

Infill Pilot Proposal

- Project objective: create a development plan for the Southeast Federal Units (SEFU) Area that is optimized under current cost and price environment
 - Most efficient in terms of surface disturbance and reservoir depletion
 - Maximum NPV for unit and mineral owners

San Juan 27-5 Unit Figures

	Mesaverde	Dakota	Total
OGIP, bcf	849*	584	1433
Cum Gas**, bcf	172	194	366
RFcurrent**, %	20	33	26
Pcurrent**, psi	1498	2132	
RR***, bcf	175	172	347
EUR***, bcf	347	366	713
RFult***, %	41	63	50
Pab***, psi	1126	1218	

*Excludes 1,008 bcf from Menefee

** Through June 2006

*** Under current development plan (80 acre/well)

Discussion of Unit Figures

- Cumulative production considered to be “hard” numbers
- Recoverable reserves, based on decline curve analysis, contain a limited amount of uncertainty
- Original gas in place (OGIP) has greatest potential uncertainty
 - Based on log calculations
 - Can be validated by material balance
- Pressure data available for material balance calculations:
 - 1st delivery pressures – wellhead pressure obtained just prior to opening well to sales; QC is difficult
 - Layer pressure tests – individual layer pressures measured downhole for approx 2 weeks after perforating, before frac’ing, using bridge plugs for zonal isolation; high quality data