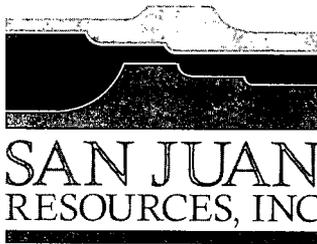


Brooks



RECEIVED
2008 OCT 9 AM 8 27

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.

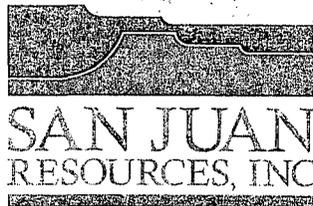
Very Truly Yours,
SAN JUAN RESOURCES, INC.

A handwritten signature in black ink, appearing to read "Jerry McHugh, Jr.", written in a cursive style.

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. Drost, 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: _____