



4/20

RECEIVED

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

July 7, 2009 JUL 8 PM 1 16

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
Mesaverde Formation
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Pursuant to the provisions of Section 11(a) of the San Juan 32-7 Unit Agreement, ConocoPhillips Company, as Operator, has determined that the well listed below is not capable of producing unitized substances in paying quantities from the Mesaverde Formation. ConocoPhillips is seeking confirmation of the well determination enclosed.

Well Name	Dedication	Lease No.	Comp. Date	Determination
SJ 32-7 Unit #31	E/2 32-32N-7W	E-503-13	9/14/2007	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 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
Staff Land Technician

SJ 32-7 Unit, 4.2

BURLINGTON RESOURCES
COMMERCIALITY DETERMINATION
BLM DATA SHEET
SAN JUAN 32-7 UNIT 31

WELL INFORMATION

LEASE SAN JUAN 32-7 UNIT 31
 LOCATION 32032N007W
 COUNTY, STATE RIO ARriba, NEW MEXICO
 FORMATION MESAVERDE
 PROJECT TYPE NEW/DRILL
 WELL TYPE GAS WELL
 OPERATOR CONOCOPhillips CO
 SPUD DATE 6/28/2007
 COMP DATE 9/14/2007
 1ST DELIVERY 10/2/2007
 COMM GWI % 100.00
 COMM NRI % 87.50
 BOARD RATE % 13.00

PRODUCTION TAXES

TAXES FOR: RIO ARriba, NEW MEXICO
 Escalate 2009LRP Onshore 12-08

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

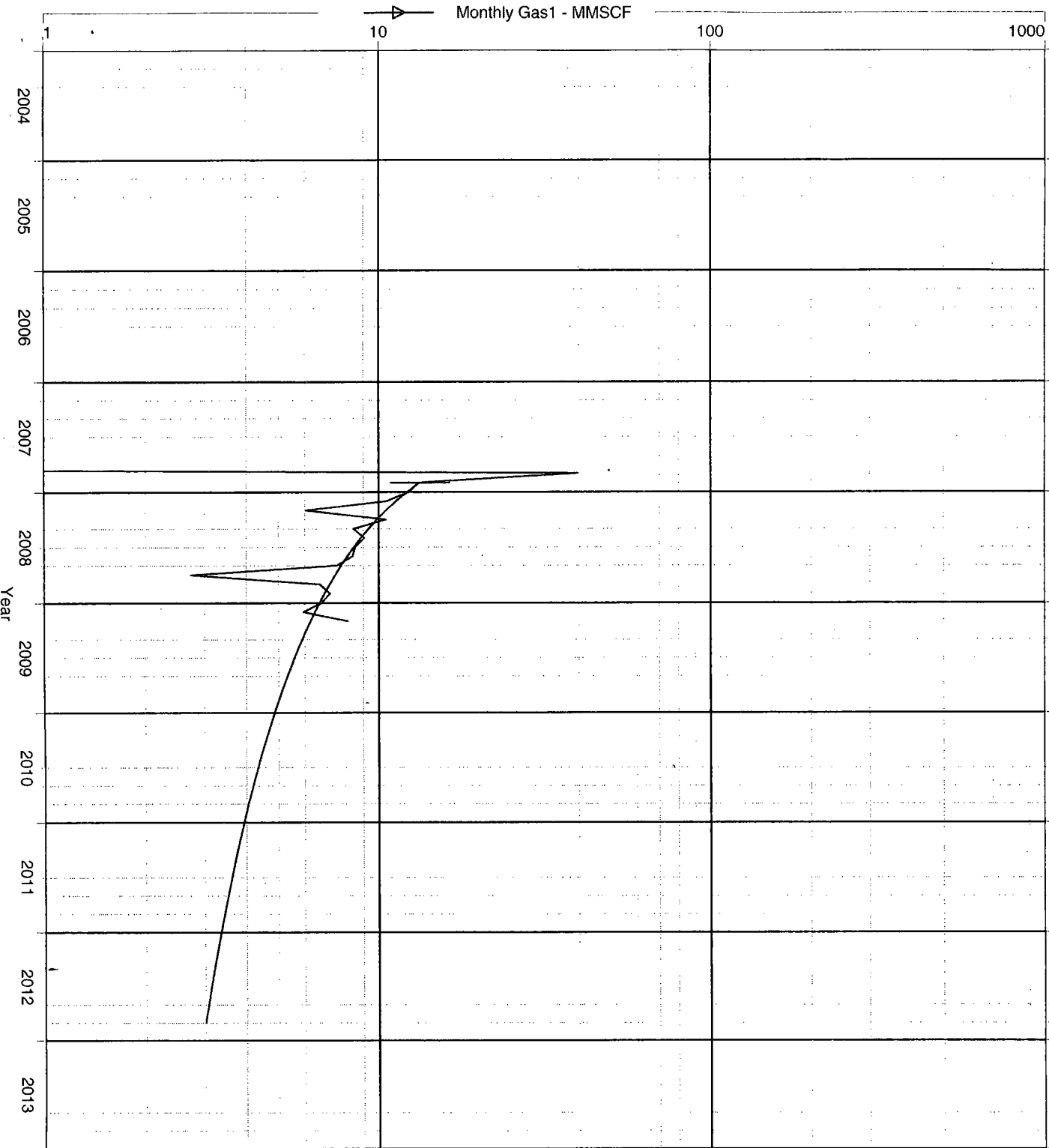
1,077.13 M\$ AVERAGE WELL COST
 351.01 MMCF ULT. GROSS GAS RESERVES
 1,324.53 MCFD INITIAL GAS RATE
 >800.00 % RATE OF RETURN
 -0.31 \$/S P/L DISC. @ 13.00 %
 -331.13 M\$ NET PRESENT VALUE, DISC. @ 13.00 %
 0.00 YRS PAYOUT

SAN JUAN 32-7 UNIT 31 MV (COMX) (2300430453348872319) Data: Oct.2007-Mar.2009

Operator: CONOCOPHILLIPS COMPANY
 Field: BLANCO
 Zone: MESAVERDE
 Type: Gas
 Group: None

COMX (Rate-Time)
 Qi: 14 MMSCF 2007-12
 Qi: 3.00911 MMSCF 2012-11
 Di(Hyp): 50% CTD: 171.571 MMSCF
 RR: 179.442 MMSCF Tot: 351.013 MMSCF

Production Cums
 Oil: 0 MSTB
 Gas: 171.571 MMSCF
 Water: 3.829 MSTB
 Cond: 0 MSTB



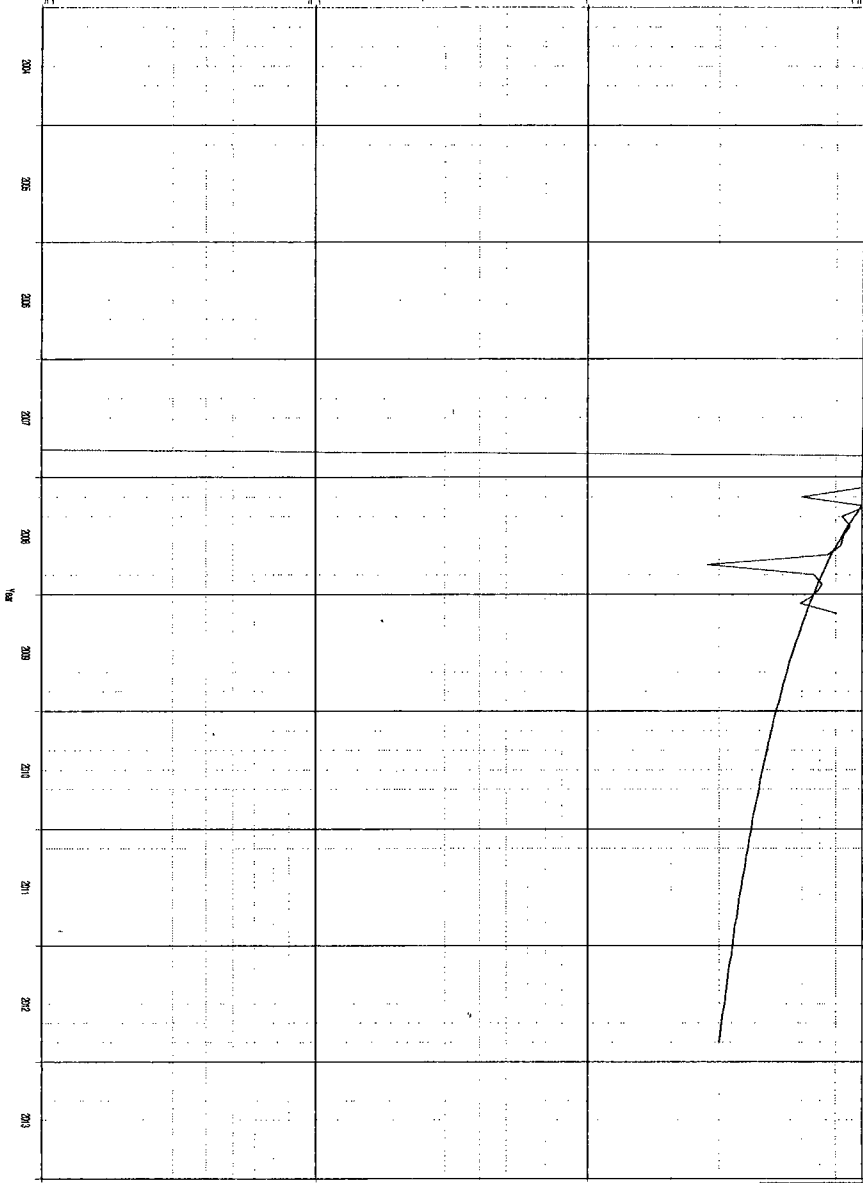
— Monthly Gas1 - MMSCF
 — Cum: 171.57 MMSCF
 — COMX - MMSCF
 Versus: Year
 Relationship: Rate-Time
 Qi: 14.00 MMSCF 2007-12
 Di (eff. ann.): 50.00 % (Hyp->Exp)
 Qi: 3.00 MMSCF 2012-11
 RR: 179.44 MMSCF
 EUR: 351.01 MMSCF

BURLINGTON RESOURCES COMMERCIALITY DETERMINATION BLM DATA SHEET SAN JUAN 32-7 UNIT 31

BLM DATA SHEET
 DATE: 06/29/2009
 TIME: 06:00
 UNIT: 31
 SAN JUAN 32-7 UNIT 31

SAN JUAN 32-7 UNIT 31
 DATE: 06/29/2009
 TIME: 06:00
 UNIT: 31

Monthly Gas - MMSCF
 Date: 06/29/2009
 Unit: 31
 Gas: 1200 MMSCF
 Water: 1200 MMSCF
 Total: 2400 MMSCF
 Gas: 1200 MMSCF
 Water: 1200 MMSCF
 Total: 2400 MMSCF



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	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 31

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 11	1,324.5	39.7	27.80	0.00	0.00	4.86	4.86	35.51	22.66	135.1	14.24	1.34	119.54	0.00	119.54
2007 12	428.2	13.3	9.29	0.00	0.00	4.86	4.86	35.51	22.66	45.1	4.76	1.34	39.04	1,145.00	-1,105.96
2008 01	397.0	12.3	8.61	0.00	0.00	4.86	4.86	35.51	22.66	41.8	4.41	1.34	36.10	0.00	36.10
2008 02	365.2	10.6	7.41	0.00	0.00	4.86	4.86	35.51	22.66	36.0	3.79	1.34	30.88	0.00	30.88
2008 03	195.0	6.0	4.23	0.00	0.00	4.86	4.86	35.51	22.66	20.6	2.17	1.34	17.05	0.00	17.05
2008 04	350.8	10.5	7.36	0.00	0.00	4.86	4.86	35.51	22.66	35.8	3.77	1.34	30.68	0.00	30.68
2008 05	271.1	8.4	5.88	0.00	0.00	4.86	4.86	35.51	22.66	28.6	3.01	1.34	24.23	0.00	24.23
2008 06	301.9	9.1	6.34	0.00	0.00	4.86	4.86	35.51	22.66	30.8	3.25	1.34	26.22	0.00	26.22
2008 07	274.3	8.5	5.95	0.00	0.00	4.86	4.86	35.51	22.66	28.9	3.05	1.34	24.52	0.00	24.52
2008 08	269.5	8.4	5.85	0.00	0.00	4.86	4.86	35.51	22.66	28.4	2.99	1.34	24.08	0.00	24.08
2008 09	249.4	7.5	5.24	0.00	0.00	4.86	4.86	35.51	22.66	25.4	2.68	1.34	21.42	0.00	21.42
2008 10	88.1	2.7	1.91	0.00	0.00	4.86	4.86	35.51	22.66	9.3	0.98	1.34	6.97	0.00	6.97
2008 11	221.8	6.7	4.65	0.00	0.00	4.86	4.86	35.51	22.66	22.6	2.38	1.34	18.90	0.00	18.90
2008 12	230.8	7.2	5.01	0.00	0.00	4.86	4.86	35.51	22.66	24.3	2.56	1.34	20.43	0.00	20.43
2009 01	217.1	6.7	4.71	0.00	0.00	4.86	4.86	35.51	22.66	22.9	2.41	1.42	19.06	0.00	19.06
2009 02	212.3	5.9	4.16	0.00	0.00	4.86	4.86	35.51	22.66	20.2	2.13	1.42	16.66	0.00	16.66
2009 03	260.5	8.1	5.65	0.00	0.00	4.86	4.86	35.51	22.66	27.5	2.89	1.42	23.15	0.00	23.15
2009 04	201.9	6.1	4.24	0.00	0.00	4.86	4.86	35.51	22.66	20.6	2.17	1.42	17.01	0.00	17.01
2009 05	189.9	5.9	4.12	0.00	0.00	4.86	4.86	35.51	22.66	20.0	2.11	1.42	16.49	0.00	16.49
2009 06	191.0	5.7	4.01	0.00	0.00	4.86	4.86	35.51	22.66	19.5	2.05	1.42	16.02	0.00	16.02
Sub.	---	189.2	132.41	0.00	0.00	---	---	---	---	643.5	67.80	27.25	548.44	1,145.00	-596.56
Rem.	---	161.8	113.18	0.00	0.00	---	---	---	---	550.1	57.95	55.34	436.76	0.00	436.76
Total	---	351.0	245.59	0.00	0.00	---	---	---	---	1,193.5	125.75	82.59	985.20	1,145.00	-159.80

**SAN JUAN 32-7 UNIT
WORKING INTEREST OWNERS**

CONOCOPHILLIPS COMPANY

ENERGEN RESOURCES CORPORATION

WILLIAMS PRODUCTION COMPANY