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BENSON-MONTIN-GREER DRILLING CORP.

April 28, 2006

Mr. Stephen Mason
Petroleum Engineer, Petroleum Management Team
Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401

Re: Full Sail #2 Dakota Evaluation, SE sec 28-25N-2W,

Dear Stephen,

Reference is made to your letter dated March 7, 2006, in which you refer to our potential re-completion of the Full Sail #2 to the Dakota Formation this year. Since the writing of that letter Benson-Montin-Greer Drilling Corp. (BMG) has obtained additional information regarding the productive potential of the Dakota Formation in the general area of the Full Sail #2 well. This geologist now believes additional evaluation work is necessary before the outlay of significant additional money can be justified.

Late last year BMG re-completed the Lady Luck #1, NE sec 5-24N-2W, to the Dakota Formation (see enclosed map). The Lady Luck #1 was chosen based on its structural position and encouraging pay thickness based on wireline logs. Offset production directly west and down dip in NW sec 5 gave confidence to the expenditure necessary to re-complete the Dakota (enclosed map & cross section). The Lady Luck #1 has not shown the productive potential that was anticipated based on the offset production and we continue to clean it up on pump. Based on the results of this re-completion it is this geologist's opinion that wireline log interpretation is not indicative of the true productive potential of the Dakota in this area. Further study needs to be done before money can be spent with any degree of confidence that the risk is accurately quantified for the project.

To that end, BMG has entered into a joint study effort with New Mexico Institute of Mining and Technology to evaluate the productive potential of the Dakota Formation in BMG's Gavilan area. The Petroleum Recovery Research Center (PRRC) has applied for funding from the DOE to conduct an advanced petrophysical and completion analysis in which BMG is their industry partner (enclosed letter, dated April 11, 2006). BMG is committed to testing the Dakota Formation based on the outcome of this work and is requesting that until this evaluation is complete in the fall of 2007, the Full Sail #2 be permitted to remain in its T&A status.

→ To be completed by 11/30/07 sm

At this time it is not possible to rule out the possibility that the Dakota in the Full Sail #2 can be successfully completed as a producer once the evaluation is completed.



Reviewing the enclosed map it can be seen that a significantly large area in the southeastern San Juan Basin could benefit from the outcome of this study. Acreage currently non-productive in the Dakota Formation might be successfully produced with some newer technology, a "sharper saw" approach based on work to be carried out.

I am available to review this matter with you and your staff at your convenience.

Respectfully,

A handwritten signature in cursive script, appearing to read "James Hornbeck", with a long horizontal flourish extending to the right.

James Hornbeck
Geologist
Benson-Montin-Greer

JMH
4 attachments