

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSES OF CONSIDERING:**

CASE NO. 14156

**APPLICATION OF SAN JUAN RESOURCES, INC.
FOR COMPULSORY POOLING
SAN JUAN COUNTY, NEW MEXICO.**

AFFIDAVIT OF JERRY MCHUGH, JR.

**STATE OF COLORADO §
 § ss.
CITY & COUNTY OF DENVER §**

Before me, the undersigned authority, personally Jerry McHugh, Jr. appeared and being first duly sworn stated:

A. My name and qualification as expert are as follows:

Jerry McHugh, Jr.

Education:	BA Economics, Colorado College—1980
Experience:	Practicing Landman and Oil and Gas Professional for 28 years in New Mexico
Occupation:	President of San Juan Resources, Inc.

I am over the age of majority and competent to make this Affidavit.

I am responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

I am personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements.

This affidavit has been prepared in accordance with the New Mexico Oil Conservation Division Rule 1207.A(1)(b).

**Affidavit of Jerry McHugh, Jr.
NMOCD Case 14156
-Page 1-**

**Before the Oil Conservation Division
Exhibit No. 1
San Jan Resources
OCD CASE 14156
Hearing: August 21, 2008**

C. My expert opinions are based on the following facts and events:

CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

1. San Juan Resources, Inc., ("SJR") has a 25 percent working interest ownership in the oil and gas minerals from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the E/2 of Section 24, T30N, R12W, NMPM, San Juan County, New Mexico.
2. SJR has obtained the voluntary joinder of other mineral interests owners such that there is a total of 4 percent uncommitted owners.
3. This gas spacing unit is located within the boundaries of the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool.
4. About May 21, 2008, SJR proposed to the other working interest or mineral owners that its Blancett Ranch "24" Well No. 1 (API #30-045-33769) be drilled in the E/2 of this section to be dedicated to a standard 320-acre gas spacing unit consisting of the E/2 of this section. This well be drilled and downhole completed in the Mesaverde and Dakota formations.
5. Despite its reasonable efforts, application has been unable to obtain a written voluntary agreement from certain uncommitted working interest and/or mineral interest owners as shown on Exhibit "A"
6. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, SJR needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

RULE 1207.A(1)(b) REQUIREMENTS

9. In accordance with Division Rule 1207.A(1)(b) attached the following statements and exhibits in support of this case:

- (i) No opposition for the hearing is expected because the two parties to be pooled have not objected to the inclusion of this well into this pooling order.
- (ii) Map (a) outlining the spacing unit already pooled, being the E/2 of Section 24, T30N, R12W, NMPM, San Juan County, New Mexico which will include the Blancett Ranch "24" Well No. 1 showing the well location and (c) percentage of ownership interest. **See Exhibit "B" attached**

Affidavit of Jerry McHugh, Jr.

NMOCD Case 14156

-Page 2-

- (iii) For name and last known address of the party to be pooled with the nature and percent of their interest; I attest that a diligent search has been conducted of all public records in the county where the well is located and the party has been contacted on our behalf on several occasions. **See Exhibit "A" attached**
- (iv) The names of the formations and pools to be pooled are as Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool, and any other formations/pools spacing in 320-acre gas spacing units.
- (v) The pooled unit is for gas.
- (vi) Written evidence of attempts to reach voluntary agreement including letters and summaries of telephone calls are included herein. **See Exhibit "C"**
- (vii) The maximum 200% risk factor penalty was justified prior to drilling the well in accordance with Commission Order R-11992 and Division Order R-11926
- (viii) The well costs overhead rates of \$5,000/month drilling and \$550/month producing well rates, subsequent to COPAS adjustment.
- (ix) Copy of the AFE in the amount of \$1,359,146 and updated to \$1,508,551, on July 21, 2008, completed well costs for this well, which we conclude, is fair, reasonable and current for wells of this type in this area. Due to price increases on production casing and other tubulars, Operator was forced to resubmit an updated costlier AFE. **See Exhibit "E", See Exhibit "E1", for updated AFE.**

ATTESTATION

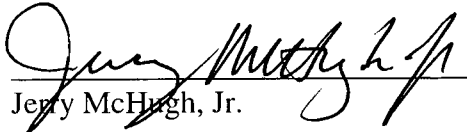
I, Jerry McHugh, Jr. attested that this submittal was prepared by me and the information is correct and complete to the best of my knowledge and belief.

I recommend that a compulsory pooling order be entered which provides that:

- (1) San Juan Resources, Inc. continue be to the named Operator;
- (2) Provisions be made for the including of an optional infill gas well included in this compulsory pooling order and for subsequent operations of this wells;
- (3) for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the infill gas well;
- (4) In the event a working interest owner fails to elect to participate, then provisions be make to recover out of production the costs of the drilling, completing, equipping and operating the optional infill gas well, including a risk factor penalty; and


Provisions for overhead rates of \$5,000 per month drilling and \$550 per month operating and a provision for an adjustment method of the overhead rates as provided by COPAS;

FURTHER AFFIANT SAYETH NOT:


Jerry McHugh, Jr.

STATE OF COLORADO §
 §
CITY & COUNTY OF DENVER §

SUBSCRIBED AND SWORN TO before me this 19th day of ^{August}~~July~~ 2008, by Jerry McHugh, Jr.


Notary Public

ACKNOWLEDGMENT

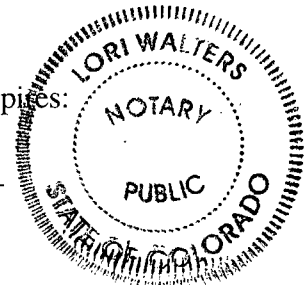
STATE OF COLORADO §
 §
CITY & COUNTY OF DENVER §

19th BEFORE me, the undersigned, a Notary Public in and for said County and State, on this day of ^{August}~~July~~, 2008, personally appeared Jerry McHugh, Jr. to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission expires:

9/13/08



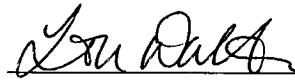

Notary Public

EXHIBIT "A"

XTO Energy Inc.
0.433700000%

Western Distributing
0.066200000%

Union Pacific Railroad
1.281300000%

Maralex Resources, Inc.
Participating

Georgia Lee Kelton aka Georgia Lee Bright
0.271000000%

Candace Lenoir Cox
Purchased

The Trommald Family Trust
John E. and Heather Trommald, Trustees
Purchased

L.G. Krieger Marital Trust
0.216800000%

Malcolm C. Todd
0.064600000%

William G. Drosten, Jr. TR
0.060500000%

Robert F. Travis
0.026900000%

Gladys Murphy
0.053800000%

Ellen Berend
0.053800000%

TOTAL INTEREST TO BE POOLED: 2.13827%



District II
PO Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-049-33769		*Pool Code	*Pool Name
*Property Code	*Property Name BLANCETT RANCH 24		*Well Number 1
*OGRID No. 20208	*Operator Name SAN JUAN RESOURCES, INC.		*Elevation 5635'

¹⁰ Surface Location

U.L. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	24	30N	12W		2435	NORTH	450	EAST	SAN JUAN

¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹³ Dedicated Acres					¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

[illegible]



May 20, 2008

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

Re: Blancett Ranch 24-001 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Mr. Spencer:

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about July 1, 2008, subject to rig availability. As we discussed today, it appears that XTO Energy, Inc. (XTO) owns approximately 0.4337% leasehold interest in said proration unit. Should you choose to participate in the drilling of this well, your approximate costs are reflected on the enclosed AFE. However, in light of our prior relationship, as it relates to small interests, SJR proposes a farmout of your 0.4337% interest.

By drilling the well, SJR would earn 100% of your leasehold working interest in the wellbore subject to your retention of the difference between existing burdens and 80% as an over-riding royalty interest, proportionally reduced to your owned interest.

If you choose to participate in the well, please sign and return the enclosed AFE and we will prepare a joint Operating Agreement for your review and execution. Should a farmout be more acceptable, we will forward a farmout agreement to you under separate cover.

It was a pleasure to speak with you yesterday. Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,



James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.





May 16, 2008

Western Distributing Co. Employees Trust
nka Western Distributing Company Employee Profit Sharing Trust
PO Box 5542 TA
Denver, CO 80217

VIA CERTIFIED MAIL

Re: Blancett Ranch 24 #1 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Sir or Madame,

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

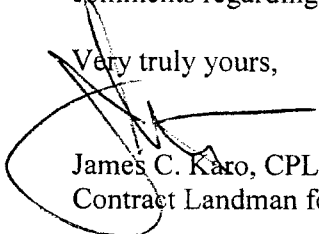
SJR proposes a farmout of your interest. By drilling the well, SJR would earn 100% of your interest in the wellbore. If the well is productive, SJR will earn 50% of your interest in the proration unit outside of the wellbore.

If you elect not to participate in the drilling of the well, your interest will be forced-pooled pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. Based on historical production in this area, it may take as much as 15 to 20 years for the well to pay out.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. If you elect to participate in the farmout option, please sign and return the election form in the envelope provided. A farmout agreement will be mailed to you under separate cover. If we do not receive a response from you, we will assume that you have elected not to participate in the well and your interests will be force-pooled.

Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,


James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.



U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: UPR
Street, Apt. No.,
or PO Box No.
City, State, ZIP+4

PS Form 3800, August 2006 See Reverse for Instructions

7007 2500 0000 2680 1783

DENVER COLORADO
JUN 2 2008
493

June 2, 2008

Union Pacific Railroad
c/o Farmers National
403 S. Cheyenne Avenue, Ste. 800
Tulsa, OK 74103
Attn: Terry Young

VIA CERTIFIED MAIL

Re: Offer to Lease for Oil and Gas
Blancett Ranch 24-001 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Mr. Young:

Pursuant to our conversation on May 21, 2008, please accept this letter as our offer to lease Union Pacific Railroad's oil and gas mineral interest as it relates to the above-captioned land. It appears that UPR has a 1.2813% interest.

We hereby offer you a Bonus Consideration of Three Hundred Fifty Dollars (\$350.00) per net mineral acre for a One (1) Year Term Lease and a Twenty-Five percent (25%) Landowner Royalty.

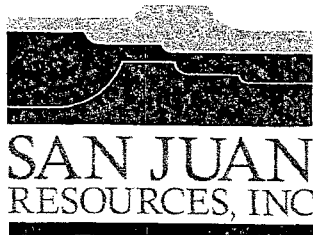
As we discussed, San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about July 1, 2008, subject to rig availability. The proposed depth of the Mesaverde/Dakota test well is 6,700 feet and will be drilled from a legal location in the SENE of Section 24. We have controlling leasehold interest as well as farm-in support from all relevant parties in the proration unit. This leasehold interest is the last remaining open interest.

I assume you will use your own lease form so please feel free to call me for any detail information you may require. Time is of the essence in this matter so your prompt attention is greatly appreciated

Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,

James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.
Encl.



May 16, 2008

Georgia Lee Kelton
aka Georgia Lee Bright
8550 Old Clarksville Road
Reno, TX 75462

VIA CERTIFIED MAIL

Re: Blancett Ranch 24 #1 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Kelton:

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

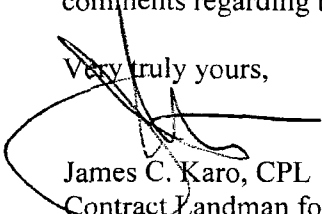
SJR proposes a farmout of your interest. By drilling the well, SJR would earn 100% of your interest in the wellbore. If the well is productive, SJR will earn 50% of your interest in the proration unit outside of the wellbore.

If you elect not to participate in the drilling of the well, your interest will be forced-pooled pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. Based on historical production in this area, it may take as much as 15 to 20 years for the well to pay out.

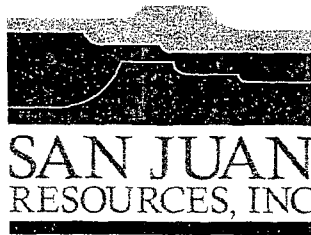
If you choose to participate in the well, please sign and return the enclosed AFE and your payment. If you elect to participate in the farmout option, please sign and return the election form in the envelope provided. A farmout agreement will be mailed to you under separate cover. If we do not receive a response from you, we will assume that you have elected not to participate in the well and your interests will be force-pooled.

Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,


James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.



May 16, 2008

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

VIA CERTIFIED MAIL

Re: Blancett Ranch 24 #1 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Sir or Madame:

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

SJR proposes a farmout of your interest. By drilling the well, SJR would earn 100% of your interest in the wellbore. If the well is productive, SJR will earn 50% of your interest in the proration unit outside of the wellbore.

If you elect not to participate in the drilling of the well, your interest will be forced-pooled pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. Based on historical production in this area, it may take as much as 15 to 20 years for the well to pay out.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. If you elect to participate in the farmout option, please sign and return the election form in the envelope provided. A farmout agreement will be mailed to you under separate cover. If we do not receive a response from you, we will assume that you have elected not to participate in the well and your interests will be force-pooled.

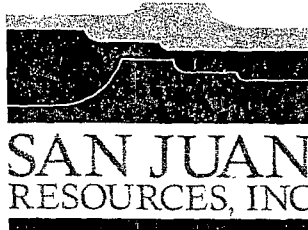
Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,



James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.



May 16, 2008

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

VIA CERTIFIED MAIL

Re: Blancett Ranch 24 #1 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Mr. Todd,

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

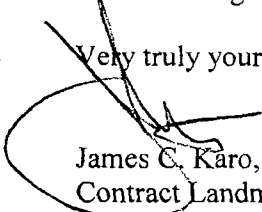
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If you elect not to participate in the drilling of the well, your interest will be forced-pooled pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. Based on historical production in this area, it may take as much as 15 to 20 years for the well to pay out.

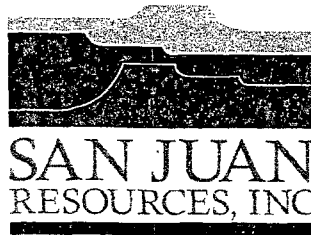
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Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,


James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.



May 16, 2008

William G. Drosten, Jr. TR.
uwo Alma F. Griesedieck,
c/o Trust Dept., The Boatmen's National Bank
Nka Boatmen's Trust Company
P.O. Box 14633
510 Locust Street
St. Louis, MO 63178

VIA CERTIFIED MAIL

Re: Blancett Ranch 24 #1 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Mr. Drosten,

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

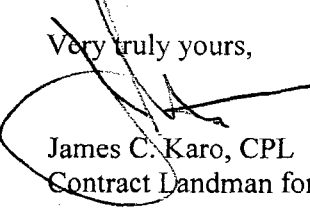
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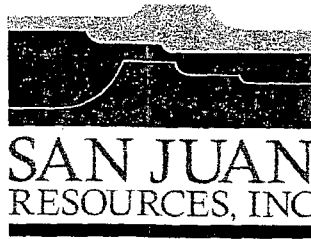
If you elect not to participate in the drilling of the well, your interest will be forced-pooled pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. Based on historical production in this area, it may take as much as 15 to 20 years for the well to pay out.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. If you elect to participate in the farmout option, please sign and return the election form in the envelope provided. A farmout agreement will be mailed to you under separate cover. If we do not receive a response from you, we will assume that you have elected not to participate in the well and your interests will be force-pooled.

Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,


James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.



May 16, 2008

Robert F. Travis
4195 Lakeside Drive
Jacksonville, FL 32210-3303

VIA CERTIFIED MAIL

Re: Blancett Ranch 24-001 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Mr. Travis,

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

SJR proposes a farmout of your interest. By drilling the well, SJR would earn 100% of your interest in the wellbore. If the well is productive, SJR will earn 50% of your interest in the proration unit outside of the wellbore.

If you elect not to participate in the drilling of the well, your interest will be forced-pooled pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. Based on historical production in this area, it may take as much as 15 to 20 years for the well to pay out.

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Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,


James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.



May 16, 2008

Ellen Berend
9969 Hilgard Ave
Los Angeles, CA 90095

VIA CERTIFIED MAIL

Re: Blancett Ranch 24 #1 Well (SE/4NE/4)
E/2, Section 24, Township 30 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Berend,

San Juan Resources, Inc. (SJR), as Operator, is proposing to drill the above-referenced well on or about June 14, 2008, subject to rig availability. Should you choose to participate in the drilling of this well, your approximate costs, which are reflected on the enclosed AFE, are due prior to drilling.

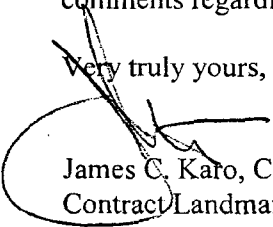
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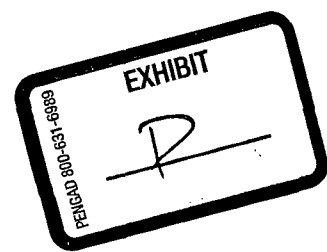
Please do not hesitate to contact me at (303) 279-0789 if you have any questions or comments regarding this matter.

Very truly yours,


James C. Karo, CPL
Contract Landman for San Juan Resources, Inc.

Encl.

NONE



Drilling and Completion Cost Estimate

San Juan Resources, Inc.
AUTHORITY FOR EXPENDITURE

Well: Blancett Ranch 24-001
Location: 24 E/2 T30N, R12W, San Juan Co., NM
Proposed Depth: 6700' **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 (toilets/trash/forklift)		10,000	10,000
Drill Bits		12,000	12,000
Air Hammer		12,000	12,000
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 (300' of 9-5/8" @ 21.60 \$/ft.)	7,000		7,000
Casing Head	2,500		2,500
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 (3625' of 7" 23# J-55 @ 14.00 \$/ft.)	55,000	0	55,000
Casing Head	4,300		4,300
Casing Crew		5,000	5,000
Cement Intermediate		25,000	25,000
Disposal Costs		100,000	100,000
Miscellaneous		10,000	10,000
Trucking		8,750	8,750
Engineering/Supervision		11,000	11,000
Overhead		2,260	2,260
Total Drilling Cost	68,800	619,610	688,410
10% Contingency	6,880	61,961	68,841
Grand Total Drilling Costs	75,680	681,571	757,251

II. Completion Costs (as needed).

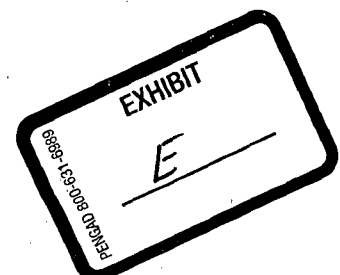
Production Casing (5750' of 4-1/2" J-55 @ \$6.60/ft + 1000' 4-1/2" N-80	50,000		50,000
Cement Production Casing		30,000	30,000
Casing Crew		4,000	4,000
Tubing Head and Tree	6,500		6,500
Tubing (6750' of 2-3/8" @ 3.35 \$/ft.)	25,000		25,000
Perf		18,000	18,000
Stimulation 3 stage frac		184,000	184,000
Tool Rental (Frac Valve)		15,000	15,000
Frac Tank Rental & Hauling		15,000	15,000
Completion Fluids & Heating		8,500	8,500
Completion Rig (12 days at \$3500/day)		42,000	42,000
Separator	20,000		20,000
Flowlines and Install	3,000	9,250	12,250
Tank and Fittings	12,000		12,000
Air Package	0	20,000	20,000
Trucking		19,000	19,000
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	129,757	417,420	547,177
10% Contingency	12,976	41,742	54,718
Total Completion Costs	142,733	459,162	601,895
Grand Total Well Costs	218,413	1,140,733	1,359,146

Updated By: Jerry McHugh
Date: May 15, 2008

Working Interest Owner
Burlington Resources 37.5000%
\$509,679.64

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

By: _____
Title: _____



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

Owner to pay Proportionate Share of Actual
Well Costs Subject to Operating Agreement

By: _____
Title: _____

