



674

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

April 27, 2009

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 29-7 Unit (#14-08-001-1650)  
Commerciality Determination  
Fruitland Coal Formation  
Rio Arriba County, New Mexico

RECEIVED  
2009 APR 29 AM 11 52

Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 29-7 Unit Agreement, #14-08-001-1650, approved September 3, 1954, Burlington Resources Oil & Gas Company, as Operator, has determined that the well listed below is capable of producing unitized substances in paying quantities from the Fruitland Coal formation. Burlington is seeking confirmation of the paying well determination enclosed.

| Well Name         | Dedication         | Lease No. | Completion | Determination |
|-------------------|--------------------|-----------|------------|---------------|
| SJ 29-7 Unit #587 | W/2 Sec. 17-29N-7W | SF-078423 | 6/17/2008  | 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 599-4030.

Sincerely,

Dawn Howell  
Staff Land Technician

DH  
SJ 29-7 Unit, 4.5

BURLINGTON RESOURCES  
COMMERCIALITY DETERMINATION  
BLM DATA SHEET  
SAN JUAN 29-7 UNIT 587

## WELL INFORMATION

|               |                        |
|---------------|------------------------|
| LEASE         | SAN JUAN 29-7 UNIT 587 |
| LOCATION      | 17029N007W             |
| COUNTY, STATE | RIO ARRIBA, NEW MEXICO |
| FORMATION     | FRUITLAND COAL         |
| PROJECT TYPE  | NEWDRILL               |
| WELL TYPE     | GAS WELL               |
| OPERATOR      | CONOCOPHILLIPS CO      |
| SPUD DATE     | 6/17/2008              |
| COMP DATE     | 6/17/2008              |
| 1ST DELIVERY  | 8/19/2008              |
| 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 |

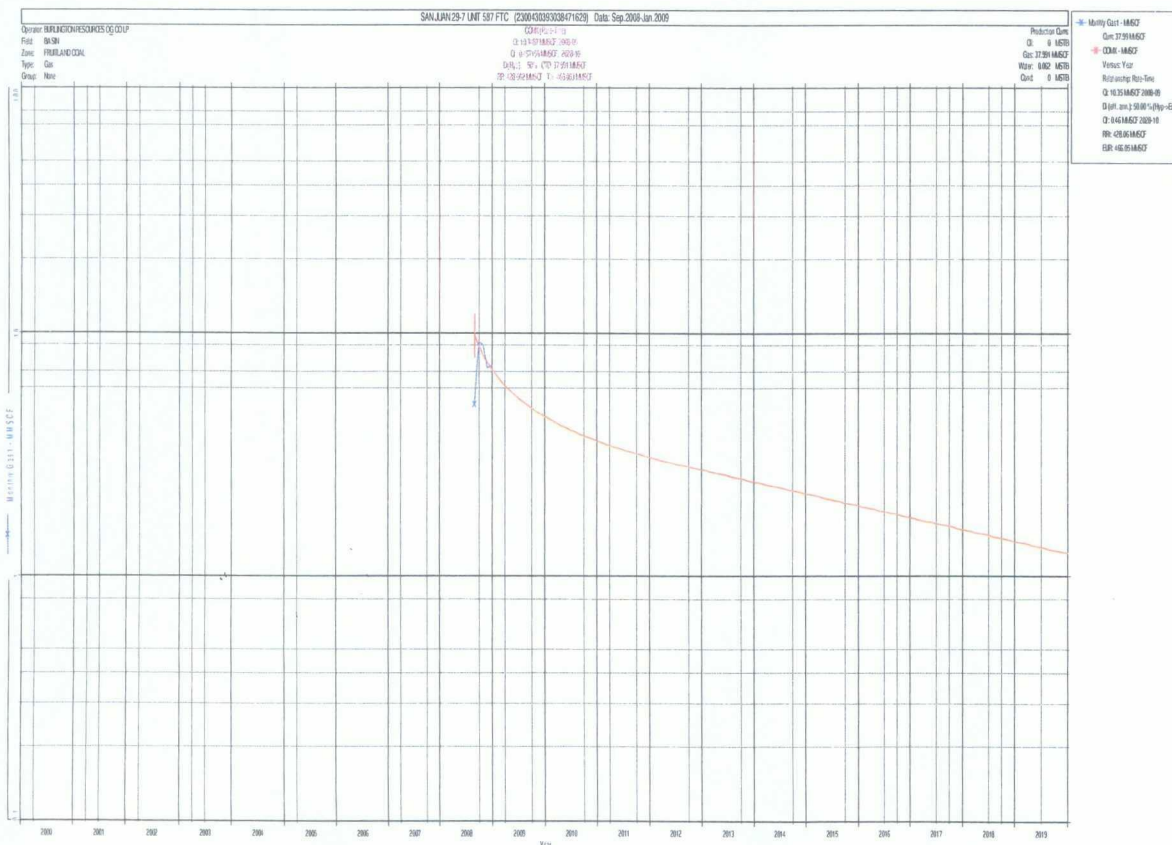
TOTAL %: 9.33

### AVERAGE HEAT CONTENT

1,000 MMBtu / Mcf

## WELL COST AND ECONOMICS

|        |      |                                    |
|--------|------|------------------------------------|
| 840.00 | M\$  | AVERAGE WELL COST                  |
| 466.05 | MMCF | ULT. GROSS GAS RESERVES            |
| 250.62 | MCFD | INITIAL GAS RATE                   |
| 10.69  | %    | RATE OF RETURN                     |
| 0.02   | \$/  | P/I, DISC. @ 10.00 %               |
| 17.14  | M\$  | NET PRESENT VALUE, DISC. @ 10.00 % |
| 5.76   | YRS  | PAYOUT                             |



**BURLINGTON RESOURCES**  
**COMMERCIALITY DETERMINATION**  
**BLM DATA SHEET**  
**SAN JUAN 29-7 UNIT 587**

**CASH FLOW SUMMARY**

| Date     | Gas1<br>Rate | Gas1<br>Volume | Net Gas<br>Volume | Net Cond<br>Volume | Net Oth<br>Volume | Gas1<br>Price | Gas<br>Price | Cond<br>Price | Oth<br>Price | Net<br>Revenue | Prod<br>Taxes | Total<br>Opcosts | Total<br>Oper Inc | Total<br>Capital | Total<br>BT Cash |
|----------|--------------|----------------|-------------------|--------------------|-------------------|---------------|--------------|---------------|--------------|----------------|---------------|------------------|-------------------|------------------|------------------|
|          | mcf/d        | MMSCF          | MMSCF             | MSTB               | MSTB              | \$/MMBTU      | \$/mcf       | \$/Bbl        | \$/Bbl       | M\$            | M\$           | M\$              | M\$               | M\$              | M\$              |
| 2008(12) | 250.6        | 30.6           | 21.56             | 0.00               | 1.14              | 4.63          | 4.63         | 35.51         | 22.66        | 122.4          | 12.64         | 7.66             | 102.05            | 840.00           | -737.95          |
| 2009(12) | 187.3        | 68.4           | 48.20             | 0.00               | 2.54              | 4.63          | 4.63         | 35.51         | 22.66        | 273.5          | 28.25         | 22.99            | 222.29            | 0.00             | 222.29           |
| 2010(12) | 134.4        | 49.0           | 34.58             | 0.00               | 1.82              | 4.63          | 4.63         | 35.51         | 22.66        | 196.2          | 20.27         | 22.99            | 152.99            | 0.00             | 152.99           |
| 2011(12) | 110.7        | 40.4           | 28.50             | 0.00               | 1.50              | 4.63          | 4.63         | 35.51         | 22.66        | 161.7          | 16.71         | 22.99            | 122.04            | 0.00             | 122.04           |
| 2012(12) | 96.1         | 35.2           | 24.81             | 0.00               | 1.31              | 4.63          | 4.63         | 35.51         | 22.66        | 140.8          | 14.54         | 22.99            | 103.27            | 0.00             | 103.27           |
| 2013(12) | 85.8         | 31.3           | 22.10             | 0.00               | 1.16              | 4.63          | 4.63         | 35.51         | 22.66        | 125.4          | 12.95         | 22.99            | 89.45             | 0.00             | 89.45            |
| 2014(12) | 76.6         | 28.0           | 19.71             | 0.00               | 1.04              | 4.63          | 4.63         | 35.51         | 22.66        | 111.9          | 11.55         | 22.99            | 77.32             | 0.00             | 77.32            |
| 2015(12) | 68.3         | 24.9           | 17.59             | 0.00               | 0.93              | 4.63          | 4.63         | 35.51         | 22.66        | 99.8           | 10.31         | 22.99            | 66.50             | 0.00             | 66.50            |
| 2016(12) | 60.8         | 22.2           | 15.69             | 0.00               | 0.83              | 4.63          | 4.63         | 35.51         | 22.66        | 89.0           | 9.20          | 22.99            | 56.84             | 0.00             | 56.84            |
| 2017(12) | 54.4         | 19.8           | 14.00             | 0.00               | 0.74              | 4.63          | 4.63         | 35.51         | 22.66        | 79.4           | 8.20          | 22.99            | 48.23             | 0.00             | 48.23            |
| 2018(12) | 48.5         | 17.7           | 12.49             | 0.00               | 0.66              | 4.63          | 4.63         | 35.51         | 22.66        | 70.9           | 7.32          | 22.99            | 40.55             | 0.00             | 40.55            |
| 2019(12) | 43.3         | 15.8           | 11.14             | 0.00               | 0.59              | 4.63          | 4.63         | 35.51         | 22.66        | 63.2           | 6.53          | 22.99            | 33.69             | 0.00             | 33.69            |
| 2020(12) | 38.5         | 14.1           | 9.94              | 0.00               | 0.52              | 4.63          | 4.63         | 35.51         | 22.66        | 56.4           | 5.82          | 22.99            | 27.58             | 0.00             | 27.58            |
| 2021(12) | 34.4         | 12.6           | 8.87              | 0.00               | 0.47              | 4.63          | 4.63         | 35.51         | 22.66        | 50.3           | 5.20          | 22.99            | 22.12             | 0.00             | 22.12            |
| 2022(12) | 30.7         | 11.2           | 7.91              | 0.00               | 0.42              | 4.63          | 4.63         | 35.51         | 22.66        | 44.9           | 4.64          | 22.99            | 17.26             | 0.00             | 17.26            |
| 2023(12) | 27.4         | 10.0           | 7.06              | 0.00               | 0.37              | 4.63          | 4.63         | 35.51         | 22.66        | 40.0           | 4.14          | 22.99            | 12.92             | 0.00             | 12.92            |
| 2024(12) | 24.4         | 8.9            | 6.30              | 0.00               | 0.33              | 4.63          | 4.63         | 35.51         | 22.66        | 35.7           | 3.69          | 22.99            | 9.04              | 0.00             | 9.04             |
| 2025(12) | 21.8         | 8.0            | 5.62              | 0.00               | 0.30              | 4.63          | 4.63         | 35.51         | 22.66        | 31.9           | 3.29          | 22.99            | 5.59              | 0.00             | 5.59             |
| 2026(12) | 19.5         | 7.1            | 5.01              | 0.00               | 0.26              | 4.63          | 4.63         | 35.51         | 22.66        | 28.4           | 2.94          | 22.99            | 2.50              | 0.00             | 2.50             |
| 2027(12) | 18.0         | 3.3            | 2.30              | 0.00               | 0.12              | 4.63          | 4.63         | 35.51         | 22.66        | 13.0           | 1.35          | 11.50            | 0.20              | 0.00             | 0.20             |
| Total    | ---          | 458.5          | 323.35            | 0.00               | 17.04             | ---           | ---          | ---           | ---          | 1,835.0        | 189.52        | 433.02           | 1,212.43          | 840.00           | 372.43           |

**SAN JUAN 29-7 UNIT  
WORKING INTEREST OWNERS  
FRUITLAND COAL FORMATION**

BP America Production Company  
Burlington Resources Oil & Gas Co  
ConocoPhillips  
David A Pierce  
Dirk Vanhorn Reemtsma  
Four Star Oil & Gas Company  
Lance Reemtsma  
Phillips-San Juan Partners  
Williams Production Company