

9030

May 25, 2010

Bureau of Land Management
Attn: Mr. Wayne Townsend
Farmington Resource Area
1235 La Plata Highway
Farmington, NM 87401

RECEIVED OCD

2010 JUN -3 AM 11:18
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: Mr. Mark E. Fesmire
1220 S. Saint Francis Drive
Santa Fe, NM 87505-4000

RE: Carracas Canyon Unit # 14-08-0001-19596
Commerciality Determination
Fruitland Coal Formation
Rio Arriba County, New Mexico

Gentlemen:

Pursuant to the provisions of Section 11 (a) of the Carracas Canyon Unit Agreement, approved January 30, 1987, Energen Resources Corporation, as Operator, has made determinations concerning the ability of the below listed wells as to whether or not they are capable of producing unitized substances in paying quantities from the Pictured Cliffs formation. Energen is seeking confirmation of the well determinations enclosed.

Well Name & Number	Well Dedication	Dedicated Lease	Completion Date	Commerciality Determination
Carracas Canyon Unit # 201	N/2 22-32N-4W	USA NM-59696	9-12-2007	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 wells will be carried on a lease basis and the commercial wells will create an expansion to the participating area.

Copies of this letter and enclosures are being sent to the working interest owners as listed on the attached page.

Sincerely,



David M. Poage
District Landman

D&K25

Carracas201_BLM_CommDeter.txt

ACQ: CARRACAS

WELL: CARRACAS UNIT 22 B 7 (201

RSVR: FRUITLAND COAL

OPR: EMERGEN RESOURCES CORPORATI

RSV CAT: 01_PrvDP

CO ST: RIO ARRIBA NM

Date: 04/27/2010
Time: 08:59:56
DBS: WESTERN
Settings: BTW
Scenario: COMM

KEYWORD & Ref. Code	C O M B I N E D I N P U T D A T A										I N I T I A L C A L C U L A T E D D A T A			
	Beginning, Ending Rates	Schedule Limit	Method & Value	Ultimate @ End Pt.	Init. Def	Init. Rate	Final Rate							
400 START	08/2009													
401 GAS	174.00	X	M/D	18.00	IMO	EXP	25.00	221.437	1/2011	25.0000	5293.	3438.		
402 "	X	X	M/D	60.00	IMO	FLAT	0.00	427.691	1/2016		3438.	3438.		
403 "	X	X	M/D	6.50	EXP	B/O.331	13.38	760.877	6/2040	13.3759	3438.	323.		
404 "	X	10.00	M/O	X	MMF	EXP	6.50	764.318	5/2041	6.5000	323.	303.		
405 NGL/GAS	0.00	0.00	B/MM	TO	LIFE	LIN	TIME		5/2041					
500 START	08/2007													
501 PRI/OIL	75.0000	X	\$/B	TO	LIFE	PC	0.00		5/2041		75.000	75.000		
502 PRI/GAS	5.5000	X	\$/M	TO	LIFE	PC	0.00		5/2041		5.500	5.500		
503 PRI/NGL	75.0000	X	\$/B	TO	LIFE	PC	0.00		5/2041		75.000	75.000		
504 PAJ/OIL	-9.61	X	\$/B	TO	LIFE	PC	0.00		5/2041		-9.610	-9.610		
505 PAJ/GAS	-0.59	X	\$/M	TO	LIFE	PC	0.00		5/2041		-0.590	-0.590		
506 PAJ/NGL	0.43	X	FRAC	TO	LIFE	PC	0.00		5/2041		0.434	0.434		
600 START	08/2007													
601 OPC/T	2687.00	X	\$/M	TO	LIFE	ESC	CORPLOE		5/2041		2687.000	2687.000		
602 ATX/T	282.14	X	\$/Y	TO	LIFE	ESC	CORPLOE		5/2041		23.512	23.512		
603 CMP/GAS	0.18	X	\$/M	TO	LIFE	ESC	CORPLOE		5/2041		0.178	0.178		
604 GTC/GAS	0.41	0.41	\$/U	TO	LIFE	ESC	CORPLOE		5/2041		0.410	0.410		
605 ATX	0.00	X	%	TO	LIFE	ESC	CORPLOE		5/2041					
606 STX/OIL	8.44	X	%	TO	LIFE	ESC	CORPLOE		5/2041		0.084	0.084		
607 STX/GAS	9.29	X	%	TO	LIFE	ESC	CORPLOE		5/2041		0.093	0.093		
608 STX/NGL	9.29	X	%	TO	LIFE	ESC	CORPLOE		5/2041		0.093	0.093		
700 START	08/2007													
705 LSE/WI	100.0000	D	%	TO	LIFE	FLAT	0.00		5/2041		1.000	1.000		
720 NET/OIL	78.8776	D	%	TO	LIFE	FLAT	0.00		5/2041		0.789	0.789		
740 NET/GAS	78.8776	D	%	TO	LIFE	FLAT	0.00		5/2041		0.789	0.789		
OVERLAYS	Beginning, Ending Rates	Schedule Limit	Method & Value	Ultimate @ End Pt.	Init. Def	Init. Rate	Final Rate							
900 OIL	10/2007	0	0	0	0	0	0	0	0	0	0	0		
901	X	0	0	0	0	0	0	0	0	0	0	0		
902 GAS	10/2007	87	11764	12990	9292	3589	2365	1931	8037	#	194.118	5/2008		
903 "	X	7995	8936	8848	6372	7012	6905	6694	6641	6077	6452	#		
904 "	X	5994	5286	5846	5877	5689	5234	3536	3557	4871	#			
905 START	08/2007													

MISCELLANEOUS DATA PARAMETERS

201 WELLS	0.00	1.00	
202 MAJOR			
203 BTU	GAS		
204 SHRINK	969.00		
205 CUMO	0.94		
250 LOSS	MB	0.00	
	NO		
		CUMG, MMF	144.06
			CUML, MB

PROJECT RUN SETTINGS

Base Date	: 01/2007	Time Frames	: 5,99*12	Discount Freq.	: MO	Owner	= COMM_DETER
P.W. Date	: 08/2007	Primary Pw%	: 10.0			Overlay	= COMM_DETER
Report Date	: 08/2007						
Qualifiers	:	Prod = COMM_DETER	Price = COMM_DETER	Cost = COMM_DETER			
	:	Title = DEFAULT	Misc = COMM_DETER	Invest = COMM_DETER			

BACKUP PARAMETERS USED

```
NET/NGL      NET/GAS
0&1105.45c8e74f0L
0&a18L
0&k25
0
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ACQ: CARACAS
10
WELL: CARACAS UNIT 22 8 7 (201
RSVR: FRUITLAND COAL
OPR: ENERGEN RESOURCES CORPORATI
RSV CAT: 01.PRVDP
CO ST: RIO ARRIBA NM

ENERGEN RESOURCES CORPORATION
RESERVES AND ECONOMICS
AS OF DATE: 08/2007

END- NO-YEAR	NUMBER GROSS WELLS	GROSS PROD OIL + COND	GROSS PROD WILLD GAS	GROSS PROD SHRUNK GAS	NET VOLUME OIL + COND	NET GAS VOLUME	NET NGL VOLUME	EFFECTIVE O+C PRICE	EFFECTIVE GAS PRICE	EFFECTIVE NGL PRICE
		---MBLS---	---MCMF---	---MCMF---	---MBLS---	---MCMF---	---MBLS---	---\$/BBL---	---\$/MCF---	---\$/BBL---
12-2007	0	0.000	24.841	20.436	0.000	16.120	0.000	0.000	4.758	0.000
12-2008	0	0.000	77.976	64.150	0.000	50.600	0.000	0.000	4.758	0.000
12-2009	0	0.000	65.060	53.524	0.000	42.218	0.000	0.000	4.758	0.000
12-2010	0	0.000	48.957	40.276	0.000	31.769	0.000	0.000	4.758	0.000
12-2011	0	0.000	41.292	33.971	0.000	26.795	0.000	0.000	4.758	0.000
12-2012	0	0.000	41.251	33.937	0.000	26.768	0.000	0.000	4.758	0.000
12-2013	0	0.000	41.251	33.937	0.000	26.768	0.000	0.000	4.758	0.000
12-2014	0	0.000	41.251	33.937	0.000	26.768	0.000	0.000	4.758	0.000
12-2015	0	0.000	41.251	33.937	0.000	26.768	0.000	0.000	4.758	0.000
12-2016	0	0.000	38.847	31.959	0.000	25.208	0.000	0.000	4.758	0.000
12-2017	0	0.000	33.759	27.773	0.000	21.907	0.000	0.000	4.758	0.000

12-2018	0.0	0.000	29.507	24.275	0.000	19.148	0.000	4.758	0.000
S TOT	0.0	0.000	525.243	432.111	0.000	340.839	0.000	4.758	0.000
REM	0.0	0.000	117.111	96.346	0.000	75.995	0.000	4.758	0.000
TOTAL	0.0	0.000	642.354	528.457	0.000	416.834	0.000	4.758	0.000
Carracas201_BLM_CommDeter.txt									
--END--	NET REV	NET GAS	NET NGL	NET TOTAL	NET SEV + TAXES	NET TOTAL	NET INVEST	NET OPER	CUM 10.0%
MO-YEAR	OIL + COND	REVENUE	REVENUE	REVENUE	EXP & ADV	+ABAND-SALV	REVENUE	CASHFLOW	BTAX CF
12-2007	0.000	76.694	0.000	76.694	7.125	25.565	1398.926	44.004	-1354.922
12-2008	0.000	240.744	0.000	240.744	22.365	70.233	0.000	148.145	-1356.464
12-2009	0.000	200.867	0.000	200.867	18.661	63.988	0.000	118.219	-1221.164
12-2010	0.000	151.149	0.000	151.149	14.042	56.700	0.000	80.907	-1060.659
12-2011	0.000	127.487	0.000	127.487	11.844	52.494	0.000	63.149	-1017.164
12-2012	0.000	127.359	0.000	127.359	11.832	52.474	0.000	63.053	-977.687
12-2013	0.000	127.359	0.000	127.359	11.832	52.474	0.000	63.053	-941.798
12-2014	0.000	127.359	0.000	127.359	11.832	52.474	0.000	63.053	-909.171
12-2015	0.000	127.359	0.000	127.359	11.832	52.474	0.000	63.053	-879.511
12-2016	0.000	119.935	0.000	119.935	11.142	51.311	0.000	57.482	-854.887
12-2017	0.000	104.229	0.000	104.229	9.683	48.851	0.000	45.695	-837.089
12-2018	0.000	91.101	0.000	91.101	8.463	46.795	0.000	35.842	-824.397
S TOT	0.000	1621.639	0.000	1621.639	150.650	625.335	1398.926	845.654	-553.272
REM	0.000	361.569	0.000	361.569	33.590	249.078	30.000	78.901	-48.901
TOTAL	0.000	1983.208	0.000	1983.208	184.240	874.413	1428.926	924.555	-504.372
GAS									
GROSS WELLS	0.0	0.0	1.0	LIFE, YRS.	17.33			11.00	-827.591
GROSS ULT., MB & MMF	0.000	641.427	-0.927	DISCOUNT %	10.00			12.00	-846.250
GROSS CUM., MB & MMF	0.000	100.000	100.000	UNDISCOUNTED PAYOUT, YRS.	17.33			13.00	-863.733
INITIAL W.I., PCT	0.000	78.878	100.000	DISCOUNTED PAYOUT, YRS.	17.33			14.00	-880.136
INITIAL N.R.I., PCT	0.000	100.000	100.000	UNDISCOUNTED NET/INVEST.	0.65			15.00	-895.547
FINAL W.I., PCT	0.000	78.878	100.000	DISCOUNTED NET/INVEST.	0.43			16.00	-910.044
FINAL N.R.I., PCT	0.000	100.000	100.000	RATE-OF-RETURN, PCT	0.00			17.00	-923.699
INITIAL PRICES, \$/U	0.000	4.758	4.758	REVERSION, YEARS	0.00			20.00	-960.233
								25.00	-1009.329
								30.00	-1047.637

WELL: CARRACAS UNIT FC 201
FIELD: FRUITLAND COAL

Energien Resources Corp.

