28/2006	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.

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 326-9801.

Sincerely,


Valerie Wells,
Sr. Land Technician

SJ 32-8 4.3

SAN JUAN 32-8 UNIT
WORKING INTEREST OWNERS

BURLINGTON RESOURCES O&G CO LP
CONOCOPHILLIPS COMPANY
WILLIAMS PRODUCTION COMPANY

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-8 UNIT 258A

WELL INFORMATION

LEASE	SAN JUAN 32-8 UNIT 258A
LOCATION	15028N008WP
COUNTY, STATE	SAN JUAN, NEW MEXICO
FORMATION	PICTURED CLIFFS
PROJECT TYPE	NEWDRILL
WELL TYPE	GAS WELL
OPERATOR	CONOCOPHILLIPS CO
SPUD DATE	5/8/2006
COMP DATE	7/28/2006
1ST DELIVERY	12/6/2006
COMM GWI %	100.00
COMM NRI %	87.50
BOARD RATE %	10.00

AVERAGE HEAT CONTENT

815	MMBtu / Mcf
-----	-------------

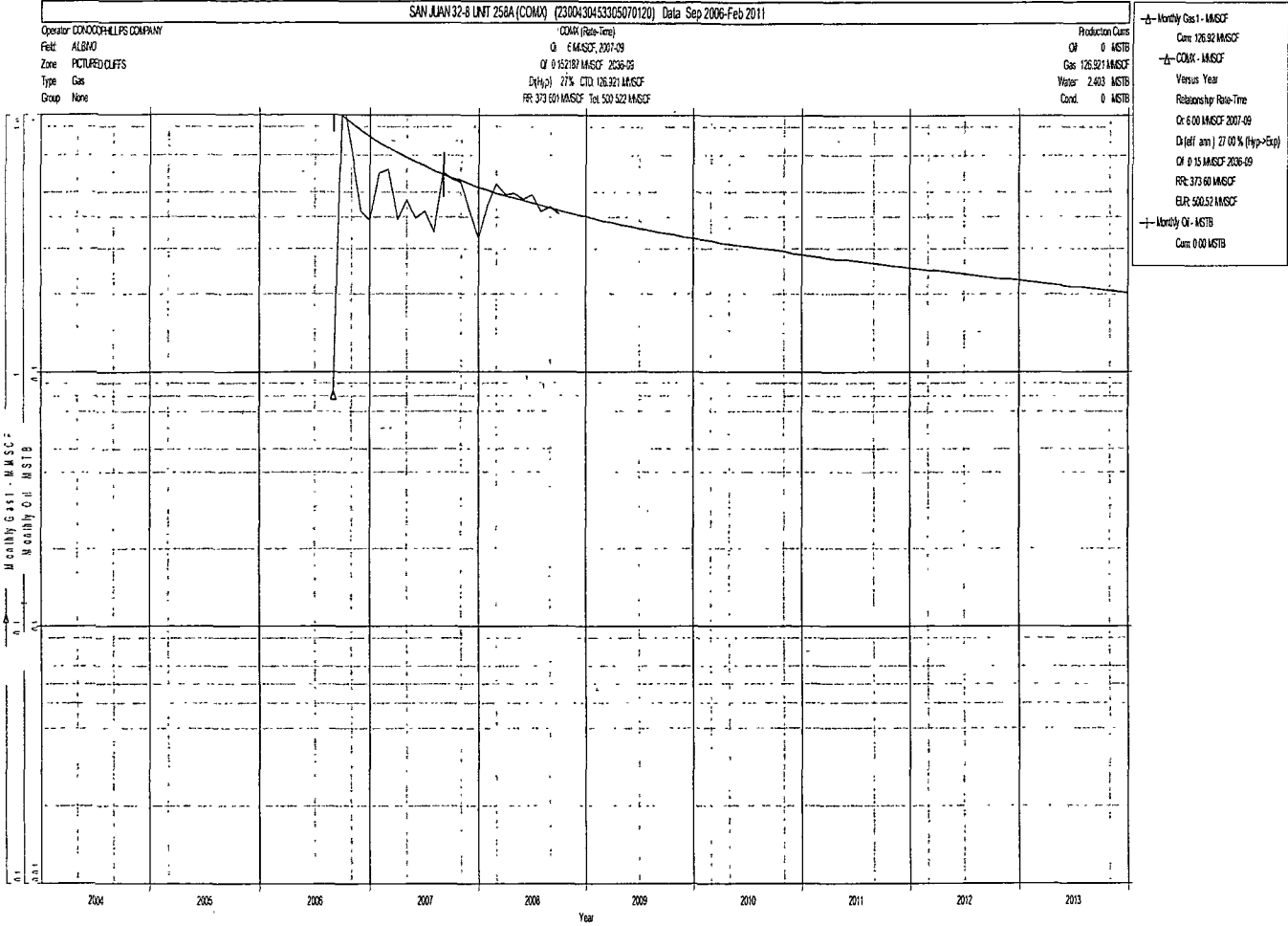
PRODUCTION TAXES

TAXES FOR:	SAN JUAN, NEW MEXICO
	2003 - 2004 Commerciality
	<u>GAS % OF REVENUE</u>
SEVERANCE:	
Severance, School, Conservation	7.93
AD VALOREM:	
Production, Equipment	1.26
TOTAL %:	9.19

WELL COST AND ECONOMICS

824.00	M\$	AVERAGE WELL COST
499.71	MMCF	ULT. GROSS GAS RESERVES
254.41	MCFD	INITIAL GAS RATE
2.65	%	RATE OF RETURN
-0.38	\$/	P/I, DISC. @ 10.00 %
-315.27	M\$	NET PRESENT VALUE, DISC. @ 10.00 %
12.91	YRS	PAYOUT

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-8 UNIT 258A



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 32-8 UNIT 258A

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 Opcoats	Total Oper Inc	Total Capital	Total BT Cash
	mcf/d	MMSCF	MMSCF	MSTB	MSTB	\$/MMBTU	\$/mcf	\$/Bbl	\$/Bbl	M\$	M\$	M\$	M\$	M\$	M\$
2006 10	384.3	11.9	0.00	0.00	0.72	4.86	0.00	35.51	22.66	14.2	1.34	1.02	11.87	824.00	-812.13
2006 11	243.5	7.3	0.00	0.00	0.44	4.86	0.00	35.51	22.66	8.7	0.82	1.02	6.88	0.00	6.88
2006 12	135.1	4.2	0.00	0.00	0.25	4.86	0.00	35.51	22.66	5.0	0.47	1.02	3.51	0.00	3.51
2007 01	124.1	3.8	0.00	0.00	0.23	4.86	0.00	35.51	22.66	4.6	0.43	1.02	3.14	0.00	3.14
2007 02	212.9	6.0	0.00	0.00	0.36	4.86	0.00	35.51	22.66	7.1	0.67	1.02	5.43	0.00	5.43
2007 03	197.8	6.1	0.00	0.00	0.37	4.86	0.00	35.51	22.66	7.3	0.69	1.02	5.61	0.00	5.61
2007 04	129.3	3.9	0.00	0.00	0.23	4.86	0.00	35.51	22.66	4.6	0.44	1.02	3.17	0.00	3.17
2007 05	149.0	4.6	0.00	0.00	0.28	4.86	0.00	35.51	22.66	5.5	0.52	1.02	3.98	0.00	3.98
2007 06	131.2	3.9	0.00	0.00	0.24	4.86	0.00	35.51	22.66	4.7	0.44	1.02	3.24	0.00	3.24
2007 07	135.7	4.2	0.00	0.00	0.25	4.86	0.00	35.51	22.66	5.0	0.47	1.02	3.53	0.00	3.53
2007 08	112.6	3.5	0.00	0.00	0.21	4.86	0.00	35.51	22.66	4.2	0.39	1.02	2.75	0.00	2.75
2007 09	201.3	6.0	0.00	0.00	0.36	4.86	0.00	35.51	22.66	7.2	0.68	1.02	5.51	0.00	5.51
2007 10	182.4	5.7	0.00	0.00	0.34	4.86	0.00	35.51	22.66	6.8	0.64	1.02	5.10	0.00	5.10
2007 11	182.6	5.5	0.00	0.00	0.33	4.86	0.00	35.51	22.66	6.5	0.62	1.02	4.91	0.00	4.91
2007 12	135.6	4.2	0.00	0.00	0.25	4.86	0.00	35.51	22.66	5.0	0.47	1.02	3.53	0.00	3.53
2008(12)	146.2	53.5	0.00	0.00	3.23	4.86	0.00	35.51	22.66	63.9	6.02	12.30	45.63	0.00	45.63
2009(12)	120.5	44.0	0.00	0.00	2.65	4.86	0.00	35.51	22.66	52.6	4.95	12.30	35.33	0.00	35.33
2010(12)	101.7	37.1	0.00	0.00	2.24	4.86	0.00	35.51	22.66	44.4	4.18	12.30	27.91	0.00	27.91
2011(12)	88.9	32.4	16.25	0.00	1.96	4.86	4.86	35.51	22.66	117.8	11.86	12.30	93.63	0.00	93.63
2012(12)	78.9	28.9	19.60	0.00	1.74	4.86	4.86	35.51	22.66	129.8	13.14	12.30	104.33	0.00	104.33
Sub.	---	276.8	35.85	0.00	16.69	---	---	---	---	505.1	49.23	76.87	378.99	824.00	-445.01
Rem.	---	212.6	144.24	0.00	12.82	---	---	---	---	955.1	96.73	237.80	620.59	0.00	620.59
Total	---	489.4	180.10	0.00	29.50	---	---	---	---	1,460.2	145.96	314.67	999.58	824.00	175.58