

SAN JUAN RESOURCES, INC.

JERRY McHUGH, Jr.

**San Juan Resources of Colorado, Inc. (SJR)
1499 Blake Street, #7K, Denver, CO 80202
Jerry McHugh, Jr. President**

Kaempf #1E, well I-19-30N-11W, San Juan County, New Mexico
API # 30-045-30818

Summary of contacts with Frank King, mineral owner

August 24, 2001.

Cover letter sent to Mr. Frank King, mineral owner of the interval from the Base of the Pictured Cliffs to the top of the Dakota Formation. AFE for drilling and completion for the entire well was sent along. Joint Operating Agreement was included in this package; cost allocation provisions in Article XVI, outlining Mr. King's cost allocation and provisions for Mesa Verde costs were a part of the JOA. Said cost procedures were developed by Burlington, Amoco, Conoco and other San Juan operators for the benefit of split ownership in diverse zones and formations.

September 13, 2001

Mr. King telephoned and wanted clarification on the cost allocation procedures outlined in Article XVI. Mr. King had requested a breakdown of Mesa Verde costs because he could not ascertain the costs by virtue of the cost allocation procedures of the JOA. SJR sent him a letter, enclosed, outlining two separate AFE's we sent him—Dakota standalone, Mesa Verde, standalone.

October 31, 2001

Mr. King called and indicated that he did not want to participate in the subject well. He wanted an alternative to this participation—an offer to lease his minerals and indicated that he did not want bonus consideration.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12796 Exhibit No. 5
Submitted By:
San Juan Resources
Hearing Date: February 21, 2002

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November 2, 2001

SJR sent Mr. King an offer to lease his minerals based on no bonus and a standard 1/8 royalty to the landowner.

November 30, 2001

SJR received a fax from Mr. King dated this 11-30-01 date. In it he wanted a 100% back-in after 75% of the well paid out. (See enclosed)

December 10, 2001

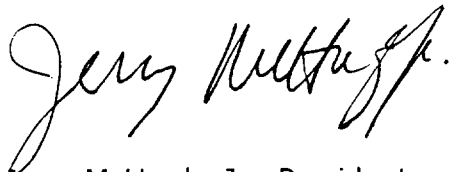
SJR sent Mr. King an invoice outlining surface damages, staking and well preparation costs incurred as of the 12-10-01 date. SJR gave Mr. King an offer of 1/5 royalty and \$75 bonus to lease the minerals from him as an alternative to a force pooling, which we were prepared to commence on this well as pertaining to these interests.

December 19, 2001

SJR received a second fax from Mr. King, reiterating his proposal for inclusion in the subject well.

Respectfully submitted,

SAN JUAN RESOURCES OF COLORADO, INC.

A handwritten signature in cursive script, reading "Jerry McHugh, Jr.", written in black ink.

Jerry McHugh, Jr., President