

SAN JUAN RESOURCES, INC.**JERRY McHUGH, Jr.**

December 12, 2003

POOLED WORKING INTEREST OWNERS
SEE ATTACHED ADDRESS LIST

RE: **Kaempff #1E**
1490' FSL, 1133' FEL, Unit I,
Section 19: T30N, R11W,
San Juan County, New Mexico
Case No. 13178, Force Pooling Order R-11762-A



Dear Pooled Working Interest Owner:

San Juan Resources of Colorado, Inc. hereby proposes to drill and complete the captioned well as a 327.7 acre Mesaverde/Dakota well. The total cost of the Proposal is estimated to be \$653,450 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-11762-A, we are offering you the choice of prepaying your share to participate in the drilling and completion of the well.

Per Order number R-11762-A, 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.* Since your share is only for Mesaverde formation, we have included a copy of the estimated cost allocations per your interest in the subject well.

The language per Order number R-11762-A, (Page 4, ¶ 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. FRANK KING

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

1499 Blake Street, #7K
Denver, CO 80202 U.S.A.

Tel: 303.573.6333
Fax: 303.573.6444

email: jmhugh@sanjuanbasin.com

SAN JUAN RESOURCES, INC.

**AUTHORITY FOR EXPENDITURE
FOR DRILLING/COMPLETION OF WELL**

DATE: December 12, 2003

Raempf

AFB NO.: 3

WELL NO.: # 1B

FORM: Dakota/Mesa Verde Commingled Well

LOC: NE SE SEC 19, T30N R11W

COUNTY: San Juan Est MV Cost

OPER: SAN JUAN RESOURCES, INC.

STATE: NM Allocation Comments

ACCOUNTING CODE	EXPENDITURE DESCRIPTION	TANGIBLE COST	INTANG COST	50%
DRILLING COSTS				
101	LEGAL COSTS/DAMAGES	XXXXXXXX	3250	1625
102	DIRT WORK	XXXXXXXX	5000	2500
103	RIG MOBILIZATION/DEMOLIBIZATION	XXXXXXXX	4000	2000
104	FOOTAGE DRILLED \$23/foot to BASE MV (4736)	XXXXXXXX	108928	54464
104 c/a	FOOTAGE DRILLED \$23/foot BASE MV- BASE DK 4736-6750 (2014) + 7300/DAY	XXXXXXXX	46322	
			7300	3650
106	FUEL, LUBRICANTS, POWER	XXXXXXXX	0	
107	BITS	XXXXXXXX	500	250
108	WATER/PURCHASE/TRANSPORTATION	XXXXXXXX	14000	7000
109	DRILLING MUD ADDITIVES	XXXXXXXX	6000	3000
111	CEMENT/CEMENTING SERVICES	XXXXXXXX	5000	2500
112	CONTRACT SERVICES & CONT LABOR, WELDING	XXXXXXXX		
114	FAA & ENVIRONMENTAL CONCERNS	XXXXXXXX	1500	750
119	OPEN HOLE LOGGING	XXXXXXXX	15000	7500
120	MUD LOGGING GEOLOGICAL SERVICES	XXXXXXXX	4000	2000
122	ENGINEERING SUPERVISION, 3RD PARTY SVS	XXXXXXXX	4500	2250
130	DRILL PIPE AND COLLAR INSPECTION	XXXXXXXX		
	SUBTOTAL BEFORE OII	XXXXXXXX	225300	89489
135	CONTINGENCIES & TAXES 10%	XXXXXXXX	22530	8949
138	OVERHEAD 12 DAYS @ 4906/MONTH	XXXXXXXX	1280	640
	SUBTOTAL DRILLING INTANGIBLES		\$249,110	\$99,078
250	SURFACE CASING	4000 XXXXXXXX		2000
250	INTERMEDIATE CASING	0 XXXXXXXX		
251	CASING ACCESSORIES DRILLING	2500 XXXXXXXX		1250
252	CASING HEAD	0 XXXXXXXX		
264	MISCELLANEOUS	0 XXXXXXXX		
	SUBTOTAL DRILLING TANGIBLES	\$6,500		\$3,250
	TOTAL DRY HOLE COST		\$255,610	\$102,328
COMPLETION COSTS				
101	PERMANENT DAMAGES, PERMITS	XXXXXXXX	0	
102	DIRT WORK	XXXXXXXX	5000	2500
103	SURVEYOR/ARCHEOL/ROADS/LOCATION/ROW	XXXXXXXX	0	
104	COMPLETION UNIT 12 DAYS @ \$2000/DAY	XXXXXXXX	24000	12000
104 c/a	COMPLETION UNIT BASE MV- BASE DK 4736-6716 (1987)	XXXXXXXX		
106	FUEL, LUBRICANTS, POWER	XXXXXXXX	0	
107	BITS	XXXXXXXX	0	
108	WATER/PURCHASE/TRANSPORTATION	XXXXXXXX	7000	3500
111	CEMENT/CEMENTING SERVICES	XXXXXXXX	45000	30000 MV only
	2 STAGE, PROD CSG OVR THE MV			
112	CONTRACT SERVICES & CONT LABOR, WELDING	XXXXXXXX	5000	2500
115	EQUIPMENT RENTAL-COMPLETION	XXXXXXXX	4500	2250
125	TRANSPORTATION-DRILLING	XXXXXXXX		
119	CASED HOLE PERFORATING	XXXXXXXX	14000	7000
122	ENGINEERING SUPERVISION, 3RD PARTY SVS	XXXXXXXX	12000	6000
128	STIMULATION AND TREATMENT	XXXXXXXX	150000	70000 MV only
130	DRILL PIPE AND COLLAR INSPECTION	XXXXXXXX		
136	MISC EQUIPMENT/SUPPLIES COMPLETION	XXXXXXXX	6000	3000
	SUBTOTAL BEFORE OII	XXXXXXXX	272500	138750
135	CONTINGENCIES & TAXES 10%	XXXXXXXX	27250	13875
138	OVERHEAD 13 DAYS @ 4906/MONTH	XXXXXXXX	2091	\$1,046
	SUBTOTAL COMPLETION INTANGIBLES		\$301,841	\$153,671
250	PRODUCTION CSG AND LINER	45562 XXXXXXXX		15984 to MV only*50%
251	PRODUCTION TBO AND HANGER	16537 XXXXXXXX		3696 to MV only*50%
252	WELLHEAD EQUIPMENT	9500 XXXXXXXX		4750
254	PUMPING UNIT	0 XXXXXXXX		
255	TANK BATTERIES	8400 XXXXXXXX		4200
267	SEPARATORS, TREATERS, DEHYDRATORS	16000 XXXXXXXX		6000 MV only * 50%
	SUBTOTAL COMPLETION TANGIBLES	\$95,999		\$36,630
	TOTAL COMPLETION COST		\$397,840	\$190,301
TOTAL WELL COST SUMMARY				
	TOTAL DRILLING INTANGIBLES		\$249,110	\$99,078
	TOTAL DRILLING TANGIBLES	\$6,500		\$3,250
	TOTAL DRY HOLE COST		\$255,610	\$102,328
	TOTAL COMPLETION INTANGIBLES		\$301,841	\$153,671
	TOTAL COMPLETION TANGIBLES	\$95,999		\$36,630
	TOTAL COMPLETION COST		\$397,840	\$190,301
	TOTAL WELL COST		\$653,450	\$292,628

PARTNER APPROVALS:

WI %

1.630%

OWNER
Frank King

MESA VERDE

ESTIMATED COST

\$16,476

APPROVED BY
TITLE

DATE