

Jones



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June 16, 2008

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87504

Re: Case No. 14019
Order No. R-12092
Gracia Federal 18-I Well No. 1 (API 30-045-32857)
Gracia Federal 18-I Well No. 1S (AP 30-045-33468)

Gentlemen:

Pursuant to the above-referenced Order No. R-12092, enclosed are copies of the itemized schedules of actual well costs/payout statements for the Gracia Federal 18-I No. 1 and No. 1S wells.

The schedules are also being provided to Four Star Oil & Gas Company, successor to Chevron USA, Inc., along with a copy of the Division's Order No. R-12092.

Please contact the undersigned if any additional information is required.

Sincerely,



Jolene Dicks

Enclosures

cc: Four Star Oil & Gas Company

Pro NM Energy, Inc.
460 St. Michaels Dr., Suite 300
Santa Fe, NM 87505

DATE

6/16/2008

Name: Four Star Oil & Gas Company
NOJV Manager
P.O. Box 36366
Houston, TX 77236

PAYOUT STATEMENT

Property Name: GRACIA FED 18-I NO. 1S
Property Number: 07-001SJ

Balance Forward:

Total Costs (see attached)	\$101,079.48
Penalty 200.00%	\$202,158.96
TOTAL INCLUDING PENALTY	\$303,238.44

Gas Production:

Gross Value Gas	
Transportation/Processing	
Production Tax	
LOE (see attached)	\$230.25
Total Operating Revenue	\$230.25

Balance to Payout 5/31/08

\$303,468.69

Pro NM Energy, Inc.
460 St. Michaels Dr., Suite 300
Santa Fe, NM 87505

DATE

6/16/2008

Name: Four Star Oil & Gas Company
NOJV Manager
P.O. Box 36366
Houston, TX 77236

INVOICE 007-002-001
DRILLING, COMPLETION & CONNECTION (NOVEMBER 2006 - MAY 31, 2008)

Property Name: GRACIA FED 18-I NO. 1S
Property Number: 07-001SJ

DESCRIPTION	VENDOR	REF.	AMT
SERVICES			
Title Work	Callahan & Hamann	859	\$5,399.97
Title Work	Callahan & Hamann	1028	\$148.53
Title Work	Callahan & Hamann	62907	\$1,488.11
Title Work	Kim Hamann	62907	\$7,049.44
Title Work	Callahan & Hamann	1075	\$7.37
Title Work	Federal Abstract	52713	\$1,030.07
Title Work	Federal Abstract	52727	\$890.31
Title Work	San Juan Abstract	9276	\$1,882.84
Determine surface ownership; coordinating staking	Redwolf Production	774	\$240.00
Survey/stake well & pipeline	Daggett Enterprises	307953	\$1,971.87
Prepare AFE	Redwolf Production	779	\$142.66
Prepare & deliver APD	Redwolf Production	777	\$281.90
Restake location (per NAPI)	Daggett Enterprises	0308258-I	\$943.48
Permitting	Permits West	62506	\$2,794.20
Prepare casing change sundry	Redwolf Production	805	\$160.50
Revise costs & AFE	Redwolf Production	808	\$267.50
Surface Damage	Navajo Nation	5010	\$2,510.61
Permitting	Permits West	22307	\$1,413.73
Supervision	Redwolf Production	817	\$80.25
Trucking	United Hot Shot	2669	\$1,040.64
Trucking	United Hot Shot	2670	\$624.38
Drilling rig (3/2/07 - 3/6/07)	D & D Services	197	\$35,015.16
Cement pump casing	Key Energy	555709270	\$3,824.62
Logging	Schlumberger	9091727691	\$7,213.04
Casing service	San Juan Casing	4028	\$1,950.08
Cement pump casing	Key Energy	555709276	\$8,940.56
Trucking	United Hot Shot	2673	\$832.51
Supervision	Redwolf Production	820	\$5,038.20
Trucking water	World Star Develop	10922	\$452.51
Casing test	High Tech Rental	17797	\$1,372.22
Trucking water	Energy Resources	5102	\$1,665.82
Supervision	Redwolf Production	5098	\$741.23
Build pad, pit, line & fence	Consolidate Const.	25596	\$4,037.78
Load, move & set pumping unit	Lufkin	TF17724	\$1,714.78
Supervision	Redwolf Production	827	\$391.00
Supervision	Redwolf Production	826	\$853.74
Trucking	World Star Develop	12269	\$1,082.80

Trucking	World Star Develop	12279	\$402.69
Trucking	World Star Develop	12282	\$88.97
Set & test anchors	L & R Oilfield	24437	\$790.76
Cement bond log	Basin Perforating	01-9389	\$3,335.73
Perforating	Basin Perforating	01-9299	\$4,933.36
Casing test	Four Corners	232	\$275.76
Water disposal	Basin Disposal	135695	\$74.33
Perforating	Basin Perforating	01-9423	\$9,454.11
Trucking	Overright Trucking	10001	\$330.24
Trucking	Hurricane Air	21477	\$401.39
Rig 1/8-1/9/08	Hurricane Air	21468	\$2,833.61
Trucking	Hurricane Air	21480	\$802.78
Water disposal	Basin Disposal	136291	\$159.29
Trucking water	Key Energy	1406673476	\$8,945.51
Water disposal	Basin Disposal	135790	\$477.85
Rig 1/24, 25, 28/07	Hurricane Air	21499	\$7,637.54
Rig 1/29/08	Hurricane Air	21559	\$3,228.63
Air unit 1/25, 28, 29/08	Hurricane Air	21528	\$5,948.36
Trucking	Hurricane Air	21525	\$535.19
Stand-up pipeline survey	Daggett Enterprises	5473	\$318.46
Trucking	Overright Trucking	10021	\$1,174.90
Trucking	Chuck's Svc.	11264	\$117.87
Set up engine & system	Chuck's Svc.	11297	\$2,419.96
Trucking	Overright Trucking	10072	\$38.49
Acid job	Weatherford	4124373	\$6,997.58
Frac job	Weatherford	4151914	\$99,573.93
Heat frac water	Mo-Te	67915	\$10,422.74
Reclaim drilling pit	Core	3741	\$2,367.45
Trucking frac tanks	Light Tower Rentals	120094201	\$1,547.60
Trucking frac tanks	Light Tower Rentals	120100501	\$3,359.23
Build location	Core	3817	\$7,648.15
Trucking frac tanks	Light Tower Rentals	120105701	\$402.00
Trucking/excavator	Core	3918	\$1,838.11
Water disposal	Basin Disposal	139338	\$241.58
Trucking water	Three Rivers	112722	\$412.42
Move weights - balance unit	Wiggle Tails	5066	\$879.55
Raise rods	Wiggle Tails	5067	\$267.49
Gathering line connection	Enterprise	53726	\$9,818.97

Total Services

\$305,996.98

EQUIPMENT & SUPPLIES

Liner for reserve pit	O.R.E. Systems	07-3/002	\$751.14
Fluids	Basin Fluids	5143460	\$2,947.07
Valves, nipples	Rig Equip	96245	\$180.90
Rental - portable	Tri Energy Svcs	5124	\$224.70
Rental - BOP	High Tech Rental	18400	\$817.95
Gravel/location	Oldcastle SW	546664	\$599.12
Bridge plug - frac guard	Weatherford	4270626	\$2,247.00
Rental/install frac valve	WSI	100015359	\$1,532.78
Rental - flowback/frac tanks	Light Tower	20165101	\$5,040.00
Diesel for air unit	Fralely & Co.	364031	\$3,120.12
Rental/repair frac valve	WSI	100015521	\$1,553.37
Rental - portable	Tri Energy Svcs	6931	\$186.18

Rental - flowback tank	Light Tower	20165102	\$1,323.00
✓ Rock & pad dirt for hookup	3D Services	08-138	\$2,342.60
Back-pressure regulator	Pesco	62713	\$235.48
Casinghead	Rig Equip	87935	\$525.76
Tubinghead	Rig Equip	87857	\$1,296.41
Well sign	American Signs	1192	\$89.35
Casing	Cave	16978	\$12,186.35
Meter tube assembly	Jade	204442	\$3,004.22
Pumping unit base	Chaco Concrete	421401	\$2,584.05
Pumping unit	Lufkin	1125886	\$21,773.85
Tubing coupling	Rig Equip	104682	\$105.37
Rods, plunger	CDI	121352	\$2,232.47
Rods	CDI	121369	\$5,740.36
Tubing	Cave	18630	\$5,097.90
Pump engine	Pumps & Svc	327817	\$7,416.45
Separator	Kiva	4229	\$9,025.94
Fittings/valves	Toolpushers Supply	100222229	\$2,883.05

Total Equipment & Supplies \$97,062.94

OTHER

TOTAL OTHER \$0.00

OVERHEAD

13 days drilling overhead @ \$96.77/day \$1,258.01

Total Overhead \$1,258.01

TOTAL COSTS \$404,317.93

Your Interest 0.25000 \$101,079.48

Balance Forward \$101,079.48

THANK YOU.

Pro NM Energy, Inc.
460 St. Michaels Dr., Suite 300
Santa Fe, NM 87505

DATE 6/16/2008

Name: Four Star Oil & Gas Company
NOJV Manager
P.O. Box 36366
Houston, TX 77236

INVOICE 007-001-002
MONTH OF OPERATION - MAY 2008

Property Name: GRACIA FED 18-I NO. 1S
Property Number: 07-001SJ

DESCRIPTION	VENDOR	REF.	AMT
LABOR			
Contract pumper - 05/08	Merilatt Industries	5640	\$321.00
Total Labor			\$321.00
EQUIPMENT & SUPPLIES			
Total Equipment & Supplies			\$0.00
OTHER			
TOTAL OTHER			\$0.00
OVERHEAD			
Producing Overhead 05/08			\$600.00
Total Overhead			\$600.00
TOTAL COSTS			\$921.00
Your Interest	0.25000		\$230.25
Balance Due Now			\$230.25

THANK YOU.

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460 St. Michaels Dr., Suite 300
Santa Fe, NM 87505

DATE

6/16/2008

Name: Four Star Oil & Gas Company
NOJV Manager
P.O. Box 36366
Houston, TX 77236

PAYOUT STATEMENT

Property Name: GRACIA FED 18-I NO. 1
Property Number: 07-001SJ

Balance Forward:

Total Costs (see attached) \$130,298.02

Penalty 200.00% \$260,596.04

TOTAL INCLUDING PENALTY \$390,894.06

Gas Production:

Gross Value Gas

Transportation/Processing

Production Tax

LOE (see attached) \$230.25

Total Operating Revenue \$230.25

Balance to Payout 5/31/08

\$391,124.31

Pro NM Energy, Inc.
460 St. Michaels Dr., Suite 300
Santa Fe, NM 87505

DATE

6/16/2008

Name: Four Star Oil & Gas Company
NOJV Manager
P.O. Box 36366
Houston, TX 77236

INVOICE 007-001-001
DRILLING, COMPLETION & CONNECTION (NOVEMBER 2006 - MAY 31, 2008)

Property Name: GRACIA FED 18-I NO. 1
Property Number: 07-001SJ

DESCRIPTION	VENDOR	REF.	AMT
SERVICES			
Title Work	Callahan & Hamann	859	\$5,399.97
Title Work	Callahan & Hamann	1028	\$148.53
Title Work	Callahan & Hamann	62907	\$1,488.11
Title Work	Kim Hamann	62907	\$7,049.44
Title Work	Callahan & Hamann	1075	\$7.37
Title Work	Federal Abstract	52713	\$1,030.07
Title Work	Federal Abstract	52727	\$890.31
Title Work	San Juan Abstract	9276	\$1,882.84
Survey location & pipeline	Redwolf Production	754	\$1,020.00
Survey location & pipeline	Daggett Enterprises	306947-I	\$2,512.11
Prepare & file APD	Redwolf Production	755	\$213.75
Survey pipeline re-route (to avoid wetlands)	Daggett Enterprises	307194-IN	\$657.06
Pipeline application fee	NAPI	4455	\$200.00
Well application fee	NAPI	4456	\$200.00
APD Filing fee	Navajo Nation	4457	\$300.00
Permitting	Permits West	60705	\$5,448.93
Surface Damage	Navajo Nation	4587	\$6,379.00
Prepare AFE	Redwolf Production	7779	\$142.66
Permitting	Permits West	61006	\$1,887.25
Supervision	Permits West	814	\$159.00
Casing service 4/12"	San Juan Casing	4005	\$1,885.88
Trucking water	World Star Devel	10816	\$556.26
Install tubinghead	Redwolf Production	821	\$306.10
Set & test anchors	L & R Oilfield	24436	\$790.76
Cement bond log	Basing Perforating	01-9390	\$3,169.88
Heat frac water 1/18/08	Poor Boys Hot Oil	10500	\$9,021.45
Heat frac water 2/1/08	Poor Boys Hot Oil	10543	\$6,470.40
Gatherine line connection	Enterprise Field Svc:	53726	\$9,718.97
Adjust weights on pumpjack	Wiggle Tails Oilfield	5062	\$1,769.03
Balance pumpjack	Wiggle Tails Oilfield	5065	\$858.53
Cement pump casing	Key Energy	555709233	\$4,956.10
Trucking water	Overright Trucking	8902	\$284.90
Logging	Schlumberger	9091719337	\$7,364.49
Cement pump casing	Key Energy	555709249	\$10,740.23
Trucking water	World Star Devel	10785	\$114.91
Trucking water	World Star Devel	10784	\$613.37
Drilling rig 2/16/07 - 2/21/07	D & D Services	195	\$35,772.29

Trucking	United Hot Shot	2655	\$832.51
Trucking	United Hot Shot	2653	\$1,300.80
Supervision	Redwolf Production	817	\$133.75
Rig supervision	Redwolf Production	818	\$4,333.50
Build location	Consolidated Const	25064	\$4,412.09
Welding	Flora Vista Welding	5990	\$247.42
Casing test	High Tech Tools	17591	\$1,519.67
Load, move & set pumping unit	Lufkin	TF17725	\$1,714.78
Contract engineering	Redwolf Production	827	\$391.00
Contract engineering	Redwolf Production	826	\$898.32
Trucking	World Star Devel	12279	\$402.68
Trucking	World Star Devel	12282	\$88.97
Permitting - wetland crossing, Navajo Trust	Permits West	112007-B	\$667.41
Perforating	Basing Perforating	2702067	\$5,265.06
Casing test	Four Corners Testin	233	\$275.76
Water disposal	Basin Disposal	135698	\$74.33
Water disposal	Basin Disposal	135700	\$74.33
Perforating	Basin Perforating	2753930	\$10,494.15
Trucking water	Overright Trucking	10001	\$279.75
Rig time 1/9/08 - 1/10/08	Hurricane Air	21467	\$2,524.08
Trucking rig pit	Hurricane Air	21479	\$267.59
Rig time 1/24/08 - 1/25/08 (cleanout well)	Hurricane Air	21498	\$4,420.05
Water disposal	Basin Disposal	136291	\$318.56
Water disposal	Basin Disposal	136028	\$445.99
Pipeline survey	Daggett Enterprises	0310469-IN	\$607.29
Trucking pump pit & BOP	Hurricane Air	21569	\$796.41
Trucking air unit	Hurricane Air	21524	\$668.98
Air unit package (cleanout well)	Hurricane Air	21527	\$1,987.35
Perforating	Basin Perforating	2751405	\$6,854.01
Air unit package (cleanout well)	Triple P	7221	\$4,604.40
Trucking water	Overright Trucking	10063	\$1,411.90
Trucking water	Overright Trucking	10021	\$1,996.99
Trucking - engine, skid, etc.	Chuck's Svc	11264	\$117.87
Set pump engine & operating systems	Chuck's Svc	11408	\$2,489.42
Rig time 2/7-2/9/08	Hurricane Air	21638	\$9,875.44
Trucking air unit	Hurricane Air	21639	\$936.57
Trucking water	Overright Trucking	10072	\$824.28
Acid treatment	Weatherford	4124287	\$6,997.58
1st frac (screened out)	Weatherford	4152128	\$39,433.70
2nd frac	Weatherford	4181842	\$83,075.72
Trucking tubing	American Transport	4710	\$193.56
Reclaim drill pit	Core	3740	\$3,823.28
Set frac valve/rebuild	WSI	100015358	\$2,846.13
Return frac valve/repair	WSI	100015402	\$743.65
Set surface equip; install flowline	Core	3833	\$37,061.56
Trucking- frac tanks	Light Tower Rentals	120102201	\$3,498.54
Trucking- frac tanks	Light Tower Rentals	120104801	\$402.00
Repair NAPI comm line	Phelco	17135	\$1,394.30
Repair NAPI electrical line	Phelco	17287	\$216.09
Repair NAPI electrical line	Phelco	17286	\$450.70
Repair NAPI electrical line	Phelco	17423	\$1,594.50
Trucking - polypipe	Core	3862	\$242.11
Set meter/calibrate	Ferrari	9086	\$607.92
Trucking/gravel - pad dirt	3D Svcs	08-138	\$2,014.05

Total Services

\$390,558.79

EQUIPMENT & SUPPLIES

Casinghead, tubinghead	Rig Equip	87859	\$2,423.48
Well sign	American Signs	5385	\$89.35
5 1/2" casing	Cave	16937	\$15,011.94
8 5/8" casing	Cave	16936	\$1,814.21
Tank, stairway, landing	Pesco	55690	\$8,974.59
Pumping unit base	Chaco Concrete	421400	\$2,584.05
Pumping Unit	Lufkin	T1125886	\$21,773.85
Tubing couplings	Rig Equip	104683	\$105.37
Pump engine	Pumps & Svc	327817	\$7,416.45
Tubing	Cave	18561	\$4,977.35
Rods	CDI	10214919-IN	\$5,438.85
Plunger, rods	CDI	1021421-IN	\$2,305.64
Poly pipe (flowine)	Essco Pipe	43396	\$9,972.40
Poly pipe (flowine) - credit	Essco Pipe	43840	(\$2,153.38)
Step for tank berm	PESCO	61044	\$458.73
Fittings-connect separator/meter/flowline/tank	Toolpushers Supply	10023746	\$6,532.19
Dump valve	Oil & Gas Equip	326713	\$327.42
Power band	DNR Equip	F1752	\$146.56
Liner for reserve pit	O.R.E. Systems	07-2-009	\$751.14
Fluids	Basin Fluids	5142273	\$3,370.12
Plugs, nipples	Rig Equip	93507	\$221.35
Rental - portable	Tri Energy Svcs.	4301	\$224.70
Rental - BOP	High Tech Tools	18401	\$3,202.92
Gravel/location	Oldcastle SW	546663	\$607.09
Vacuum truck rental/water	Key Energy	1409394894	\$1,219.93
Vacuum truck rental/water	Key Energy	1406673454	\$2,839.10
Bridge plug	Weatherford	4270625	\$2,675.01
Repair kit - fiberglass tank	Rig Equip	106279	\$397.75
Rental - flowback/frac tanks	Light Tower Rentals	20165001	\$6,451.20
6' Bumpers	Chaco Concrete	422569	\$119.84
Rental - portable	Tri Energy Svcs.	5931	\$186.18
Rental - flowbac/frac tanks	Light Tower Rentals	20165002	\$3,204.60
Rental/repair bit stubs	High Tech Tools	22364	\$410.05
Repair kit - NAPI water line	Ershigs	27956	\$3,614.62
Meter run/separator	Kiva	4229	\$11,680.63

Total Equipment & Supplies \$129,375.28

OTHER

TOTAL OTHER \$0.00

OVERHEAD

13 days drilling overhead @ \$96.77/day \$1,258.01

Total Overhead \$1,258.01

TOTAL COSTS \$521,192.07

Your Interest 0.25000 \$130,298.02

Balance Due Now \$130,298.02

THANK YOU.

Pro NM Energy, Inc.
460 St. Michaels Dr., Suite 300
Santa Fe, NM 87505

DATE 6/16/2008

Name: Four Star Oil & Gas Company
NOJV Manager
P.O. Box 36366
Houston, TX 77236

INVOICE 007-001-002
MONTH OF OPERATION - MAY 2008

Property Name: GRACIA FED 18-I NO. 1
Property Number: 07-001SJ

DESCRIPTION	VENDOR	REF.	AMT
LABOR			
Contract pumper - 05/08	Merilatt Industries	5640	\$321.00
Total Labor			\$321.00
EQUIPMENT & SUPPLIES			
Total Equipment & Supplies			\$0.00
OTHER			
TOTAL OTHER			\$0.00
OVERHEAD			
Producing Overhead 05/08			\$600.00
Total Overhead			\$600.00
TOTAL COSTS			\$921.00
Your Interest	0.25000		\$230.25
Balance Due Now			\$230.25

THANK YOU.