

**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. 14445**

**APPLICATION OF SAN JUAN RESOURCES, INC.  
FOR COMPULSORY POOLING AND AN EXTENSION  
OF AN APPLICATION FOR PERMIT TO DRILL  
SAN JUAN COUNTY, NEW MEXICO.**

**AFFIDAVIT OF JEROME P. MCHUGH, JR.**

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

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

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

Jerome P. McHugh, Jr.

Education:	BA Economics, Colorado College—1980
Experience:	Practicing Landman and Oil and Gas Professional for 30 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 Jerome P. McHugh, Jr.  
NMOCD Case 14445  
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**Before the Oil Conservation Division  
Case 14445  
Hearing April 1, 2010  
San Juan Resources  
Exhibit No. 1**

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

### **CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS**

1. San Juan Resources, Inc. ("SJR") has approximately 49% 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, R12N, NMPM, San Juan County, New Mexico.

2. This gas spacing unit is located within the boundaries of the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool.

3. About January 29, 2010, SJR re-proposed to the other working interest or mineral owners that its Blancett Ranch 24 Well No. 1 (API #30-045-33769) to drilled at a previously approved unorthodox well location (Order R-13053) in Unit H of this section to be dedicated to a standard 320-acre gas spacing unit consisting of the E/2 of this section. This well is to be drilled and downhole completed in the Mesaverde and Dakota formations.

4. This well has a currently approved and effective APD that is due to expire on June 14, 2010. Because SJR may not be able to obtain a compulsory pooling order and implement its provisions before this date, SJR requests the extension of this expiration date to a date concurrent with the requirements of the compulsory pooling order to be entered in this case.

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 are the following statements and exhibits in support of this case:

- (i) No opposition for the hearing is expected because one of these parties cannot be located and those located have not objected to the inclusion of this well into this pooling order.

**Affidavit of Jerome P. McHugh, Jr.**

**NMOCD Case 14445**

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- (ii) Map outlining the spacing unit being the E/2 of Section 24, T30N, R12W, NMPM, San Juan County, New Mexico and the subject wellbore. **See Exhibit "B" attached**
- (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 \$5,800/month drilling and \$580/month producing well rates, subsequent to COPAS adjustment.
- (ix) Copy of Division form C-102 showing the well location and the proposed depth of the well (approximately 6,750 feet). **See Exhibit "D"**
- (x) Copy of the AFE in the amount of \$ 931,074 completed well costs for this well, which we conclude, is fair, reasonable and current for wells of this type in this area. **See Exhibit "E"**

#### **ATTESTATION**

I, Jerome P. 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. be named Operator;
- (2) for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the infill gas well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be shall be made to recover out of production the costs of the drilling, completing, equipping and operating the optional infill gas well, including a risk factor penalty;

**Affidavit of Jerome P. McHugh, Jr.**

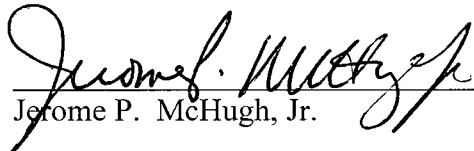
**NMOCD Case 14445**

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(4) The extension of the current expiration date of the APD from June 14, 2010 to a date concurrent with the requirements of the compulsory pooling order to be entered in this case.

(5) Provisions for overhead rates of \$5,800 per month drilling and \$580 per month operating and a provision for an adjustment method of the overhead rates as provided by COPAS;

FURTHER AFFIANT SAYETH NOT:

  
Jerome P. McHugh, Jr.

#### ACKNOWLEDGMENT

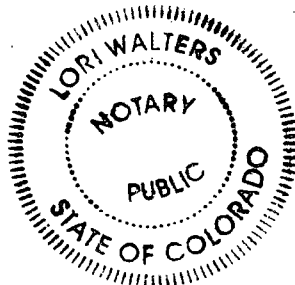
STATE OF COLORADO                   §  
   §  
CITY & COUNTY OF DENVER       §

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 17<sup>th</sup> day of March, 2010, personally appeared Jerome P. 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:

9/13/2012



  
Notary Public

**Exhibit "A"**

**NMOCD Case 14445**

**UNCOMMITTED WORKING INTEREST AND MINERAL OWNERS**

**TOWNSHIP 30 NORTH, RANGE 12 WEST, N.M.P.M.**

**Section 24: E/2**

from the base of the Pictured Cliffs formation to the base of the Dakota formation  
containing 320 acres, more or less

<b><u>OWNER</u></b>	<b><u>WORKING INTEREST</u></b>
Maralex Resources, Inc. P O Box 338 Ignacio, CO 81133	10.71429%
Union Pacific Railroad Company c/o Farmers National Company 5110 So Yale, Suite 400 Tulsa, Ok 74135 Attn: Ms. Samantha Morgan	Mineral Interest 1.28125%
Georgia Lee Kelton, aka Georgia Lee Fergan, aka Georgia Lee Bright 5500 Old Clarksville Road Reno, TX 75462	0.25422%
Margery M. Krieger Revocable Trust Ken Krieger, Trustee 209 Comanche Drive Cheyenne, WY 82009 307-638-1426	0.20337%
Ethel Alison Hueter address unknown	0.10759%
Alma F. Griesedieck Testamentary Trust The Boatman's National Bank of St. Louis, Successor Trustee P.O. Box 14633 510 Locust Street St. Louis, MO 63178	0.06052%
Gladys A. Murphy c/o Betty L. Spellman, attorney-in-fact 666 W. 19th Avenue, #1304 Costa Mesa, CA 92627	<u>0.05379%</u>

API #: 30-045-33769

District I  
PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised February 21, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

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		*Pool Code		*Pool Name	
*Property Code		*Property Name BLANCETT RANCH 24			*Well Number 1
*GRID No. 20208		*Operator Name SAN JUAN RESOURCES, INC.			*Elevation 5635

#### <sup>10</sup> Surface Location

UL 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

#### <sup>11</sup> Bottom 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

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

<sup>16</sup> 	<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u>Jerome P. McHugh Jr.</u> Signature <u>Jerome P. McHugh Jr.</u> Printed Name <u>President</u> Title <u>3/16/2010</u> Date
	<sup>18</sup> SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. <u>Date of Survey: MAY 1, 2006</u> Signature and Seal of Professional Surveyor  <u>JASON C. EDWARDS</u> Number 15269

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Exhibit B

Owner	Percentage	Letter/AFE Sent	Green Card Return	Participate		Alternatives			Force Pool	Notes
				Yes	No	Lease	Farmout	Sell		
Burlington Resources Oil & Gas Company, LP c/o ConocoPhillips Company P O Box 4289 Farmington, NM 87439 Attn: Ben Malone, Land Supervisor	37.50000%	1/29/2010	YES	X					NO	Verbal 2/24/10
Kenneth and Elsie M. Blancett Living Trust, dtd 12-9-98 DeWayne Blancett, Successor Trustee 282 County Road 3000 Aztec, NM 87410	23.53997%	1/29/2010	YES		X	X			NO	2-17-10 executed OGL to San Juan Basin Properties
San Juan Basin Properties, LLC 1499 Blake Street, Suite 10-C Denver, CO 80202	24.81270%	1/29/2010	N/A	X					NO	
Maralex Resources, Inc. P O Box 338 Ignacio, CO 81133	10.71429%	1/29/2010	YES						YES	2-16-10 Maralex responded would like to farmout, but terms unacceptable to SJR. 2-23-10 SJRP counter proposal stating BI too high. No response from Maralex.
Union Pacific Railroad Company c/o Farmers National Company 5110 So Yale, Suite 400 Tulsa, OK 74135 Attn: Ms. Samantha Morgan	1.28125%	1/29/2010	YES						YES	Numerous v/c. from 1-12-10 to 1-29 to negotiate lease; terms not acceptable. Voice mail msg 2-24-10. 3/23/10 email inquiry to UPRC; response from UPRC stated their lease terms are non-negotiable.
Estate of Anthony F. Zarlengo, dec. Vincent A. Zarlengo, Personal Representative 6500 W. Mansfield Ave., Unit 33 Denver, CO 80235										
Winter address: 8712 E. Gemmill Drive Rio Verde, AZ 85263	0.40675%	1/29/2010	YES		X			X	NO	Assignment, Quitclaim & Bill of Sale to San Juan Basin Properties LLC
Georgia Lee Kellon, aka Georgia Lee Fergan, aka Georgia Lee Bright 5500 Old Clarksville Road Reno, TX 75462	0.25422%	1/29/2010	YES						YES	2-15 & 2-23 MW messages. 2-24 received FO proposal from Kellon; SJRP send counter farmout proposal & offer to purchase. Kellon does not wish to sell or participate & said ok to be force pooled since "I was force pooled before."
Candace Lenoir Cox P O Box 309 Concord, MA 01742	0.25422%	1/29/2010	YES	X					NO	
Jean J. Bleakley Trust, dtd 3-17-89 2633 Bulrush Lane Naples, FL 34105-3026	0.25422%	1/29/2010	YES	X					NO	Received election, AFE & \$ cash call.
Barbara K. Kullas, as her separate property 6506 Warriors Run Littleton, CO 80125-9060	0.25422%	1/29/2010	YES	X					NO	
Margery M. Krieger Revocable Trust Ken Krieger, Trustee 209 Comanche Drive Cheyenne, WY 82009	0.20337%	1/29/2010	YES						YES	Left w/m 2-15, 2-22, 2-23 w/ msg to Purchase; 2-24, Sending Purchase Offer. Rec'd call from Doug Liller, "friend" on 2/25 about proposal or purchase alternative. Liller ? ORI or WI. Sent copies of OGL's 3/5/20 with reminder of hearing deadline. WA 3/12/10; Liller returned call & will meet 3/22 w/ Krieger to execute elections. 3/26 Nothing received.

San Juan Resources, Inc.  
Well Proposal 2010 Summary of Participation  
Well: Blancett Ranch 24 #1

Owner	Percentage	Letter/AFE Sent	Green Card Return	Participate		Alternatives			Force Pool	Notes
				Yes	No	Lease	Farmout	Sell		
Trommald Family Trust dtd. 6-7-99 John E. Trommald & Heather J. Trommald, Co-Trustees 17056 Marina Bay Drive Huntington Beach, CA 92649	0.11835%	1/29/2010	YES	X					No	Faxed him the notice on 2/16. Emailed purchase offer 2-24 after leaving 2 msgs. 2:24 4:06 PM Mr. Trommald emailed the Trust will participate & check is in the mail. Received election, AFE & \$\$ cash call.
Ethel Alison Hueier address unknown	0.10759%	No Address	N/A						YES	Address unknown. See 2/15/2010 Fort Jordan letter.
Western Distributing Company Employees Trust P.O. Box 5542 TA Denver, CO 80217 Attn: Chris Boggs	0.06619%	1/29/2010	YES					X	No	Assignment, Quirclaim & Bill of Sale to <b>San Juan Basin Properties LLC</b> .
Malcomb Clifford Todd Trust dtd. 8-17-97 William R. Turner, Successor Trustee 888 S. Figueroa Street, #860 Los Angeles, CA 90017	0.06455%	1/29/2010	NO		X			X	NO	Assignment, Quirclaim & Bill of Sale to <b>San Juan Basin Properties LLC</b> .
Alma F. Griesedieck Testamentary Trust The Boatman's National Bank of St. Louis, Successor Trustee P.O. Box 14633 510 Locust Street St. Louis, MO 63178	0.06052%	1/29/2010	YES						YES	2-12-10 Bank of America, successor bank, returned 1/29 letter, they have no info re: this account. Steve Jordan determined no additional information is available for successor's current address. See Fort Jordan summary letter dated 2-24-10
Eric Ofiedahl, as his separate property 210 E. Main, #1S Plano, IL 60545	0.05380%	1/29/2010	YES	X					NO	1-29-10 Letter returned as unclaimed, sent out 3 additional notices to different addresses on 2/17 & 2/18. One of the additional notices was signed for & attorney contacted SIR on behalf of Eric Ofiedahl.. Will participate: received election, AFE, & cash call.
Gladys A. Murphy c/o Betty L. Spelman, attorney-in-fact 666 W. 19th Avenue, #1304 Cordia Mesa, CA 92627	0.05379%	1/29/2010	NO, #1,2 & 3						YES	1-29-10 Letter returned as unclaimed, sent out 2 additional notices to different addresses on 2/16. See Fort Jordan summary letter dated 2-15-10

Total Working Interest Owner 100.000000%  
San Juan Basin Properties LLC 48.89016%  
Total Force Pooling Interest Owners 12.67503%



**FORT ★ JORDAN**  
**PETROLEUM AND MINERAL LAND SERVICES**

**Randall Fort, CPL**  
12221 Towner Ave., N.E.  
Albuquerque, New Mexico 87112  
(505) 332-8860  
(505) 681-7086

**Steve Jordan**  
7709 Summer Ave. N.E.  
Albuquerque, New Mexico 87110  
(505) 266-3872

February 15, 2010

Mr. Jerry McHugh, Jr., President  
San Juan Resources, Inc.  
1499 Blake Street, Suite 10C  
Denver, CO 80202

**Re: Ethel Alison Hueter - Not Located**  
**Leasehold Owner: E/2 24-30N-12W**  
**San Juan County, New Mexico**

Dear Mr. McHugh:

Ethel Alison Hueter acquired a very small oil and gas leasehold working interest in the referenced property in 1963, along with her husband, Nobel Gustave Hueter (6/26/63, Bk 589, Pg 296). Nobel Gustave died a few months later. The Order Approving the Final Report and Order for Distribution under his will, which were filed along with the 1963 assignment referred to above, indicated that his wife, Ethel Alison Hueter succeeded to his portion of the subject working interest, with the court recognizing the interest as a community property interest.

While this office did not do the title review for this interest nor for this spacing unit, we noticed that prior ownership reports covering this interest credited Ethel Alison Hueter with sole ownership. Our title search was limited to an update covering the referenced lands, derived from our review of the San Juan County Records from October 1, 2008 until October 8, 2009.

In addition to that review, we conducted a grantor-grantee search of the official San Juan County Records, (located in Aztec, New Mexico), covering all filings in the county records from January 1, 1985, to October 8, 2009, under the names Ethel Alison Hueter and Ethel Hueter and E. Hueter and Hueter. No additional filings were listed for those names.

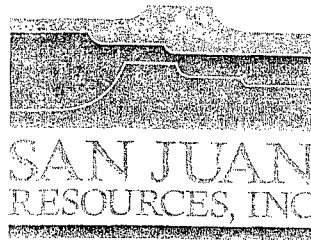
A general country-wide MSN White Pages search online for the names Ethel Alison Hueter and Ethel Hueter returned no listings.

Should you wish us to expand this search, please advise.

Very truly yours,  
FORT ★ JORDAN

By: \_\_\_\_\_

Steve Jordan



VIA CERTIFIED RETURN RECEIPT 7008 1830 0000 5314 9092

January 29, 2010

To: Maralex Resources, Inc.  
P O Box 338]  
Ignacio, CO 81133  
Attn: Mr. Mickey O'Hare

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Mr. O'Hare:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445**  
**Exhibit C**

Well Proposal – Blancett ranch 24 #1

January 29, 2010

Page 2

If you elect not to participate in the drilling of the well, farmout, lease or sale, then SJR will apply for a compulsory pooling order pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. In order to timely commence this wellbore, SJR will file a compulsory pooling application not later than March 1, 2010.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. A copy of the model form AAPL Form 610-1982 Joint Operating Agreement will follow for your execution.

If you elect to participate in (i) the farmout option, (ii) lease option, or (iii) to sell your interest, please sign and return the election form in the envelope provided. A farmout agreement, Producers 88 Paid Up lease form, or Quitclaim Mineral Deed, as described on page one 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 want your interest subject to a compulsory pooling order.

We appreciate your consideration and timely response. Should you have any questions, please call 303-573-6333 or 303-253-4676.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sheryl A. Olson". The signature is fluid and cursive, with the first name "Sheryl" being more prominent than the last name "Olson".

Sheryl A. Olson, CPL  
Land Consultant  
San Juan Resources, Inc.

Enclosures: 1

Well Proposal – Blancett Ranch 24 #1  
January 29, 2010  
Page 3

**ELECTIONS Blancett Ranch 24 #1**  
**T30N-R12W, Section 24: E/2, San Juan County, New Mexico**

\_\_\_\_\_ Yes, I/we hereby elect to participate in the Blancett Ranch 24 #1 well, API #30-045-33769, and enclose one originally executed copy of the AFE along with our well requirements. Upon receipt of the AAPL Form 610-1982 JOA, one originally executed signature page will be promptly returned.

\_\_\_\_\_ No, I/we decline participation in the Blancett Ranch 24 #1 well.

**ALTERNATIVES TO PARTICIPATION**

\_\_\_\_\_ I/we hereby agree to lease my interest for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form.

\_\_\_\_\_ I/we hereby agree to farmout my interest under the terms described in paragraph 3(i).

\_\_\_\_\_ I/we hereby agree to sell my interest for \$250. per net mineral acre from the base of the Pictured Cliffs to the base of the Dakota formations and will execute a mutually agreeable Quitclaim Mineral Deed.

**Accepted and Agreed to this \_\_\_\_\_ day of February, 2010**

**Maralex Resouces, Inc.**

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_

## Drilling and Completion Cost Estimate

**San Juan Resources, Inc.**  
**AUTHORITY FOR EXPENDITURE**

**Well Name:** Blancett Ranch 24 #1

**Location:** Section 24, SENE, T30N, R12W, San Juan County, NM

**Proposed Depth:** 6750'

**Objective:** Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing			0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also includes fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>

**II. Completion Costs (as needed).**

Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR. ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Climf House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

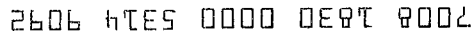
Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

Working Interest Owner %: 10.71429%  
Working Interest Owner Share: \$ 99,758

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

Working Interest Owner:  
Maralex Resources, Inc.  
P O Box 338  
Ignacio, CO 81133

Approved: \_\_\_\_\_  
Title: \_\_\_\_\_ Date: \_\_\_\_\_

PS Form 3811, February 2004

Domestic Return Receipt

BR 24 APR

102595-02-M-1



VIA CERTIFIED RETURN RECEIPT 7008 1830 0000 5314 9008

January 29, 2010

To: Union Pacific Railroad Company  
c/o Farmers National Company  
5110 So Yale, Suite 400  
Tulsa, OK 74135  
Attn: Samantha Morgan

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Ms. Morgan:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445**  
**Exhibit C**

Well Proposal – Blancett ranch 24 #1  
January 29, 2010  
Page 2


If you elect not to participate in the drilling of the well, farmout, lease or sale, then SJR will apply for a compulsory pooling order pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. In order to timely commence this wellbore, SJR will file a compulsory pooling application not later than March 1, 2010.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. A copy of the model form AAPL Form 610-1982 Joint Operating Agreement will follow for your execution.

If you elect to participate in (i) the farmout option, (ii) lease option, or (iii) to sell your interest, please sign and return the election form in the envelope provided. A farmout agreement, Producers 88 Paid Up lease form, or Quitclaim Mineral Deed, as described on page one 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 want your interest subject to a compulsory pooling order.

We appreciate your consideration and timely response. Should you have any questions, please call 303-573-6333 or 303-253-4676.

Very truly yours,



Sheryl A. Olson, CPL  
Land Consultant  
San Juan Resources, Inc.

Enclosures: 1



Well Proposal – Blancett Ranch 24 #1  
January 29, 2010  
Page 3

**ELECTIONS Blancett Ranch 24 #1**  
**T30N-R12W, Section 24: E/2, San Juan County, New Mexico**

\_\_\_\_\_ **Yes**, I/we hereby elect to participate in the Blancett Ranch 24 #1 well, API #30-045-33769, and enclose one originally executed copy of the AFE along with our well requirements. Upon receipt of the AAPL Form 610-1982 JOA, one originally executed signature page will be promptly returned.

\_\_\_\_\_ **No**, I/we decline participation in the Blancett Ranch 24 #1 well.

**ALTERNATIVES TO PARTICIPATION**

\_\_\_\_\_ I/we hereby agree to lease my interest for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form.

\_\_\_\_\_ I/we hereby agree to farmout my interest under the terms described in paragraph 3(i).

\_\_\_\_\_ I/we hereby agree to sell my interest for \$250. per net mineral acre from the base of the Pictured Cliffs to the base of the Dakota formations and will execute a mutually agreeable Quitclaim Mineral Deed.

**Accepted and Agreed to this \_\_\_\_\_ day of February, 2010**

**Union Pacific Railroad Company**

By: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

## Drilling and Completion Cost Estimate

### San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

Well Name: Blancett Ranch 24 #1

Location: Section 24, SENE, T30N, R12W, San Juan County, NM

Proposed Depth: 6750'

Objective: Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing		0	0
Surface Casing (320' of 9-5/8", 36" @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also includeds fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>

### II. Completion Costs (as needed).

Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR, ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Cliff House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

Working Interest Owner %: 1.28125%  
Working Interest Owner Share: \$ 11,929

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

Working Interest Owner:  
Union Pacific Railroad Company  
c/o Farmers National Company  
5110 So Yale, Suite 400  
Tulsa, Ok 74135  
Attn: Ms. Samantha Morgan

Approved: \_\_\_\_\_  
Title: \_\_\_\_\_ Date: \_\_\_\_\_

POSTAGE WILL BE PAID BY ADDRESSEE

POSTAGE

61

280

230

5.71

Postmark Here  
JAN 29 2010  
DENVER CO

Union Pacific Railroad Company  
c/o Farmers National Company  
5110 So Yale, Suite 400  
Tulsa, OK 74135

BR 24 AFE

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to: FEB 11 2010

BY:

Union Pacific Railroad Company  
c/o Farmers National Company  
5110 So Yale, Suite 400  
Tulsa, OK 74135

2. Article Number  
(Transfer from service label)

7008 1830 0000 5314 9108

PS Form 3811, February 2004

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  
X 

☐ Agent  
☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Domestic Return Receipt BR 24 AFE

102595-02-M-154



VIA CERTIFIED RETURN RECEIPT 7008 1830 0000 5314 9122

January 29, 2010

To: Georgia Lee Kelton, aka Georgia Lee Fergan,  
aka Georgia Lee Bright  
5500 Old Clarksville Road  
Reno, TX 75462

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Ms. Kelton:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445  
Exhibit C**

Well Proposal – Blancett ranch 24 #1  
January 29, 2010  
Page 2

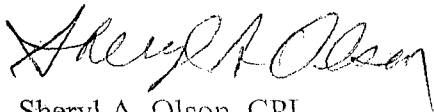
If you elect not to participate in the drilling of the well, farmout, lease or sale, then SJR will apply for a compulsory pooling order pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. In order to timely commence this wellbore, SJR will file a compulsory pooling application not later than March 1, 2010.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. A copy of the model form AAPL Form 610-1982 Joint Operating Agreement will follow for your execution.

If you elect to participate in (i) the farmout option, (ii) lease option, or (iii) to sell your interest, please sign and return the election form in the envelope provided. A farmout agreement, Producers 88 Paid Up lease form, or Quitclaim Mineral Deed, as described on page one 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 want your interest subject to a compulsory pooling order.

We appreciate your consideration and timely response. Should you have any questions, please call 303-573-6333 or 303-253-4676.

Very truly yours,



Sheryl A. Olson, CPL  
Land Consultant  
San Juan Resources, Inc.

Enclosures: 1

Well Proposal – Blancett Ranch 24 #1

January 29, 2010

Page 3

**ELECTIONS Blancett Ranch 24 #1**

**T30N-R12W, Section 24: E/2, San Juan County, New Mexico**

\_\_\_\_ Yes, I/we hereby elect to participate in the Blancett Ranch 24 #1 well, API #30-045-33769, and enclose one originally executed copy of the AFE along with our well requirements. Upon receipt of the AAPL Form 610-1982 JOA, one originally executed signature page will be promptly returned.

\_\_\_\_ No, I/we decline participation in the Blancett Ranch 24 #1 well.

**ALTERNATIVES TO PARTICIPATION**

\_\_\_\_ I/we hereby agree to lease my interest for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form.

\_\_\_\_ I/we hereby agree to farmout my interest under the terms described in paragraph 3(i).

\_\_\_\_ I/we hereby agree to sell my interest for \$250 per net mineral acre from the base of the Pictured Cliffs to the base of the Dakota formations and will execute a mutually agreeable Quitclaim Mineral Deed.

**Accepted and Agreed to this \_\_\_\_ day of February, 2010**

**Georgia Lee Kelton, aka Georgia Lee Fergan, aka Georgia Lee Bright**

By: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

## Drilling and Completion Cost Estimate

**San Juan Resources, Inc.**  
**AUTHORITY FOR EXPENDITURE**

**Well Name:** Blancett Ranch 24 #1

**Location:** Section 24, SENE, T30N, R12W, San Juan County, NM

**Proposed Depth:** 6750'

**Objective:** Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing			0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also included fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>

**II. Completion Costs (as needed).**

Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR, ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Cliff House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

Working Interest Owner %: 0.25422%  
Working Interest Owner Share: \$ 2,367

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

Working Interest Owner:  
Georgia Lee Kelton, aka Georgia Lee Fergan,  
aka Georgia Lee Bright  
5550 Old Clarksville Road  
Reno, TX 75462

Approved: \_\_\_\_\_  
Date: \_\_\_\_\_

**OFFICIAL USE**

**CERTIFIED MAIL RECEIPT**  
Domestic Mail Only Insurance Coverage Provided  
For delivery information, visit our website at www.usps.com

Postage: \$ 61  
Certified Fee: 280  
Return Receipt Fee (Endorsement Required): 230  
Restricted Delivery Fee (Endorsement Required): 5.71

Total Endorsement & Fees: 5.71

Postmark Here: **DOWNTOWN STATION DENVER, CO 80202 USPS**  
JAN 29 2010

Georgia Lee Kelton, aka Georgia Lee Fergan, aka Georgia Lee Bright  
5550 Old Clarksville Road  
Reno, TX 75462

**APR**

2276 41ES 0000 DEPT 8002

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to: **FEB 15 2010**  
BY: **APR**

Georgia Lee Kelton, aka Georgia Lee Fergan,  
aka Georgia Lee Bright  
5550 Old Clarksville Road  
Reno, TX 75462

2. Article Number  
(Transfer from service label)

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  
**X** *[Signature]* ☐ Agent ☐ Addressee

B. Received by (Printed Name) **GEORGE KELTON** C. Date of Delivery **2-2-10**

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

7008 1830 0000 5314 9122

PS Form 3811, February 2004

Domestic Return Receipt

**BR 24 APR**

102595-02-M-154C





VIA CERTIFIED RETURN RECEIPT 7008 1830 0000 5314 9160

January 29, 2010

To: Margery M. Krieger Revocable Trust  
Ken Krieger, Trustee  
209 Comanche Drive  
Cheyenne, WY 82009

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Mr. Krieger:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445**  
**Exhibit C**

Well Proposal – Blancett ranch 24 #1  
January 29, 2010  
Page 2

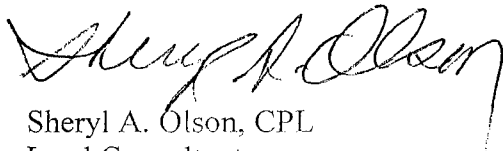
If you elect not to participate in the drilling of the well, farmout, lease or sale, then SJR will apply for a compulsory pooling order pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. In order to timely commence this wellbore, SJR will file a compulsory pooling application not later than March 1, 2010.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. A copy of the model form AAPL Form 610-1982 Joint Operating Agreement will follow for your execution.

If you elect to participate in (i) the farmout option, (ii) lease option, or (iii) to sell your interest, please sign and return the election form in the envelope provided. A farmout agreement, Producers 88 Paid Up lease form, or Quitclaim Mineral Deed, as described on page one 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 want your interest subject to a compulsory pooling order.

We appreciate your consideration and timely response. Should you have any questions, please call 303-573-6333 or 303-253-4676.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sheryl A. Olson". The signature is fluid and cursive, with the first name "Sheryl" being more prominent.

Sheryl A. Olson, CPL  
Land Consultant  
San Juan Resources, Inc.

Enclosures: 1

Well Proposal – Blancett Ranch 24 #1  
January 29, 2010  
Page 3

**ELECTIONS Blancett Ranch 24 #1**  
**T30N-R12W, Section 24: E/2, San Juan County, New Mexico**

\_\_\_\_\_ Yes, I/we hereby elect to participate in the Blancett Ranch 24 #1 well, API #30-045-33769, and enclose one originally executed copy of the AFE along with our well requirements. Upon receipt of the AAPL Form 610-1982 JOA, one originally executed signature page will be promptly returned.

\_\_\_\_\_ No, I/we decline participation in the Blancett Ranch 24 #1 well.

**ALTERNATIVES TO PARTICIPATION**

\_\_\_\_\_ I/we hereby agree to lease my interest for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form.

\_\_\_\_\_ I/we hereby agree to farmout my interest under the terms described in paragraph 3(i).

\_\_\_\_\_ I/we hereby agree to sell my interest for \$250 per net mineral acre from the base of the Pictured Cliffs to the base of the Dakota formations and will execute a mutually agreeable Quitclaim Mineral Deed.

**Accepted and Agreed to this \_\_\_\_\_ day of February, 2010**

**Margery M. Krieger Revocable Trust**

\_\_\_\_\_  
By: Ken Krieger, Trustee

Address: \_\_\_\_\_  
\_\_\_\_\_

## Drilling and Completion Cost Estimate

**San Juan Resources, Inc.**  
**AUTHORITY FOR EXPENDITURE**

**Well Name:** Blancett Ranch 24 #1

**Location:** Section 24, SENE, T30N, R12W, San Juan County, NM

**Proposed Depth:** 8750'

**Objective:** Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing		0	0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also includeds fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>

### II. Completion Costs (as needed).

Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR, ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Cliff House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

Working Interest Owner %: 0.20337%  
Working Interest Owner Share: \$ 1,894

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

Working Interest Owner:  
Margery M. Krieger Revocable Trust  
Ken Krieger, Trustee  
209 Comanche Drive  
Cheyenne, WY 82009

Approved: \_\_\_\_\_  
Title: \_\_\_\_\_ Date: \_\_\_\_\_

**OFFICIAL USE**

**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only, No Insurance Coverage Provided)

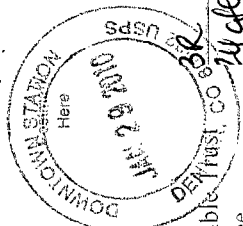
Postage \$ 61

Certified Fee 2.80

Return Receipt Fee (Endorsement Required) 2.30

Restricted Delivery Fee (Endorsement Required) 5.71

Total Postage & Fees



Margery M. Krieger Revocable Trust  
Ken Krieger, Trustee  
209 Comanche Drive  
Cheyenne, WY 82009

Sent \_\_\_\_\_  
Street or PO \_\_\_\_\_  
City \_\_\_\_\_

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**FEB 11 2010**

BY: \_\_\_\_\_

Margery M. Krieger Revocable Trust  
Ken Krieger, Trustee  
209 Comanche Drive  
Cheyenne, WY 82009

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature ☐ Agent ☐ Address

**X Kelly Pontillo**

B. Received by (Printed Name) Kelly Pontillo C. Date of Delivery \_\_\_\_\_

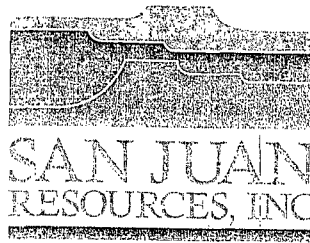
D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) **7008 1830 0000 5314 9160**

0916 HIES 0000 DEBT 0002



VIA CERTIFIED RETURN RECEIPT 7008 1830 0000 5314 9207

January 29, 2010

To: Alma F. Griesedieck Testamentary Trust  
The Boatman's National Bank of St. Louis, Successor Trustee  
P O Box 14633  
510 Locust Street  
St. Louis, MO 63178

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Trustee:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445  
Exhibit C**

Well Proposal – Blancett ranch 24 #1

January 29, 2010

Page 2

If you elect not to participate in the drilling of the well, farmout, lease or sale, then SJR will apply for a compulsory pooling order pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. In order to timely commence this wellbore, SJR will file a compulsory pooling application not later than March 1, 2010.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. A copy of the model form AAPL Form 610-1982 Joint Operating Agreement will follow for your execution.

If you elect to participate in (i) the farmout option, (ii) lease option, or (iii) to sell your interest, please sign and return the election form in the envelope provided. A farmout agreement, Producers 88 Paid Up lease form, or Quitclaim Mineral Deed, as described on page one 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 want your interest subject to a compulsory pooling order.

We appreciate your consideration and timely response. Should you have any questions, please call 303-573-6333 or 303-253-4676.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sheryl A. Olson". The signature is fluid and cursive, with the first name "Sheryl" being more prominent than the last name "Olson".

Sheryl A. Olson, CPL  
Land Consultant  
San Juan Resources, Inc.

Enclosures: 1

Well Proposal -- Blancett Ranch 24 #1  
January 29, 2010  
Page 3

**ELECTIONS Blancett Ranch 24 #1**  
**T30N-R12W, Section 24: E/2, San Juan County, New Mexico**

\_\_\_\_\_ Yes, I/we hereby elect to participate in the Blancett Ranch 24 #1 well, API #30-045-33769, and enclose one originally executed copy of the AFE along with our well requirements. Upon receipt of the AAPL Form 610-1982 JOA, one originally executed signature page will be promptly returned.

\_\_\_\_\_ No, I/we decline participation in the Blancett Ranch 24 #1 well.

**ALTERNATIVES TO PARTICIPATION**

\_\_\_\_\_ I/we hereby agree to lease my interest for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form.

\_\_\_\_\_ I/we hereby agree to farmout my interest under the terms described in paragraph 3(i).

\_\_\_\_\_ I/we hereby agree to sell my interest for \$250 per net mineral acre from the base of the Pictured Cliffs to the base of the Dakota formations and will execute a mutually agreeable Quitclaim Mineral Deed.

**Accepted and Agreed to this \_\_\_\_\_ day of February, 2010**

**Alma F. Griesedieck Testamentary Trust.**

\_\_\_\_\_  
By & Title:

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_



## Drilling and Completion Cost Estimate

### San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

Well Name: Blancett Ranch 24 #1

Location: Section 24, SENE, T30N, R12W, San Juan County, NM

Proposed Depth: 6750'

Objective: Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing		0	0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also includes fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>

### II. Completion Costs (as needed).

Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR, ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Cliff House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

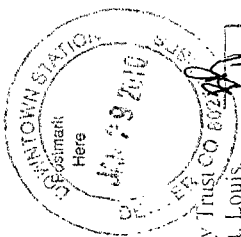
Working Interest Owner %: 0.06052%  
Working Interest Owner Share: \$ 563

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

Working Interest Owner:  
Alma F. Griesedieck Testamentary Trust  
The Boatman's National Bank of St. Louis, Successor Trustee  
P.O. Box 14633  
510 Locust Street  
St. Louis, MO 63178

Approved: \_\_\_\_\_  
Title: \_\_\_\_\_ Date: \_\_\_\_\_

OFFICIAL USE  
 CERTIFIED MAIL RECEIPT  
 (Domestic Mail Only - Insurance coverage provided)  
 PS Form 3811, February 2004



Postage	\$ 6.1
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	5.71
<b>Total</b>	<b>\$ 16.91</b>

Alma F. Griesedieck Testamentary Trust CO 6029  
 The Boatman's National Bank of St. Louis,  
 Successor Trustee  
 P.O. Box 14633  
 510 Locust Street  
 St. Louis, MO 63178

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to: **FEB 5 2010**

BY: \_\_\_\_\_  
 Alma F. Griesedieck Testamentary Trust  
 The Boatman's National Bank of St. Louis,  
 Successor Trustee  
 P.O. Box 14633  
 510 Locust Street  
 St. Louis, MO 63178

2. Article Number (Transfer from service label) **7008 1830 0000 5314 9207**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature **x J. W. Adams** ☐ Agent ☐ Addressee  
 B. Received by (Printed Name) **J. W. Adams** C. Date of Delivery **FEB 5 2010**

D. Is delivery address different from item 1? ☐ Yes ☐ No  
 If YES, enter delivery address below:

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

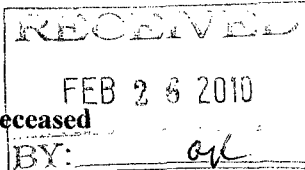
**FORT ★ JORDAN**  
**PETROLEUM AND MINERAL LAND SERVICES**

**Randall Fort, CPL**  
12221 Towner Ave., N.E.  
Albuquerque, New Mexico 87112  
(505) 332-8860  
(505) 681-7086

**Steve Jordan**  
7709 Summer Ave. N.E.  
Albuquerque, New Mexico 87110  
(505) 266-3872

February 24, 2010

Mr. Jerry McHugh, Jr., President  
San Juan Resources, Inc.  
1499 Blake Street, Suite 10C  
Denver, CO 80202



**Re: Testamentary Trust of Alma F. Griesedieck, deceased**  
**Leasehold Owner: E/2 24-30N-12W**  
**San Juan County, New Mexico**

Dear Mr. McHugh:

Regarding our attempts to locate the current trustee of the Alma F. Griesedieck Testamentary Trust or the heirs of Alma F. Griesedieck, please be advised that we have been unable to locate any of these parties.

The subject oil and gas leasehold interest was conveyed directly into the testamentary trust by Carl H. Noel in the early 1960's (8-14-62, rec. Bk 529, Pg 117, copy attached). As such, we have no information pertaining to possible heirs of Alma F. Griesedieck. The assignment did not refer to a probate proceeding or give us any other useful clues pertaining to this out-of-state estate. Our recent title review in San Juan County, New Mexico did not turn up any new filings pertaining to this interest.

Carl H. Noel conveyed out approximately a dozen small leasehold interests in the NE/4NE/4 of Section 24, T30N, R12W, in the early 1960's. All of the assignees were residing out of state. Therefore, it would be extremely difficult and expensive to attempt to track down a probate proceeding for Ms. Griesedieck. The Bank of America, successor by merger to The Boatman's National Bank of St. Louis, pursuant to its letter to San Juan Land Resources dated February 12, 2010 (copy attached), has no record of this interest being handled by their trust department. The Boatman's National Bank of St. Louis was the last known trustee for the Griesedieck Testamentary Trust.

Unfortunately, in the case of this very small leasehold interest, the San Juan County records provides us with no additional clues to track this interest.

Should you have any questions or need anything further in this regard, please contact us.

Very truly yours,  
FORT ★ JORDAN

By: \_\_\_\_\_

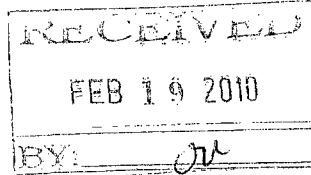
Steve Jordan

NMOCD Case 14445  
Exhibit C

Bank of America, N.A.

February 12, 2010

Ms. Sheryl A. Olson  
San Juan Land Resources, Inc.  
1499 Blake Street, Suite 10C  
Denver, CO 80202



RE: Well Proposal – Blancett Ranch 24 #1  
E/2 Section 24-T30N-R12W, San Juan County, NM

Dear Ms. Olson:

We are returning your letter dated January 29, 2010 to the Alma F. Griesedieck Testamentary Trust, The Boatmen's National Bank of St. Louis, Successor Trustee. Bank of America, N.A. is the successor to Boatmen's. This is not an active account with us. We have research our records and were not able to locate any additional information.

Please remove our mailing address from your records relating to this Trust.

Sincerely,



Jimmy L. Proe  
Senior Vice President  
Phone: 214.209.2303  
Fax: 214.530.2844  
[jimmy.proe@ustrust.com](mailto:jimmy.proe@ustrust.com)

NMOCD Case 14445  
Exhibit C



VIA CERTIFIED RETURN RECEIPT 7008 1830 0000 5314 9221

January 29, 2010

To: Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
666 W. 19<sup>th</sup> Avenue, #1304  
Costa Mesa, CA 92627

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Ms. Spellman:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445**  
**Exhibit C**

7008 1830 0000 5314 9221

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**

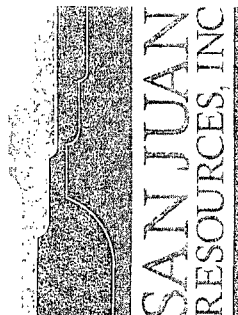
Postage	\$ 61
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	5.71

Postmark Here  
 DOWNTOWN STATION  
 JAN 29 2010  
 DENVER, CO

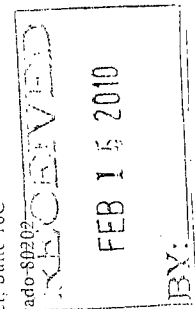
Gladys A. Murphy  
 c/o Betty L. Spellman, attorney-in-fact  
 666 W. 19th Avenue, #1304  
 Costa Mesa, CA 92627

BR  
 ARE

CERTIFIED MAIL

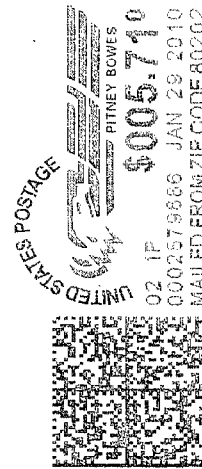


1499 Blake Street, Suite 10C  
 Denver, Colorado 80202



7008 1830 0000 5314 9221

Gladys A. Murphy  
 c/o Betty L. Spellman, attorney-in-fact  
 666 W. 19th Avenue, #1304  
 Costa Mesa, CA 92627



*[Handwritten signature]*

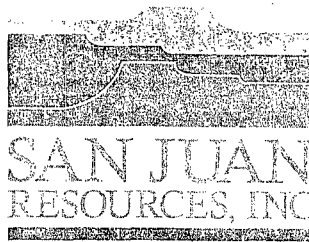
NIXIE

927 4E 1 01 02/07/10

RETURN TO SENDER  
 ATTEMPTED - NOT KNOWN  
 UNABLE TO FORWARD

BC: 802020136003 \*2077-05369-07-25

8020201360



VIA CERTIFIED RETURN RECEIPT 7009 2250 0003 4168 6250

February 16, 2010

To: Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
710 W. 18<sup>th</sup> Street, Apt. # 41  
Costa Mesa, CA 92627

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Ms. Spellman:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445**  
**Exhibit C**

7009 2250 0003 4168 6243

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

OFFICIAL USE

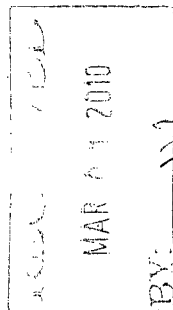
Postage	\$ 61
Certified Fee	280
Return Receipt Fee (Endorsement Required)	230
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 571

Postmark  
here

Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
2381 Colgate Drive  
Costa Mesa, CA 92626

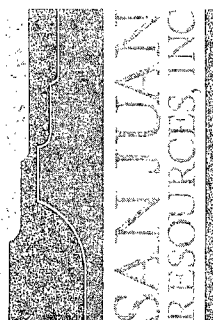
BR 24

CERTIFIED MAIL



7009 2250 0003 4168 6243

Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
2381 Colgate Drive  
Costa Mesa, CA 92626



1499 Blake Street, Suite 10C  
Denver, Colorado 80202





VIA CERTIFIED RETURN RECEIPT 7009 2250 0003 4168 6243

February 16, 2010

To: Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
2381 Colgate Drive  
Costa Mesa, CA 92626

Re: Well Proposal – Blancett Ranch 24 #1 (SE4NE/4)  
T30N-R12W, Section 24: E/2  
San Juan County, New Mexico

Dear Ms. Spellman:

San Juan Resources, Inc. ("SJR") is attempting to reconsolidate the E/2 of Section 24, T30N- R12W as the spacing unit for the Blancett Ranch 24 Well No. 1 (API # 30-045-33769) that was previously formed by the combination of voluntary agreements and a compulsory pooling order, now expired, issued by the New Mexico Oil Conservation Division. The pooled interval will be from the base of the Pictured Cliffs to the base of the Dakota formations.

Towards that end, SJR, as Operator, re-proposes this captioned Mesaverde / Dakota well with an anticipated spud date of June 1, 2010. Pursuant to the attached Authority for Expenditure (AFE), estimated drilling costs are \$482,533 and estimated completion costs are \$448,542 which total \$931,074. Should you elect to participate in the drilling of this well, your share of costs as reflected on the AFE are due prior to drilling.

As an alternative to participation, SJR would like to lease or purchase your interest from the base of the Pictured Cliffs to the base of the Dakota formations as follows: (i) SJR proposes a farmout of your interest. By drilling the well, SIR 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; (ii) SJR offers to lease for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form; (iii) SJR will purchase your interest for \$250 per net mineral acre.

**NMOCD Case 14445**  
**Exhibit C**

Well Proposal – Blancett ranch 24 #1

January 29, 2010

Page 2

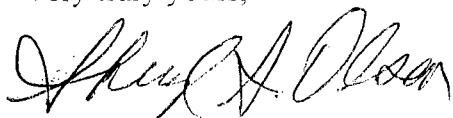
If you elect not to participate in the drilling of the well, farmout, lease or sale, then SJR will apply for a compulsory pooling order pursuant to New Mexico law, which provides for a 300% penalty to recover drilling and completion costs. In order to timely commence this wellbore, SJR will file a compulsory pooling application not later than March 1, 2010.

If you choose to participate in the well, please sign and return the enclosed AFE and your payment. A copy of the model form AAPL Form 610-1982 Joint Operating Agreement will follow for your execution.

If you elect to participate in (i) the farmout option, (ii) lease option, or (iii) to sell your interest, please sign and return the election form in the envelope provided. A farmout agreement, Producers 88 Paid Up lease form, or Quitclaim Mineral Deed, as described on page one 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 want your interest subject to a compulsory pooling order.

We appreciate your consideration and timely response. Should you have any questions, please call 303-573-6333 or 303-253-4676.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sheryl A. Olson".

Sheryl A. Olson, CPL  
Land Consultant  
San Juan Resources, Inc.

Enclosures: 1

Well Proposal – Blancett Ranch 24 #1  
January 29, 2010  
Page 3

**ELECTIONS Blancett Ranch 24 #1**  
**T30N-R12W, Section 24: E/2, San Juan County, New Mexico**

\_\_\_\_\_ Yes, I/we hereby elect to participate in the Blancett Ranch 24 #1 well, API #30-045-33769, and enclose one originally executed copy of the AFE along with our well requirements. Upon receipt of the AAPL Form 610-1982 JOA, one originally executed signature page will be promptly returned.

\_\_\_\_\_ No, I/we decline participation in the Blancett Ranch 24 #1 well.

**ALTERNATIVES TO PARTICIPATION**

\_\_\_\_\_ I/we hereby agree to lease my interest for \$125/net acre, 3/16ths royalty interest, 3 year paid up lease upon receipt of the Producers 88 Paid Up, Rev No.5a (CBG) form.

\_\_\_\_\_ I/we hereby agree to farmout my interest under the terms described in paragraph 3(i).

\_\_\_\_\_ I/we hereby agree to sell my interest for \$250 per net mineral acre from the base of the Pictured Cliffs to the base of the Dakota formations and will execute a mutually agreeable Quitclaim Mineral Deed.

**Accepted and Agreed to this \_\_\_\_\_ day of February, 2010**

**Gladys A. Murphy**  
Betty L. Spellman, attorney-in-fact

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_

## Drilling and Completion Cost Estimate

### San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

**Well Name:** Blancett Ranch 24 #1

**Location:** Section 24, SENE, T30N, R12W, San Juan County, NM

**Proposed Depth:** 6750'

**Objective:** Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing		0	0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also includes fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>

### II. Completion Costs (as needed).

Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR, ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Cliff House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

Working Interest Owner %: 0.05379%  
Working Interest Owner Share: \$ 501

Working Interest Owner:  
Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
666 W. 19th Avenue, #1304  
Costa Mesa, CA 92627

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

Approved: \_\_\_\_\_  
Title: \_\_\_\_\_ Date: \_\_\_\_\_

7009 2250 0003 4168 6250

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only. No Insurance Coverage Provided.)

For delivery information visit our website at [www.usps.com](http://www.usps.com)

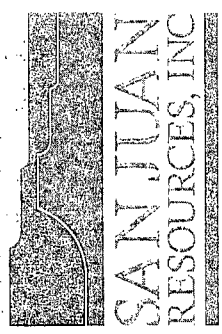
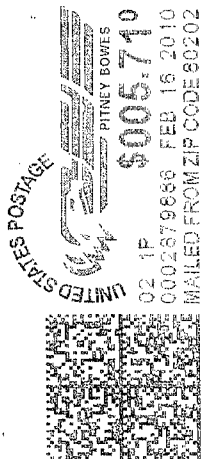
OFFICIAL USE	
Postage	\$ 61...
Certified Fee	280
Return Receipt Fee (Endorsement Required)	280
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	571

Postmark Here

82 24

Gladys A. Murphy  
c/o Betty L. Spellman, attorney-in-fact  
710 W. 18<sup>th</sup> Street, Apt #41  
Costa Mesa, CA 92627

7009 2250 0003 4168 6250



1499 Blake Street, Suite 10C  
Denver, Colorado 80202

REC'D  
MAR 23 2010  
BY: [signature]

Gladys A. Murphy  
c/o Betty L. Spellman, attorney in fact or Pamela S. Spellman  
710 W. 18th Street, Apt. #41  
Costa Mesa, CA

NIXIE 927 SE 1 86 03/17/10  
RETURN TO SENDER  
UNCLAIMED  
UNABLE TO FORWARD  
BC: 80202136003 \*2177-03579-24-18  
[barcode]

8020201360  
9262709998

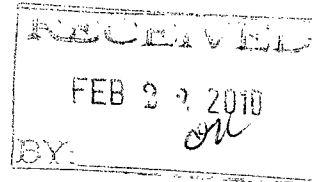
**FORT ★ JORDAN**  
**PETROLEUM AND MINERAL LAND SERVICES**

**Randall Fort, CPL**  
12221 Towner Ave., N.E.  
Albuquerque, New Mexico 87112  
(505) 332-8860  
(505) 681-7086

**Steve Jordan**  
7709 Summer Ave. N.E.  
Albuquerque, New Mexico 87110  
(505) 266-3872

February 15, 2010

Mr. Jerry McHugh, Jr., President  
San Juan Resources, Inc.  
1499 Blake Street, Suite 10C  
Denver, CO 80202



**Re: Gladys A. Murphy and Betty L. Spellman, her attorney-in-fact**  
**Leasehold Owner: E/2 24-30N-12W**  
**San Juan County, New Mexico**

Dear Mr. McHugh:

Regarding our attempts to locate Gladys A. Murphy and/or Betty L. Spellman, her attorney-in-fact, please be advised that we conducted an online people search for these individuals, utilizing the databases of whitepages.com, mylife.com, peoplefinder.com, intelius.com and peoplelookup.com. The following three addresses were the latest for Betty L. Spellman:

Betty L. Spellman  
2381 Colgate Drive  
Costa Mesa, CA 92626

Betty L. Spellman  
710 W. 18th Street, Apt. #41  
Costa Mesa, CA 92627

Betty L. Spellman  
666 19th St., #1304  
Costa Mesa, CA 92627

There is conflicting information regarding which of these addresses is the most recent. If alive, the databases indicate that Ms. Spellman would be 92 years old. No phone numbers were listed in any of the sources. Relatives listed for Ms. Spellman are Pamela S. Spellman and Thomas L. Spellman. I did not find anything from the above mentioned online sources for Thomas; however, for Pamela, the last listed address is 710 W. 18th St., Apt. #41, Costa Mesa, CA 92627. No phone numbers were listed.

With regard to Gladys A. Murphy, we had virtually no information with which to begin. We called numerous Gladys A. Murphy's located around the country, and none claimed an oil and gas interest in New Mexico or knew Betty L. Spellman.

Should you have any questions or need anything further in these regards, please contact us.

Very truly yours,  
FORT ★ JORDAN

By:   
Steve Jordan

Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address SAN JUAN RESOURCES, INC. 1400 BLAKE, #7K DENVER, CO 80202		2. OGRID Number 20208
		3. API Number 30-045-33769
4. Property Code 35731	5. Property Name BLANCETT RANCH 24	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
H	24	30N	12W	H	2435	N	450	E	SAN JUAN

8. Pool Information

BASIN DAKOTA (PRORATED GAS)	71599
BLANCO-MESAVERDE (PRORATED GAS)	72319

Additional Well Information

9. Work Type New Well	10. Well Type GAS	11. Cable/Rotary	12. Lease Type Private	13. Ground Level Elevation 5635
14. Multiple Y	15. Proposed Depth 6700	16. Formation Dakota Formation	17. Contractor	18. Spud Date 7/1/2006
Depth to Ground water 80		Distance from nearest fresh water well > 1000		Distance to nearest surface water 800
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ mils thick Clay <input type="checkbox"/> Pit Volume: 4800 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	24	250	180	0
Prod	7.875	4.5	11.6	6700	700	3400
Prod	7.875	4.5	11.6	3400	720	0

Casing/Cement Program: Additional Comments

San Juan Resources of Colorado proposes to drill a 12-1/4" surface hole to 250', run and cement 8-5/8" casing to 250' w/ 180 sack neat cement. A 7-7/8" hole will then be drilled to ~6700'. 4-1/2" casing will be run to TD w/ a stage tool @ ~3400'. First stage cement will consist of 600 sx (1392 cuft) 65/35 Poz w/ additives followed by 100 sx (116 cuft) neat w/ additives. second stage will consist of 620 sx (1438 cuft) 65/35 Poz with additives followed by 100 sx (116 cuft) neat w/ additives.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	2000	1000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCB-approved plan <input type="checkbox"/> Printed Name: Electronically filed by Lori Walters Title: Manager Email Address: accounting@sanjuanbasin.com Date: 5/31/2006	OIL CONSERVATION DIVISION	
	Approved By: Charlie Perrin	
	Title: District Supervisor	
	Approved Date: 6/14/2006   Expiration Date: 6/14/2007	
	Date: 5/31/2006   Phone: 303-573-6333   Conditions of Approval Attached	

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone:(505) 393-6161 Fax:(505) 393-0720

District II  
1301 W. Grand Ave., Artesia, NM 88210  
Phone:(505) 748-1283 Fax:(505) 748-9720

District III  
1000 Rio Bravos Rd., Aztec, NM 87410  
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV  
1220 S. St Francis Dr., Santa Fe, NM 87505  
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-102  
Permit 30972

Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-33769	2. Pool Code 71599	3. Pool Name BASIN DAKOTA (PRORATED GAS)
4. Property Code 35731	5. Property Name BLANCETT RANCH 24	6. Well No. 001
7. OGRID No. 20208	8. Operator Name SAN JUAN RESOURCES, INC.	9. Elevation 5635

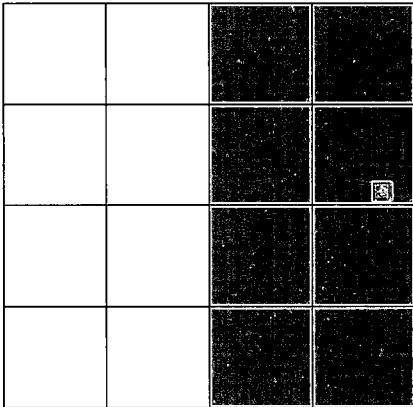
10. Surface Location

UL - Lot H	Section 24	Township 30N	Range 12W	Lot Idn	Feet From 2435	N/S Line N	Feet From 450	E/W Line E	County SAN JUAN
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00	13. Joint or Infill	14. Consolidation Code Communitization	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

	<b>OPERATOR CERTIFICATION</b> <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>  E-Signed By: Lori Walters Title: Manager Date: 5/31/2006
	<b>SURVEYOR CERTIFICATION</b> <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>  Surveyed By: Jason Edwards Date of Survey: 5/1/2006 Certificate Number: 15269



District I

1625 N. French Dr., Hobbs, NM 88240  
Phone:(505) 393-6161 Fax:(505) 393-0720

District II

1301 W. Grand Ave., Artesia, NM 88210  
Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410  
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505  
Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico**  
**Energy, Minerals and Natural Resources**

Form C-102  
Permit 30972

**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-045-33769	2. Pool Code 72319	3. Pool Name BLANCO-MESAVERDE (PRORATED GAS)
4. Property Code 35731	5. Property Name BLANCETT RANCH 24	6. Well No. 001
7. OGRID No. 20208	8. Operator Name SAN JUAN RESOURCES, INC.	9. Elevation 5635

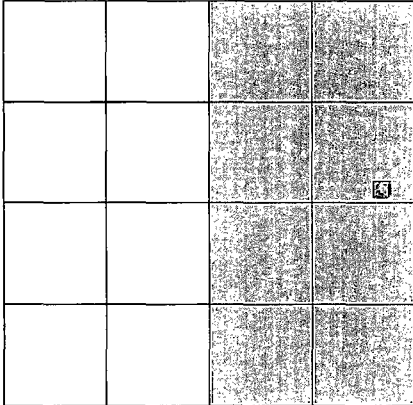
**10. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
H	24	30N	12W		2435	N	450	E	SAN JUAN

**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00		13. Joint or Infill		14. Consolidation Code Communitization		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**

	<b>OPERATOR CERTIFICATION</b>	
	<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>	
	E-Signed By: Lori Walters Title: Manager Date: 5/31/2006	
	<b>SURVEYOR CERTIFICATION</b>	
	<i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>	
	Surveyed By: Jason Edwards Date of Survey: 5/1/2006 Certificate Number: 15269	

# Exhibit "E" NMOCD Case No. 14445

## Drilling and Completion Cost Estimate

San Juan Resources, Inc.  
AUTHORITY FOR EXPENDITURE

Well Name: Blancett Ranch 24 #1  
Location: Section 24, SENE, T30N, R12W, San Juan County, NM  
Proposed Depth: 8750' Objective: Dakota/Mesaverde

	Tangible	Intangible	Total
<b>I. Drilling Costs</b>			
Leasehold acquisition costs (acquisition, bonus, other)			
Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30,000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		0	0
Drilling Rig day rate (\$11,800) @ 10 days		118,000	118,000
Rig Rentals (shock sub, forklift, trash basket, toilets, etc)		6,600	6,600
Drill Bits (12-1/4" surface: \$675, 8-3/4": \$7500)		8,175	8,175
Air Hammer		10,463	10,463
Rig Mob and Demob (rig plus trucking)		18,000	18,000
Water and Water Hauling		12,000	12,000
Drilling Mud		10,080	10,080
Conductor Casing			0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface		4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300		52,300
Intermediate Cement		12,500	12,500
Logs		0	0
Geologist/Mud Logger		6,000	6,000
Miscellaneous		8,000	8,000
Air Package (rental plus moving costs, also included fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800
Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
<b>Total Drilling Cost</b>	<b>64,940</b>	<b>373,726</b>	<b>438,666</b>
10% Contingency	6,494	37,373	43,867
<b>Grand Total Drilling Costs</b>	<b>71,434</b>	<b>411,099</b>	<b>482,533</b>
<b>II. Completion Costs (as needed).</b>			
Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft)	52,475	0	52,475
Casing Crew		10,200	10,200
Linger Hanger	0		0
Production Cement		15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.)	24,790		24,790
Rods, Pump, SB, PR, ect.	0		0
Perf/cased hole logs		10,500	10,500
Stimulation Dakota (100,000# x-link)		60,000	60,000
Stimulation Point Lookout (67,500# slickwater)		64,000	64,000
Stimulation Menefee/Cliff House (30,000# slickwater)		43,000	43,000
Tool Rental (Frac Valve)		1,800	1,800
Downhole tools (BP, packers, etc)		3,500	3,500
Frac Tank Rental (13 tanks plus moving costs)		8,500	8,500
Completion Fluids		16,000	16,000
Completion Rig (10 days at \$3000/day)		30,000	30,000
Air Package (including trucking & fuel)		11,000	11,000
Separator	13,000		13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install	10,500	1,000	11,500
Trucking		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
<b>Completion Costs</b>	<b>107,265</b>	<b>300,500</b>	<b>407,765</b>
10% Contingency	10,727	30,050	40,777
<b>Total Completion Costs</b>	<b>117,992</b>	<b>330,550</b>	<b>448,542</b>
<b>Grand Total Well Costs</b>	<b>189,426</b>	<b>741,649</b>	<b>931,074</b>

Prepared By: Jerome P. McHugh, Jr. President/Owner  
Date: January 12, 2010

Working Interest Owner %:  
Working Interest Owner Share: \$ -  
Working Interest Owner:

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

Approved: Jerome P. McHugh Jr.  
Title: President Date: 1/12/2010