DESERT MOUNTAIN
ENERGY CORP.

PRELIMINARY RESERVE ESTIMATE FOR DESERT MOUNTAIN'S STATE #10-1 WELL NAVAJO COUNTY, ARIZONA

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At the request of Mr. Robert Roehlfing of Desert Mountain Energy, I prepared this estimate of the gas-in-place (GIP) and producible reserves in the State #10-1 well (API 02017201300000) using all available and appropriate data from well logs and local geological studies. Because this well is located several miles from most other wells in the Holbrook Basin (except DME's State #16-1) and is a wildcat well with petrophysical information appropriate for a wildcat well, assumptions must be made about variables used in calculations based on data from other wells in the larger region. Assumptions made are noted in the table below.

A major variable is that of the drainage area for this well. Well spacing in Arizona for gas wells is 640 acres (one square mile). That number is not necessarily correct for every well, but possibly may be correct in this case. It is virtually certain that the pay zone in the State #10-1 well extends from that well to the nearest offset, DME's State #16-1, a distance of over a mile (see cross section below). The bed appears to have porosity in both wells. It is not known how permeable or well-connected the permeability may be over areas as large as 640 acres. The correlative zone has not been tested in the State #16-1 well.

Another important variable is the thickness of the pay. DME has perforated 5 feet of pay so far. Another 13 feet appear to have log characteristics favorable for being possible pay.

Parameters such as pressure, porosity, and water saturation also are subject to interpretation and were estimated by analogy to other wells in the larger Holbrook area. GIP estimates are reported using those assumptions and drainage areas varying from a low of 160 acres to a high of 640 acres. The interpreted GIP values are considered indicative, but are subject to improvement as DME gains experience in producing this reservoir.

Of course, all interpretations of well-log and geologic data are opinions based on inferences from geologic or wellbore geophysical measurements. Geologists cannot guarantee the accuracy or correctness of any interpretation or recommendation and shall not be liable or responsible for any loss, costs, damages, or expenses incurred or sustained by anyone that may result from any interpretation herein.

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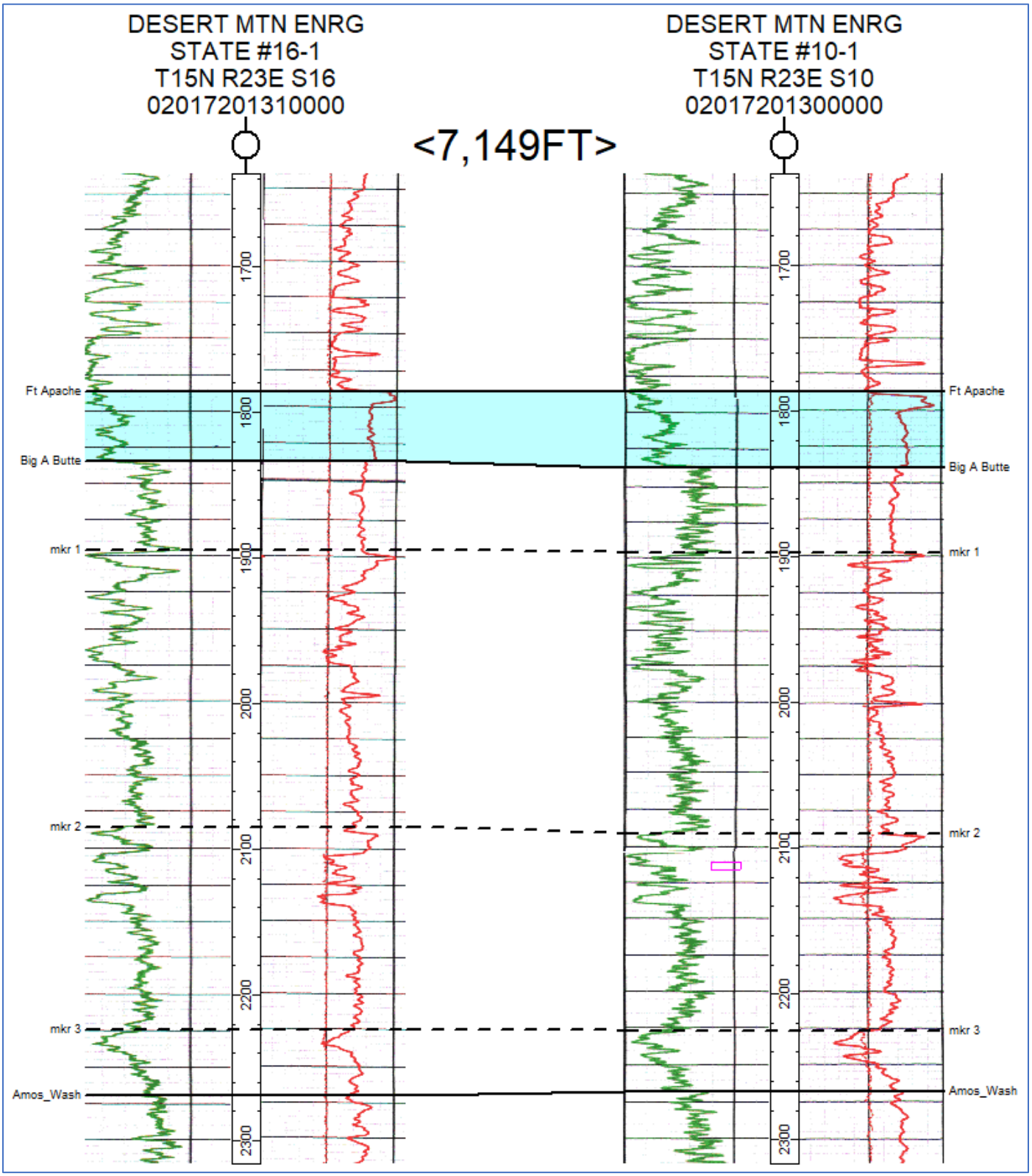

Stratigraphic cross section between the two DME wells in Navajo County, Arizona. Perforations the State #10-1 well are shown by the magenta box in the depth track.

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GIP's FROM VOLUMETRICS												
PROJECT:	DME State #10-1 Well, Navajo County, AZ (depth 2112.5')											
INPUTS								GROSS CALCULATIONS			NET CALCS	
T =	89.6	°F	P* =	908	psi	Bg =	57					
Layer	area (Ac)	thickness (ft)	porosity (v/v)	water sat (v/v)	Bg (STM/RM)	RF (v/v)	# Wells	Total GIP (MCF)	Total RGIP (MCF)	RGIP/ Well (MCF)	% He	Rec He/ Well (MCF)
STATE #10-1 perfed	640	5	0.2	0.25	57	0.95	1	1,186,522	1,127,196	1,127,196	7.0%	78,904
STATE #10-1 possible	640	13	0.2	0.25	57	0.95	1	3,084,957	2,930,709	2,930,709	7.0%	205,150
total perf + possible								4,271,478	4,057,904	4,057,904		284,053
STATE #10-1 perfed	320	5	0.2	0.25	57	0.95	1	593,261	563,598	563,598	7.0%	39,452
STATE #10-1 possible	320	13	0.2	0.25	57	0.95	1	1,542,478	1,465,354	1,465,354	7.0%	102,575
total perf + possible								2,135,739	2,028,952	2,028,952		142,027
STATE #10-1 perfed	160	5	0.2	0.25	57	0.95	1	296,630	281,799	281,799	7.0%	19,726
STATE #10-1 possible	160	13	0.2	0.25	57	0.95	1	771,239	732,677	732,677	7.0%	51,287
total perf + possible								1,067,870	1,014,476	1,014,476		71,013

NOTES

T taken from temperature log
P estimated as 0.43 * average depth
Bg estimated as reservoir P / 16 psi
Φ estimated from regional analogies
Sw estimated from typical value values for water-free gas pay zones
RF assumes 100% gas drive
He % estimated from gas analysis

Table showing estimates of gas-in-place (GIP) for several plausible scenarios.