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

1

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.

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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 -Page 1Before the Oil Conservation Division Case 14445 Hearing April 1, 2010 San Juan Resources Exhibit No. C. My expert opinions are based on the following facts and events:

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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 -Page 2-

- 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.

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- (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 -Page 3-

- (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 poling 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:

ACKNOWLEDGMENT

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STATE OF COLORADO

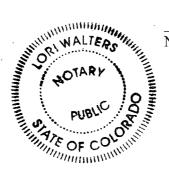
CITY & COUNTY OF DENVER

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this <u>71</u> 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



Affidavit of Jerome P. McHugh, Jr. NMOCD Case 14445 -Page 4-

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

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

OWNER	WORKING INTEREST	
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>	

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District I PO Box 1980,	Hobbs, NM	88241-198	محمد ا		State of N y. Minerals & Natu		artment	-	Revis	ed Feb	Form C-102 ruary 21, 1994
District II PD Drawer DD,	Artesia,	NM 88211-5	0719	-	CONSERVAT		ç	Submit to	Appropr	riate D	ctions on back istrict Office ise - 4 Copies
District III 1000 Rio Braz	ros Bri At	ztec NM 87	410		PO Box	2088			F	ee Lea	ise - 3 Copies
District IV				DG	nta Fe, NM	8/304-200	38		L A	MEND	ED REPORT
PO 8ox 2088.	Santa Fe,	NM 87504-	2088								
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	API Numbei	r		² Pool Cod				-PODI Nam	IE.		
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'OGRID					°Operator	Name				°E	levation .
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LL or lot no.	Section	Township	Range	Lot Idn	Feet from the	LOCATION North/South line		t from the	East/We		County
H	24	30N	12W		2435	NORTH		450	EA	ST	SAN JUAN
UL or lot no.	Section	Township	Ottom Range	Hole L	Pret from the	F Differen North/South line)M SUrf	East/We	st line	County
¹² Dedicated Acres					¹³ Joint or Infill	14 Consulidation Code	¹⁵ Order	• ND.]		
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Exhibit B

Burlington Resources Oil & Gas Company, LP c/o ConocoPhilips Company P 0 Box 4289 Farmington, NM 87499 Attn: Ben Malone, Land Supervisor	37.50000%	1/29/2010	YES	×				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		×	×		2 0	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	×				NO NO	
Maralex Resources, Inc. P O Box 338 Ignacio, CO 81133	10.71429%	1/29/2010	YES	>				TES 10	2-16-10 Maralex responded would like to farmout, but terms unacceptable to SIB. 2-23-10 SIBP 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 t/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 staticed 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		×		×	NO	Assignment , Quitclaim & Bill of Sale to San Juan Basin Properties LLC
Georgia Lee Kelton, 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 MV messages. 2-24 received FO proposal from Kelton; SJBP send counter farmout proposal & offer to purchasl. Kelton 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	×				NO	
Jean J. Bleakley Trust, dtd 3-17-89 2633 Bulrush Lane Naples, FL 34105-3026	0.25422%	1/29/2010	YES	×				NO	Received election, AFE & \$ cash call.
Barbara K. Kullas, as her separate property (5506 Warkors Run Littleton, CO 80125-9060	0.25422%	1/29/2010	YES	×				Z O	
Margery M. Krieger Revocable Trust Ken Krieger, Trustee 209 Comanche Drive	0.20337%	1/29/2010	YES					YES	Left v/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. VM 3/12/10 ; Liller returned call & will meet 3/22 w/ Krieger to execute elections. 3/26 Nothing received.

NMOCD Case 14445 Exhibit C

San Juan Resources, Inc.

Total Working Interest Owner San Juan Basin Properties LLC Total Force Pooling Interest Owners

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

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

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100.00000% 48.89016% 12.67503%

0.05379%

1/29/2010

NO, #1,2 & 3

FORT * JORDAN PETROLEUM AND MINERAL LAND SERVICES

Randall Fort, CPL 12221 Towner Ave., N.E.

Albuquerque, New Mexico 87112 (505) 332-8860 (505) 681-7085 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

Jollen Steve Jordan By:



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, 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.

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,

heyl Allen

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

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 Well Name:
 Blancett Ranch 24 #1

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

 Proposed Depth:
 6750'

 Objective:
 Dakota/Mesaverde

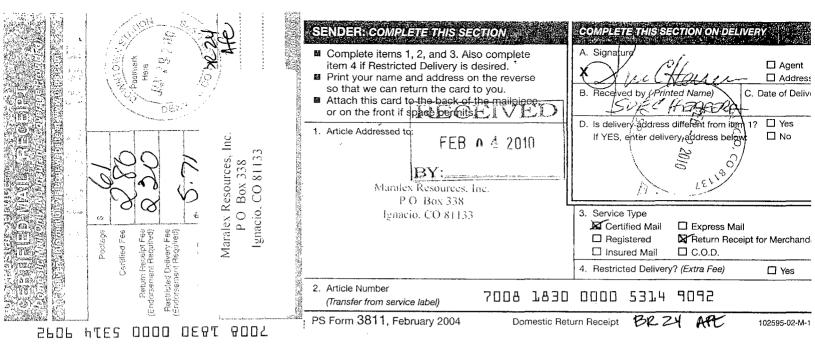
	Tangible	Intangible	Total
I. Drilling Costs			
Leasehold acquisition costs (acquisition, bonus, other)		1 000	1 000
Survey and Permits Title Opinion and Land Costs		1,000 30,000	1,000 30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor 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	- 4 - 4		0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600	4 500	5,600
Cement Surface	50.000	4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300	40.500	52,300
Intermediate Cement		12,500	12,500
Logs		0 6.000	0 6.000
Geologist/Mud Logger			8,000
Miscellaneous Air Package (rental plus moving costs, also includeds fuel)		8,000 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
Total Drilling Cost	64,940	373,726	438,666
10% Contingency	6,494	37,373	43,867
Grand Total Drilling Costs	71,434	411,099	482,533
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	c	13,000
Flowlines and Install	2,000	6,000	8,000
Tank and Install Trucking	10,500	1,000	11,500
5		7,500	7,500
Restore Location		5,000	5,000
Engineering/Supervision		7,500	7,500
Completion Costs	107,265	300,500	407,765
10% Contingency	10,727	30,050	40,777
Total Completion Costs	117,992	330,550	448,542
Grand Total Well Costs	189,426	741,649	931,074

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

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

Working Interest Owner: Maralex Resources, Inc. P O Box 338 Ignacio, CO 81133 ESTIMATED COSTS ONLY--Each participating Owner to pay Proportionate Share of Actual Well Costs Subject to Operating Agreement

Approved: ______ Date: _____





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.

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

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

Very truly yours,

UNIR Alleson

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 $\overline{3(i)}$.

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: ______

San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

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Well Name: Blancett Ranch 24 #1 Location: Section 24, SENE, T30N, R12W, <u>San Juan County, NM</u> Proposed Depth: <u>6750</u> Objective

Objective : Dakota/Mesaverde

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Grand Total Well Costs 189,426 741,649 931,074	Total completion costs	117,992	33U,55U	448,542
	Grand Total Well Costs	189,426	741,649	931,074

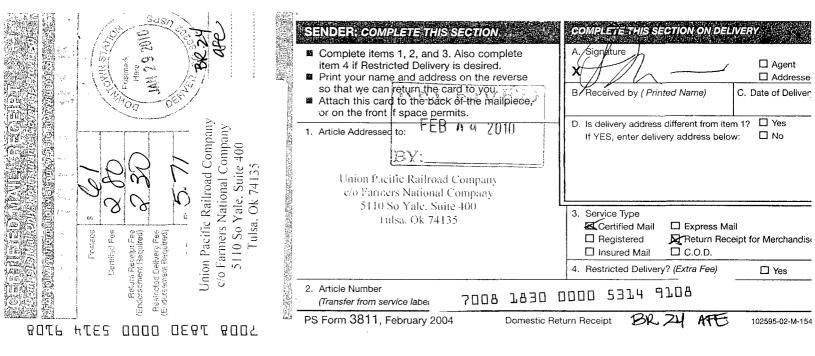
Prepared By: Jerome P. McHugh, Jr. President/Owner Date: January 12, 2010

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

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

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

Approved: _____ Date: Title :___ ____





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 (Λ P1 # 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.

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:				

San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

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 Well Name:
 Blancett Ranch 24 #1

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

 Proposed Depth:
 6750'

 Objective:
 Dakota/Mesaverde

Leasehold acquisition costs (acquisition, bonus, other) Survey and Permits 1,000 1,00 1,000 1,000 2,000 22,000 22,00 22,00 22,00 12,00 12,00 11,00 1,00		Tangible	Intangible	Total
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Water and Water Hauling 12,000 12,0 Drilling Mud 10,000 10,000 10,000 Conductor Casing 7,040 7,0 Surface Casing (30' of 9-5/8', 36# @ 22 \$/ft.) 7,040 7,0 Surface Casing (430' of 7', 20# @ 12.16 \$/ft) 52,300 45,5 Intermediate Casing (430' of 7', 20# @ 12.16 \$/ft) 52,300 52,3 Intermediate Cement 20,000 80,00 80,00 Kir Package (rental plus moving costs, also includeds fuel) 20,310 20,310 20,310 Nitrogen Unit (for Dakota/air drilling) 6,600 6,600 4,60 Fuel (over 52 Dolgal: \$0 x41x7800 gal) 3,193 3,19 Trucking 9,600 9,6 6,84 Engineering/Supervision 46,000 46,0 Total Drilling Cost 71,434 411,093 482,5 II. Completion Costs (as needed). 71,434 411,093 482,6 Production Casing (5750' of 4-1/2' J-55 @ \$7.50/ft + 10,000 4,50 4,500 Tubing Grad and Well Connection Fittings 4,500 4,500 4,50				18,000
Drilling Mud Conductor Casing Conductor Casing Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.) Conductor Casing Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.) Casing Head Casing (4300' of 7", 20# @ 12.16 \$/ft) S2,300 S				12,000
Conductor Casing 7,040 7,0 Surface Casing (320' of 9-5/8'', 36# @ 22 \$/ft.) 7,040 7,0 Cement Surface 4,500 4,5 Cement Surface 4,500 4,5 Intermediate Cement 52,30 12,500 Logs 0 6 Geologist/Mud Logger 6,000 6.0 Miscellaneous 8,000 8,00 Air Package (rental plus moving costs, also includeds fuel) 20,310 20,3 Nitrogen Unit (for Dakota/air driling) 6,800 6,80 Leil (over S2 Dúgal: \$0.41/800 gal) 3,198 3,1 Trucking 9,600 9,60 Engineering/Supervision 9,600 9,60 Orad Drilling Cost 64,940 37,373 43.8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). 10,200 10,200 10,200 Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 10,200 10,200 10,200 Tubing Head and Well Connection Fittings 4,500 4,50				10,080
Surface Casing (320' of 9-5/8', 36# @ 22 \$/ft.) 7,040 7,0 Casing Head 5,600 5,6 Cement Surface 4,500 4,5 Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft) 52,300 52,3 Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft) 52,300 52,3 Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft) 52,300 52,3 Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft) 52,300 52,3 Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft) 52,300 50,3 Geologis/Mud Logger 6,000 6,000 80,000 Air Package (rental plus moving costs, also includeds fuel) 20,311 20,3 Nitrogen Unit (for Dakota/air drilling) 6,800 9,600 9,6 Ciosed Loop System 4,600 46,00 46,00 Total Drilling Cost 71,434 411,099 482,5 II. Completion Costs (as needed). 71,434 411,099 482,5 Production Casing (750' of 4-1/2' J-55 @ \$7.50/ft + 10,200 10,200 10,2 Tubing Head and Well Connection Fittings 4,500				0
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Intermediate Casing (4300° of 7", 20# @ 12.16 \$/ft) Intermediate Cement 52,300 52,300 52,300 52,300 50,300 50,0000,000 50,00000000				5,600
Intermediate Cement 12,500 12,500 12,500 6,000 6,00 6,00 6,00 6,00 6,00 6,00	Cement Surface		4,500	4,500
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Geologist/Mud Logger 6,000 6,000 Miscellaneous 8,000 8,000 Mircage (rental plus moving costs, aiso includeds fuel) 20,310 20,3 Nitrogen Unit (for Dakota/air drilling) 6,800 6,800 8,000 Fuel (over S2, OD/gal: \$0.41x7800 gal) 3,198 3,1 Trucking 9,500 9,5 Closed Loop System 46,000 46,0 Total Drilling Cost 64,940 37,373 438 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). 52,475 0 52,475 Production Casing (5750' of 4-1/2'' J-55 @ \$7,50/ft + 10,200 10,200 10,200 Linger Hanger 0 70 70 43.5 Tubing (6700' of 2-3/8'' @ 3,70 \$/ft.) 24,790 24,790 24,790 Tubing (6700' of 2-3/8'' @ 3,70 \$/ft.) 24,790 24,790 10,500 10,500 Stimulation Dakota (100,000# x-link) 60,000 60,00 60,00 60,00 60,00 60,00 60,00 60,00 <td>Intermediate Cement</td> <td></td> <td>12,500</td> <td>12,500</td>	Intermediate Cement		12,500	12,500
Miscellaneous 8,000 8,0 Air Package (rental plus moving costs, also includeds fuel) 20,310 20,3 Nitrogen Unit (for Dakota/air drilling) 6,800 6,8 Fuel (over \$2.00/gat: \$0.41x7800 gat) 3,198 3,1 Trucking 9,600 9,6 Engineering/Supervision 9,600 9,6 Total Drilling Cost 64,940 37,372 438,6 10% Contingency 6,494 37,373 438,8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). 71,434 411,099 482,5 Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 100/0 10,2 10,200 10,200 Linger Hanger 0 700/0 10,2 10,200 10,200 10,200 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,7 24,790 24,7 Stimulation Dakota (100,000# x-link) 60,000 60,000 60,000 60,000 Stimulation Dakota (100,000# x-link) 60,000 60,000 60,000 60,000 60,000	Logs			0
Air Package (rental plus moving costs, also includeds fuel) 20,310 20,3 Nitrogen Unit (for Dakota/air drilling) 6,800 6,800 6,800 Nitrogen Unit (for Dakota/air drilling) 9,500 9,500 9,500 9,500 Engineering/Supervision 9,500 9,500 9,500 9,500 9,500 Closed Loop System 46,000 46,000 46,00 46,000 45,000 10,200	Geologist/Mud Logger		6,000	6,000
Nitrogen Unit (for Dakota/air drilling) 6,800 6,8 Fuel (over \$2.00/gal; \$0.41x7800 gal) 3,198 3,1 Trucking 9,500 9,6 Engineering/Supervision 9,600 9,6 Total Drilling Cost 64,940 373,726 438,6 10% Contingency 6,4940 373,737 43.8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 10,200 10,2 Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 10,200 10,2 10,200 Linger Hanger 0 10,200 10,2 10,200 10,2 Production Cement 15,000 15,000 15,000 15,000 10,500	Miscellaneous		8,000	8,000
Fuel (over \$2.00/gal: \$0.41x7800 gal) 3,198 3,1 Trucking 9,500 9,5 Engineering/Supervision 6,600 9,6 Closed Loop System 40,000 46,0 Total Drilling Cost 6,494 37,372 438,6 I0% Contingency 6,494 37,373 43,8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). 52,475 0 52,475 Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 10,200 10,20 10,200 Casing Crew 10,200 10,200 10,20 10,200 10,200 10,200 Tubing Head and Well Connection Fittings 4,500 4,500 4,50 4,500 4,50 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,790 24,790 24,790 24,790 24,790 24,790 24,790 10,500 10,500 10,50 10,500 10,50 10,500 10,50 10,500 10,50 10,50 10,500 10,50 10,50 10,50 10,50 10,50 10,50 10,50 3,500 <td< td=""><td></td><td></td><td></td><td>20,310</td></td<>				20,310
Trucking 9,500 9,5 Engineering/Supervision 9,600 9,6 Closed Loop System 64,940 373,726 438,6 10% Contingency 6,494 37,373 43,8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). Production Casing (5750° of 4-1/2° J-55 @ \$7.50/ft + 10,200 10,200 Production Casing (5750° of 4-1/2° J-55 @ \$7.50/ft + 10,200 10,200 10,200 Linger Hanger 0 10,200 10,200 10,200 Production Cement 15,000 45,00 45,500 Tubing (700° of 2-3/8° @ 3.70 \$/ft.) 24,790 24,7 Rods, Pump, SB, PR, ect. 0 0 Pert/cased nole logs 10,500 60,000 Stimulation Daktota (100,000# x-link) 60,000 64,000 Stimulation Point Lookout (67,500# slickwater) 43,000 43,000 Stimulation Pikids 16,000 16,000 Completion Rig (10 days at \$3000/day) 30,000 30,00 Air Package (including trucking			6,800	6,800
Engineering/Supervision 9,600 9,60	Fuel (over \$2.00/gal: \$0.41x7800 gal)		3,198	3,198
Closed Loop System 46,000 46,0 Total Drilling Cost 64,940 373,726 438,6 10% Contingency 6,494 37,373 438,6 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). 71,434 411,099 482,5 II. Completion Costs (as needed). 52,475 0 52,4 Casing Crew 10,200 10,200 10,200 Linger Hanger 0 10,000 4,5 Production Cement 15,000 4,5 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,7 Rods, Pump, SB, PR, ect. 0 0 Pert/cased hole logs 10,500 10,500 Stimulation Dakota (100,000# x-link) 60,000 60,00 Stimulation Point Lookout (67,500# slickwater) 43,000 43,00 Stimulation Point Lookout (67,500# slickwater) 43,000 43,00 Stimulation Point Lookout (67,500# slickwater) 60,000 80,00 Stimulation Point Lookout (67,500# slickwater) 1,800 1,8 <td></td> <td></td> <td></td> <td>9,500</td>				9,500
Total Drilling Cost 64,940 373,726 438,6 10% Contingency 6,494 37,373 43.8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed).				9,600
10% Contingency Grand Total Drilling Costs 6,494 37,373 43,8 Grand Total Drilling Costs 71,434 411,099 482,5 II. Completion Costs (as needed). 71,434 411,099 482,5 Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft) 52,475 0 52,4 Casing Crew 10,200 10,20 10,20 10,20 10,20 Ubing Hanger 0 71,434 4,500 4,50 4,500 4,50 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,79				46,000
Grand Total Drilling Costs 71,434 411,099 482,5 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 52,4 Casing Crew 10,200 10,2 10,200 10,2 Uinger Hanger 0 15,000 15,0 10,200 10,2 Production Cement 15,000 15,0 4,50 4,5 10,500 10,5				438,666
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 52,4 Linger Hanger 0 0 0 Production Cement 15,000 15,00 15,00 Tubing Head and Well Connection Fittings 4,500 4,53 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,77 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 Menefee/Cliff House (30,000# slickwater) 43,000 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 8,50 8,50 Completion Fluids 10,000 11,000 11,000 11,000 Air Package (including trucking & fuel) 11,000 11,000 11,000 11,500 Stimulation Rig (10 days at \$3000/day) 30,000 30,000 30,000 13,000 13,000 13,000 13,000 13,000 14,500 11,000 11,500 11,50				43,867
Production Casing (5750' of 4-1/2" J-55 @ \$7.50/ft + 1000' 4-1/2" N-80 @ \$9.35/ft) 52,475 0 52,4 Casing Crew 10,200 10,2 Production Cement 15,000 15,0 Tubing Head and Well Connection Fittings 4,500 4,5 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,700 24,7 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 Dakota (100,000# slickwater) 43,000 43,00 Stimulation Menefee/Cliff House (30,000# slickwater) 43,000 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 8,50 68,50 Completion Fluids 10,000 11,000 11,000 11,000 Completion Fluids 13,000 13,000 13,00 13,000 13,00 Completion Rig (10 days at \$3000/day) 30,000 30,00 10,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000	II. Completion Conto (an anodad)			
1000' 4-1/2" N-80 @ \$9.35/ft) 52,475 0 52,4 Casing Crew 10,200 10,2 Linger Hanger 0 Production Cement 15,000 15,00 Tubing Head and Well Connection Fittings 4,500 4,50 4,50 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,7 0 Perf/cased hole logs 10,500 10,500 10,50 Stimulation Dakota (100,000# x-link) 60,000 60,000 60,000 Stimulation Dakota (100,000# x-link) 60,000 64,000 64,000 Stimulation Menefee/Cliff House (30,000# slickwater) 43,000 43,00 43,00 Tool Rental (Frac Valve) 1,800 1,800 18,800 18,800 18,800 18,800 18,000 16,000 16,000 16,000 16,000 16,000 10,00 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,000 11,0				
Casing Crew 10,200 10,2 Linger Hanger 0 10 Production Cement 15,000 15,00 Tubing Head and Well Connection Fittings 4,500 4,5 Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,7 Rods, Pump, SB, PR, ect. 0 0 10,500 10,500 Pert/cased nole logs 10,500 10,500 60,000 60,000 60,000 Stimulation Dakota (100,000# x-link) 60,000 60,000 60,000 64,000 64,000 64,000 64,000 64,000 63,00 18,800 18,800 18,800 18,800 18,800 18,800 18,800 18,800 18,800 18,600 16,00 16,00 16,00 16,00 16,00 16,00 16,00 16,00 16,00 16,00 16,00 10,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,00 11,0,00 11,00 11,00		E0 475	0	50 A75
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Production Cement 15,00 15,0 Tubing Head and Well Connection Fittings 4,50 4,50 4,50 Tubing (6700' of 2-3/8''@ 3.70 \$/ft.) 24,700 24,70 24,70 Rods, Pump, SB, PR, ect. 0 0 10,500 10,500 10,500 Stimulation Dakota (100,000#x-link) 60,000 60,000 64,00 <td>-</td> <td>0</td> <td>10,200</td> <td>10,200</td>	-	0	10,200	10,200
Tubing Head and Well Connection Fittings 4,500 4,5 Tubing (6700' of 2-3/8' @ 3.70 \$/ft.) 24,790 24,7 Rods, Pump, SB, PR, ect. 0 0 Perf/cased hole logs 10,500 10,50 Stimulation Dakota (100,000# x-link) 60,000 60,00 Stimulation Doint Lookout (67,500# slickwater) 43,000 43,00 Stimulation Menefee/Cliff House (30,000# slickwater) 43,000 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 3,500 3,50 Frac Tank Rental (13 tanks plus moving costs) 8,500 8,50 8,50 Completion Fluids 11,000 11,00 11,00 11,00 Air Package (including trucking & fuel) 11,000 11,00 11,00 11,00 Separator 13,000 10,500 1,000 11,00 11,00 11,00 Tank and Install 10,500 1,000 11,00 11,00 11,00 11,00 11,00 11,00 Trucking 7,500 7,50 7,50 7,50 7,50 1,50 1		0	15 000	-
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) 24,790 24,7 Rods, Pump, SB, PR, ect. 0 0 Perf/cased hole logs 10,500 10,500 Stimulation Dakota (100,000# x-link) 60,000 60,00 Stimulation Point Lookout (67,500# slickwater) 64,000 64,00 Stimulation Menefee/Cliff House (30,000# slickwater) 43,000 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 3,5 5 Completion Rig (10 days at \$3000/day) 30,000 80,000 64,000 Air Package (including trucking & fuel) 11,000 11,00 11,00 Separator 13,000 13,000 13,00 13,00 Trucking 7,500 7,50 7,50 7,50 Restore Location 5,000 5,00 5,00 5,00 Engineering/Supervision 7,500 7,50 7,50 7,50 Completion Costs 10,7265 300,500 40,7,7 10% Contingency 10,727 30,050 <td></td> <td>4 500</td> <td>15,000</td> <td></td>		4 500	15,000	
Rods, Pump, SB, PR, ecf. 0 Pert/cased hole logs 10,500 10,5 Stimulation Dakota (100,000# x-link) 60,000 60,000 60,000 Stimulation Deint Lookout (67,500# slickwater) 64,000 64,00 64,00 Stimulation Menefee/Cliff House (30,000# slickwater) 43,000 43,00 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 8,500 8,500 6,000 6,000 Completion Fluids 16,000 11				24,790
Perf/cased nole logs 10,500 10,5 Stimulation Dakota (100,000#-klick) 60,000 60,000 60,000 Stimulation Deixt Lookout (67,500# slickwater) 43,000 43,00 43,00 Stimulation Point Lookout (67,500# slickwater) 43,000 43,00 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 8,50 8,50 Frac Tank Rental (13 tanks plus moving costs) 8,500 16,000 16,00 Completion Fluids 16,000 16,00 11,000 <td></td> <td></td> <td></td> <td>2-1,730</td>				2-1,730
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 43,00 Tool Rental (Frac Valve) 1,800 1,80 Downhole tools (BP, packers, etc) 3,500 3,5 Completion Fluids 16,000 16,00 Completion Fluids 16,000 18,00 Completion Fluids 16,000 18,00 Completion Fluids 11,000 11,000 Separator 13,000 13,00 Flowlines and Install 2,000 6,000 Torucking 7,500 7,50 Restore Location 5,000 5,0 Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,550 448,5		U	10.500	10,500
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Stimulation Menefee/Cliff House (30,000# slickwater) 43,00 43,00 Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 3,5 Frac Tank Rental (13 tanks plus moving costs) 8,500 8,50 Completion Fluids 16,000 16,000 Completion Fluids 10,000 11,000 Air Package (including trucking & fuel) 11,000 13,00 Separator 13,000 6,000 8,0 Flowlines and Install 10,500 1,000 11,50 Trucking 7,500 7,5 7,50 7,5 Restore Location 5,000 5,00 5,00 5,00 Engineering/Supervision 7,500 7,50 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 408,7 Total Completion Costs 117,992 330,550 448,5				64,000
Tool Rental (Frac Valve) 1,800 1,800 1,800 Downhole tools (BP, packers, etc) 3,500 3,500 3,500 Frac Tank Rental (13 tanks plus moving costs) 8,500 8,500 8,500 Completion Fluids 16,000 16,00 16,00 Completion Fluids 16,000 10,00 30,000 30,000 Air Package (including trucking & fuel) 11,000 11,00 11,00 Separator 13,000 13,00 13,00 13,00 Flowlines and Install 2,000 6,000 8,0 Trucking 7,500 7,50 7,5 Restore Location 5,000 5,0 5,00 Engineering/Supervision 7,500 7,5 7,5 Completion Costs 107,265 300,500 40,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5				43,000
Downhole tools (BP, packers, etc) 3,500 3,5 Frac Tank Rental (13 tanks plus moving costs) 8,500 8,5 Completion Fluids 16,000 16,0 Completion Rig (10 days at \$3000/day) 30,000 30,0 Air Package (including trucking & fuel) 11,000 11,00 Separator 13,000 6,000 8,0 Tank and Install 2,000 6,000 8,0 Trucking 7,500 7,5 7,5 Restore Location 5,000 5,000 5,000 Engineering/Supervision 7,500 7,5 7,5 Completion Costs 10,7265 300,500 407,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5				1,800
Frac Tank Rental (13 tanks plus moving costs) 8,500 8,5 Completion Fluids 16,000 16,0 Completion Fluids 30,000 30,00 Air Package (including trucking & fuel) 11,000 11,00 Separator 13,000 6,000 8,0 Flowlines and Install 2,000 6,000 8,0 Trucking 7,500 7,5 Restore Location 5,000 5,00 Engineering/Supervision 7,500 7,5 Completion Costs 10,7265 300,500 407,7 10% Contingency 10,727 30,050 408,7 Total Completion Costs 117,992 330,550 448,5				3,500
Completion Fluids 16,00 16,0 Completion Rig (10 days at \$3000/day) 30,000 30,00 Air Package (including trucking & fuel) 11,000 11,00 Separator 13,000 30,00 80,00 Flowlines and Install 2,000 6,000 80,00 Tank and Install 10,500 11,000 11,5 Trucking 7,500 7,5 8 Restore Location 5,000 5,00 5,0 Engineering/Supervision 7,500 7,5 7,5 Completion Costs 107,265 300,500 40,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5	Frac Tank Rental (13 tanks plus moving costs)			8,500
Completion Rig (10 days at \$3000/day) 30,00 30,00 Air Package (including trucking & fuel) 11,000 11,000 Separator 13,000 8,00 Flowlines and Install 2,000 6,000 8,0 Trucking 7,500 7,5 7,5 Restore Location 5,000 5,000 5,000 Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 448,5	Completion Fluids			16,000
Air Package (including trucking & fuel) 11,00 11,00 Separator 13,000 6,000 Flowlines and Install 2,000 6,000 8,0 Tank and Install 10,500 1,000 11,50 Trucking 7,500 7,5 7,5 Restore Location 5,000 5,000 5,00 Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 408,7 Total Completion Costs 117,992 330,550 448,5	Completion Rig (10 days at \$3000/day)			30,000
Completion Costs 10,727 30,550 407,7 10% Contingency 10,727 30,550 448,5	Air Package (including trucking & fuel)			11,000
Tank and Install 10,500 1,000 11,5 Trucking 7,500 7,5 Restore Location 5,000 5,0 Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 408,7 Total Completion Costs 117,992 330,550 448,5	Separator	13,000		13,000
Trucking 7,500 7,5 Restore Location 5,000 5,0 Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5	Flowlines and Install	2,000	6,000	8,000
Restore Location 5,000 5,00 Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5		10,500		11,500
Engineering/Supervision 7,500 7,5 Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5				7,500
Completion Costs 107,265 300,500 407,7 10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5				5,000
10% Contingency 10,727 30,050 40,7 Total Completion Costs 117,992 330,550 448,5	Engineering/Supervision		7,500	7,500
Total Completion Costs 117,992 330,550 448,5		encounter and the state of the terror the terror terr		407,765
			,	40,777 448,542
	Grand Total Well Costs	189,426	741,649	931,074

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

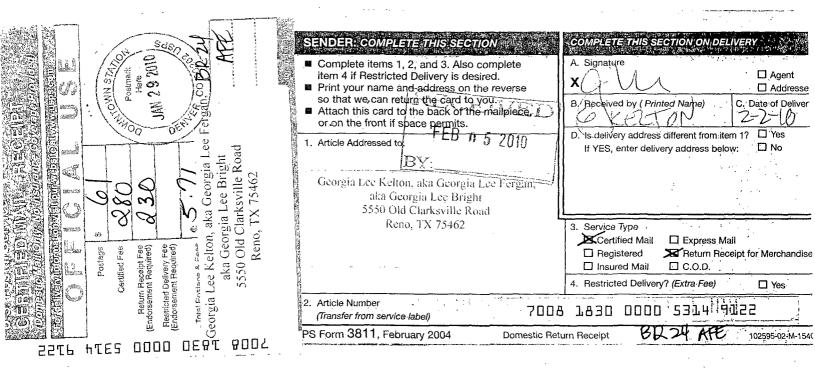
Working Interest Owner %: 0.25422% Working Interest Owner Share: \$ 2,367

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

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

Approved: ____ Date:

ć





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, 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.

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. Ólson, 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, l/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:

San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

.

Well Name: Blancett Ranch 24 #1 Location: Section 24, SENE, T30N, R12W, <u>San Juan County, NM</u> Descent Depth: 6750' Objective: Dakota/Mesaverde

	Tangible	Intangible	Total
I. Drilling Costs			
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 Bia Mah and Damah (ria plus trugking)		10,463	10,463
Rig Mob and Demob (rig plus trucking) Water and Water Hauling		18,000 12,000	18,000 12,000
Drilling Mud		10,080	10,080
Conductor Casing		10,000	10,000
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) Trucking		3,198	3,198
Engineering/Supervision		9,500 9,600	9,500 9,600
Closed Loop System		46,000	46,000
Total Drilling Cost	64,940	373,726	438,666
10% Contingency	6,494	37,373	43,867
Grand Total Drilling Costs	71,434	411,099	482,533
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) Tool Rental (Frac Valve)		43,000	43,000
Downhole tools (BP, packers, etc)		1,800 3,500	1,800 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
Completion Costs	107,265	300,500	407,765
10% Contingency Total Completion Costs	10,727	30,050	40,777
	117,992	330,550	448,542
Grand Total Well Costs	189,426	741,649	931,074

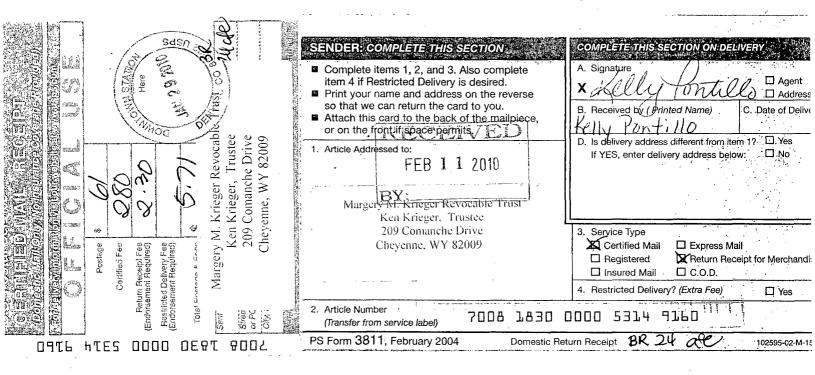
Prepared By: Jerome P. McHugh, Jr. President/Owner Date: January 12, 2010

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

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

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

Approved: _____ Title :_____ ___ Date: ____





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 (SE4NĖ/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, 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.

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,

Dean

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 $\overline{3(i)}$.

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

1

Well Name: Blancett Ranch 24 #1 Location: Section 24, SENE, T30N, R12W, San Juan County, NM Proposed Depth : 6750' Objective : Dakota/Mesaverde

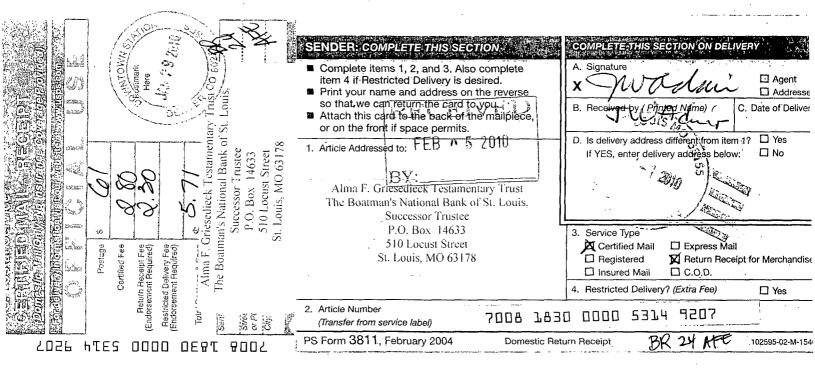
	Tangible	Intangible	Total
I. Drilling Costs			
Leasehold acquisition costs (acquisition, bonus, other) Survey and Permits		1,000	1,000
Title Opinion and Land Costs		30.000	30,000
Damages		20,000	20,000
Dirt Work (road, pad, pit etc)		12,000	12,000
Pit Liner and Fence		1,000	1,000
Drill Conductor hole		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) Air Hammer		8,175 10,463	8,175 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 includeds fuel)		20,310	20,310
Nitrogen Unit (for Dakota/air drilling)		6,800	6,800 3,198
Fuel (over \$2.00/gal: \$0.41x7800 gal) Trucking		3,198 9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
Total Drilling Cost	64,940	373,726	438,666
10% Contingency	6,494	37,373	43.867
Grand Total Drilling Costs	71,434	411,099	482,533
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) Frac Tank Rental (13 tanks plus moving costs)		3,500 8,500	3,500 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
oopulato.	2,000	6,000	8,000
Flowlines and Install	10,500	1,000	11,500
	10,500		7 600
Flowlines and Install Tank and Install Trucking	10,500	7,500	
Flowlines and Instali Tank and Instali Trucking Restore Location	10,000	5,000	7,500 5,000
Flowlines and Install Tank and Install Trucking	10,300		
Flowlines and Instali Tank and Instali Trucking Restore Location Engineering/Supervision	107,265	5,000 7,500 300,500	5,000 7,500 407,765
Flowlines and Instali Tank and Instali Trucking Restore Location Engineering/Supervision Completion Costs 10% Contingency	107,265 10,727	5,000 7,500	5,000 7,500
Flowlines and Instali Tank and Instali Trucking Restore Location Engineering/Supervision	107,265	5,000 7,500 300,500	5,000 7,500 407,765

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:



FORT * IORDAN PETROLEUM AND MINERAL LAND SERVICES

Randall Fort, CPL 12221 Towner Ave., N.E.	Steve Jordan 7709 Summer Ave. N.E.
Albuquerque, New Mexico 87112 (505) 332-8860	Albuquerque, New Mexico 8711 (505) 266-3872
(505) 681-7086	·
February 24, 2010	
Mr. Jerry McHugh, Jr., President	
San Juan Resources, Inc.	
1499 Blake Street, Suite 10C	A A C A A A A A A A A
Denver, CO 80202	
	FEB 2 6 2010
Re: Testamentary Trust of Alma F. Griesediec	
Leasehold Owner: E/2 24-30N-12W	BY: Off
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 Steve Jordan By:



Bank of America Private Wealth Management

Bank of America, N.A.

REA VIII 9 2010 FFR

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 Boatemen'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

> NMOCD Case 14445 Exhibit C

> > Bank of America, TX1-492-17-01 P.O. Box 830308, Dallas, TX 75283-0308



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. 19th 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, 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.

MAILED FROM ZIF CODE 80202 02/07/10 កាល លោក ភាព *2077-05369-07-26 N V V 5314 AMES POSING 3 Postage NENDER Not Known Forward H O R 80 Certified Fee OWN STA 0000 Return Receipt Fee (Endorsement Required) 02 DATED Restricted Delivery Fee (Endorsement Required) JAN 29 2010 7008 1830 Gladys A. Murphy c/o Betty L. Spellman, attorney-in-fact. 666 W. 19th Avenue, #1304 ATTEMPTED -UNABLE TO Ш Ф [S ço BC: 80202136003 5 0. 7 Costa Mesa, CA 92627 120 NIXIE c/o Betty L. Spellman, attorney-in-fact 666 W. 19th Avenue, #1304 Gladys A. Murphy Costa Mesa, C/ 22 5314 8020201360 0000 7008 1830 2010 175 y----(FEB 1. 18. AB 1499 Blake Street, Suite 10C Denver, Colorado-802027 -NMOCD Case 14445 Exhibit C



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. 18th Street, Apt. # 41
 Costa Mesa, CA 92627

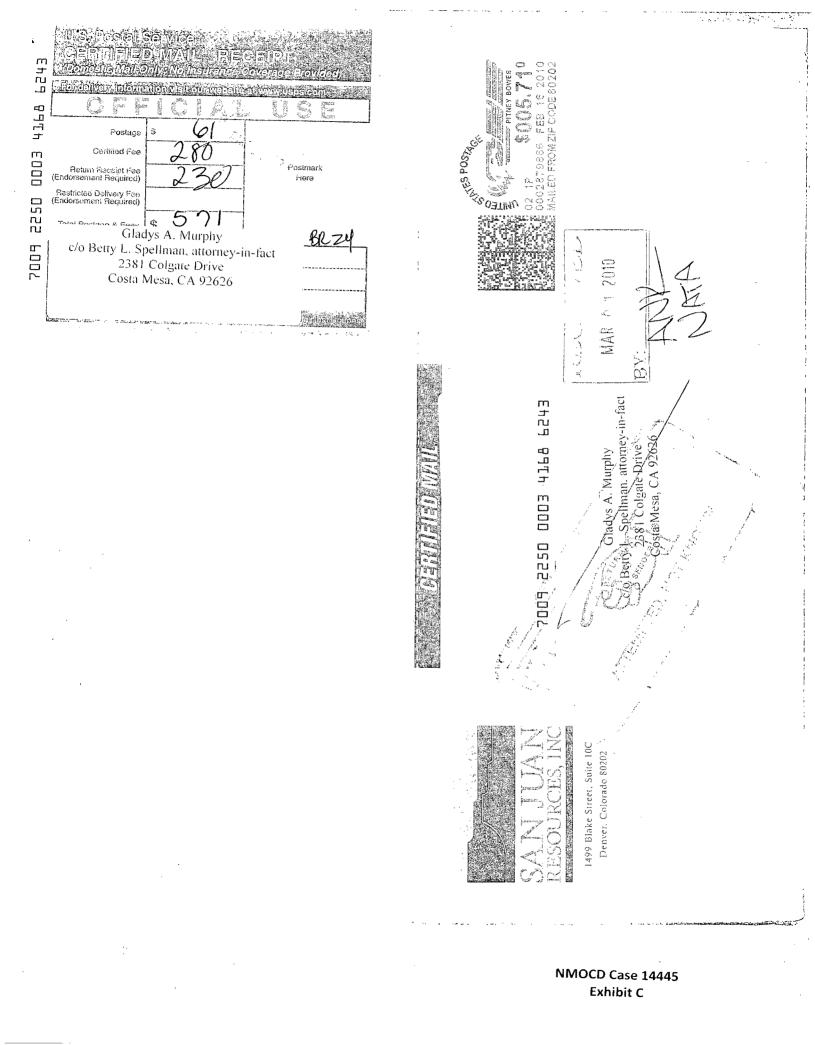
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VIA CERTIFIED RETURN RECEIPT 7009 2250 0003 4168 6243

February 16, 2010

To: Gladys A. Murphy
 c/o Betty L. Spellman, attorney-in-fact
 2381 Colgate Dríve
 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.

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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 $\overline{3(i)}$.

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: _____

San Juan Resources, Inc. AUTHORITY FOR EXPENDITURE

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Well Name: Blancett Ranch 24 #1 Location: Section 24, SENE, T30N, R12W, <u>San Juan County, NM</u> December 24, SENE, T30N, R12W, <u>San Juan County, NM</u> December 2000th: 6750'

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Total Completion Costs 117,992 330,550 448,542			·····	
Grand Total Well Costs 189,426 741,649 931,074				
	Grand Total Well Costs	189,426	741,649	931,074

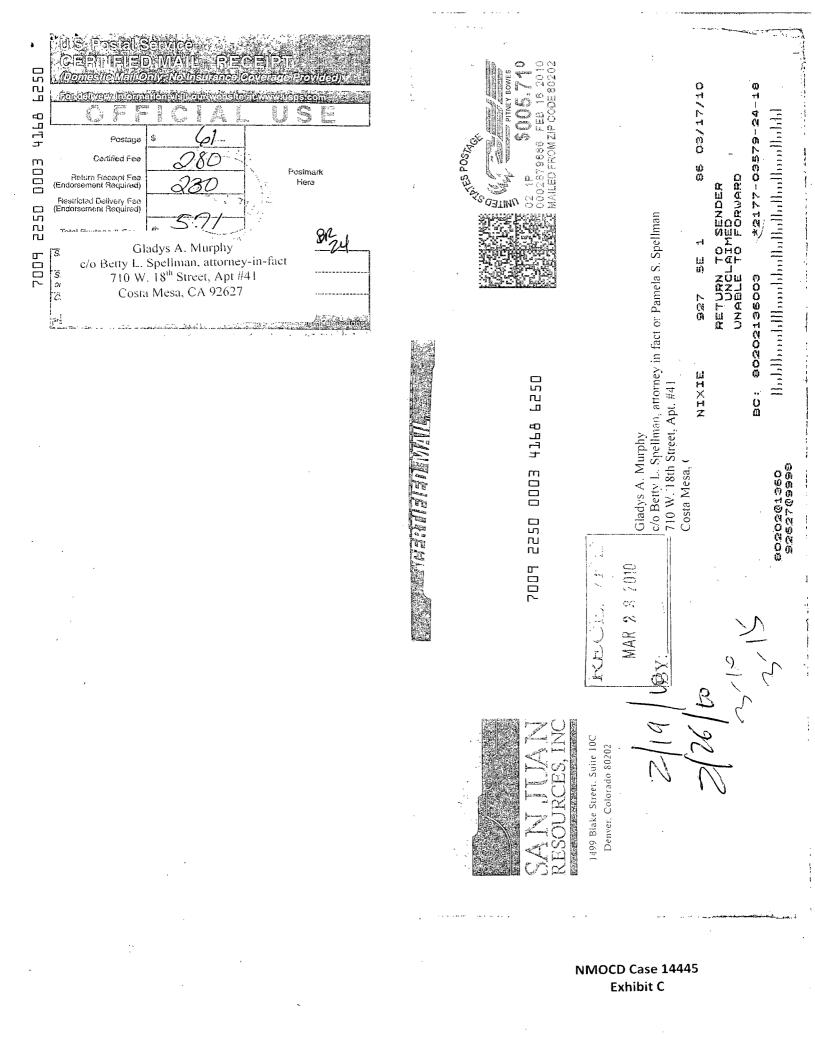
Prepared By: Jerome P. McHugh, Jr. President/Owner Date: January 12, 2010

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:



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

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	Betty L. Spellman	Betty L. Spellman
2381 Colgate Drive	710 W. 18th Street, Apt. #41	666 19th St., #1304
Costa Mesa, CA 92626	Costa Mesa, CA 92627	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.

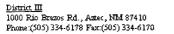
Should you have any questions or need anything further in these regards, please contact us.

Very truly yours, FORT * JORDAN

Jollan By: Steve Jordar

NMOCD Case 14445 Exhibit C

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



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

Form C-101 Pennit 30972

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

	7. Surface Location									
UL - Lot	Section	Township	Range	Lot. Idn	Feet From	N/S Line	Feet From	E/W Line	County	
н	24	30N	12W	Н	2435	N	450	E	SAN JUAN	

8. Pool Information

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

			Additional Well Informati	ion	
9. Work Type New Well		Ш Туре AS	11. Cable/Rotary	12. Lesse Type Private	13. Ground Level Elevation 5635
14. Multiple	14. Multiple 15. Proposed Depth		16. Formation	17. Contractor	18. Spud Date
Y	6	700	Dakota Formation		7/1/2006
Depth to Ground w	nter		Distance from nearest fresh water wel	1	Distance to nearest surface water
80	80		> 1000		800
Pit: Liner: Synthetic 🕅 Closed Loop System		_mils thick		rilling Method: esh Water 🗌 Brine 🥅	Diesel/Oil-based 🔽 Gas/Air 🔽

	19. Proposed Casing and Cement Program										
Туре	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 sax neat cement. A 7-7/8" hole will them 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/ additves followed by 100 sx (116 cuft) neat w/ additives, second stage will consist of 620 sx (1438 cuft) 65/35 Poz with additves followed by 100 sx (116 cuft) neat w/ addives.

Proposed Blowout Prevention Program

Туре	Working Pressure	Test Pressure	Manufacturer
DoubleRam	2000	1000	

of my knowledge and belief.	tion given above is true and complete to the best	OIL CONSERVATION DIVISION				
NMOCD guidelines X, a ger OCD-approved plan	ing pit will be constructed according to eral permit 🔽, or an (attached) alternative	Approved By: Charlie Perrin				
Printed Name: Electronic	ally filed by Lori Walters	Title: District Supervisor				
Title: Manager		Approved Date: 6/14/2006	Expiration Date: 6/14/2007			
Email Address: accountin	g@sanjuanbasin.com					
Date: 5/31/2006	Phone: 303-573-6333	Conditions of Approval Attached				

District I

3.1

1625 N. French Dr., Hobbs, NM 88240 Phone:(505) 393-6161 Fax:(505) 393-0720 <u>District II</u>

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

<u>District III</u>

1000 Rio Brazos Rd., Aztec, NM 87410 Phone:(505) 334-6178 Fax:(505) 334-6170 <u>District IV</u>

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

Form C-102 Permit 30972

WELL LOCATION AND ACREAGE DEDICATION PLAT

¥	WELL LOCATION AND ACKEAGE DEDICATION FLAT								
1. API Number	2. Pool Code	2. Pool Code 3. Poo							
30-045-33769	71599	71599 BASIN DAKOTA (
4. Property Code	5. Propert	5. Property Name							
35731	BLANCETT	RANCH 24	001						
7. OGRID No.	8. Operato	8. Operator Name							
20208	SAN JUAN RES	5635							

	10. Surface Location									
UL - Lot	Section	Township	Range	Lot. Idn	Feet From	N/S Line	Feet From	E/W Line	County	
н	24	30N	12W		2435	N	450	E	SAN JUAN	

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot 1	iðn	Feet From	N/S L	ine	Feet From	E/W Line	County
12. Dedicated Acres		13	13. Joint or Infill		14. Consolidation Code				15. Order No.	a.	
	0.00				Communitization						

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

8

OPERATOR CERTIFICATION

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.

E-Signed By: Lori Walters Title: Manager Date: 5/31/2006

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. Surveyed By: Jason Edwards Date of Survey: 5/1/2006

Certificate Number: 15269

<u>District I</u> 1625 N. French Dr., Hobbs, NM 88240 Phone:(505) 393-6161 Fax:(505) 393-0720 <u>District II</u> 1301 W. Grand Ave., Artesia, NM 88210 Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1 · · · ·

1000 Rio Brazos Rd., Azter, Nbd 87410 Phone:(505) 334-6178 Fax:(505) 334-6170 <u>District IV</u>

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State of New Mexico Energy, Minerals and Natural Resources 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 .VERDE (PRORATED GAS)
4. Property Code 35731	5. Proper BLANCETT	-	6. Well No. 001
7. OGRID №. 20208	8. Operator Name SAN JUAN RESOURCES, INC.		9. Eleverian 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	Е	SAN JUAN

11. Bottom Hole Location If Different From Surface

	UL - Lot	Section	Т	ownship	Range	Lot	Idn	Feet From	N/S I	ine.	Feet From	E/W Line	County
12. Dedicated Acres		13. 1	foint or Infill	1 14. Consolidation Code			15. Order No.						
320.00					С	ommunitizati	on						

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E-Signed By: Lori Walters Title: Manager Date: 5/31/2006

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.

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

يو او او م

Well Name: Blancett Ranch 24 #1

Well Name: Dianteer Rener 24 m / Location: Section 24, SENE, T30N, R12W, <u>San Juan County, NM</u> Proposed Depth: <u>6750'</u> Objective: Dakota/Mesaverde

	Tangible	Intangible	Total
I. Drilling Costs 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 10,080	12,000
Drilling Mud Conductor Casing		10,000	10,080 0
Surface Casing (320' of 9-5/8", 36# @ 22 \$/ft.)	7,040		7,040
Casing Head	5,600		5,600
Cement Surface	5,000	4,500	4,500
Intermediate Casing (4300' of 7", 20# @ 12.16 \$/ft)	52,300	4,000	52,300
Intermediate Cement		12,500	12,500
Logs		0	.2,000
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 gai)		3,198	3,198
Trucking		9,500	9,500
Engineering/Supervision		9,600	9,600
Closed Loop System		46,000	46,000
Total Drilling Cost	64,940	373,726	438,666
10% Contingency	6,494	37,373	43,867
Grand Total Drilling Costs	71,434	411,099	482,533
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	4.500	15,000	15,000
Tubing Head and Well Connection Fittings	4,500		4,500
Tubing (6700' of 2-3/8" @ 3.70 \$/ft.) Rods, Pump, SB, PR, ect.	24,790 0		24,790 0
Perf/cased hole logs	U	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
Completion Costs	107,265	300,500	407,765
10% Contingency Total Completion Costs	10,727 117,992	30,050 330,550	40,777 448,542
	117,332	330,330	440,042
Grand Total Well Costs	189,426	741,649	931,074

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 Jurnal Mitaly // , Title ______ President Day /11/20/2010