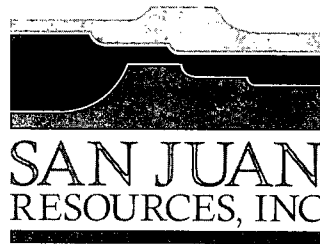


RECEIVED
2008 OCT 9 AM 8 27



Brooks

October 3, 2008

State of New Mexico
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: **Blancett Ranch 24 Well No. 1**
2435' FNL, 450' FEL, Unit H,
Section 24: T30N, R12W,
San Juan County, New Mexico
Case No. 14156, Force Pooling Order R-12987

Ladies and Gentlemen:

Enclosed please find the letter we sent to the "Pooled Working Interest" owners in the above-captioned well. This pertains to Case No. 14156, Force Pooling Order R-12987. The address list is attached indicating all the interest owners to which the letters were mailed. We sent all letters certified, return receipt. Unleased mineral owners were sent the same letter. We included a copy of the order in each mailing. (Order copy is not included in this letter)

I have attached a copy of the AFE we included in the mailing to each pooled working interest owner and each mineral owner.

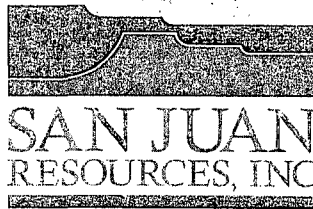
This requirement is satisfied per your stipulations of the order.

Very Truly Yours,
SAN JUAN RESOURCES, INC.

Jerry McHugh, Jr.
President

Enclosures as indicated

cc: Kellahin & Kellahin



October 3, 2008

POOLED WORKING INTEREST OWNERS
SEE ATTACHED ADDRESS LIST

RE: **Blancett Ranch 24 Well No. 1**
2435' FNL, 450' FEL, Unit H,
Section 24: T30N, R12W,
San Juan County, New Mexico
Case No. 14156, Force Pooling Order R-12987

Dear Pooled Working Interest Owner:

San Juan Resources, Inc. hereby proposes to drill and complete the captioned well as a 320 acre Mesaverde/Dakota well. The total cost of the Proposal is estimated to be \$1,631,751 and is further described in the attached Authority for Expenditure (AFE). Also enclosed is a copy of the order from the State of New Mexico Oil Conservation Division. Per Order number R-12987, we are offering you the choice of prepaying your share to participate in the drilling and completion of the well.

Per Order number R-12987, please evidence your election whether or not to participate in the costs of the Proposal by marking the corresponding space below. If you do wish to participate, sign in the appropriate spot, return this letter, *and include certified funds or a cashier's check in the full amount of your interest payable to San Juan Resources, Inc.*

The language per Order number R-12987, (Page 3, ¶ 9) is restated here: "Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of the estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated wells costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated wells costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners." Keep in mind that the 30 day clock stops running at the conclusion of the 30 day period. If we do not hear from you we will consider you a non-consent working interest owner.

Thank you for your attention to this proposal.

Very Truly Yours,
SAN JUAN RESOURCES, INC.

Jerry McHugh, Jr.
PRESIDENT

_____ We elect **TO** participate in the costs of the above-described Proposal (A cashier's check or certified funds are enclosed).

_____ We elect **NOT TO** participate in the costs of the above-described Proposal

XTO Energy Inc.
Attn: Chris Spencer
810 Houston Street
Fort Worth, TX 76102

Western Distributing
P.O. Box 5542 TA
Denver, CO 80217

Union Pacific Railroad
C/O Farmer's National
403 S. Cheyenne Avenue Suite 800
Tulsa, OK 74103
Attn: Terry Young

Georgia Lee Kelton aka Georgia Lee Bright
5500 Old Clarksville Road
Reno, TX 75462

L.G. Krieger Marital Trust
Bank of the West, Trustee
3800 Arapahoe Avenue
Boulder, CO 80303

Malcolm C. Todd
3950 27th Road N.
Arlington, VA 22207

Williams G. Drosten, Jr. TR
Uwo Alma F. Griesedieck,
C/O Trust Dept,
The Boatman's National Bank
Nka Boatmen's Trust Company
P.O. Box 14633
510 Locust Street
St. Louis, MO 63178

Robert F. Travis
4195 Lakeside Drive
Jacksonville, FL 32210

Gladys Murphy

No last known address of record

Ellen Berend
9969 Hilgard Ave
Los Angeles, CA 90095

Drilling and Completion Cost Estimate

San Juan Resources, Inc.
AUTHORITY FOR EXPENDITURE

Location : Blancett Ranch 24 #1 well, Section 24: E/2, 30N, 12W, San Juan Co, NM

Proposed Depth : 6750'

Objective : Mesaverde and Dakota,

	Tangible	Intangible	Total
I. Drilling Costs(Include Running Casing)			
Survey and Permits		5,000	5,000
Drilling Title Opinion/Ownership Report/Curative Costs		10,000	10,000
Surface Damages, legal and logistics on surface owner		25,000	25,000
Dirt Work		25,000	25,000
Pit Liner and Fence		4,600	4,600
Drilling Daywork at \$14800/day @ 12 days + misc rig chgs		220,000	220,000
Drilling fuel		15,000	15,000
Rig Rentals (toliets/trash/forklift)		10,000	10,000
Drill Bits		12,000	12,000
Air Hammer		20,000	20,000
Mud Motor		15,000	15,000
Rig Mob and Demob		20,000	20,000
Water and Water Hauling		15,000	15,000
Drilling Mud, Air Pkg , and Nitrogen		20,000	20,000
Surface Casing (320' of 9-5/8" @ 44.33 \$/ft.)	15,200		15,200
Casing Crew		2,000	2,000
Casing Head	2,900		2,900
Cement Surface		14,000	14,000
Air Package (Completion)		20,000	20,000
Logs		20,000	20,000
Mud Logger		10,000	10,000
Intermediate Casing (4300' of 7" 23# J-55 @ 28.28 \$/ft.)	133,000	0	133,000
Casing Head	4,000		4,000
Casing Crew		5,000	5,000
Cement Intermediate		25,000	25,000
Miscellaneous		10,000	10,000
Trucking		8,750	8,750
Engineering/Supervision		11,000	11,000
Overhead		2,260	2,260
Total Drilling Cost	155,100	544,610	699,710
10% Contingency	15,510	54,461	69,971
Grand Total Drilling Costs	170,610	599,071	769,681

II. Completion Costs (as needed).

Production Casing (5750' of 4-1/2" J-55 @ \$14.27/ft + 1000' 4-1/2" N-80 @ \$16.10/ft)	105,023		105,023
Cement Production Casing		20,000	20,000
Casing Crew		4,000	4,000
Tubing Head and Tree	8,000		8,000
Tubing (6750' of 2-3/8" @ 6.55 \$/ft.)	40,000		40,000
Perf		18,000	18,000
Stimulation 3 stage frac		177,000	177,000
Tool Rental (Frac Valve)		15,000	15,000
Frac Tank Rental & Hauling		20,000	20,000
Completion Fluids & Heating		8,500	8,500
Completion Rig (12 days at \$4000/day)		48,000	48,000
Separator	20,000		20,000
Flowlines and Install	3,000	9,250	12,250
Tank and Fittings	12,000		12,000
Air Package	0	50,000	50,000
Trucking		40,000	40,000
Disposal Costs		120,000	120,000
Pipeline/gathering facility	10,000	10,000	20,000
Restore Location		25,000	25,000
Misc Equipment	3,257		3,257
Engineering/Supervision		16,000	16,000
Overhead		1,670	1,670

Completion Costs	201,280	582,420	783,700
10% Contingency	20,128	58,242	78,370
Total Completion Costs	221,408	640,662	862,070
Grand Total Well Costs	392,018	1,239,733	1,631,751

Updated By: Dean Collins

Date: July 10, 2008

Working Interest Owner 100.00000%

Copy to NMOCD \$1,631,751.19

ESTIMATED COSTS ONLY--Each participating
Owner to pay Proportionate Share of Actual
Well Costs Subject to Operating Agreement

By: _____
Title: _____