112-185

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Recommendations

1. **Well Density in each Fruitland Coal 320-acre drill block should be increased from 2 to 4 wells (i.e. 160-acre to 80-acre density)**
2. **Proposed Infill Area: T32N R6W - all of sections 6 & 18, W/2 sections 7 & 17. T32N R7W - all of sections 1, 2, & 12. T33N R7W - W/2 of sections 26 & 35, and all of section 36.**

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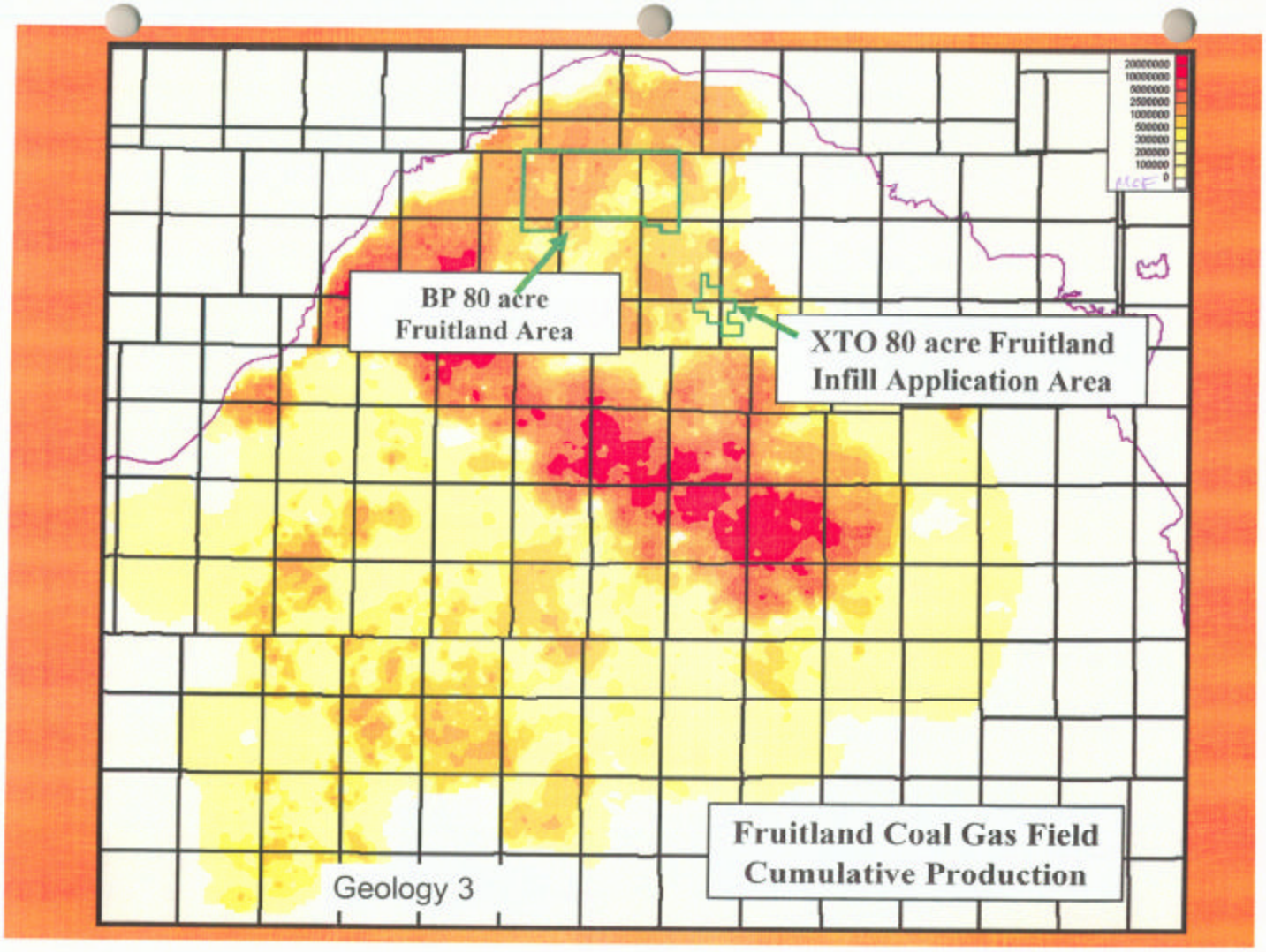
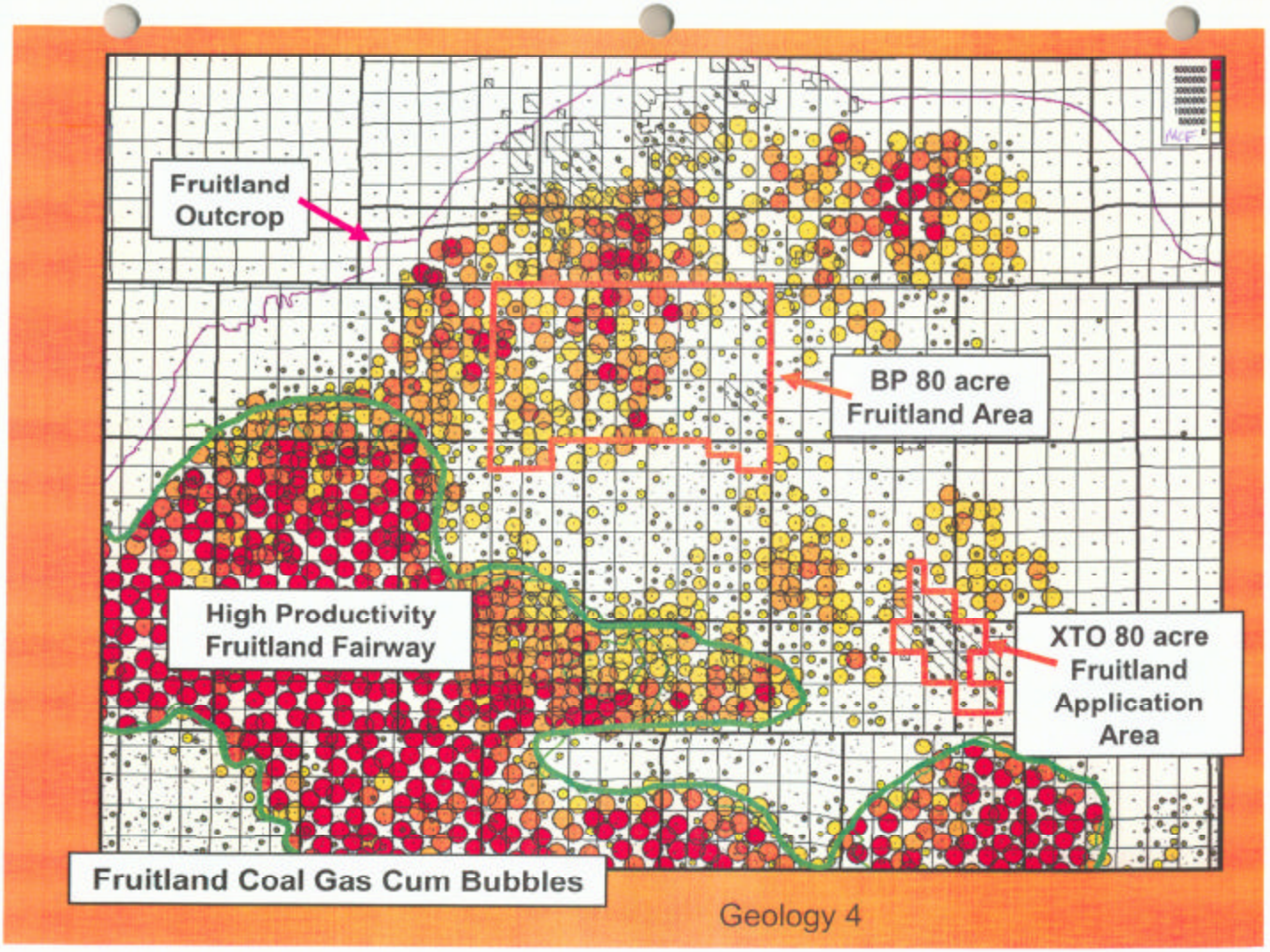
Historical Field Development

1. First Fruitland Coal Production from the area 1993
2. Initial Gas in Place: 137 bcfg
3. Initial drill block size 320 acres
4. 2000 increased well density to 2 wells per 320-acre drill block
5. 2005 Status: 25 producing wells, Cum Gas 15.2 BCFG
6. Current Production: 10.6 mmcfd
7. Estimated Remaining GIP: 122 bcfg


BP 80 acre
Fruitland Area
XTO 80 acre Fruitland
Infill Application Area
Fruitland Coal Gas Field
Cumulative Production
Geology 3


Fruitland Outcrop
BP 80 acre Fruitland Area
High Productivity Fruitland Fairway
XTO 80 acre Fruitland Application Area
Fruitland Coal Gas Cum Bubbles

Geology 4

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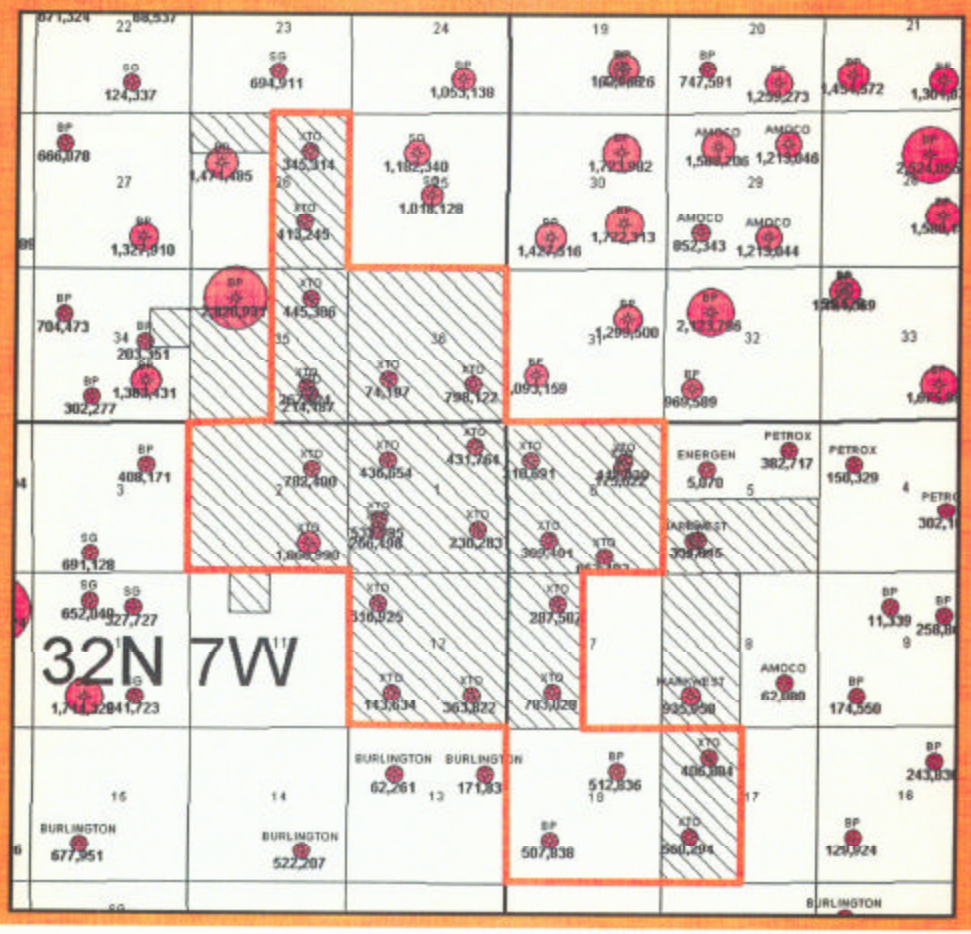
Fruitland Coal Infill Area Location Map



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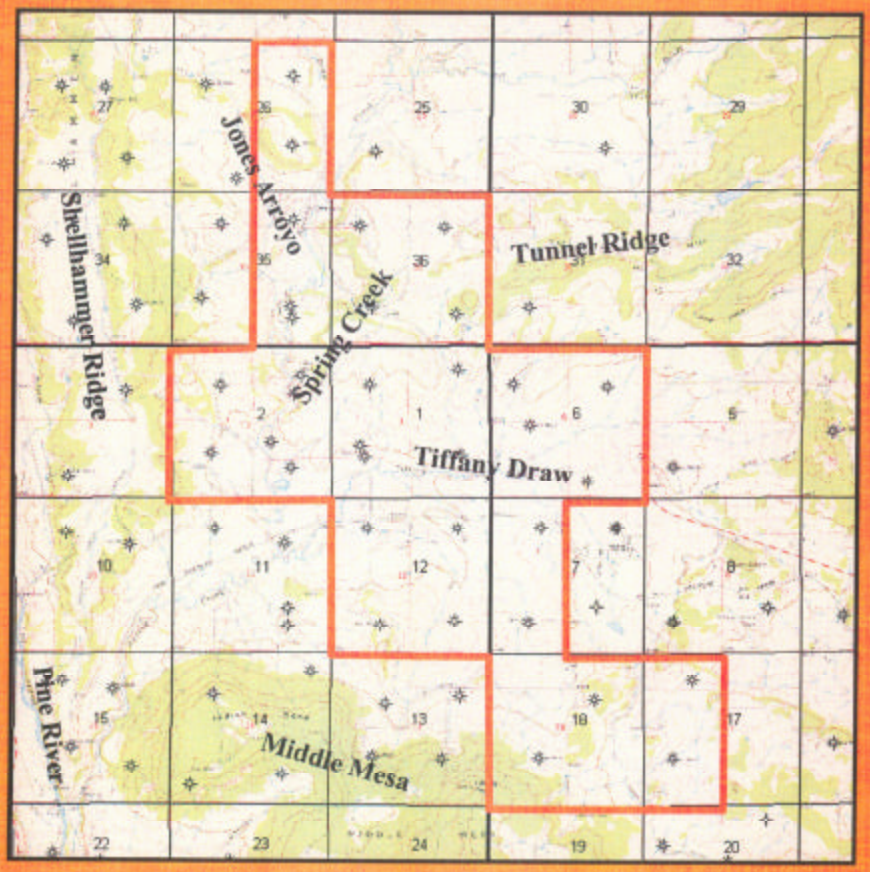
Fruitland Infill Area Topography



Geology 6

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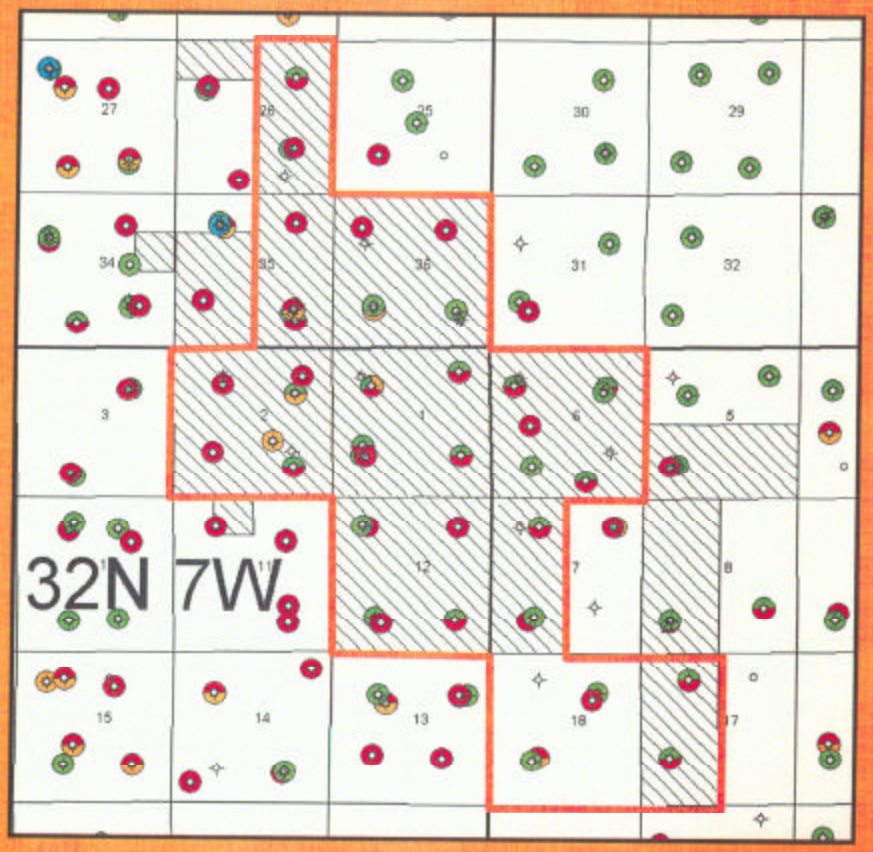
Existing Gas Wells



Key

- Fruitland
- Pictured Cliffs
- Mesaverde
- Dakota

Geology 7

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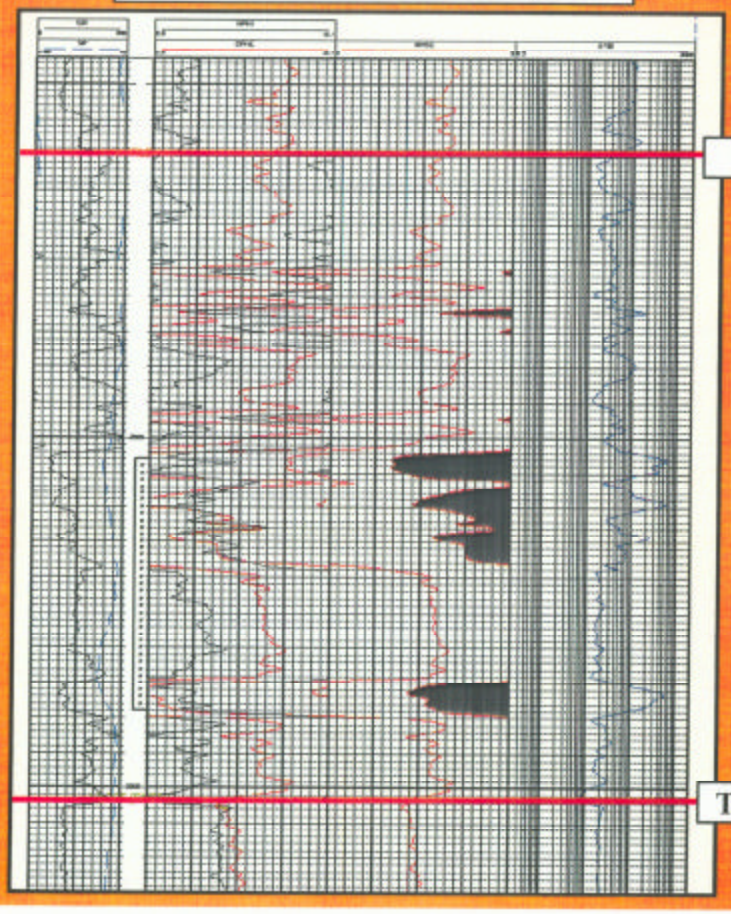
Fruitland Infill Area Location Map

Geology 8

XTO ENERGY

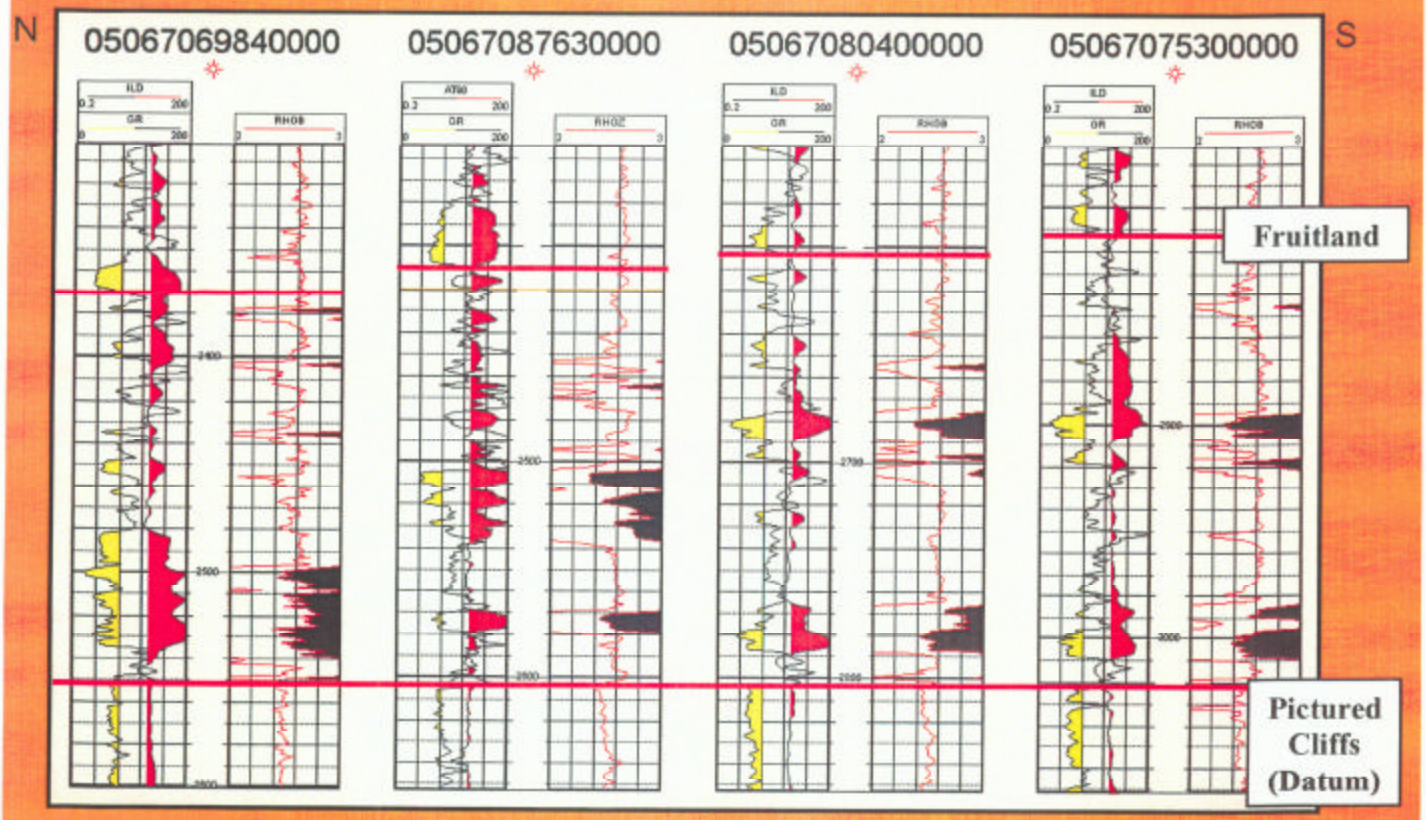
Fruitland Type Log
XTO Ute Government #100



Geology 9

XTO ENERGY

Fruitland Cross Section



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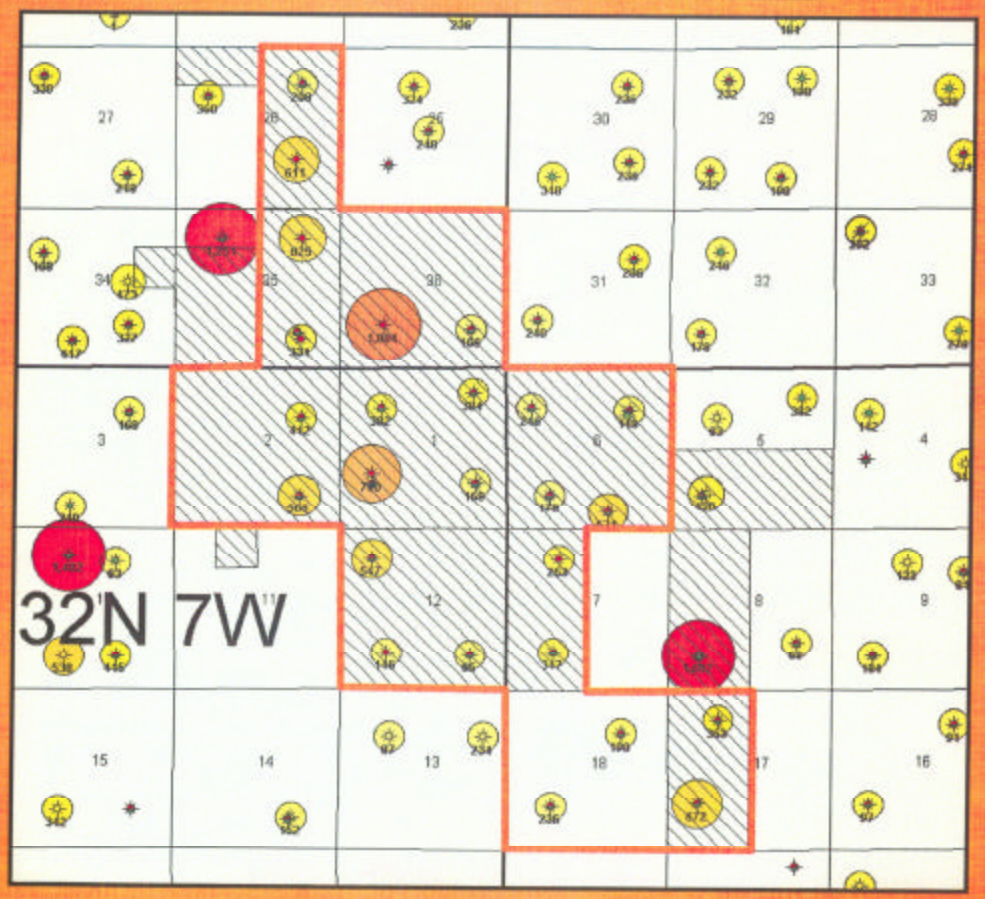
Fruitland Gas MCFD 2004 Bubbles



Geology 11

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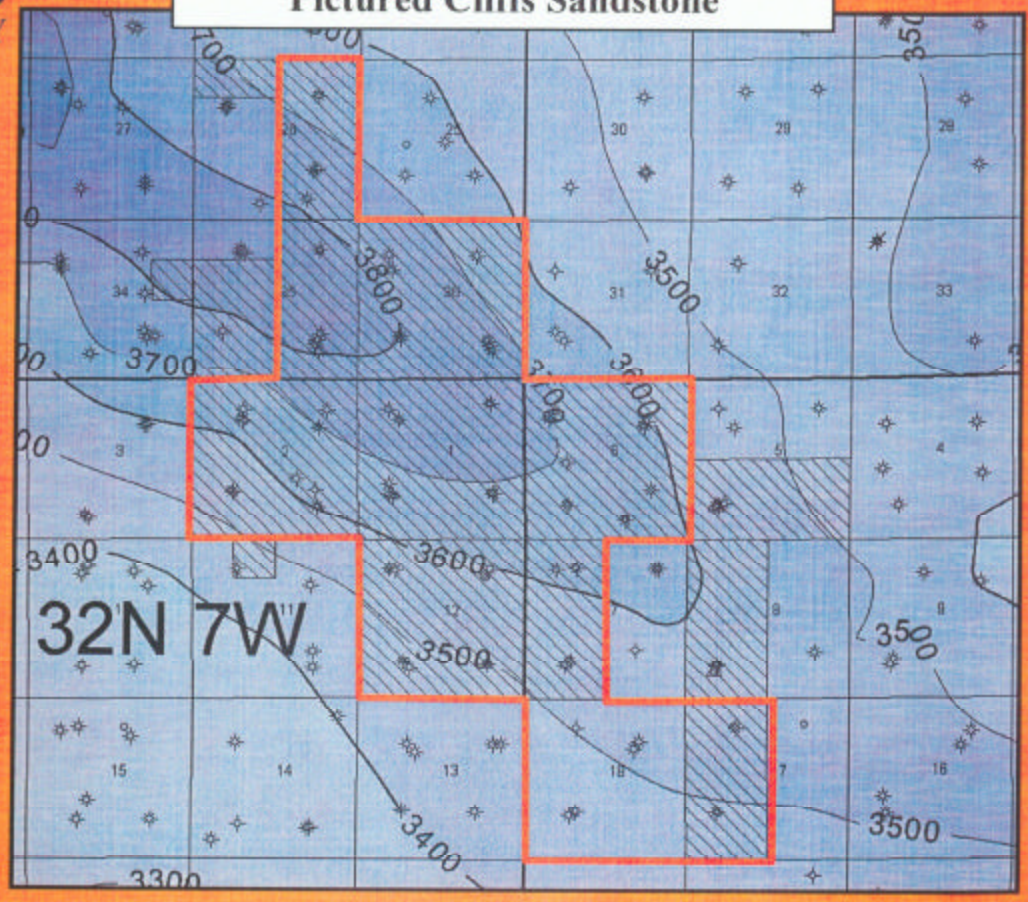
Geologic Structure Map Top Pictured Cliffs Sandstone



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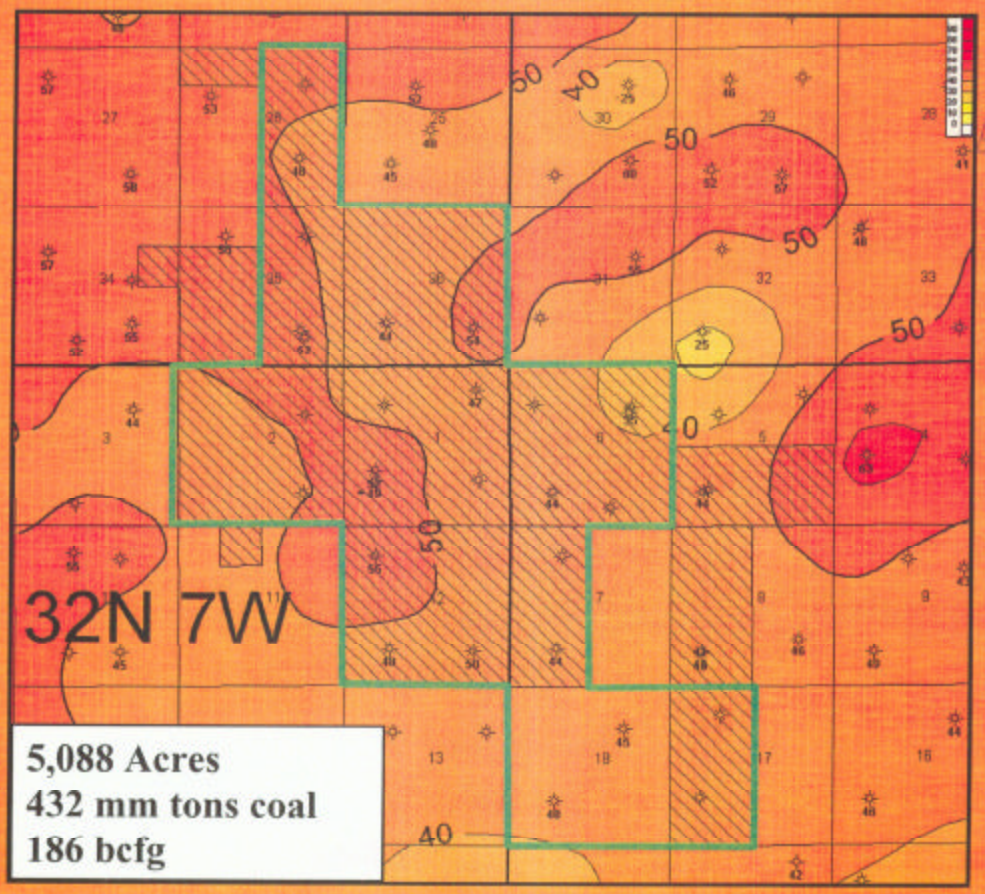
Fruitland Net Coal Isopach (2.0 g/cc)



5,088 Acres
432 mm tons coal
186 bcfg

Geology 13

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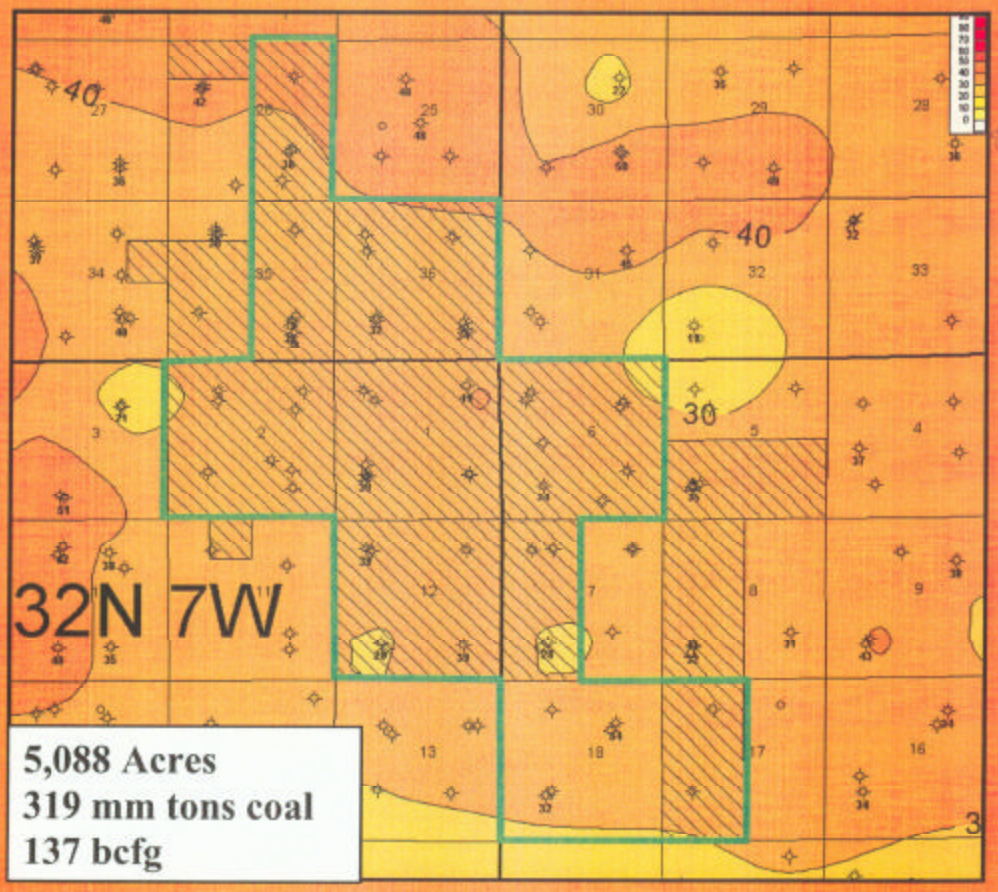
Fruitland Net Coal Isopach (1.75 g/cc)



5,088 Acres
319 mm tons coal
137 bcfg

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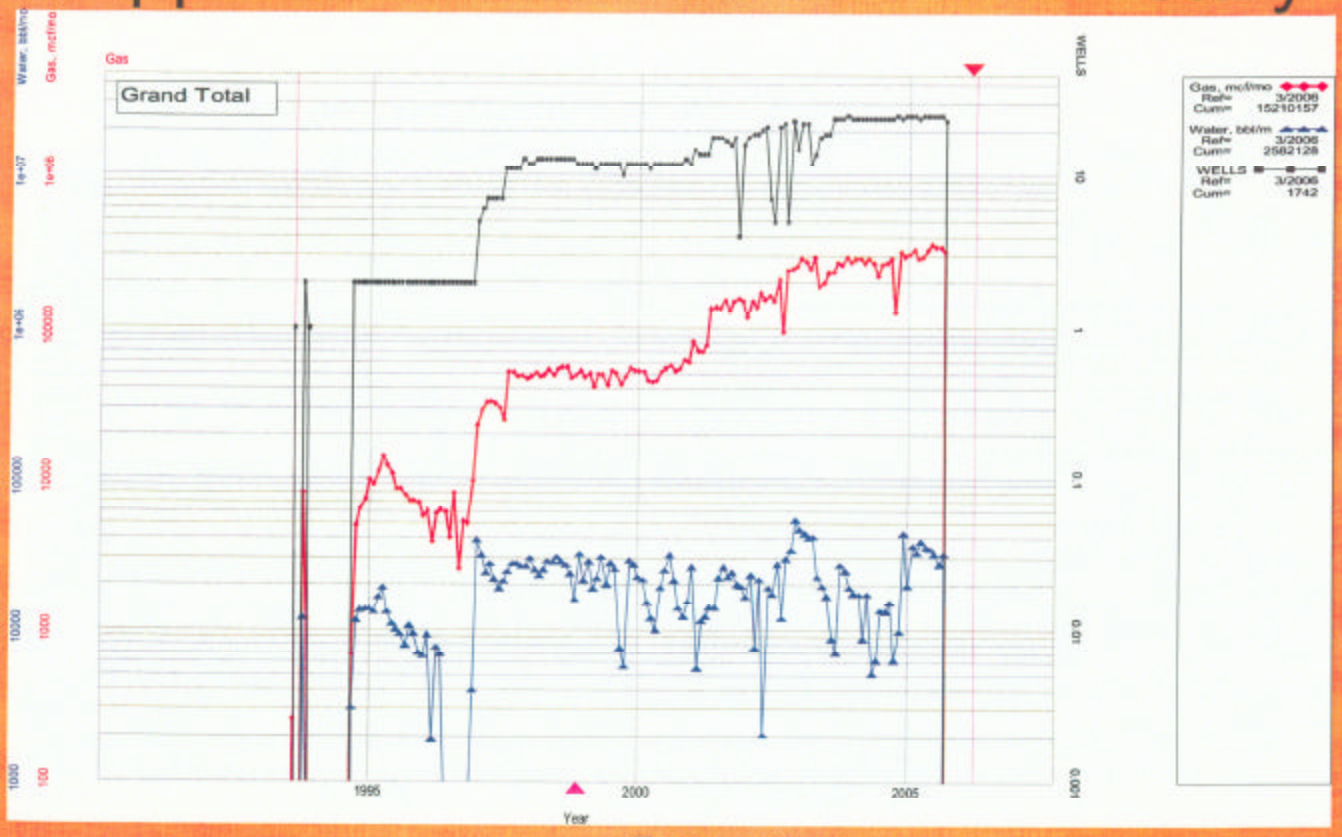
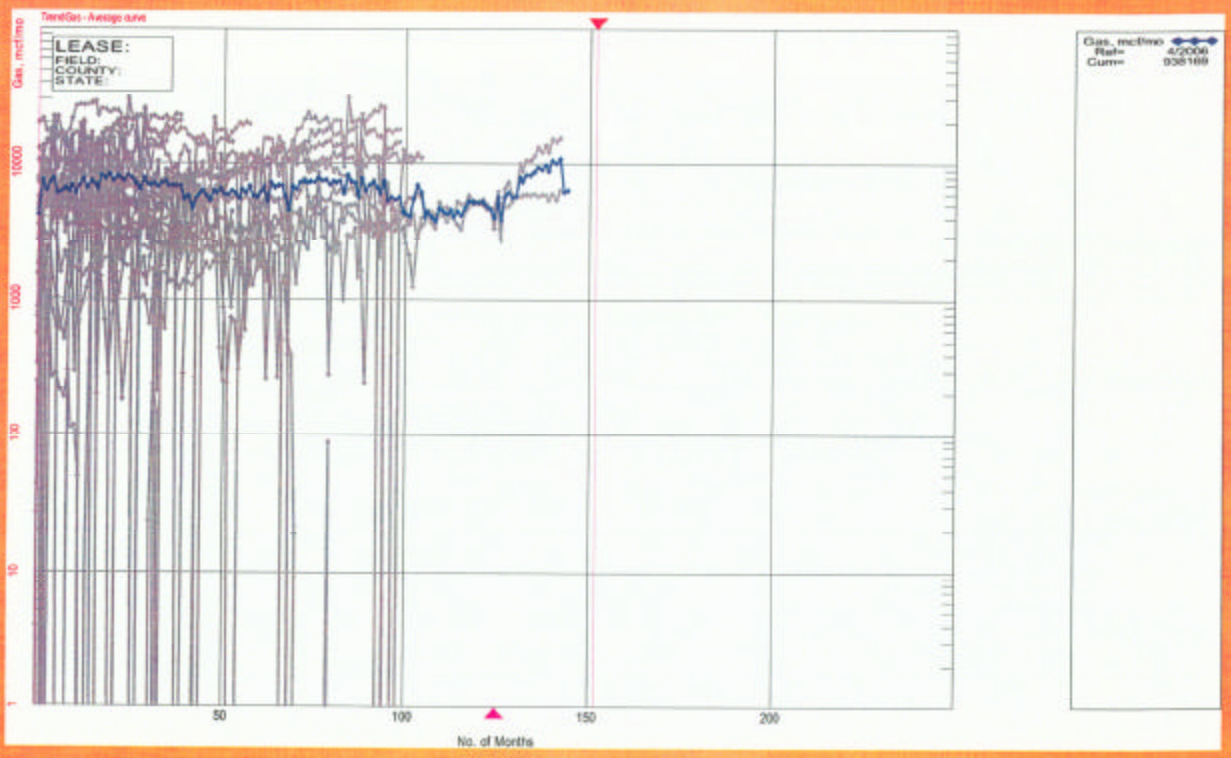
Geological Conclusions

1. **The Fruitland Coal is a common source of natural methane gas in the proposed infill area, and has been producing gas since 1993.**
2. **Cumulative production of 15.2 BCFG is estimated to be 11% of the original gas in place.**
3. **Additional wells and increased well density are required to adequately drain the gas resource in place .**

Application Area Production History



Production Performance Normalized to Time 0



Proposed 80 ac Infill Application Area Performance

- 28 Wells Drilled, 25 Producing
- Cumulative production as of 08/05: 15.2 BCF
- Total Area Volumetric OGIP: 137 BCF
- Drilled Volumetric OGIP: 131 BCF
- Decline Curve EUR estimate: 55.8 BCF
- Recovery Factor: 43% (55.8 BCF / 131 BCF)

Fruitland Coal Application Area EUR Comparison

			320 acre	160 acre	
Section	Township	Range	EUR (MMcf)	EUR (MMcf)	Comments
26	33N	7W	1875	3025	
35	33N	7W	1848	3215	
36	33N	7W	2127	3235	
1	32N	7W	1038	2288	
			4041	2265	
2	32N	7W	2498	3874	
12	32N	7W	2947		Not included in total or average calculation
			925	1126	
6	32N	6W	1128	1230	
			3027	664	
7	32N	6W	2220	1801	
17	32N	6W	3658	1915	
Total			**24385**	**24638**	
Average			**2217**	**2240**	

3M CBM Simulation Results

- Study by Questa Engineering for the BLM and Southern Ute Indian Tribe 12/2000
- Infill Application area falls within Area E in the model
- Area E Results from the model
  - 320 acre spacing recovery (to 2030): 11%
  - 160 acre spacing recovery (to 2030): 18%

Predicted Infill Performance

- Current recovery factor estimated to be 43%
- An abandonment pressure of 100 psi results in a recovery factor of 70%
- Total Recovery with 80 acre wells: 91.7 BCF
  - Drilled OGIP (131 BCF) x Rec Factor (70%)
- Additional Reserves Captured: 35.9 BCF
  - Total Recovery w/80 ac (91.7 BCF) – Decline Curve EUR (55.8 BCF)

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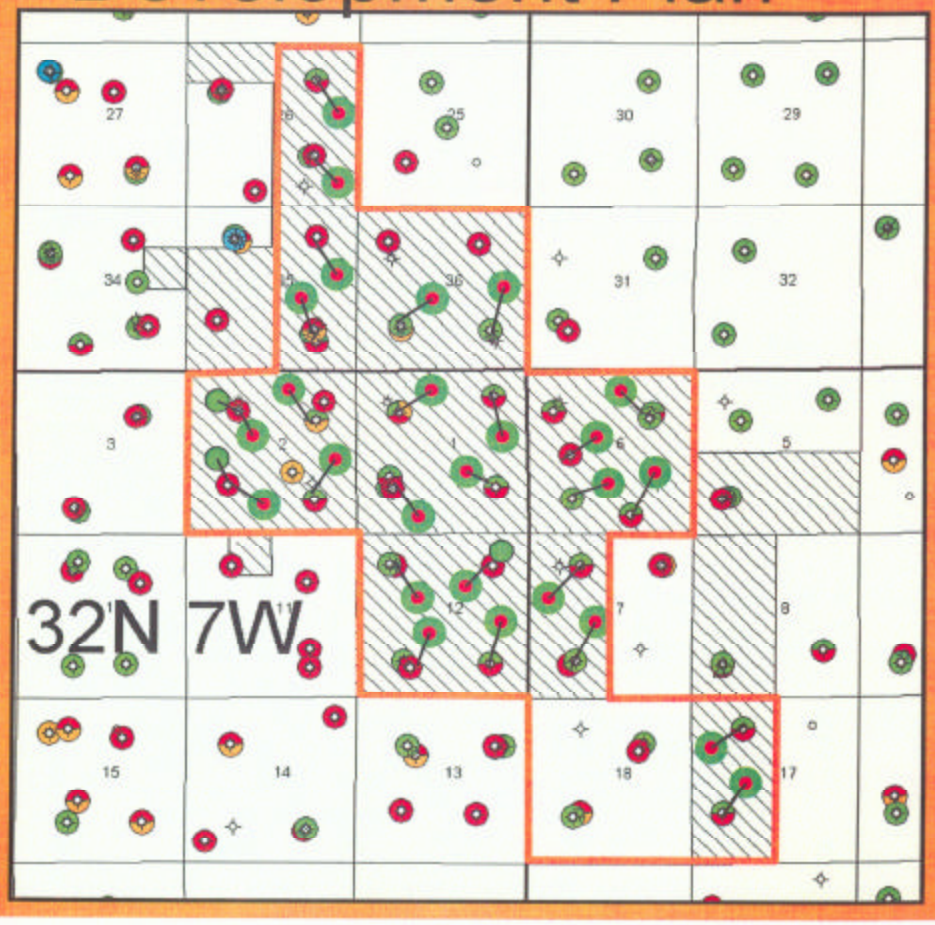
Development Plan



Key

- Fruitland
- Fruitland 80ac
- Pictured Cliffs
- Mesaverde
- Dakota

Engineering 7

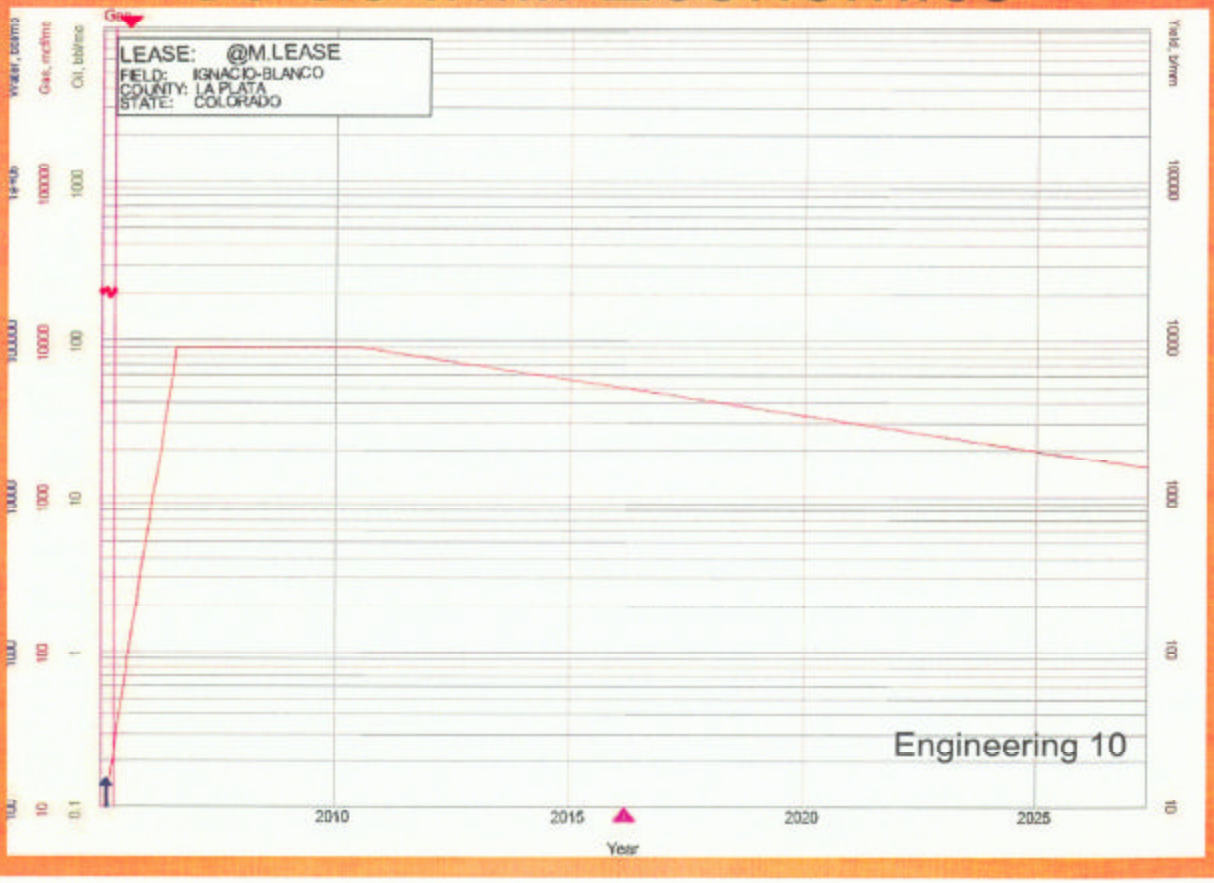
Development Plan

- 2006 Fruitland Coal Drilling Plan
  - Drill remaining 320 acre wells 1st quarter
  - Drill 13 out of 26 80 acre infills wells 3rd and 4th quarter
- 2007 Fruitland Coal Drilling Plan
  - Drill remaining 13 80 acre infills 1st and 2nd quarter

80 ac Infill Economics

- Drilling and Completion: $800k
- Operating Expenses: $2500 per month
- Royalty: 15%
- Estimated EUR: 1.4 BCF
- Natural Gas Price: $5.60 per Mcf
- Results
  - PVP@10%: $1,523k
  - ROR: 68%
  - Payout: 2.68 years

80 ac Infill Economics



Summary

- Current wells will not be able to efficiently drain the Fruitland Coal reservoir
- No interference is observed between the existing 320 acre and 160 acre wells
- An additional 35.9 BCF of reserves will be captured with the 80 ac infills
- The existing Fruitland Coal setbacks need to be reduced to 660' to efficiently develop the acreage