Jim Penney
Staff Landman

ConocoPhillips Company
WL3 5056
600 North Dairy Ashford
Houston, TX 77079-1175
phone 832.486.2355
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ConocoPhillips

May 2, 2005

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

2005 MAY 9 PM 12 30

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
Allison #146	W/2 Sec. 23, T32N, R7W	NMNM-04206	8/11/1996	Commercial

ConocoPhillips respectfully requests agency confirmation of the enclosed paying well determination which includes an economic summary along with production data for the well.

The lands dedicated to this well cover the W/2 of Section 23, T32N, R7W. The SW/4 of Section 23, T32N, R7W is contained within the boundary of the 32-7 Unit and the NW/4 is contained within the boundary of the Allison Unit. These lands are subject to a Communitization Agreement dated June 19, 1996 with an effective date of August 1, 1996 (NMNM 96753). 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. Vern Hansen

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

ConocoPhillips

Commerciality Determination

Allison Unit Com 146
Fruitland Coal
NW, Sec 23, T32N, R7W
San Juan County, NM
API: 30-045-29389

This Fruitland Coal well was spud on 7/22/96 by Meridian Oil Inc. and completed on 8/11/96.

Estimated capital investment of $500,000 for open hole cavity completion of the Allison Unit Com 146 Fruitland coal well was used in this determination. Actual operating costs for this well were $36,000/year from 10/96 until 5/99 when a pumping unit was installed. Operating costs thereafter of $72,000/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 $4.45/mmBTU and normal transportation costs for future production.

Recommend that this well be determined commercial.

Actual Production

Month	Production (MCFD)	Month	Production (MCFD)
Sep-96	739	Dec-00	2,011
Oct-96	756	Jan-01	3,832
Nov-96	974	Feb-01	3,725
Dec-96	1,142	Mar-01	3,682
Jan-97	1,348	Apr-01	3,660
Feb-97	1,399	May-01	3,342
Mar-97	1,421	Jun-01	3,479
Apr-97	1,460	Jul-01	3,366
May-97	1,593	Aug-01	3,340
Jun-97	1,498	Sep-01	3,198
Jul-97	1,756	Oct-01	3,050
Aug-97	1,865	Nov-01	3,220
Sep-97	2,102	Dec-01	3,207
Oct-97	1,793	Jan-02	3,127
Nov-97	1,585	Feb-02	3,146
Dec-97	1,628	Mar-02	3,159
Jan-98	1,722	Apr-02	3,022
Feb-98	1,614	May-02	1,438
Mar-98	1,575	Jun-02	2,982
Apr-98	1,638	Jul-02	3,021
May-98	1,648	Aug-02	2,976
Jun-98	1,787	Sep-02	2,931
Jul-98	1,771	Oct-02	2,895
Aug-98	1,879	Nov-02	2,856
Sep-98	2,129	Dec-02	2,815
Oct-98	2,230	Jan-03	2,700
Nov-98	2,219	Feb-03	2,745
Dec-98	1,086	Mar-03	2,566
Jan-99	1,104	Apr-03	2,641
Feb-99	1,158	May-03	2,647
Mar-99	1,174	Jun-03	2,592
Apr-99	1,120	Jul-03	2,363
May-99	1,261	Aug-03	2,522
Jun-99	1,515	Sep-03	2,563
Jul-99	1,562	Oct-03	2,470
Aug-99	3,117	Nov-03	2,480
Sep-99	1,511	Dec-03	2,451
Oct-99	1,495	Jan-04	2,374
Nov-99	1,597	Feb-04	2,380
Dec-99	1,627	Mar-04	2,322
Jan-00	4,541	Apr-04	2,294
Feb-00	4,496	May-04	2,255
Mar-00	2,351	Jun-04	2,325
Apr-00	4,667	Jul-04	2,257
May-00	4,156	Aug-04	2,217
Jun-00	4,390	Sep-04	2,219
Jul-00	4,373	Oct-04	2,178
Aug-00	4,180	Nov-04	1,868
Sep-00	2,150	Dec-04	1,868
Oct-00	4,154	Jan-05	1,930
Nov-00	2,028		

US Summary Report

Allison Unit Com 146

Nominal

Case Description

Notes: Commerciality Determination for Allison 146
Well spud 7/22/96.
Well costs estimated at $500M
Operating costs $3M/month until 6/99 when a pumping unit was installed, then operating costs increased to $6M/month. Historical gas prices used. Includes a deduct for 900 BTU gas and 6.7% fuel, and $0.40/mcf transportation. Future gas prices based on $4.45/MMBTU 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	25,685	500	25,185	15,363	42.25
8.0	12,257	481	11,776	7,167	21.00
10.0	10,549	477	10,072	6,124	18.25
11.0	9,823	475	9,348	5,682	17.07
13.0	8,576	470	8,106	4,921	15.05
15.0	7,548	466	7,082	4,294	13.37
18.0	6,315	460	5,854	3,542	11.33

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	%	147.0	123.8
Cash Breakeven	Years	1.3	1.45
NPV @ 13%	M$	8,106	4,921
13% PI (cash)	M$/M$		15.05
13% PI (capital)	M$/M$		11.46
NPV @ 10%	M$	10,072	6,124
10% PI (cash)	M$/M$		18.25
10% PI (capital)	M$/M$		13.85
Dev Cost/BOE	$/BOE	0.26	
Economic Limit Date		2039/01	
Last Scheduled Prod Date		2045/11	
Date of first production		1996/09	
Date of first investment		1996/07	
Discount Date		1996/07	
ROR		147	124

Products Recovery (US)::ConocoPhillips

		Gross	Gross Economic	WI	Roy	Net
Oil	MSTB	0	0	0	0	0
Gas-Raw	MMSCF	13,504	13,350	13,350	1,669	11,681
Gas-Sales	MMSCF	13,504	13,350	13,350	1,669	11,681
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 MSTB	Gross Gas Volume MMSCF	NRI Oil MSTB	NRI Gas Sales MMSCF	Oil Price $/Bbl	Gas Price $/mcf	Gross # of Wells	Total NRI Revenue M$	Total Prod Taxes M$	Total Opcosts M$	Income Before Reserves & Taxes M$	Total Capital M$	BTAX Cash Flow M$	ATAX Cash Flow M$	ATAX Cash Flow Disc. 10% M$	ATAX Cash Flow Disc 13% M$
1996(12)	0.00	110.23	0.00	96.45	0.00	0.35	0.7	50.15	6.02	12.00	32.14	500.00	-467.86	-372.39	-355.06	-350.32
1997(12)	0.00	592.03	0.00	518.02	0.00	1.41	1.0	730.41	87.65	36.00	606.76	0.00	606.76	392.56	340.27	326.81
1998(12)	0.00	647.63	0.00	566.67	0.00	1.09	1.0	617.67	74.12	36.00	507.55	0.00	507.55	327.95	258.42	241.61
1999(12)	0.00	556.27	0.00	486.73	0.00	1.23	1.0	598.68	71.84	57.00	469.84	0.00	469.84	302.02	216.35	196.91
2000(12)	0.00	1,326.14	0.00	1,160.38	0.00	2.53	1.0	2,935.75	352.29	72.00	2,511.46	0.00	2,511.46	1,545.32	1,006.36	891.59
2001(12)	0.00	1,249.39	0.00	1,093.22	0.00	2.85	1.0	3,115.67	373.88	72.00	2,669.79	0.00	2,669.79	1,638.21	969.86	836.45
2002(12)	0.00	1,044.17	0.00	913.65	0.00	1.49	1.0	1,361.34	163.36	72.00	1,125.97	0.00	1,125.97	692.07	372.47	312.71
2003(12)	0.00	934.46	0.00	817.65	0.00	3.29	1.0	2,690.08	322.81	72.00	2,295.27	0.00	2,295.27	1,402.73	686.32	560.90
2004(12)	0.00	809.85	0.00	708.62	0.00	3.78	1.0	2,678.57	321.43	72.00	2,285.14	0.00	2,285.14	1,393.94	620.02	493.26
2005(12)	0.00	688.87	0.00	602.76	0.00	3.34	1.0	2,013.23	241.59	72.00	1,699.64	0.00	1,699.64	1,036.78	419.23	324.67
2006(12)	0.00	599.10	0.00	524.22	0.00	3.34	1.0	1,750.88	210.11	72.00	1,468.77	0.00	1,468.77	895.95	329.35	248.29
2007(12)	0.00	521.39	0.00	456.22	0.00	3.34	1.0	1,523.76	182.85	72.00	1,268.91	0.00	1,268.91	774.03	258.67	189.83
2008(12)	0.00	457.05	0.00	399.92	0.00	3.34	1.0	1,335.72	160.29	72.00	1,103.43	0.00	1,103.43	673.10	204.49	146.08
2009(12)	0.00	400.20	0.00	350.18	0.00	3.34	1.0	1,169.59	140.35	72.00	957.24	0.00	957.24	583.92	161.27	112.15
2010(12)	0.00	352.89	0.00	308.78	0.00	3.34	1.0	1,031.33	123.76	72.00	835.57	0.00	835.57	509.70	127.97	86.63
2011(12)	0.00	312.37	0.00	273.33	0.00	3.34	1.0	912.91	109.55	72.00	731.36	0.00	731.36	446.13	101.83	67.10
2012(12)	0.00	278.22	0.00	243.44	0.00	3.34	1.0	813.10	97.57	72.00	643.53	0.00	643.53	392.55	81.45	52.25
2013(12)	0.00	247.29	0.00	216.38	0.00	3.34	1.0	722.71	86.72	72.00	563.98	0.00	563.98	344.03	64.90	40.53
2014(12)	0.00	221.15	0.00	193.50	0.00	3.34	1.0	646.30	77.56	72.00	496.75	0.00	496.75	303.02	51.96	31.59
2015(12)	0.00	198.37	0.00	173.57	0.00	3.34	1.0	579.73	69.57	72.00	438.17	0.00	438.17	267.28	41.67	24.66
2016(12)	0.00	178.91	0.00	156.55	0.00	3.34	1.0	522.88	62.75	72.00	388.13	0.00	388.13	236.76	33.56	19.33
2017(12)	0.00	160.93	0.00	140.81	0.00	3.34	1.0	470.30	56.44	72.00	341.87	0.00	341.87	208.54	26.87	15.07
2018(12)	0.00	145.54	0.00	127.35	0.00	3.34	1.0	425.34	51.04	72.00	302.30	0.00	302.30	184.40	21.60	11.79
2019(12)	0.00	131.95	0.00	115.46	0.00	3.34	1.0	385.62	46.27	72.00	267.35	0.00	267.35	163.08	17.37	9.23
2020(12)	0.00	120.22	0.00	105.19	0.00	3.34	1.0	351.35	42.16	72.00	237.19	0.00	237.19	144.68	14.01	7.24
2021(12)	0.00	109.18	0.00	95.53	0.00	3.34	1.0	319.09	38.29	72.00	208.80	0.00	208.80	127.37	11.21	5.64
2022(12)	0.00	99.66	0.00	87.20	0.00	3.34	1.0	291.24	34.95	72.00	184.29	0.00	184.29	112.42	8.99	4.41
2023(12)	0.00	91.14	0.00	79.75	0.00	3.34	1.0	266.37	31.96	72.00	162.40	0.00	162.40	99.07	7.20	3.44
2024(12)	0.00	83.74	0.00	73.27	0.00	3.34	1.0	244.74	29.37	72.00	143.37	0.00	143.37	87.45	5.78	2.69
2025(12)	0.00	76.66	0.00	67.08	0.00	3.34	1.0	224.05	26.89	72.00	125.16	0.00	125.16	76.35	4.59	2.07
2026(12)	0.00	70.51	0.00	61.70	0.00	3.34	1.0	206.07	24.73	72.00	109.34	0.00	109.34	66.70	3.64	1.60
2027(12)	0.00	64.96	0.00	56.84	0.00	3.34	1.0	189.86	22.78	72.00	95.07	0.00	95.07	57.99	2.88	1.23
2028(12)	0.00	60.11	0.00	52.59	0.00	3.34	1.0	175.67	21.08	72.00	82.59	0.00	82.59	50.38	2.27	0.95
2029(12)	0.00	55.40	0.00	48.48	0.00	3.34	1.0	161.91	19.43	72.00	70.48	0.00	70.48	42.99	1.76	0.72
2030(12)	0.00	51.28	0.00	44.87	0.00	3.34	1.0	149.88	17.99	72.00	59.89	0.00	59.89	36.53	1.36	0.54
2031(12)	0.00	47.54	0.00	41.60	0.00	3.34	1.0	138.95	16.67	72.00	50.27	0.00	50.27	30.67	1.04	0.40
Sub.	0.00	13,094.82	0.00	11,457.96	---	---	---	31,800.88	3,816.10	2,445.00	25,539.77	500.00	25,039.77	15,274.26	6,121.94	4,920.03

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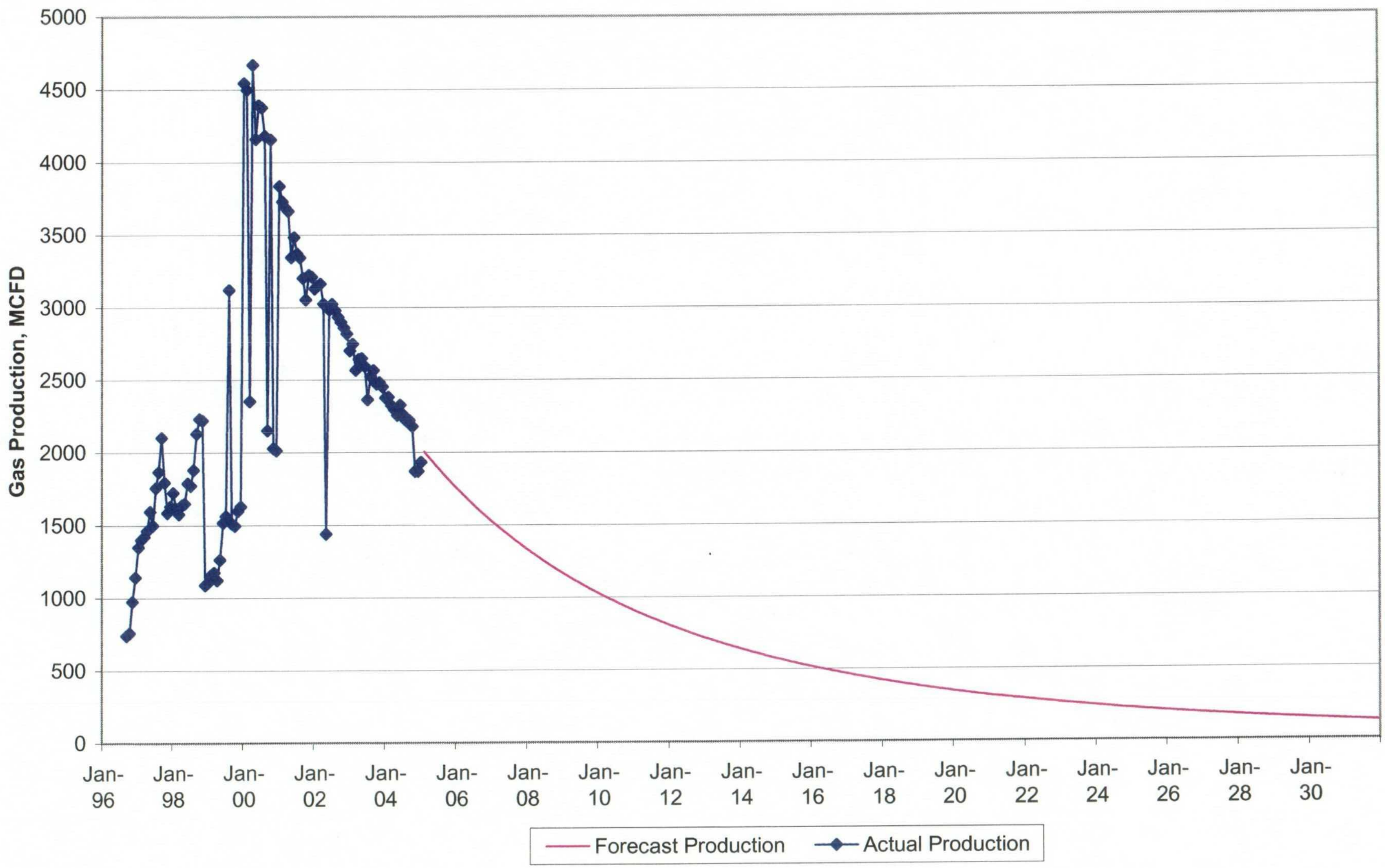
US Summary Report
Allison Unit Com 146
Nominal

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$
Rem.	0.00	254.77	0.00	222.92	---	---	---	744.57	89.35	510.00	145.22	0.00	145.22	88.58	2.34	0.84
Total	0.00	13,349.59	0.00	11,680.89	---	---	---	32,545.44	3,905.45	2,955.00	25,684.99	500.00	25,184.99	15,362.84	6,124.28	4,920.87

Allison Unit Com 146



ALLISON UNIT COM 146_FC

Sec 23.000

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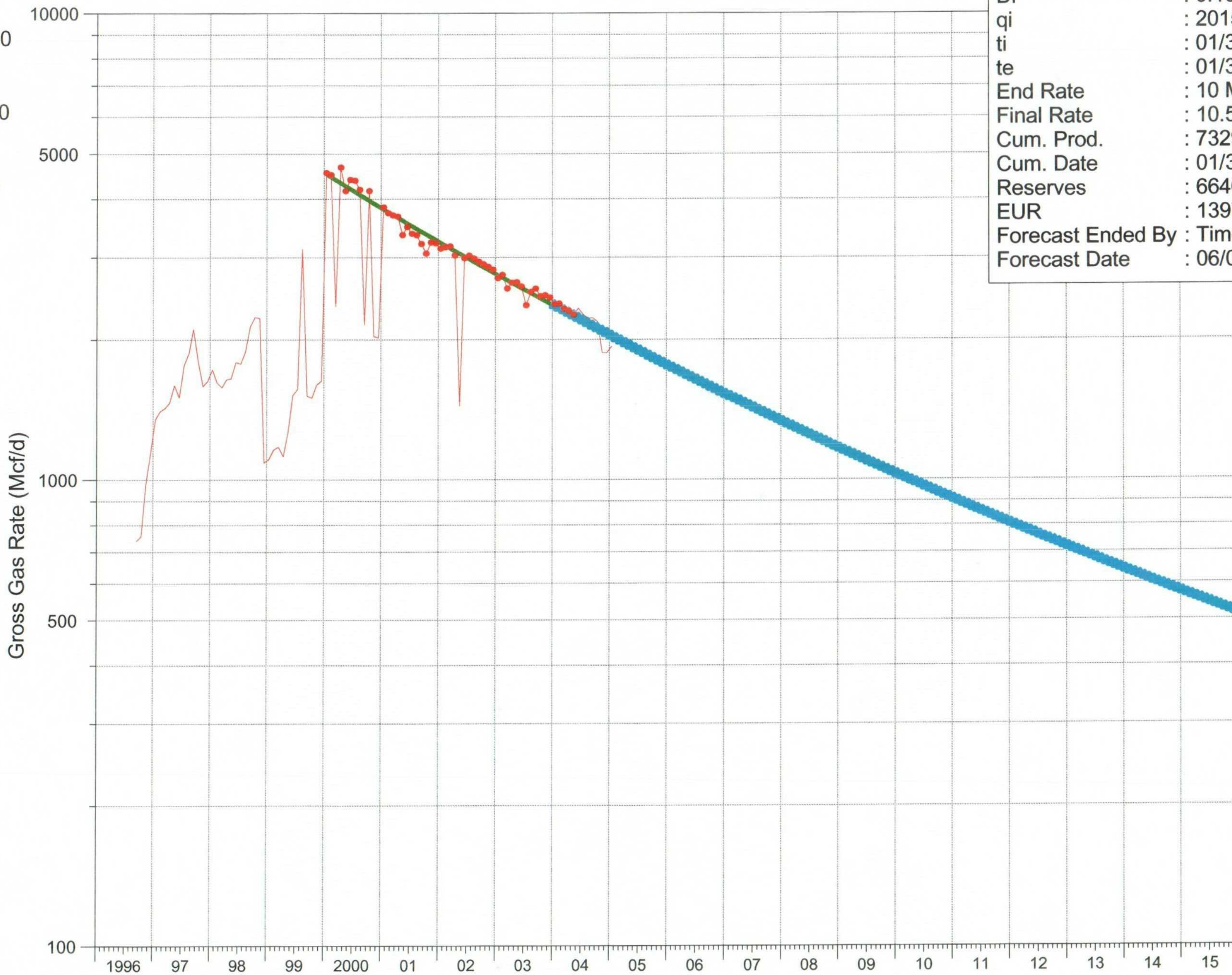

Phase	: Gas
Case Name	: RESFCST
b	: 0.25
Di	: 0.132585 A.e.
qi	: 2015.45 Mcf/d
ti	: 01/31/2005
te	: 01/31/2080
End Rate	: 10 Mcf/d
Final Rate	: 10.5827 Mcf/d
Cum. Prod.	: 7329.98 MMcf
Cum. Date	: 01/31/2005
Reserves	: 6646.39 MMcf
EUR	: 13976.4 MMcf
Forecast Ended By	: Time
Forecast Date	: 06/03/2004