



02553170

EXHIBIT(s)
FOR
ORDER NO(s).

_____-____-

_____-____-

_____-____-

_____-____-

ORIGINAL

RECEIVED

MAR 10 2010

COGCC

Land Testimony

Red Mesa Field, La Plata County
Cause No. 404
Docket No. 1003-UP-20

Application for Establishment of Drilling Unit and
Pooling of Non-Consenting Working Interest

Township 33 North, Range 12 West, NMPM
Section 34: NW1/4SE1/4 ("Application Area")
Gallup and Dakota Formations

March 25th and 26th, 2010, Colorado Oil and Gas Conservation Commission Hearing

My name is Jonathan Linker, and I currently work as in-house legal counsel for Red Mesa Holdings/O&G, LLC ("Red Mesa"). I received a Juris Doctor degree from Brooklyn Law School in 1997, and have approximately 2 years of legal experience related to oil and gas. My resume is attached.

In support of Red Mesa's application, attached to this sworn testimony are five exhibits, which are summarized below:

1. Exhibit No. L-1, Area Location Map 1

This Exhibit depicts the location of the subject Section 34, Township 33 North, Range 12 West, NMPM, in relation to the southern portion of La Plata County.

2. Exhibit No. L-2, Area Location Map 2

This Exhibit depicts the Application Area in relation to the southern portion of La Plata County.

3. Exhibit No. L-3, Letter to Reynolds Metal Company

This Exhibit is a copy of the letter with attached Authorization for Expenditure ("AFE") sent to Reynolds Metal Company ("Reynolds") by Red Mesa.

4. Exhibit No. L-4, Reference Map

This Exhibit depicts the proposed location of the KF#3 BT-4 well within the Application Area.

5. Exhibit No. L-5, Interested Parties

This Exhibit provides a list of the working interest and mineral interest owners in the Application Area.

Title research within the relevant records was completed with respect to the Application Area in order to determine the working interest and mineral ownership under the Application Area. Exhibit No. L-5 provides a list of those owners as determined by the title research. All of the mineral owners in the Application Area are under an oil and gas lease. The working interest of Reynolds comprises an undivided 50% of the oil and gas leasehold under the Application Area.

On November 10, 2009, the Exhibit No. L-3 letter with the attached AFE were sent to Reynolds, providing Reynolds with the opportunity to participate in the proposed well to the extent of its working interest in the Application Area. The AFE is a fair and reasonable estimate of the costs associated with the drilling of the proposed well. The letter also stated that if Reynolds did not elect to participate in the proposed well that Red Mesa could elect to exercise rights under C.R.S. 34-60-116.

In accordance with the provisions of COGCC Rule 530, at least 30 days has elapsed since the letter and AFE were sent to Reynolds. Reynolds has declined to participate in the proposed well by bearing its proportionate share of the costs and risks of drilling and operating the Well to the extent of its working interest in the Application Area.

To the best of my knowledge and belief, all of the matters set forth herein, my testimony and exhibits hereto are true and correct.

Dated this 8th day of March, 2010.



Jonathan Linker

Jonathan Linker
5619 DTC Parkway, Suite 800
Greenwood Village, CO 80111

Recent Experience

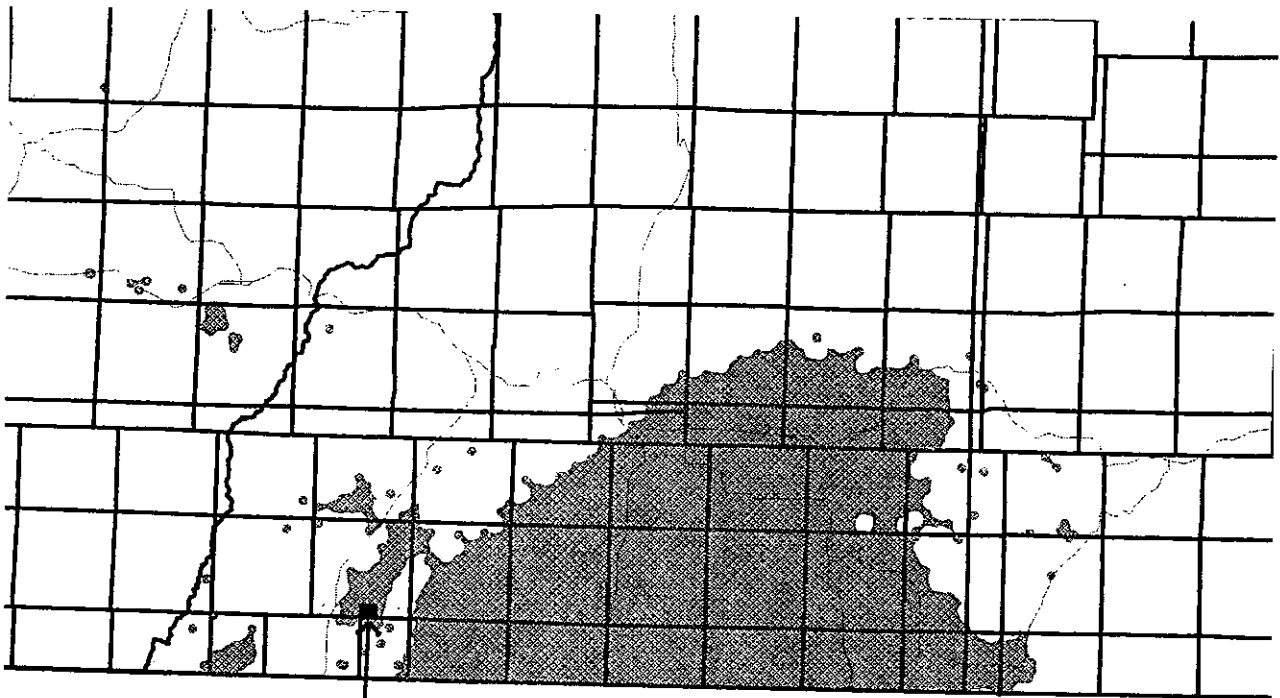
Red Mesa Holdings/O&G, LLC (affiliate of Madison Capital Management, LLC)
March 2008 – Present
In-House Counsel

- Review real property records filed with La Plata County Clerk and Recorder's Office
- Review abstracts of title
- Review and negotiate oil and gas leases, ratifications, assignments, deeds, rights-of-way, and surface use agreements
- Review and negotiate agreements to support operations

Education

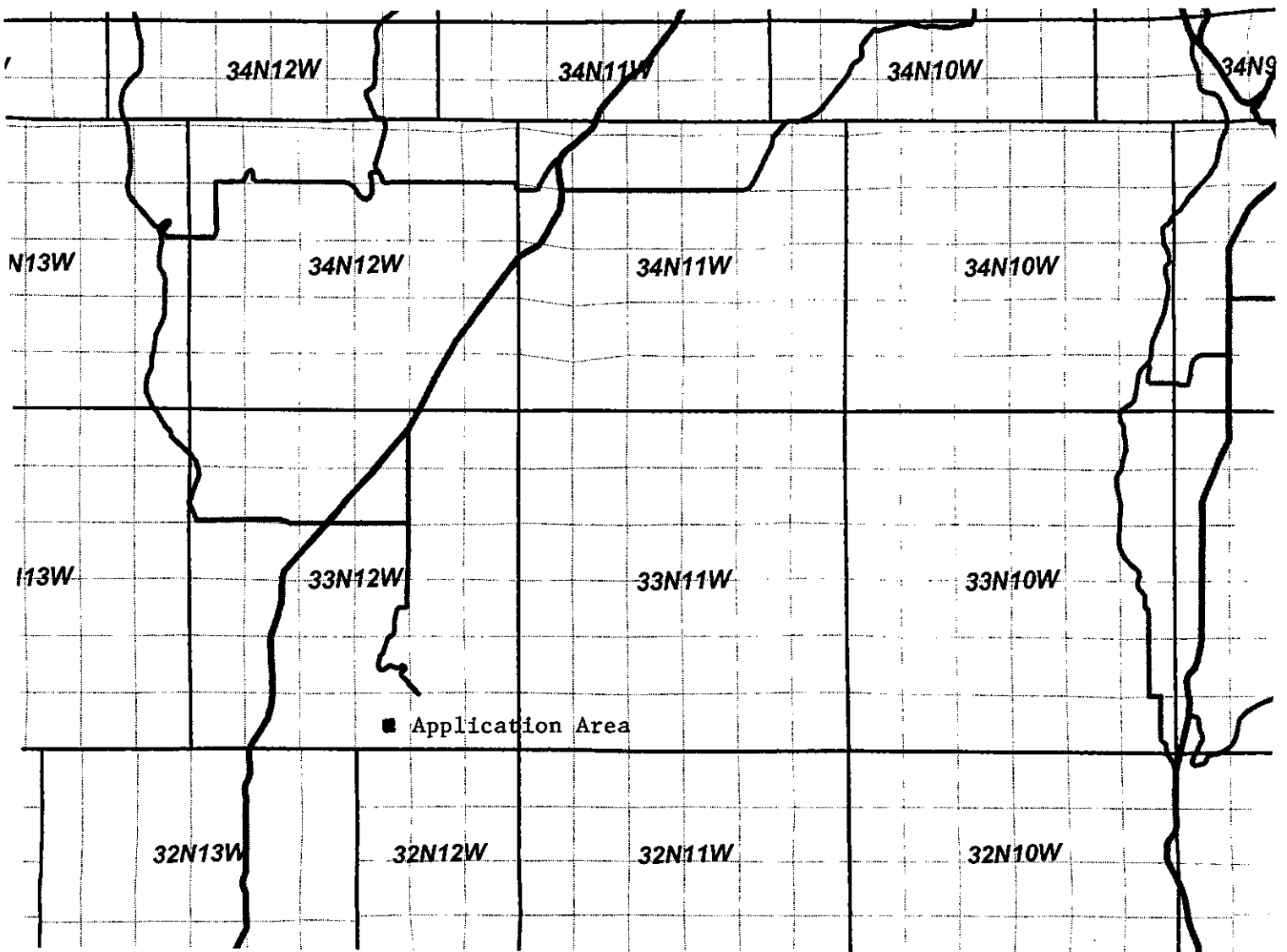
Brooklyn Law School
J.D., *magna cum laude*
May 1997

Exhibit No. L-1
Cause No. 404
Docket No. 1003-UP-20



Section 34
Township 33 North, Range 12 West, NMPM

Exhibit No. L-2
Cause No. 404
Docket No. 1003-UP-20



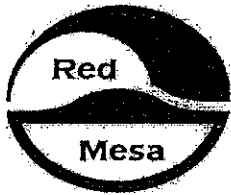


Exhibit No. L-3
Cause No. 404
Docket No. 1003-UP-20

November 10, 2009

Mr. James Winter
Corporate Real Estate
Reynolds Metals Company
201 Isabella Street
Pittsburgh, PA. 15212-5858

Re: Well Proposal-Request for Working Interest Joinder on 40-Acre Spacing Red Mesa Area
Ferguson #1 BT-1, Ferguson #1 BT-2, KF #2 BT-3, KF #3 BT-4 Wells
Township 33 North, Range 74 West, 6th P.M.
Section 34: S/2SW/4, SE/4NW/4, NE/4SW/4
La Plata County, Colorado

Dear Mr. Winter:

Red Mesa Holdings/O&G, LLC ("Red Mesa"), as operator proposes to drill the above-referenced four Gallup/Dakota wells ("Proposed Wells") on the above-described lands. The proposed wells are on Red Mesa's 2010 Drilling Program and are scheduled to be drilled by the 4th quarter of 2010.

Red Mesa invites Reynolds Metals Company ("Reynolds") to participate in the Proposed Wells to the extent of your working interest by executing the enclosed Joint Operating Agreement ("JOA"). The percentage of your working interest in the Proposed Wells is set forth in Exhibit "A" to the JOA. In this regard, enclosed is a Joint Operating Agreement ("JOA"), dated November 1, 2009, effective January 1, 2008, for joinder of your working interest in the Proposed Wells. The Well Locations are based upon basin-wide, 40-acre well spacing.

Also enclosed are the following: (i) the Authorization for Expenditure ("AFE") denoting the estimated costs to drill and complete each of the Proposed Wells; and (iii) an additional copy of the JOA and the AFEs. The appropriate signature blocks and the required acknowledgements are tabbed for your and the notary public's convenience on the sets of additional pages.

If you choose to join in the cost of drilling, equipping and operating the Proposed Wells, please confirm your agreement to join in the Proposed Wells by having the appropriate person or officer execute, before a notary public, execute the signature pages for the JOA, and the AFEs. Please return the original executed JOA and AFE's to Red Mesa as soon as possible. Retain all other marked "your copy" materials for your business records.

While Red Mesa encourages you to participate in the Proposed Wells, if Reynolds has not executed and returned the JOA and the AFE to Red Mesa at the below address on or before December 14, 2009, Red Mesa reserves the option to exercise its rights pursuant to §34-60-116, C.R.S.

Should you have any questions, please do not hesitate to contact the undersigned at (303) 957-2071.
We look forward to working with you.

Sincerely yours,

Robin M. Richardson
Senior Landman

5619 DTC Parkway, Suite 800 • Greenwood Village • Colorado • 80111 • (800) 513-2205

www.redmesa1.com



RED MESA HOLDINGS O/G LLC
AUTHORIZATION FOR EXPENDITURE
AFE No. 09-705700-01



WELL NAME: KF#3 BT-4

PROPERTY No. 05-067-09710

AFE TYPE

PROSPECT: Red Mesa Field Development

OPERATOR: Red Mesa Holdings O&G LLC

☒ DRILLING DEV

STATE: Colorado

W.I%.: 25

☐ DRILLING EXP

COUNTY: La Plata

LOCATION: NWSE Sec.34 T33N R12W

☐ EQUIPMENT

EST. START DATE: 2Q-3Q 2010

ZONE: Gallup/Dakota

☐ OTHER

COMP. DATE: 3Q-4Q 2010

EST. DEPTH: 3,600 ft

CREATION DATE: 10/27/09

PURPOSE OF AFE: New well drilling funding and distribution.

INTANGIBLE DRILLING COSTS
(ACCOUNT 175)

		DRY HOLE	COMPLETION	TOTAL
175 / 110	SURVEY AND STAKING	\$ 3,500		\$ 3,500
175 / 130	LICENSES AND PERMITS	\$ 6,000		\$ 6,000
175 / 100	LOCATION AND ROAD	\$ 10,000		\$ 10,000
175 / 120	LOCATION DAMAGES	\$ 12,500		\$ 12,500
175 / 230	DRILLING FOOTAGE \$			\$ -
175 / 225	DRILLING DAYWORK (6 days at \$12,500 per day)	\$ 75,000		\$ 75,000
175 / 230	DRILLING TURNKEY			\$ -
175 / 150	MUD OIL & CHEMICALS	\$ 10,000		\$ 10,000
175 / 165	WATER	\$ 5,000		\$ 5,000
175 / 240	DRILL BITS & COLLARS	\$ 15,000		\$ 15,000
175 / 235	RIG UP/RIG DOWN	\$ 38,000		\$ 38,000
175 / 215	MUD MOTOR			\$ -
175 / 145	FUEL	\$ 2,500		\$ 2,500
175 / 125	CEMENTING - SURFACE	\$ 6,000		\$ 6,000
175 / 125	CEMENTING - INTERMED	\$ 15,000		\$ 15,000
175 / 220	CEMENTING - PLUGGING	\$ 17,500		\$ 17,500
175 / 900	FLOAT EQUIP/CENTRALIZERS	\$ 2,500		\$ 2,500
175 / 200	CASING CREW & EQUIP	\$ 2,500		\$ 2,500
175 / 175	ENGINEERING SERVICES	\$ 5,000		\$ 5,000
175 / 260	CORING/CORE ANALYSIS			\$ -
175 / 255	MUD LOGGING	\$ 7,500		\$ 7,500
175 / 170	DRILL STEM TESTING	\$ 7,500		\$ 7,500
175 / 250	LOGGING	\$ 10,000		\$ 10,000
175 / 190	PROFESSIONAL SERVICES, SUPERVISION	\$ 8,000		\$ 8,000
175 / 900	OTHER SERVICES	\$ 3,500		\$ 3,500
175 / 140	TRANSP. & TRUCKING	\$ 2,500		\$ 2,500
175 / 215	EQUIPMENT RENTAL (Closed Loop System at 6 days \$2250/day + add'l eqpt)	\$ 13,500		\$ 13,500
175 / 220	ABANDONMENT EXPENSE	\$ 2,500		\$ 2,500
175 / 185	DRILLING OVERHEAD	\$ 5,620		\$ 5,620
175 / 151	INSURANCE	\$ 2,500		\$ 2,500
175 / 135	CONTRACT LABOR			\$ -
175 / 900	OTHER - 10% CONTINGENCIES	\$ 28,912		\$ 28,912
TOTAL INTANGIBLE DRILLING COSTS		\$ 318,032	-	\$ 318,032

INTANGIBLE COMPLETION COSTS
(ACCOUNT 178)

		DRY HOLE	COMPLETION	TOTAL
178 / 220	CEMENTING PRODUCTION STRING		\$ 25,000	\$ 25,000
178 / 215	LOGGING		\$ 4,000	\$ 4,000
178 / 135	PERFORATING		\$ 10,000	\$ 10,000
178 / 195	COMPLETION RIG (80 hours at \$250/hr.		\$ 20,000	\$ 20,000
178 / 200	FRACTURING STIMULATION'S		\$ 85,000	\$ 85,000
178 / 125	CASING CREW & EQUIP		\$ 7,500	\$ 7,500
178 / 200	ACIDIZING STIMULATION'S		\$ -	\$ -
178 / 220	SQUEEZE CEMENT		\$ -	\$ -
178 / 170	TRANSPORTATION & TRUCKING		\$ 3,000	\$ 3,000
178 / 150	DIRT WORK		\$ -	\$ -
178 / 190	PROFESSIONAL SERVICES, SUPERVISION		\$ 5,000	\$ 5,000
178 / 147	RENTAL EQUIPMENT		\$ 4,500	\$ 4,500
178 / 121	WATER		\$ 5,000	\$ 5,000
178 / 130	FUEL		\$ 2,500	\$ 2,500
178 / 180	COMPLETION OVERHEAD		\$ 3,430	\$ 3,430
178 / 140	INSURANCE		\$ -	\$ -
178 / 190	CONTRACT LABOR		\$ 18,000	\$ 18,000
178 / 900	OTHER SERVICES		\$ -	\$ -
178 / 900	OTHER - 10% CONTINGENCIES		\$ 19,293	\$ 19,293
TOTAL INTANGIBLE COMPLETION COSTS		-	\$ 212,223	\$ 212,223



RED MESA HOLDINGS O/G LLC
AUTHORIZATION FOR EXPENDITURE
AFE No. 09-705700-01



WELL NAME: KF#3 BT-4

PROPERTY No. 05-067-09710

AFE TYPE

PROSPECT: Red Mesa Field Development

OPERATOR: Red Mesa Holdings O&G LLC

☒ DRILLING DEV

STATE: Colorado

W.I%.: 25

☐ DRILLING EXP

COUNTY: La Plata

LOCATION: NWSE Sec.34 T33N R12W

☐ EQUIPMENT

EST. START DATE: 2Q-3Q 2010

ZONE: Gallup/Dakota

☐ OTHER

COMP. DATE: 3Q-4Q 2010

EST. DEPTH: 3,600 ft

CREATION DATE: 10/27/09

PURPOSE OF AFE: New well drilling funding and distribution.

TANGIBLE LEASE AND WELL EQUIPMENT (ACCOUNT 180)		DRY HOLE	COMPLETION	TOTAL
180 / 120	SURFACE CASING (300' of 8-5/8" @ \$15.00/ft)	\$ 4,500		\$ 4,500
180 / 120	INTERMEDIATE CASING (0' 7" at \$16.00/ft)	\$ -		\$ -
180 / 125	CASING - PRODUCTION (3600' 4-1/2" @ \$8.95 per ft)		\$ 32,250	\$ 32,250
180 / 140	TUBING (3,600 of 2-3/8" @ \$4.45/ft)		\$ 16,020	\$ 16,020
180 / 150	SUCKER RODS (3600' at \$3.25/ft)		\$ 11,700	\$ 11,700
180 / 155	SUBSURFACE PUMP		\$ 3,500	\$ 3,500
180 / 135	SUBSURFACE EQUIPMENT	2,000	\$ 2,000	\$ 4,000
180 / 130	PUMPING UNIT/BASE		\$ 19,500	\$ 19,500
180 / 160	FLOW LINES		\$ 5,000	\$ 5,000
180 / 160	VALVES AND FITTINGS		\$ 5,000	\$ 5,000
180 / 110	WELL HEAD EQUIPMENT	2,500	\$ 5,000	\$ 7,500
180 / 175	METERS AND METER RUNS		\$ 8,200	\$ 8,200
180 / 300	TANKS		\$ 20,000	\$ 20,000
180 / 250	TREATERS			\$ -
180 / 250	SEPARATORS		\$ 5,000	\$ 5,000
180 / 350	COMPRESSORS		\$ -	\$ -
180 / 190	BUILDINGS			\$ -
180 / 190	OTHER EQUIPMENT			\$ -
180 / 170	ELECTRICAL DISTR. SYSTEM			\$ -
TOTAL TANGIBLE LEASE AND WELL EQUIPMENT		\$ 9,000	\$ 133,170	\$ 142,170
TOTAL ESTIMATED COSTS		\$ 327,032	\$ 345,393	\$ 672,425

WORKING INTEREST OWNER	W.I. % BCP	W.I. % ACP	BCP	ACP	TOTAL
Red Mesa Holdings O&G LLC	0.25000	0.25000	\$ 81,758	\$ 86,348	\$ 168,106
Reynolds Metals	0.50000	0.50000	\$ 163,516	\$ 172,697	\$ 336,213
Red Willow	0.25000	0.25000	\$ 81,758	\$ 86,348	\$ 168,106
					\$ -
			\$ -	\$ -	\$ -
TOTAL	1.00000	1.00000	\$ 327,032	\$ 345,393	\$ 672,425

APPROVED BY:

DATE:

COMPANY:

TITLE:

APPROVED BY:

DATE:

COMPANY:

TITLE:

PARTICIPANT OEE (WELL CONTROL) INSURANCE ELECTION:

(CHECK ONE)

☐ Self Insured*

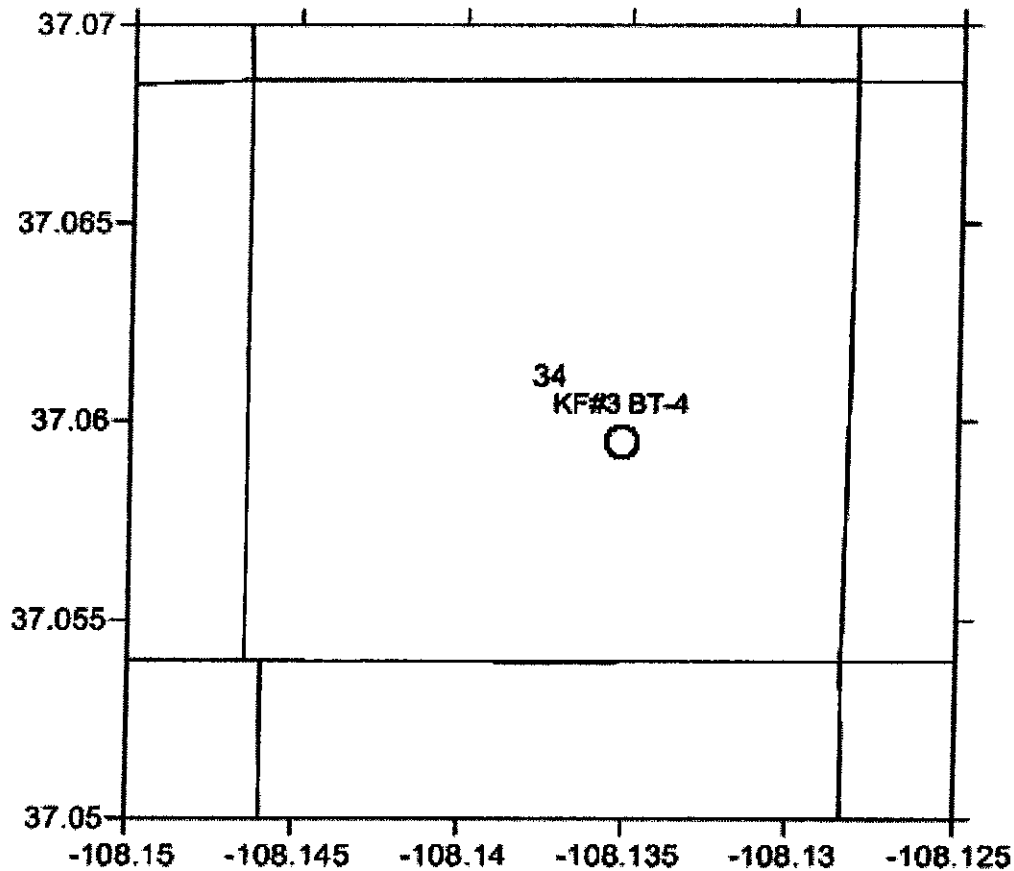
☐ Carry Own EEE Policy*

☐ Request Coverage Under Operator's Policy

* Send Certificate of Insurance or letter confirming Self-Insurance. If you do not indicate an election prior to spud date, you will be covered under the Operator's OEE policy and billed a proportionate share of the premium.

Exhibit No. L-4
Cause No. 404
Docket No. 1003-UP-20

R 12 W



**T
33
N**

0 Feet 2000 Feet 4000 Feet 6000 Feet 8000 Feet

Red Mesa Holdings/O&G, LLC
Greenwood Village, Colorado

Red Mesa Field Area
Section 34

La Plata County, Colorado

Application NWSE

Scale: 1 inch = 2000 Ft.

Date: 1-29-2010

Map Projection: Geographic Lat/Long, NAD83, Decimal Degree

Exhibit No. L-5
Cause No. 404
Docket No. 1003-UP-20

INTERESTED PARTIES

Red Mesa Holdings/O&G, LLC (working interest owner)
Attention: Robin Richardson
5619 DTC Parkway, Suite 800
Greenwood Village, CO 80111

Reynolds Metal Company (working interest owner)
Corporate Real Estate
Attention: James Winter
201 Isabella Street
Pittsburgh, PA 15212-5858

Red Willow Production Company (working interest owner)
Attention: John Zent
P.O. Box 369
Ignacio, CO 81137

James R. Greer and Natalie K. Greer (mineral interest owners)
7882 C.R. 100
Hesperus, CO 81326

Allison L. Kroeger (mineral interest owner)
309 E. Chaco
Aztec, NM 87402

Emily C. Ter Maat (mineral interest owner)
406 Hillcrest Drive
Durango, CO 81301

Dennis S. Kroeger (mineral interest owner)
5414 Lola Lane
Farmington, NM 87402

Colleen A. Coker (mineral interest owner)
5414 Bear Run Road
Lakeside, AZ 85929

ORIGINAL

Geological Testimony

Red Mesa Field, La Plata County
Cause No. 404
Docket No. 1003-UP-20

RECEIVED

MAR 10 2010

COGCC

Application for Establishment of Drilling Unit and
Pooling of Non-Consenting Working Interest

Township 33 North, Range 12 West, NMPM
Section 34: NW1/4SE1/4 ("Application Area")
Gallup and Dakota Formations

March, 2010 Colorado Oil and Gas Conservation Commission Hearing

My name is Peter Kondrat, and I am currently a Consulting Geologist for Red Mesa Holding Oil and Gas. I received my Bachelor of Science degree in Geology from Fort Lewis College, Durango, CO in 1996, and have 14 years of oil and gas experience. My resume is attached.

In support of Red Mesa Holdings/O&G, LLC's application, I have prepared 4 exhibits. The exhibits are attached to this sworn testimony and summarized below:

1. Exhibit No. G-1.

This Exhibit is a base map showing the subject 4 40-acre units (red polygons), the well location for the Gallup and Dakota formation type log, the Red Mesa Holdings leasehold (yellow), offset operators leasehold and all the oil and gas wells in the area. Note the existing 40-acre spacing for the oil and gas wells.

2. Exhibit No. G-2.

This Exhibit is the Kroeger-Fersugon 3 #K-3 well log used for the Gallup Formation type log directly offsetting the subject 4 40-acre units. The well is located in the SESW corner of section 34 in Township 33N-Range 12W. The log shows the Gallup primary interval target of ~400 gross feet. Note the Greenhorn Limestone Formation, Graneros Formation and the ~550 foot interval separating the base of the Gallup primary target from the top of the Dakota Formation.

3. Exhibit No. G-3.

This Exhibit is the Kroeger-Fersugon 3 #K-3 well log used for the Dakota Formation type log directly offsetting the subject 4 40-acre units. The well is located in the SESW corner of section 34 in Township 33N-Range 12W.

4. Exhibit No. G-3.

This Exhibit is the Southern Ute #A-1 Dakota Formation core analysis. The Southern Ute #A-1 well directly offsets the subject 4-40 acre units. The well is located in the NWSE corner of section 35 in Township 33N-Range 12W. Note the average permeability was calculated to be 0.11 millidarcys.

Red Mesa Holdings Oil and Gas, LLC application area is located in the Red Mesa field on the Four Corners Platform next to the western edge of the San Juan Basin. There primarily low permeability Dakota and Gallup producing northwest trending shoreface, distributary channel and delta front sandstones trap hydrocarbons along the Red Mesa anticline. The Red Mesa field has had a development period from 1955-2009, primarily producing from the Mesaverde, Gallup and Dakota formations. The Mesaverde, Gallup and Dakota formation exist as separate and distinct reservoirs within the Application area. Traditionally the field has been developed on 40-acre spacing for each formation.

The Gallup and Dakota formations produce from low-permeability, tight oil-gas sandstones. Dakota formation core analysis from the Southern Ute #1A calculated the in-situ permeability in the order of 0.11 millidarcys. Local Gallup formation core analysis for in-situ permeability is not available. However Gallup formation in-situ permeability is reported for the San Juan Basin to be less than 5 millidarcys. For the low permeability sandstones 40-acres is the maximum area that can be efficiently and economically drained by the one proposed well.

The application area is located in Township 33N-Range 12W of the Red Mesa field. For Township 33N-Range 12W, as of 12/2009, IHS/PI Dwrights reports 141 producing wells with a total production of 3,892,869 mcf of gas, 1,888,776 bbls of oil and 182,430 bbls of water. Below is production volume and average per well summary for each formation within the Township 33N-Range 12W portion of the Red Mesa field.


PRODUCTION SUMMARY OF T33N R12W OF RED MESA FIELD, LA PLATA CNTY, CO

	Wells with Production	Cumulative Gas (mcf)	Cumulative Oil (bbls)	Cumulative Water (bbls)	Average Cumulative Gas (mcf) per well	Average Cumulative Oil (bbls) per well	Average Cumulative Water (bbls) per well
Mesaverde include Menefee and Point Lookout	22	1,247,562	30	105,373	56,707	1	4,790
Gallup- Mancos	29	499,030	563,372	26,669	22,683	25,608	1,212
Dakota	83	1,639,706	1,196,696	39,443	74,532	54,395	1,793
Gallup-Dakota	3	118,595	116,330	1,933	5,391	5,288	88
Morrison	1	7,854	12,348	8,664	357	561	394
Barker Creek- Desert Creek	3	380,122		348	17,278	-	16
	141	3,892,869	1,888,776	182,430			

The depth of the proposed well to a common source of supply will exceed 2500 feet and, therefore, will be subject to Rule 318.a of the Colorado Oil and Gas Conservation Commission. The location of the proposed well, not less than 600 feet from any lease line and not less than 1200 feet from any other well as prescribed under Rule 318.a, is appropriate to efficiently and economically recover the reserves from the Gallup and Dakota formations within the Application Area that would otherwise not be recovered by any other existing well.

To the best of my knowledge and belief, all of the matters set forth herein, my testimony and exhibits hereto are true and correct.

Dated this 7 day of March, 2010.



 Peter Kondrat

Peter Eugene Kondrat
457 Animas View Drive #5
Durango, CO 81301
Cell: (970) 759-5370
displacementpoint@hotmail.com

Summary

- Geologist with over 14 years experience in oil, gas, coalbed methane, coal and mineral exploration & production in the Rocky Mountain Region
- San Juan Basin, Piceance Basin, Uintah Basin, Green River Basin, Raton Basin, Powder River Basin, Paradox Basin, DJ Basin, Arkoma Basin, Fort Worth Basin, Williston Basin and Overthrust Belt experience
- Geologic skills include subsurface and surface mapping with stratigraphic and structural analysis and interpretation, petrophysical well log analysis, resource and reserve volumetrics, reservoir modeling, completion techniques and production operations from basin wide to prospect, to well level
- Field skills include wellsite geology, directional geosteering with extensive horizontal drilling experience (>40,000 ft), core logging, gas monitoring, field & lab management of CBM desorption and sample collection and description for drill cuttings, rocks, soil, water, gas and oil
- Computer skills include Landmark Geographix with Prizm, ArcGIS, Adobe Illustrator, IHS Energy/PI Dwigths, Photoshop, MJ Logs, AutoCAD, Surfer, Tremble GPS, PHDWin, Enertia, Microsoft Office & Operating System and other industry programs
- Acquisition due diligence, divesture marketing of non-core assets and development, maintenance and proliferation of new and existing business
- Planning, permitting, reporting and operations of conventional and unconventional wells through various tribal, private, state and federal agencies
- Professionalism in a goal orientated multi-disciplinary team environment

Experience

Kondrat Geological Consulting, LLC Durango, CO (11/2009-Current)

KGC provides oil, gas and mineral assessment and appraisal. Services include integrated stratigraphic and structural analysis and mapping; petrophysical log analysis; resource and reserve volumetrics; reservoir modeling and wellsite geology including directional geosteering, completion, logging and coring operations.

CDX Gas LLC, Senior Geologist, Farmington, NM (2002-10/2009)

Duties included development, exploration, acquisition & divesture, wellsite and geological database management for all Rocky Mountain assets

- Development geologist for 35,000 acres and 250 producing wells in the San Juan Basin. Completed initial geological and engineering due diligence in subject acquisition. Geologic analysis to identify, document, AFE and develop new and additional oil and gas from workover, recompletion and drilling prospects.

Peter Eugene Kondrat

- Mesaverde, Gallup and Dakota Formations downspace 80-acre infill field study with identification of 60 locations resulting in 90 bcf, 7.2 mmbbls of oil, 8.4 mmbbls of ngl reserve cataloging. Results of project to date are a recovery of a 30-day average of 800 mcf/d/well at an average capital expense of \$1.4mm/well.
- Identification and reserve cataloging of 30 recompletions and 15.0 bcf for the Mesaverde and Gallup Formations. Production commingled with existing Dakota/Gallup production for 15 recompletion to date resulting in initial 30-day averages of 400 mcf/d/well at an average capital expense of \$0.4mm/well
- Technical and general support in the operations, land and engineering. Conduct well reviews, analyze production curves with reservoir analysis and work with operations to optimize production through workovers, chemical programs, plunger lift optimization and rod pump wells.
- Senior Geologist for the Rocky Mountain Hydrocarbon Basins
 - Geological analysis and support for CBM, conventional and unconventional acquisition & divestiture, exploration and production
 - Project areas included San Juan, Uinta, Piceance, Denver-Julesburg, Greater Green River, Fort Worth, Arkoma, Raton, Paradox and Powder River basins
 - Geological assessment, planning and geosteering of horizontal CBM wells
 - Results include 2 Fruitland Formation CBM horizontal wells completed for \$5.8mm resulting in combined 3.5 MMscf/day and 14.0 bcf of reserves
- Landmark Geographix database creation and management for the Rocky Mountain hydrocarbon basins. Lead mapper for all geological, land and engineering exhibits
- Budget preparation and implementation for production, LOE and CAPEX with attention to economic constraints
- Relations with the NMOCD, COGCC, UTOGM & SITLA, WYOGCC, Federal, Indian Nations, private landowners and other agencies through regulatory reporting, on-sites, meetings and phone conversations. Provided expert geological testimony to COGCC.
- Wellsite geology and supervision including total depth (TD) determination, real time formation evaluation, core logging, geosteering, field and lab management of CBM desorption, logging and completion operations

Oso Energy, Senior Geologist, Durango, CO (1998-2002)

Geological assessment leader of existing and new business development projects in the Rocky Mountain Basins

- Geologic due diligence resulting in acquisition of 200,000 acres in Uinta and Piceance Basin
- Planning, design, wellsite implementation and analysis of 8 Mesaverde Formation, 2 Fruitland Formation and 2 Fort Union stratigraphic coreholes
- Geographix database creation and management for the Rocky Mountain hydrocarbon basins. Manager and lead mapper for all geological and engineering plots.
- San Juan Basin Fruitland Formation CBM Play model aiding in prospect generation and evaluation with emphasis on horizontal CBM completions

Peter Eugene Kondrat

- Wellsite geology and supervision including total depth (TD) determination, real time formation evaluation, core logging, geosteering, field and lab management of CBM desorption, logging and completion operations
- Geological analysis and prospect generation for various projects in the Uinta, Piceance, Greater Green River, Raton, Paradox and Powder River basins.

BHP Minerals, Consulting Geologist, La Plata Mine, CO & San Juan Mine, NM (1998)
Geological consultant for the analysis of the viability of coal mine expansion

- Wellsite geology, core logging and supervision for 15 Fruitland Formation coal core wells
- Field mapping, stratigraphic correlations, structural analysis, coal quality assessments and resource & reserve volumetrics.

Pason Systems, Mudlogger/Wellsite Geologist, Golden, CO (1998-1999)

Wellsite and mud logging duties completed for over 50 wells in almost every major Rock Mountain hydrocarbon basin.

- Real time formation evaluation and depth picks, gas monitoring, TD determination and sample collection and description

Homestake Minerals, Field Geologist, Reno, NV (1997)

Ore deposit exploration focused on gold occurrences throughout Nevada.

- Field mapping with GPS and off topographic and aerial photography base; field structural and stratigraphic analysis; rock, soil and stream sediment collection & description
- Wellsite geology for core logging operations
- Historical research and reconnaissance, geochemical analysis, compilation reporting and mapping
- Reclamation planning and implementation

Education

B.S. Geology, 1996. Fort Lewis College, Durango, CO. Geology GPA 3.8

Short Courses/Certifications

PetroSkills Well Log Interpretation, AAPG Coalbed Methane. AAPG Mesavderde Formation Stratigraphy Piceance/Uintah Basin, Geographic Certification, PetroSkills CBM Appraising and Identification, Arcview Certification, TH Hill Horizontal Drilling Workshop

Professional Affiliations

AAPG, GSA, RMAG, Four Corners Geological Society, New Mexico Geological Society, Denver Log Library

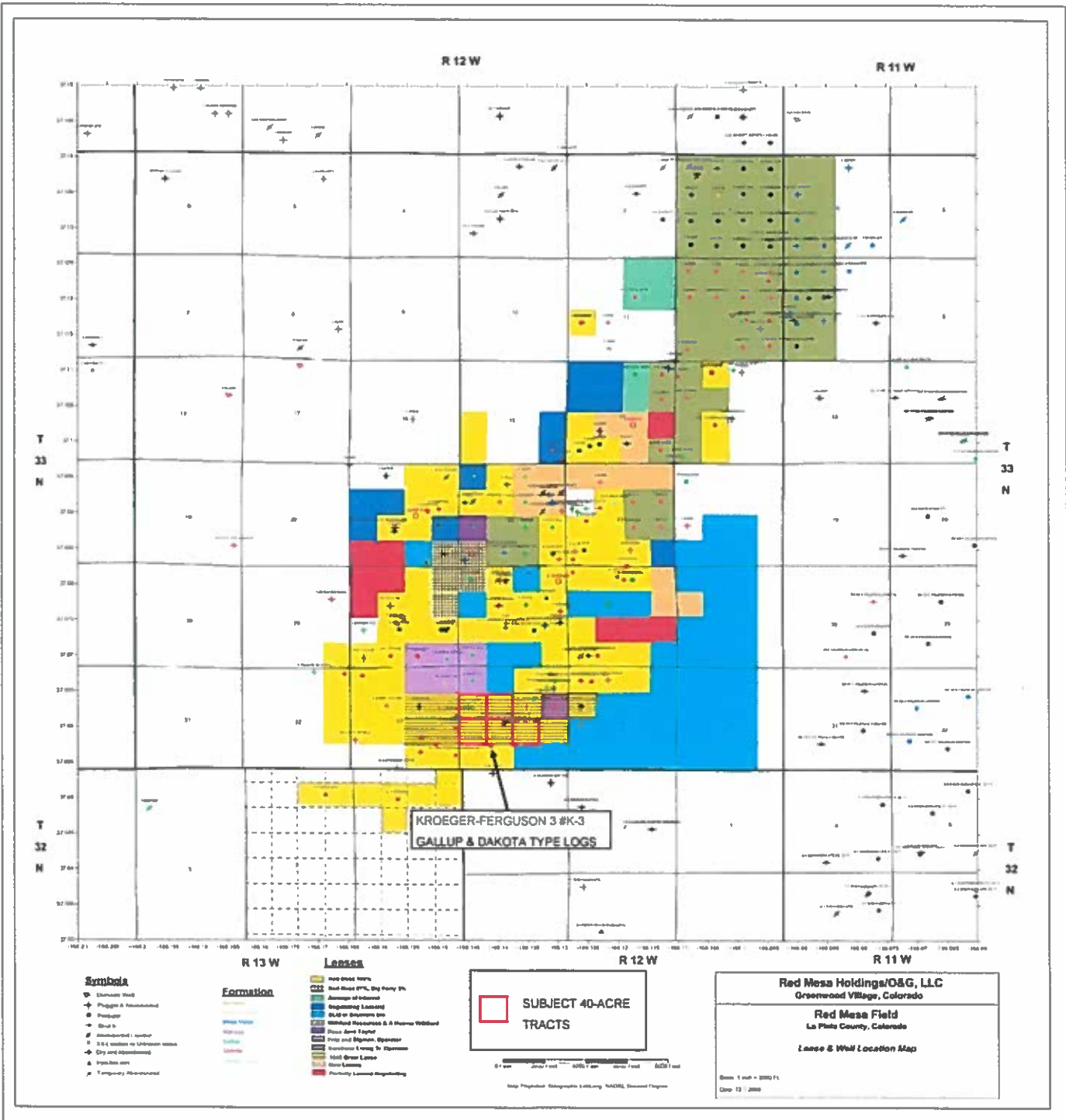
Activities

Family, mountaineering, mountain biking and rock hounding.

References and Work Examples Available upon Request

Peter Eugene Kondrat

Docket No. 1003-UP-20



GALLUP FORMATION TYPE LOG

KROEGER-FERGUSON 3 #K-3; API: 05-067-06078

SESW OF SEC 34, T33N R12W

Exhibit No. G-2
Cause No. 404
Docket No. 1003-UP-20

GALLUP FORMATION

MANCOS FORMATION

PRIMARY GALLUP TARGET
GROSS INTERVAL

GREENHORN LIMESTONE

GRANEROS FORMATION

DAKOTA FORMATION

DAKOTA FORMATION TYPE LOG

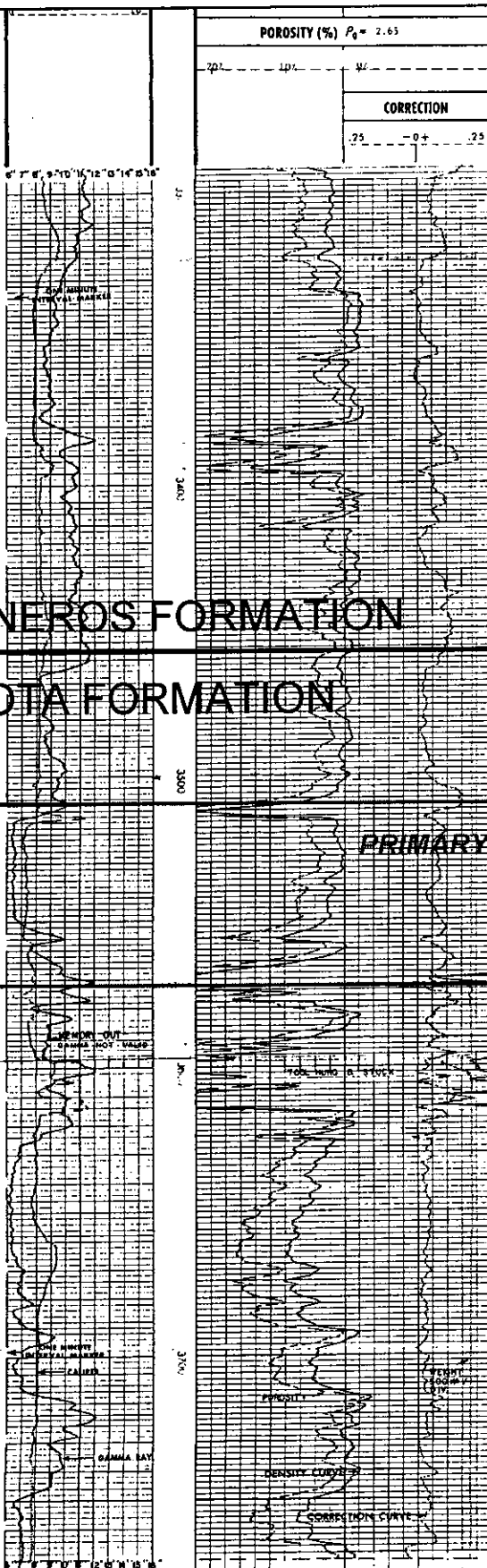
KROEGER-FERGUSON 3 #K-3; API: 05-067-06078

SESW OF SEC 34, T33N R12W

Exhibit No. G-3

Cause No. 404

Docket No. 1003-UP-20





CORE LABORATORIES, INC.
Petroleum Reservoir Engineering
 DALLAS, TEXAS

Exhibit No. G-4
 Cause No. 404
 Docket No. 1003-UP-20

Page 1 of 1 File RP-3-1057
 Well Ute "A" No. 1

CORE SUMMARY AND CALCULATED RECOVERABLE OIL

FORMATION NAME AND DEPTH INTERVAL: Dakota 3662.0-3686.5

FEET OF CORE RECOVERED FROM ABOVE INTERVAL	23.5	AVERAGE TOTAL WATER SATURATION: PER CENT OF PORE SPACE	20.9
FEET OF CORE INCLUDED IN AVERAGES	23.5	AVERAGE CONNATE WATER SATURATION: PER CENT OF PORE SPACE (c)	20
AVERAGE PERMEABILITY: MILLIDARCYs	0.11	OIL GRAVITY: °API	
PRODUCTIVE CAPACITY: MILLIDARCY-Feet	2.6	ORIGINAL SOLUTION GAS-OIL RATIO: CUBIC FEET PER BARREL (e)	310
AVERAGE POROSITY: PER CENT	4.6	ORIGINAL FORMATION VOLUME FACTOR: BARRELS SATURATED OIL PER BARREL STOCK-TANK OIL (e)	1.21
AVERAGE RESIDUAL OIL SATURATION: PER CENT OF PORE SPACE	36.4	CALCULATED ORIGINAL STOCK-TANK OIL IN PLACE: BARRELS PER ACRE-FOOT	236

Calculated maximum solution gas drive recovery is 54 barrels per acre-foot, assuming production could be continued until reservoir pressure declined to zero psig. Calculated maximum water drive recovery is 106 barrels per acre-foot, assuming full maintenance of original reservoir pressure, 100% areal and vertical coverage, and continuation of production to 100% water cut. (Please refer to footnotes for further discussion of recovery estimates.)

FORMATION NAME AND DEPTH INTERVAL:

FEET OF CORE RECOVERED FROM ABOVE INTERVAL		AVERAGE TOTAL WATER SATURATION: PER CENT OF PORE SPACE	
FEET OF CORE INCLUDED IN AVERAGES		AVERAGE CONNATE WATER SATURATION: PER CENT OF PORE SPACE	
AVERAGE PERMEABILITY: MILLIDARCYs		OIL GRAVITY: °API	
PRODUCTIVE CAPACITY: MILLIDARCY-Feet		ORIGINAL SOLUTION GAS-OIL RATIO: CUBIC FEET PER BARREL	
AVERAGE POROSITY: PER CENT		ORIGINAL FORMATION VOLUME FACTOR: BARRELS SATURATED OIL PER BARREL STOCK-TANK OIL	
AVERAGE RESIDUAL OIL SATURATION: PER CENT OF PORE SPACE		CALCULATED ORIGINAL STOCK-TANK OIL IN PLACE: BARRELS PER ACRE-FOOT	

Calculated maximum solution gas drive recovery is barrels per acre-foot, assuming production could be continued until reservoir pressure declined to zero psig. Calculated maximum water drive recovery is barrels per acre-foot, assuming full maintenance of original reservoir pressure, 100% areal and vertical coverage, and continuation of production to 100% water cut. (Please refer to footnotes for further discussion of recovery estimates.)

(c) Calculated (e) Estimated (m) Measured (*) Refer to attached letter.

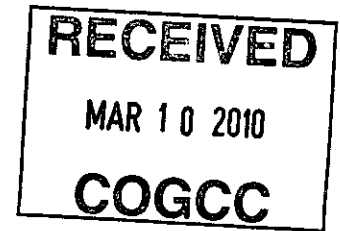
These recovery estimates represent theoretical maximum values for solution gas and water drive. They assume that production is started at original reservoir pressure; i.e., no account is taken of production to date or of prior drainage to other areas. The effects of factors tending to reduce actual ultimate recovery, such as economic limits on oil production rates, gas-oil ratios, or water-oil ratios, have not been taken into account. Neither have factors been considered which may result in actual recovery intermediate between solution gas and complete water drive recoveries, such as gas cap expansion, gravity drainage, or partial water drive. Detailed predictions of ultimate oil recovery to specific abandonment conditions may be made in an engineering study in which consideration is given to overall reservoir characteristics and economic factors.

These analyses, opinions or interpretations are based on observations and materials supplied by the client to whom, and for whose exclusive and confidential use, this report is made. The interpretations or opinions expressed represent the best judgment of Core Laboratories, Inc. (all errors and omissions excepted); but Core Laboratories, Inc., and its officers and employees assume no responsibility and make no warranty or representation as to the productivity, proper operation, or profitability of any oil, gas or other mineral well or sand in connection with which such report is used or relied upon.

ORIGINAL

Engineering Testimony

Red Mesa Field, La Plata County
Cause No. 404
Docket No. 1003-UP-20



Application for Establishment of Drilling Unit and
Pooling of Non-Consenting Working Interest

Township 33 North, Range 12 West, NMPM
Section 34: NW1/4SE1/4 ("Application Area")
Gallup and Dakota Formations

March, 2010 Colorado Oil and Gas Conservation Commission Hearing

My name is Richard K. Dembowski, and I am currently a Consulting Engineer and Wellsite Consultant for RSM Resources, LLC. I received my Bachelors Degree in Engineering from the United States Military Academy at West Point, and have 29 years of oil and gas related engineering experience. My resume is attached.

In support of Red Mesa Holdings/O&G, LLC's application, I have prepared 5 exhibits. The exhibits are attached to this sworn testimony and summarized below:

1. Exhibit No. E-1,
General location/vicinity map of the area being evaluated.
2. Exhibit No. E-2,
Reservoir volumetric calculations for the Dakota formation.
3. Exhibit No. E-3,
Reservoir volumetric calculations for the Gallup formation.
4. Exhibit No. E-4,
Economic estimate for the Dakota only production.
5. Exhibit No. E-5,
Economic estimate for Dakota-Gallup commingled production.

Red Mesa's Application Area encompasses a 40-acre tract of land. Based upon a review of the geology for the area, log analysis and review of existing wells, their production and spacing in the area indicates that the spacing for wells within the area of interest during the development period has been 40 acres. The Dakota and Gallup intervals are low permeability productive intervals throughout the area requiring hydraulic stimulation for production. The Gallup and Dakota pools exist as a common source of supply within the Application Area.

Due to the tight nature of the rock, any pressure maintenance from water influx is minimal. The oil reservoirs will behave as solution gas drive or gas cap drive reservoirs during their productive cycles. This will imply primary recovery rates between 10%-15% of original oil in place. Basic reservoir volumetric calculations have been used to determine OOIP and recoverable quantities.

The net productive intervals of the Gallup and Dakota formations average approximately 42 feet and 30 feet respectively in thickness across the Application Area with an estimated original oil-in-place of approximately 402 MBO and 261 MBO respectively and a recovery factor of approximately 12.5% based on a history match with existing wells in the field.

Marketable amounts of oil and associated gas can be produced from the Gallup and Dakota formations in the Application Area. Estimated primary recovery volumes from the Dakota interval are approximately 53.6 MBO with 73.5 MMCF of associated gas. Estimated primary recovery volumes from the Gallup interval are approximately 26 MBO with 23,400 MCF of associated gas.

50.2 7 68.9

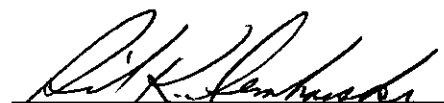
The proposed well which commingles the Dakota and Gallup is economic with an average rate of return that is greater than 100%, and would efficiently recover 72 MBO and 87 MMCFG reserves, which would not be recovered under any existing well in the vicinity of the proposed well. Single interval production from the Dakota only is also economic with a rate of return greater than 100% and 53.7 MBO and 73 MMCFG being recovered that would not be recovered under any existing well in the vicinity of the proposed well.

Given the low permeability of the subject formations 40-acres is the maximum area that can be efficiently and economically drained by the one proposed well.

The depth of the proposed well to a common source of supply will exceed 2500 feet and, therefore, will be subject to Rule 318.a of the Colorado Oil and Gas Conservation Commission. The location of the proposed well, not less than 600 feet from any lease line and not less than 1200 feet from any other well as prescribed under Rule 318.a, is appropriate to efficiently and economically recover the reserves from the Gallup and Dakota formations within the Application Area that would otherwise not be recovered by any other existing well.

To the best of my knowledge and belief, all of the matters set forth herein, my testimony and exhibits hereto are true and correct.

Dated this 8th day of March, 2010.



Richard K. Dembowski, P.E.

Registered Petroleum Engineer (Colo. #38857)

QUALIFICATIONS

Registered Petroleum Engineer (Colorado #38857) and project manager with outstanding experience in the following areas: contract and budget management, vendor and purchasing management, development and management of operating, production and capital budgets, and technical program direction and management. Planned, engineered and managed multiwell programs including hookup, gathering, transmission, treating and compression facilities. Versed in field safety issues, including but not limited to rig safety, production flash fires, cell phone and radio hazards, handling and processing of sour gas (H₂S), NORM and chemical spills. Qualified in Federal Court as an expert in several areas including petroleum property management, field operations, drilling engineering and production engineering. Testified in State Court on COPAS (accounting) issues as an expert. Qualified as an expert in New Mexico, Texas, Mississippi and Louisiana. Co-Author of a joint SPE paper with New Mexico Tech describing a joint study of the San Juan Gas Basin evaluating it for future production potential and well densities (evaluation included tight shale potentials and evaluating future CBM spacing requirements for full development). Extensive field supervisory experience in drilling, workover, completion, coiled tubing and snubbing operations.

WORK HISTORY**2005 - Present***Consulting Engineer, Wellsite Consultant and Mentor – RSM Resources, LLC*

Provided wellsite supervision, procedure development and new engineer/wellsite personnel training/mentoring. Developed all UBO procedures used for implementation of the Weatherford GHGU. Supervised simultaneous operations on a continuous basis. Had zero HSE incidents in a 17 month period of simops. Expert witness and operations evaluation engineer. Conducted field evaluation for client, including prudent operations opinion generation and economic evaluation of operations. Developed and managed multiwell drilling and completion program for client companies in the Powder River and San Juan Basins. Reduced drilling time in Uintah Basin from 24 days to 10.5 days for client company. IADC WellCAP program administrator and instructor.

2004-2005

Petroleum Technology Coordinator – San Juan College; Instructor – ICC Indian Enterprises
Develop petroleum technology programs at the Regional Energy Training Center. Supervise 4 employees and 5 adjunct instructors for well servicing, production technology and safety training. Operated full wellsite and rig training system. Developed an IADC accredited well control course (WellCAP). Designed and presented oil and gas training for Tribal members/representatives, government employees, private parties and academia. This training employs computer based presentations exclusively. The oil and gas industry is introduced to the students including petroleum operations factors, petroleum engineering concepts, discounted cash flows and royalty evaluation and environmental impacts. Training includes field visits and well-site evaluation training.

2001-2004*District Engineer- PNM Gas Services*

Worked as the District Engineer/Project Manager for Transmission and Distribution services in NW New Mexico. Develop and monitor Capital budget, prepare, execute and manage contracts, cost estimates, monitor compliance with Department of Transportation and Office of Pipeline Safety regulations. Design Transmission and distribution systems, including all piping, pipelines, regulator and meter stations using nodal analysis. Monitor corrosion protection efforts and evaluate pipeline condition. Provide reserve evaluation prior to acceptance of production into transmission/distribution lines. Co-Authored an SPE (Society of Petroleum Engineers) paper in conjunction with New Mexico Tech covering the generation of a Reasonable Foreseeable Development Scenario for the San Juan Gas Basin.

WORK HISTORY (Continued)

- 2000-2001 Bureau of Land Management, Farmington Field Office*
Petroleum Management Team Leader. Served as primary official responsible for oil and gas Drilling/Production and Reservoir management. Managed approximately 36,000,000 Acres of Federal and Indian minerals. Served as the senior professional and technical expert on all fluid minerals work within the Farmington Field Office, including duty as an expert witness in Federal and State courts and New Mexico Oil Conservation Commission. Supervised 11 professionals (geologists, engineers and abstractors).
- 1986-2000 C & D Resources, Inc., Operations Engineer and Manager*
Operated oil and gas properties in Louisiana, Mississippi and Texas. Contract operated and insured regulatory compliance for all properties including all permits. Developed and managed exploration, operating and capital budgets in a resource lean environment. Responsible for total economic evaluation and performance of properties, including AFE cost control/reduction, AFE/budget variance and field performance evaluation. Developed natural gas supply and source options for clients, including exploration and development planning, reservoir evaluation, exploitation and economic analysis. Developed and supervised comprehensive drilling and workover programs. Previously owned a rental property business and retail business. Exposed to horizontal techniques and experienced in directional drilling, both from a platform, barge and onshore. Designed and supervised development programs up to 90 wells, with 6 drilling rigs, 6 completion rigs and 4 workovers running simultaneously. Extensive experience in the field supervision and coordination of drilling, workover, completion and production operations. Use of Production Nodal Analysis, in conjunction with downhole reservoir data (implied and acquired through logs, cores and/or transient testing and simulations) to optimize individual well and system production. Versed in field safety issues, including but not limited to rig safety, production flash fires, cell phone and radio hazards, handling and processing of sour gas (H₂S), NORM and chemical spills.
- 1981-1986 Amoco Production Company, Senior Petroleum Engineer*
Initially started as a production engineer, and was quickly promoted to production engineer senior grade. After time working in the district performing a detailed reservoir study, I was promoted to drilling engineer senior grade, then to senior production and drilling engineer. Qualified in casing design, cementing programs, bit hydraulics, BHA's, abnormal pressure detection, mud systems, artificial lift, production facility and gas gathering system design and operation, etc. Action engineer for District Exploration, Production and Operating budget. Developed and monitored drilling and workover budgets for district. Provided liaison with Corps of Engineers in regulatory matters for wetlands drilling permitting. Have direct field supervisory experience in the drilling, completion and workover of deep, high pressure wells, including snubbing and coiled tubing.
- 1979-1981 Ford Motor Company, Development Engineer*
System Development Engineer responsible for liaison with the EPA and emissions control system product package and performance.
- 1973-1979 U.S. Army, Commissioned Officer: Infantry Platoon Leader, Executive Officer, Company Commander, Personnel Officer and Infantry School Staff Officer..*
Served as an Infantry Officer at Company, Battalion and School level.

EDUCATION

- 1969-1973 United States Military Academy, West Point, New York B.S. (Engineering)*
- 1976-1978 Boston University, M.A.*

COMPUTER SKILLS

- I have used most major computer programs, including engineering applications (drilling optimization, nodal analysis, reservoir evaluation, economic analysis, bit and mud optimization, directional planning, project management applications, Stoner systems, etc.), accounting/bookkeeping, spreadsheet, word processing and data base applications.
- Used computers extensively in consulting work, both in office and in the field.
- Assisted in the development of a computerized universal drilling management system, including computerized drill rate recorders while at Amoco Production Company.
- Maintained computer records of consulting operations and consulting well files.
- Employ MS Office (Word, Excel, Access, Powerpoint and Publisher), Project Kickstart, and Milestones as project and work management tools. Utilize MS Project to facilitate major capital project management tasks.
- Formally trained in Project Management by PNM. Versed in the employment of Fact Based Management techniques as applied to oil and gas production, gathering, processing and transmission/distribution systems.

PUBLICATION

1. SPE Paper 77764, "An Integrated Approach to Basinwide Management Plans", 2002
2. Well Control Training Text, San Juan College, Drilling, Completion and Workover, 2005
3. Well Control Formula Text, San Juan College, 2005
4. RSM Resources, IADC Accredited Well Control Text, "Drilling, Completions and Workovers," 2006. Also produced all supplemental materials used in Accredited training. Locally published and sold.
5. Course textbooks for ICC Indian Enterprises; "Oil and Gas I," "Oil and Gas II," "Oil and Gas Inspection," "Oil and Gas Construction," "Oil and Gas Compliance." Classes were taught to Native American Tribal Personnel under contract with ICC Indian Enterprises.

WITNESS EXPERIENCE

Testified in State Court and been qualified as an expert witness in Louisiana, Texas and Mississippi.

Testified in Federal Court and been qualified as an expert witness in Federal Court.

Testified before the New Mexico Oil and Gas Commission and been qualified as an expert. Testimony involved spacing requirements and infield drilling pilot program approvals for the Mesa Verde, Dakota and Fruitland Coal formations.

Federal Court Qualification:

5th District, Louisiana. CV96-0753 L-O, Judge Haik, U.S. District Court, Western District of Louisiana, Lafayette-Opelousas Division, "Arceneaux v. Shell Oil Company."

Served as expert for plaintiff in action against Shell Oil Company. Qualified as expert in Petroleum Operations, Drilling engineering, Production engineering and petroleum property management. Analyzed data as provided by Shell Oil Company and Plaintiff and testified as to prudent operations, lease interpretation, and source of specific volumes of water earmarked for disposal.

State Court: Louisiana.

Son Energy, et al v. Lexco. Louisiana State Court in New Rhodes, LA. Docket unknown. Mid 1990's. Qualified as expert for both parties in litigation involving prudent operations, allowable charges to partners and petroleum engineering/log analysis.

C & D Resources, Inc. v. Smackover Fund I/II, Ed Epstein, Amite, Tangipahoa Parish, Louisiana. Testified about prudent operations and accounting.

Testified and prepared engineering reports in several other cases in Louisiana, none of which went to court. All were on the Federal Court docket in Lafayette, LA. All involved personal injury.

State Court: Mississippi.

C & D Resources, Inc. v. Smackover Fund I/II, Ed Epstein. Natchez, Amite County, Mississippi. Mid 1990's.

Testified as expert in field operations, petroleum engineering and COPAS.

State Court: Texas.

Marcantel, et al v. Transwestern Pipeline, et al. Mid 1990's.

Served as expert for defense in prudent operations and safety. Testified at numerous hearings. Settled prior to trial.

Voyager Energy Corporation v. C & D Resources, Inc., Mid 1990's.

Testified as expert for defense in prudent operations, safety and COPAS. Case was spin off from previous case with Transwestern Pipeline.

New Mexico Oil and Gas Commission:

Testified as an expert during hearings on the following subjects:

- Gas accounting
- Pilot program planning
- Pilot program evaluation
- Correlative rights of adjacent landowners during formation of a Federal Unit

Current Litigation:

Madison Capital Management vs. Thomas Stover, Star Resources, Star Acquisition VII and Star Acquisition VIII.; Colorado State Court.

Serving as designated expert for plaintiff concerning petroleum field operations and due diligence.

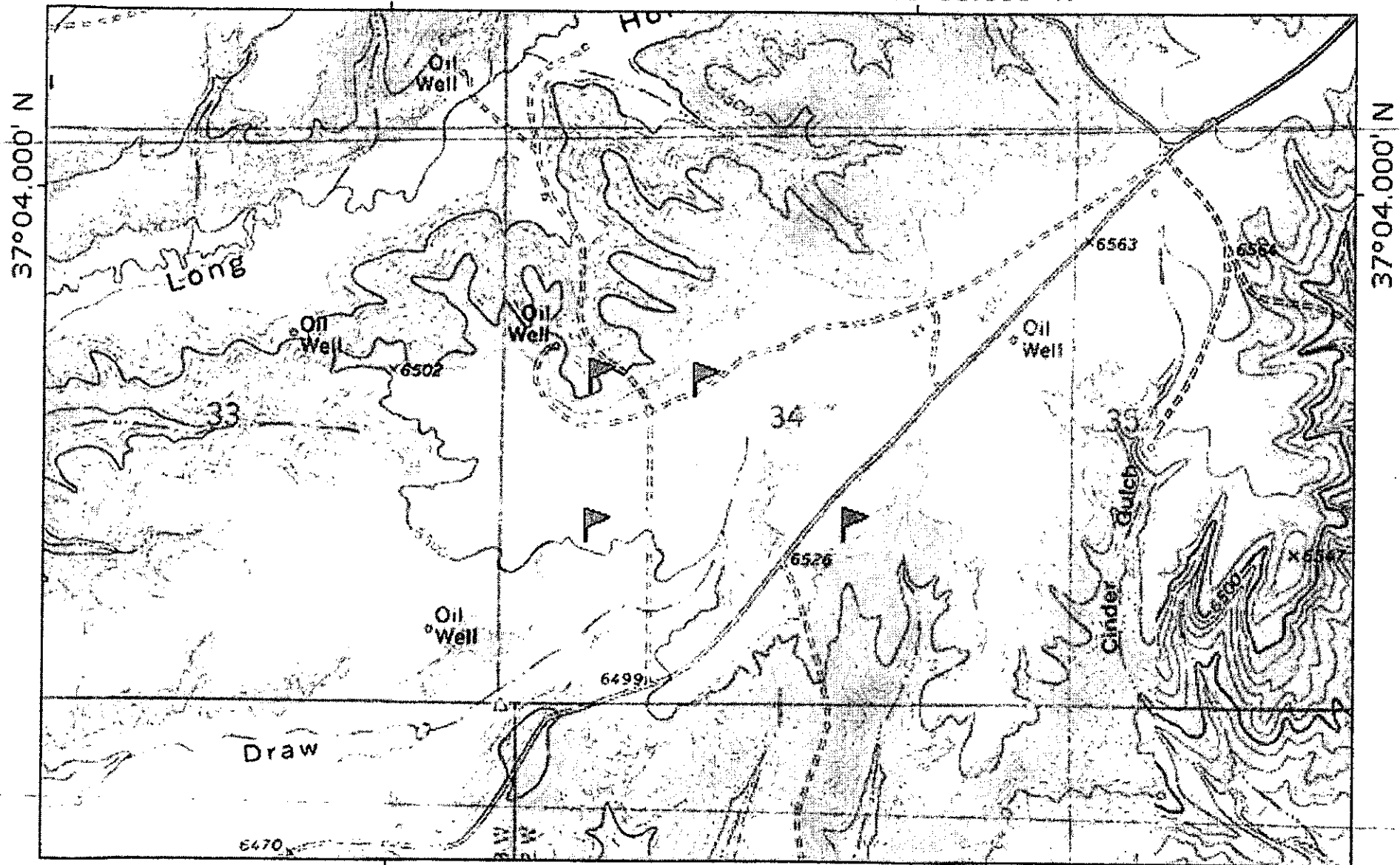
Madison Capital Management vs. Thomas Stover, Oil and Gas Equipment Leasing, LLC, et al.; Colorado State Court with a hearing in New Mexico State Court.

Serving as designated expert for plaintiff concerning workover/daylight rig operations, charges, COPAS and rig operations.

Black Resources, Inc. vs. Bureau of Land Management, Colorado State Office, Interior Board of Land Appeals case. Case number not yet assigned. Filed on February 22, 2010.

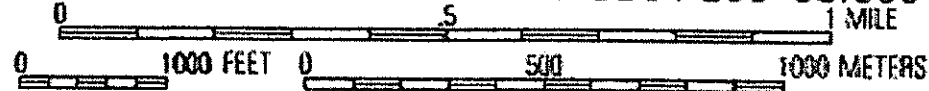
Expert for Black Resources, Inc. concerning due diligence and prudent operations.

TOPO! map printed on 03/05/10 from "COLORADO.TPO" and "Forced pooling area Section 34.tpg"
108°09.000' W WGS84 108°08.000' W



TN * MN
11°

108°09.000' W WGS84 108°08.000' W



Map created with TOPO!® ©2002 National Geographic (www.nationalgeographic.com/topo)

Exhibit No. E-1
Cause No. 404
Docket No. 1003-01-20

Reservoir volumetrics

Exhibit No. E-2

Cause No. 404

Docket No. 1003-UP-20

Oil

Well Name: KF #3 BT-4 in the NW1/4SE1/4 Sec. 34, T33N, R12W
County, State: LaPlata County, CO
Field: Red Mesa
Operator: Red Mesa Holdings
Formation: Dakota

Oil gravity: 37 deg API
GOR: 1370 scf/bbl
Gas gravity: 0.65
Area (acres): 40 acres
Net pay (ft): 42 ft
B_o: 1.58 RB/STB
Porosity (decimal): 0.075
Water saturation (decimal): 0.35
Reservoir pressure: 125 deg F
Reservoir pressure: 1000 psig
Recovery factor (decimal): 0.125

OOIP estimate: 402,139 STB
Recoverable estimate: 50,267 STB
68,866 mcf

Reservoir Volumetrics

Exhibit No. E-3
Cause No. 404
Docket No. 1003-UP-20

Oil

Well Name: KF#3 BT-4 in the NW1/4SE1/4 Sec. 34, T33N, R12W
County, State: LaPlata County, CO
Field: Red Mesa
Operator: Red Mesa Holdings
Formation: Gallup

Oil gravity: 35 deg API
GOR: 900 scf/bbl
Gas gravity: 0.65
Area (acres): 40 acres
Net pay (ft): 30 ft
B_o: 1.5 RB/STB
Porosity (decimal): 0.07
Water saturation (decimal): 0.4
Reservoir pressure: 115 deg F
Reservoir pressure: 1000 psig
Recovery factor (decimal): 0.1

OOIP estimate: 260,669 STB
Recoverable estimate: 26,067 STB
23,460 mcf

RESERVES AND ECONOMICS

Red Mesa, CO
LaPlata, CO
Red Mesa Holdings

Dakota
Proved Producing

As of Date: 7/1/2010

No.	Year	No. Wells	Gross Production		Net Production		Prices		Net Operating Revenue			Net			Net Cash Flow (M\$)	Cum. Cashflow (M\$)	Cum. CF Disc. @10% (M\$)
			Oil (MMbbl)	Gas (MMscf)	Oil (MMbbl)	Gas (MMscf)	Oil (\$/Bbl)	Gas (\$/Mscf)	Oil (M\$)	Gas (M\$)	Total (M\$)	OPEX (M\$)	CAPEX (M\$)	Taxes (M\$)			
1	2010	1	9.926	13.599	8.438	11.559	60.00	4.25	506.25	49.13	555.378	16.800	550.000	0.444	(11.866)	(11.866)	(10.787)
2	2011	1	8.140	11.151	6.919	9.479	63.00	4.46	435.88	42.30	478.181	17.640	0.000	0.383	460.158	448.292	369.508
3	2012	1	6.675	9.144	5.673	7.773	66.15	4.69	375.29	36.42	411.713	18.522	0.000	0.329	392.862	841.154	664.671
4	2013	1	5.473	7.498	4.652	6.373	69.46	4.92	323.13	31.36	354.485	19.448	0.000	0.284	334.754	1,175.907	893.313
5	2014	1	4.488	6.149	3.815	5.226	72.93	5.17	278.21	27.00	305.212	20.421	0.000	0.244	284.547	1,460.455	1,069.994
6	2015	1	3.680	5.042	3.128	4.286	76.58	5.42	239.54	23.25	262.787	21.442	0.000	0.210	241.136	1,701.590	1,206.104
7	2016	1	3.018	4.134	2.565	3.514	80.41	5.70	206.25	20.01	226.260	22.514	0.000	0.181	203.565	1,905.155	1,310.570
8	2017	1	2.475	3.390	2.103	2.882	84.43	5.98	177.58	17.23	194.810	23.639	0.000	0.156	171.015	2,076.170	1,390.350
9	2018	1	2.029	2.780	1.725	2.363	88.65	6.28	152.89	14.84	167.731	24.821	0.000	0.134	142.776	2,218.946	1,450.900
10	2019	1	1.664	2.280	1.414	1.938	93.08	6.59	131.64	12.77	144.417	26.062	0.000	0.116	118.239	2,337.185	1,496.487
11	2020	1	1.364	1.869	1.160	1.589	97.73	6.92	113.34	11.00	124.343	27.365	0.000	0.099	96.878	2,434.062	1,530.442
12	2021	1	1.119	1.533	0.951	1.303	102.62	7.27	97.59	9.47	107.059	28.734	0.000	0.086	78.240	2,512.302	1,555.371
13	2022	1	0.917	1.257	0.780	1.068	107.75	7.63	84.02	8.15	92.178	30.170	0.000	0.074	61.934	2,574.236	1,573.311
14	2023	1	0.752	1.031	0.639	0.876	113.14	8.01	72.34	7.02	79.365	31.679	0.000	0.063	47.623	2,621.859	1,585.852
15	2024	1	0.617	0.845	0.524	0.718	118.80	8.41	62.29	6.04	68.333	33.263	0.000	0.055	35.016	2,656.874	1,594.234
16	2025	1	0.506	0.693	0.430	0.589	124.74	8.84	53.63	5.20	58.835	34.926	0.000	0.047	23.862	2,680.736	1,599.427
17	2026	1	0.415	0.568	0.353	0.483	130.97	9.28	46.18	4.48	50.657	36.672	0.000	0.041	13.944	2,694.681	1,602.186
18	2027	1	0.340	0.466	0.289	0.396	137.52	9.74	39.76	3.86	43.616	38.506	0.000	0.035	5.075	2,699.755	1,603.099
19	2028	1	0.098	0.135	0.083	0.114	144.40	10.23	12.05	1.17	13.221	13.338	100.000	0.011	(100.128)	2,599.628	1,586.727
20	2029	1	0.000	0.000	0.000	0.000	151.62	10.74	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
21	2030	1	0.000	0.000	0.000	0.000	159.20	11.28	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
22	2031	1	0.000	0.000	0.000	0.000	167.16	11.84	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
23	2032	1	0.000	0.000	0.000	0.000	175.52	12.43	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
24	2033	1	0.000	0.000	0.000	0.000	184.29	13.05	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
25	2034	1	0.000	0.000	0.000	0.000	193.51	13.71	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
26	2035	1	0.000	0.000	0.000	0.000	203.18	14.39	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
27	2036	1	0.000	0.000	0.000	0.000	213.34	15.11	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
28	2037	1	0.000	0.000	0.000	0.000	224.01	15.87	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
29	2038	1	0.000	0.000	0.000	0.000	235.21	16.66	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
30	2039	1	0.000	0.000	0.000	0.000	246.97	17.49	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,599.628	1,586.727
Total Cum. Ult.			53.696	73.563	45.642	62.529			3,407.88	330.71	3,738.581	485.962	650.000	2.991	2,599.628		

Net Present Value @10% - M\$ 1,586.73
Remaining Prod. Life - Yrs 18.33
Rate of Return, % >100
Lease Operating Exp. - \$/Month 1,400
Average Oil Price - \$/Bbl 74.67
Average Gas Price - \$/Mscf 5.29
Economic Limit - Bbls/Month 24.00

Working Interest - fraction 1.000000
NRI - Oil, fraction 0.850000
NRI - Gas, fraction 0.850000
Oil Sev. Tax - % or \$/Bbl 0.0500
Gas Sev. Tax - % or \$/Mscf 0.0500
Ad Valorem Tax - % 0.0300

NPV Profile

@ %	NPV (M\$)
10	1,586.73
20	1,069.47
30	773.80
40	588.64
50	464.42
60	376.62
70	312.04
80	263.03

Case: 1
Run Date: 05-Mar-10
Run Time: 04:35 PM
Data File:

Exhibit No. E-
Cause No. 404
Docket No.
1003-UP-20

RESERVES AND ECONOMICS

Red Mesa, CO
LaPlata, CO
Red Mesa Holdings

Gallup-Dakota
Proved Producing

As of Date: 7/1/2010

No.	Year	No. Wells	Gross Production		Net Production		Prices		Net Operating Revenue			Net			Net Cash Flow (M\$)	Cum. Cashflow (M\$)	Cum. CF Disc. @10% (M\$)
			Oil (MMbbl)	Gas (MMscf)	Oil (MMbbl)	Gas (MMscf)	Oil (\$/Bbl)	Gas (\$/Mscf)	Oil (M\$)	Gas (M\$)	Total (M\$)	OPEX (M\$)	CAPEX (M\$)	Taxes (M\$)			
1	2010	1	13.235	16.081	11.250	13.669	60.00	4.25	675.00	58.09	733.093	16.800	625.000	0.586	90.707	90.707	82.461
2	2011	1	10.853	13.186	9.225	11.208	63.00	4.46	581.18	50.02	631.193	17.640	0.000	0.505	613.048	703.755	589.112
3	2012	1	8.899	10.813	7.565	9.191	66.15	4.69	500.39	43.07	543.457	18.522	0.000	0.435	524.501	1,228.256	983.177
4	2013	1	7.298	8.866	6.203	7.537	69.46	4.92	430.84	37.08	467.917	19.448	0.000	0.374	448.094	1,676.350	1,289.232
5	2014	1	5.984	7.271	5.086	6.180	72.93	5.17	370.95	31.93	402.876	20.421	0.000	0.322	382.134	2,058.483	1,526.500
6	2015	1	4.907	5.962	4.171	5.068	76.58	5.42	319.39	27.49	346.877	21.442	0.000	0.278	325.158	2,383.641	1,710.000
7	2016	1	4.024	4.889	3.420	4.155	80.41	5.70	274.99	23.67	298.661	22.514	0.000	0.239	275.908	2,659.549	1,851.634
8	2017	1	3.299	4.009	2.804	3.407	84.43	5.98	236.77	20.38	257.147	23.639	0.000	0.206	233.302	2,892.851	1,960.471
9	2018	1	2.705	3.287	2.300	2.794	88.65	6.28	203.86	17.54	221.403	24.821	0.000	0.177	196.405	3,089.256	2,043.766
10	2019	1	2.218	2.695	1.886	2.291	93.08	6.59	175.52	15.11	190.628	26.062	0.000	0.153	164.414	3,253.670	2,107.154
11	2020	1	1.819	2.210	1.546	1.879	97.73	6.92	151.12	13.01	164.131	27.365	0.000	0.131	136.634	3,390.304	2,155.044
12	2021	1	1.492	1.812	1.268	1.541	102.62	7.27	130.12	11.20	141.317	28.734	0.000	0.113	112.470	3,502.774	2,190.880
13	2022	1	1.223	1.486	1.040	1.263	107.75	7.63	112.03	9.64	121.674	30.170	0.000	0.097	91.406	3,594.180	2,217.357
14	2023	1	1.003	1.219	0.853	1.036	113.14	8.01	96.46	8.30	104.761	31.679	0.000	0.084	72.998	3,667.178	2,236.580
15	2024	1	0.822	0.999	0.699	0.849	118.80	8.41	83.05	7.15	90.199	33.263	0.000	0.072	56.864	3,724.043	2,250.193
16	2025	1	0.674	0.819	0.573	0.697	124.74	8.84	71.51	6.15	77.662	34.926	0.000	0.062	42.673	3,766.716	2,259.480
17	2026	1	0.553	0.672	0.470	0.571	130.97	9.28	61.57	5.30	66.867	36.672	0.000	0.053	30.141	3,796.857	2,265.443
18	2027	1	0.453	0.551	0.385	0.468	137.52	9.74	53.01	4.56	57.572	38.506	0.000	0.046	19.020	3,815.877	2,268.864
19	2028	1	0.372	0.452	0.316	0.384	144.40	10.23	45.64	3.93	49.570	40.431	100.000	0.040	(90.901)	3,724.976	2,254.001
20	2029	1	0.243	0.295	0.206	0.251	151.62	10.74	31.29	2.69	33.984	33.094	0.000	0.027	0.863	3,725.840	2,254.129
21	2030	1	0.000	0.000	0.000	0.000	159.20	11.28	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
22	2031	1	0.000	0.000	0.000	0.000	167.16	11.84	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
23	2032	1	0.000	0.000	0.000	0.000	175.52	12.43	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
24	2033	1	0.000	0.000	0.000	0.000	184.29	13.05	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
25	2034	1	0.000	0.000	0.000	0.000	193.51	13.71	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
26	2035	1	0.000	0.000	0.000	0.000	203.18	14.39	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
27	2036	1	0.000	0.000	0.000	0.000	213.34	15.11	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
28	2037	1	0.000	0.000	0.000	0.000	224.01	15.87	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
29	2038	1	0.000	0.000	0.000	0.000	235.21	16.66	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
30	2039	1	0.000	0.000	0.000	0.000	246.97	17.49	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,725.840	2,254.129
Total Cum. Ult.			72.078	87.575	61.267	74.439			4,604.70	396.29	5,000.989	546.149	725.000	4.001	3,725.840		
			72.078	87.575													

Net Present Value @10% - M\$ 2,254.13
 Remaining Prod. Life - Yrs 19.78
 Rate of Return, % >100
 Lease Operating Exp. - \$/Month 1,400
 Average Oil Price - \$/Bbl 75.16
 Average Gas Price - \$/Mscf 5.32
 Economic Limit - Bbls/Month 24.00

Working Interest - fraction 1.000000
 NRI - Oil, fraction 0.850000
 NRI - Gas, fraction 0.850000
 Oil Sev. Tax - % or \$/Bbl 0.0500
 Gas Sev. Tax - % or \$/Mscf 0.0500
 Ad Valorem Tax - % 0.0300

NPV Profile	
@ %	NPV (M\$)
10	2,254.13
20	1,529.77
30	1,120.43
40	864.49
50	692.30
60	570.03
70	479.57
80	410.47

Case: 1
 Run Date: 05-Mar-10
 Run Time: 04:35 PM
 Data File:

Exhibit No. E-
Cause No. 404
Docket No. 1003-UP-20