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Houston, TX 77079-3092

Phone: 281-366-2000

March 21, 2007

Mr. Brian Macke, Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln St., Suite 801
Denver, CO 80203

Dear Brian:

COGCC Order No. 112-156, Fruitland Coal Infill Well Pressure Data Requirement

Well – NEIL GAS UNIT 34-13 NO. 4
API No. 05-067-09100-00
Location – 34N 08W 13 SW-SUL, La Plata County
Date of First Delivery – 5/2/06

Initial Pressure Information

Pressure – 812 PSIA @ 0' KB (Deviated Well; Driller's Depth – 2,916' KB)
Date Measured – 5/2/06
Shut-in Time – 4.5 Days
Method – Read surface casing pressure gauge, measured fluid level, corrected to true vertical depth of ~2,500' KB

Two – Three Month Pressure Information

No test obtained due to poor well performance (low gas rate relative to water rate)

Subsequent Pressure Test Information

Pressure – 808 PSIA @ 0' KB (Deviated Well; Driller's Depth – 2,916' KB)
Date Measured – 3/1/07
Shut-in Time – 15 Days
Cumulative Recovery @ Shut-in – 38 MMCF
Method – Read surface casing pressure gauge, measured fluid level, corrected to true vertical depth of ~2,500' KB

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I've attached analysis information regarding each of the above tests.

Also attached, you will find some performance data plots. On the first graph, note the degradation in gas rate (shown in red) shortly after the well was returned to production (RTP) following the 15-day pressure build-up test. Generally, we see the "flush production" spike that is evident here immediately after RTP on most of the wells we test. However, this higher rate is usually maintained for a considerably longer period of time. It is very unusual to see the rate drop precipitously below the stabilized rate prior to shut-in. I mentioned in my informal note to you of 2/23/07 that this well had a conventional insert pump and we were more confident in being able to obtain this test successfully than in the deviated wells with the more commonly installed progressive cavity (PC) pumps because of the torque issue I mentioned to you in my note. This is a good example of the risks in testing the 80-acre infill, highly deviated wells – even for one which had a better chance for success than most.

I should also note there was some confusion regarding the reported pressure for the second test reported here. I was monitoring our Automation system for the entire 15-day period it was shut-in. I had the fluid level shot and the well returned to production after the casing pressure, as reported by the Automation system, reached 959 PSIG. I converted that to a BHP value of 1,029 PSIA. I chose to report the lower pressure (808 PSIA) for several reasons:

1.) It agreed closely with the initial test pressure of 812 PSIA. This probably makes sense, because the well had accumulated only 38 MMCF when it was shut in for the second test.
2.) The straight-hole,160-acre infill well Neil 33-34 No. 2 on the same quarter section tested 900 PSIA at bottom hole after 35 days of shut-in and with no fluid level above the formation. The pressure bomb was run to 2,426' KB.

I wanted to expound a bit in this letter to again underscore the difficulty we experience in obtaining pressure information on our deviated wells. It also highlights the potential for incurring waste in instances where we cannot recover timely our pre-test production rate. Additionally, however, this example demonstrates a clear need for the second well on this quarter section given the very little, if any, true reservoir pressure depletion between the No. 4 well and the (2005 completion) No. 2 well.

Yours very truly,

Roger Gierhart
San Juan North Asset

cc: Well File

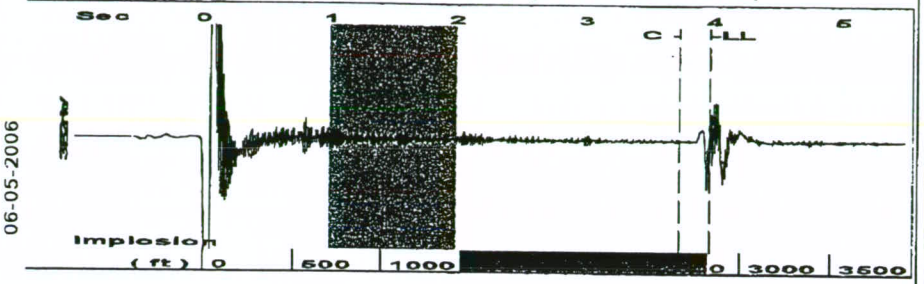
Initial Infill Well Pressure with Sonic Fluid Level

Data	Input	
Well	**NEIL GAS UNIT 34-13 NO. 4**	
API Number	**05067091000000**	
Date and time of Sonolog shot	05/02/2006 12:41:02 PM	
SI Casing Pressure, PSIG	724	
Gas / Liquid Interface Pressure, PSIG	768	
Liquid Level, ft	2,831	(Driller's Depth)
Pump Intake Depth, ft	2,916	(Driller's Depth)
Equivalent Gas Free Liquid HT, TVD	73	
Calculations		
Bottomhole Pressure, PSIG	800	
Bottomhole Pressure, PSIA	**812**	
Reference Depth, Ft	2,916	(Driller's Depth)

5/5

06-05-2006 07:34:50 a.m.

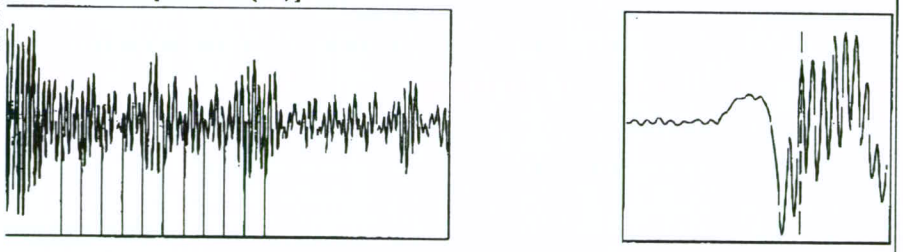
Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 05/02/06 12:41:02)



Filter Type High Pass
Manual Acoustic Velo 1408.89 ft/s
Automatic Collar Count Yes
Manual JTS/sec 22.2222

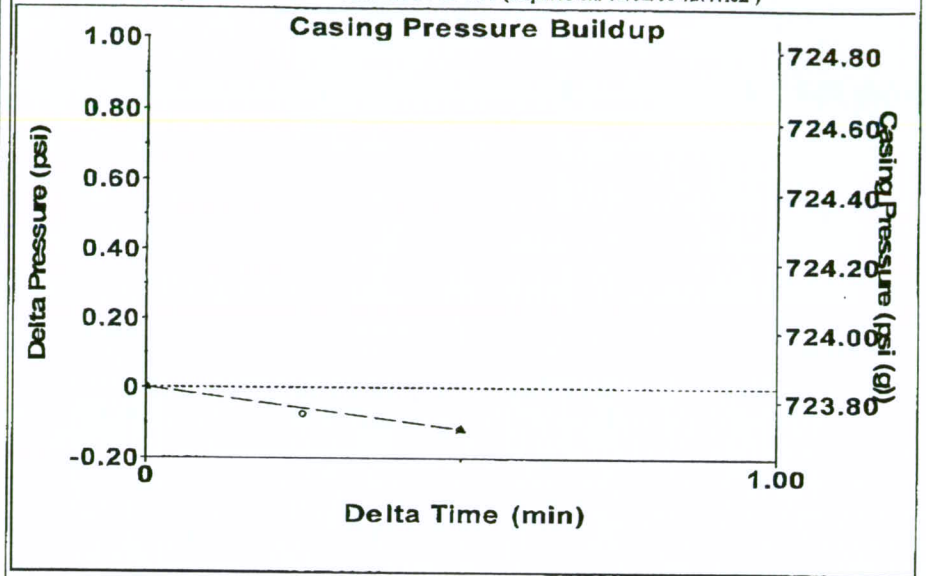
Time 3.97 sec
Joints 89.2907 Jts
Depth 2830.51 ft

[1.0 to 2.0 (Sec)]



Analysis Method: Automatic

Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 05/02/06 12:41:02)



Change in Pressure -0.12 psi
Change in Time 0.50 min

PT 7134
Range 0 - ? psi

Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 05/02/06 12:41:02)

Production

	Current	Potential	
Oil	-*-	-*-	BBL/D
Water	-*-	-*-	BBL/D
Gas	-*-	-*-	Mscf/D

IPR Method Vogel
PBHP/SBHP -*-
Production Efficiency 0.0

Oil 40 deg.API
Water 1.05 Sp.Gr.H2O
Gas 0.57 Sp.Gr.AIR

Acoustic Velocity 1425.95 ft/s

Casing Pressure
723.8 psi (g)
Casing Pressure Buildup
-0.1 psi
0.50 min
Gas/Liquid Interface Pressure
768.3 psi (g)

Liquid Level
2830.51 ft

Formation Depth
2963.00 ft

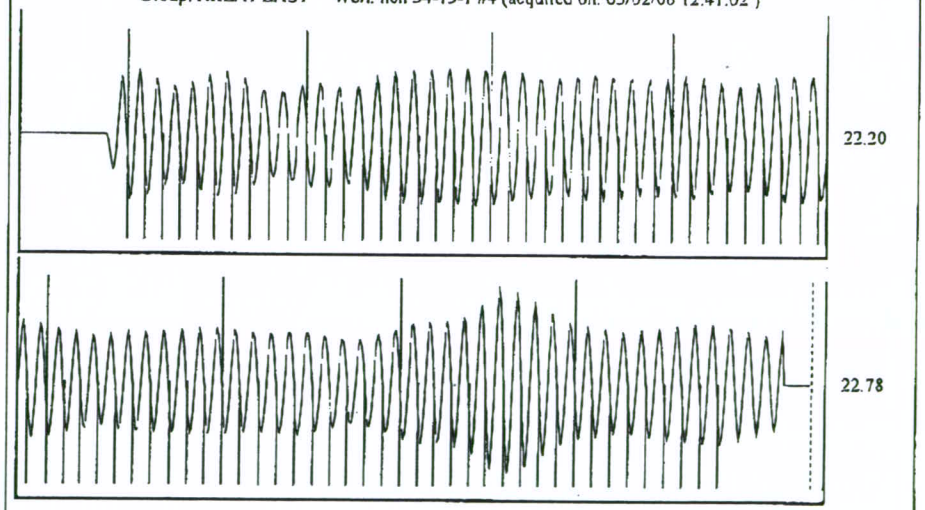
Producing

Annular Gas Flow
0 Mscf/D
%% Liquid
100 %

Pump Intake Depth 2916.00 ft
Total Gaseous Liquid Column HT (TVD) 73 ft
Equivalent Gas Free Liquid HT (TVD) 73 ft

Pump Intake Pressure
791.7 psi (g)
Producing BHP
813.1 psi (g)
Static BHP
-*- psi (g)

Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 05/02/06 12:41:02)



Acoustic Velocity	1425.95	ft/s	Joints counted	78	
Joints Per Second	22.4913	jts/sec	Joints to liquid level	89.2907	
Depth to liquid level	2830.51	ft	Filter Width	20.2222	24.2222
Automatic Collar Count	Yes		Time to 1st Collar	0.268	3.736

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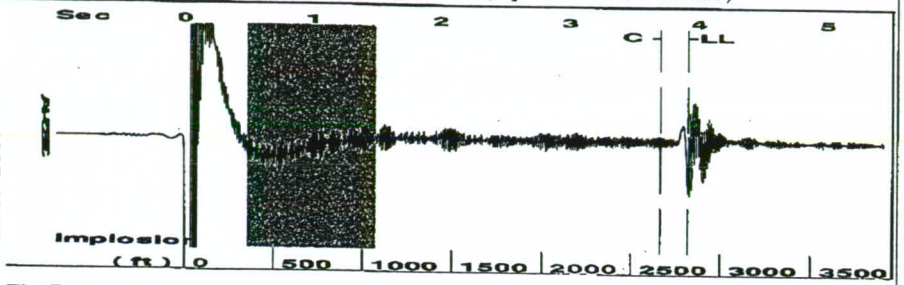
Subsequent Infill Well Pressure with Sonic Fluid Level

Data	Input		
Well	**NEIL GAS UNIT 34-13 4**		
API Number	**05067091000000**		
Date and time of Sonolog shot	03/01/2007 12:34:21 PM		
SI Casing Pressure, PSIG	717		
Gas / Liquid Interface Pressure, PSIG	758		
Liquid Level, ft	2,819	(Driller's Depth)	
Pump Intake Depth, ft	2,916	(Driller's Depth)	
Equivalent Gas Free Liquid HT, TVD	87		
Calculations			
Bottomhole Pressure, PSIG	796		
Bottomhole Pressure, PSIA	**808**		
Reference Depth, Ft	2,916	(Driller's Depth)	

2/2

03-07-2007 05:07:58 a.m.

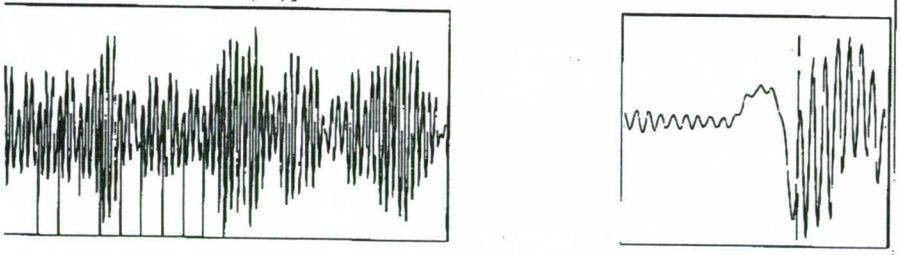
Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 03/01/07 12:34:21)



Filter Type High Pass
Manual Acoustic Veloc 1378.26 ft/s
Automatic Collar Count Yes
Manual JTS/sec 21.7391

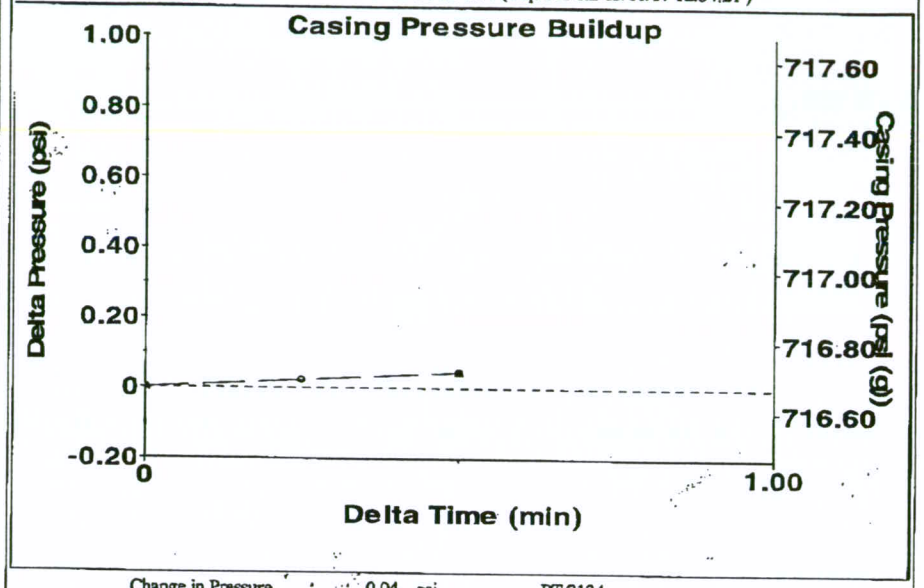
Time 3.926 sec
Joints 88.9164 Jts
Depth 2818.65 ft

[0.5 to 1.5 (Sec)]



Analysis Method: Automatic

Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 03/01/07 12:34:21)



Change in Pressure 0.04 psi
Change in Time 0.50 min

PT 7134
Range 0 - ? psi

Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 03/01/07 12:34:21)

Production

	Current	Potential	
Oil	- * -	- * -	BBL/D
Water	- * -	- * -	BBL/D
Gas	- * -	- * -	Mscf/D

IPR Method Vogel
PBHP/SBHP - * -
Production Efficiency 0.0

Oil 40 deg.API
Water 1.05 Sp.Gr.H2O
Gas 0.55 Sp.Gr.AIR

Acoustic Velocity 1435.89 ft/s

Casing Pressure
716.7 psi (g)
Casing Pressure Buildup
0.0 psi
0.50 min
Gas/Liquid Interface Pressure
758.4 psi (g)

Liquid Level Depth
2818.65 ft

Tubing Intake Depth
2916.00 ft
Formation Depth
2963.00 ft

Producing

Casing
% Liquid
90 %

Liquid Stream
Below Tubing
Oil 0 %
Water 100 %

Liquid Below Tubing
92 %

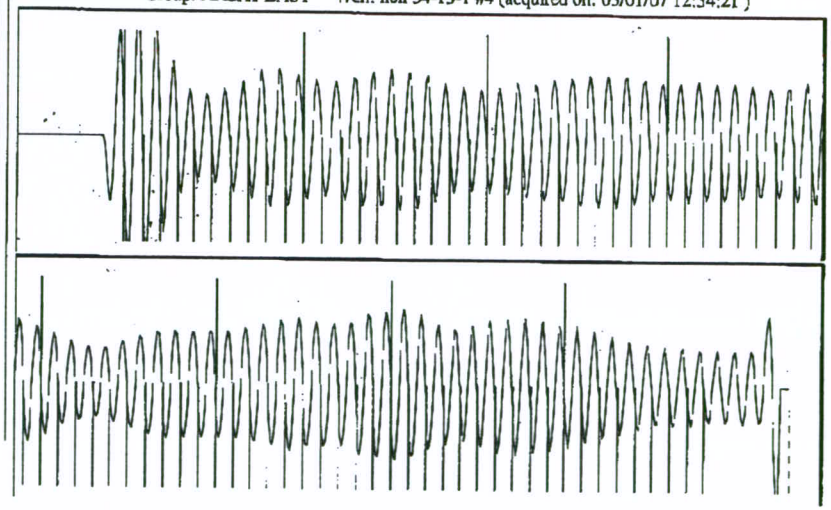
Tubing Intake
786.3 psi (g)
Producing BHP
806.0 psi (g)
Static BHP
- * - psi (g)

Line 1

Formation Submergence
Total Gaseous Liquid Column HT (TVD) 97 ft
Equivalent Gas Free Liquid HT (TVD) 87 ft

Acoustic Test

Group: AREA1 EAST Well: neil 34-13-1 #4 (acquired on: 03/01/07 12:34:21)

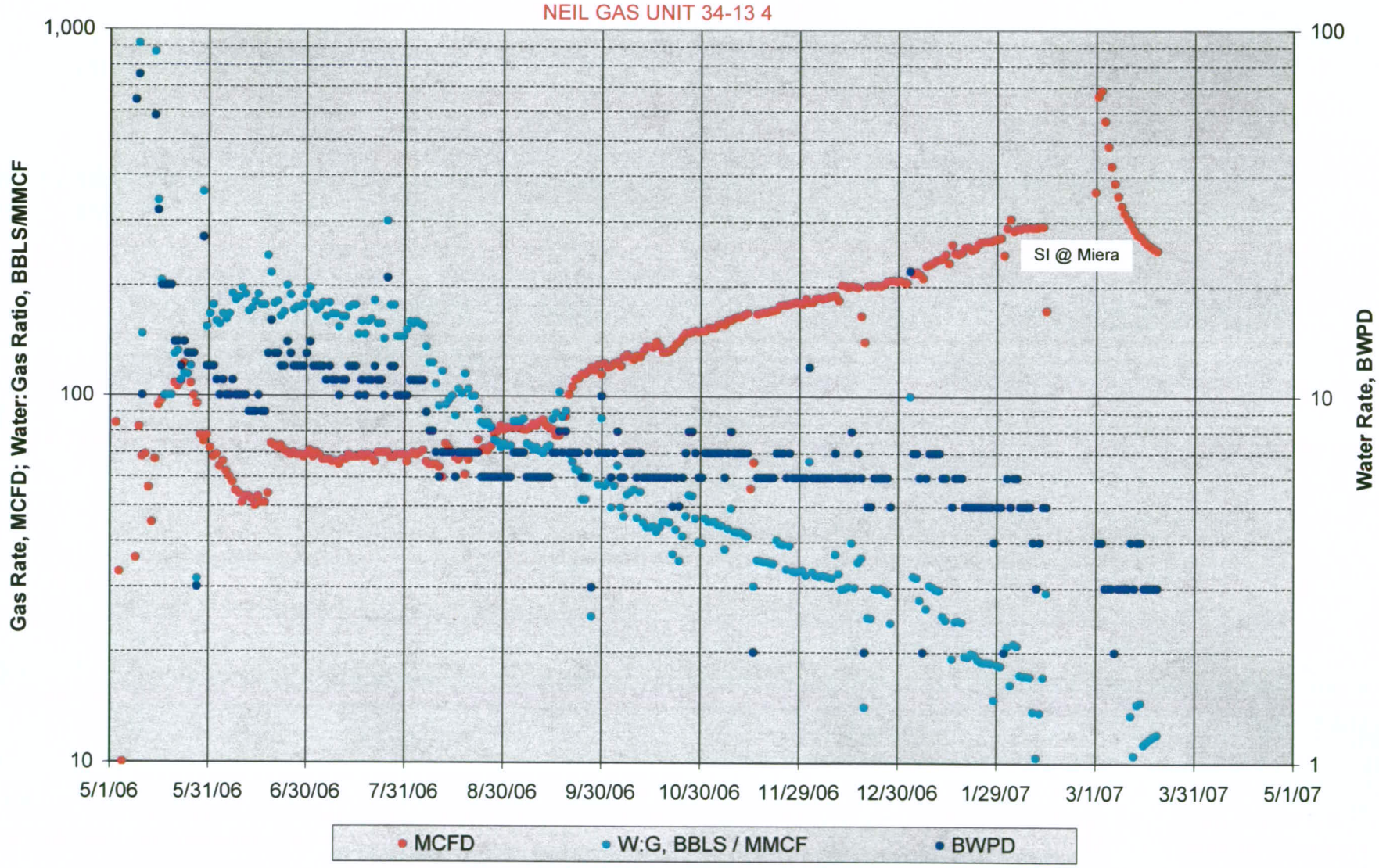


Acoustic Velocity	1435.89	ft/s	Joints counted	78	
Joints Per Second	22.6481	jts/sec	Joints to liquid level	88.9164	
Depth to liquid level	2818.65	ft	Filter Width	19.7391	23.7391
Automatic Collar Count	Yes		Time to 1st Collar	0.268	3.712

375 7531

Cum Gas @ 3/20/07, MMCF = **45**

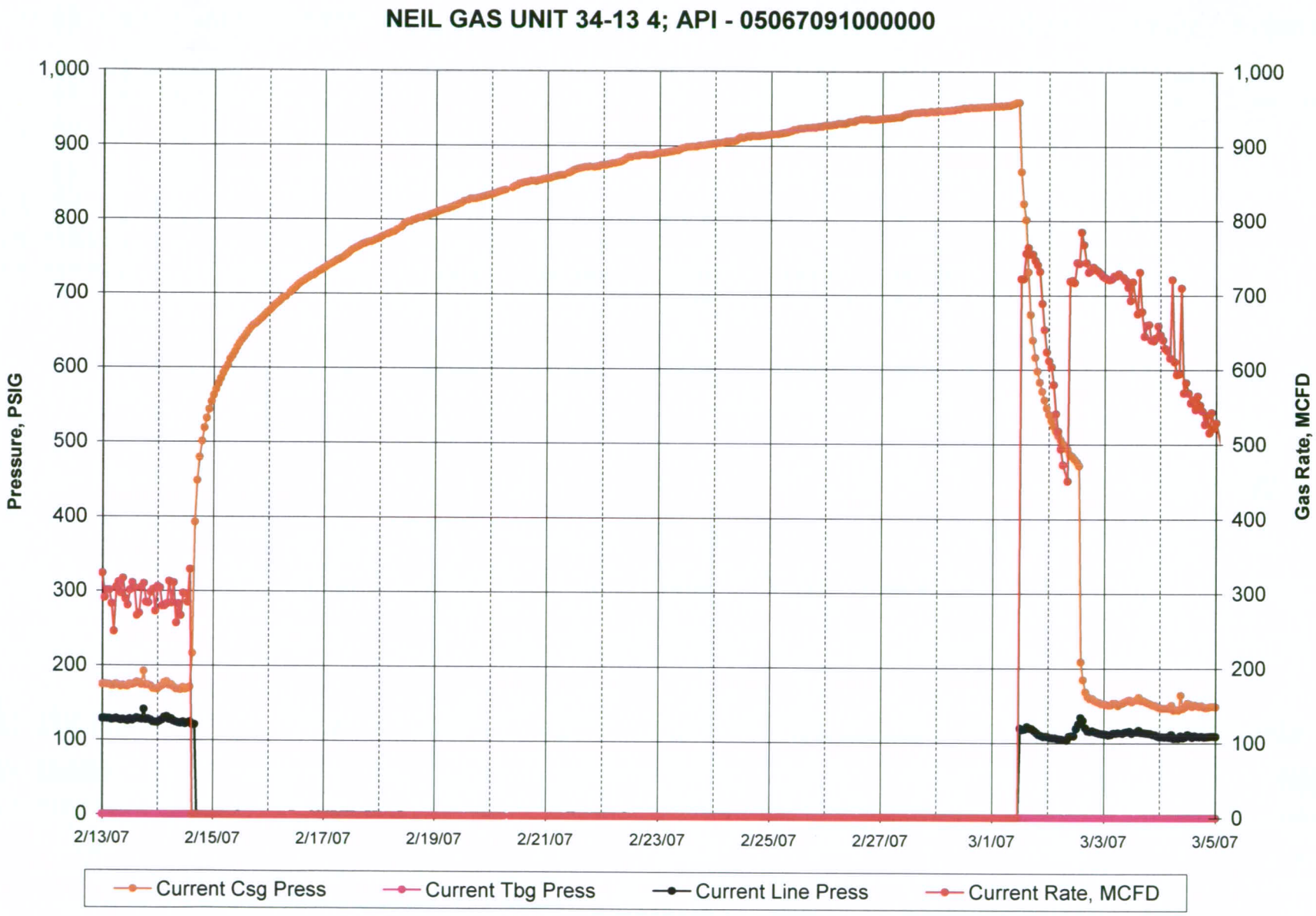
Well Performance



Bottomhole Pressure Calculation from Automation Casing Pressure Build-up Assuming no Fluid Above the Formation

Effective Date	Dry BTU	Specific Gravity	N2 Mole Percent	CO2 Mole Percent	C1 Mole Percent	C2 Mole Percent	C3 Mole Percent	IC4 Mole Percent	NC4 Mole Percent	IC5 Mole Percent	C6 Mole Percent
8/19/06	988.79	0.581	0.040	2.636	97.163	0.143	0.009	0.003	0.002	0.000	0.004
9/8/06	988.16	0.582	0.049	2.687	97.106	0.142	0.007	0.002	0.002	0.000	0.005
3/12/07	988.59	0.585	0.040	2.866	96.875	0.132	0.004	0.000	0.000	0.076	0.007
Average	988.51	0.583	0.043	2.730	97.048	0.139	0.007	0.002	0.001	0.025	0.005

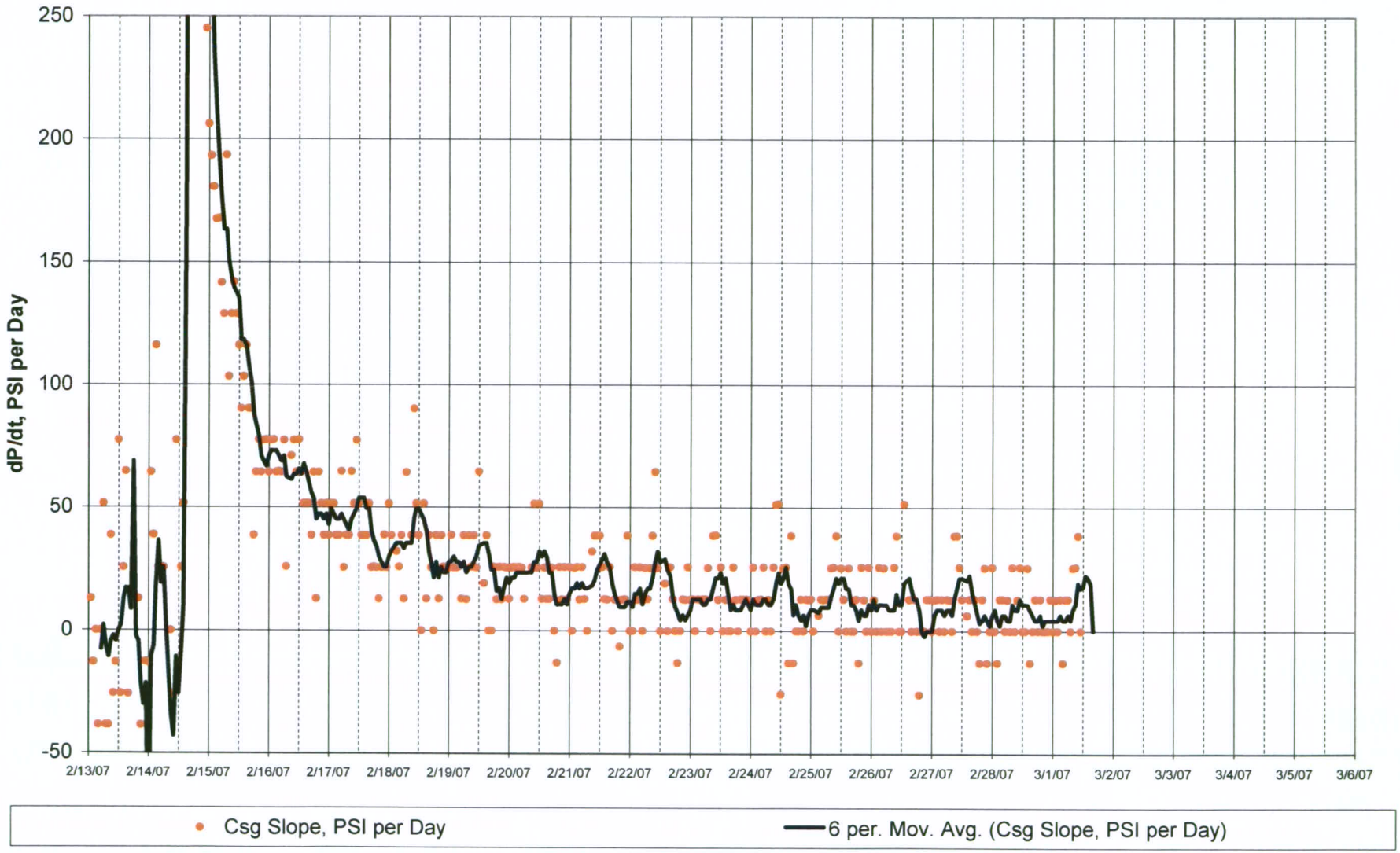
calculated BOTTOMHOLE PRESSURE PSIA	RATE MMSCFD	WELLHEAD PRESSURE PSIA	reservoir temperature F	gas gravity	tubing dia inches	tubing length feet (TVD)	wellhead temperature F	co2 mole fraction	h2s mole fraction	n2 mole fraction
1,029	0.01	970	115	0.583	1.995	2,500	60	0.0273	0	0.00043



Graph
NEIL GAS UNIT 34-13 4; API - 05067091000000.xls 3/21/2007 7:51 AM

Change in Pressure with Respect to Time

NEIL GAS UNIT 34-13 4; API - 05067091000000



NEIL GAS UNIT 34-13 4; API - 05067091000000

Maximum Pressure PSIG	SI	RTP	Days SI
959	2/14/07 2:00 PM	3/1/07 11:00 AM	14.9
	Cumulative Recovery at SI, MMCF =		38