



United States Department of the Interior

GEOLOGICAL SURVEY
Federal Building
701 Camino del Rio
Durango, Colorado 81301

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MAY 17 1979

B.M.G. INC.

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

May 15, 1979

Benson Mineral Group
3200 Anaconda Tower
555 17th Street
Denver, CO 80202

Gentlemen:

Reference is made to my telephone conversations of April 24 and 27, 1979, with Mr. Paul Ellison, April 25, 1979, with Ms. Sue Johnson, and May 4, 1979, with Mr. Kurt Nelson of your office. Diligent drilling operations and lease extensions in the Mesa Chiquilla Unit were discussed during these telephone conversations.

This office tried to impress upon you the necessity of having a drilling rig capable of drilling to total depth within 30 days of moving off the spudding rig at Mesa Chiquilla Unit Well No. 1 Federal 8-21-2, located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 8, T. 21 N., R. 2 W., NMPM, Sandoval County, New Mexico, on Federal oil and gas lease NM-7239. In lieu of the larger drilling rig, you were told that letters from several area drilling contractors advising you of their rig availability would be considered by this office when making recommendations for lease extension. To date this office has received a telephone call April 25, 1979, and a letter and copy of a contract May 9, 1979, from Mr. R. E. Lauritsen advising that a Four Corners Drilling rig that you have contracted will be available June 15, 1979.

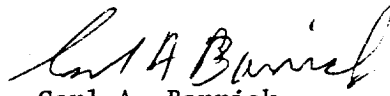
Title 30 CFR 2107.2-3 addresses the diligent drilling requirements for lease extension, and is interpreted to mean that after moving off a spudding rig, a large rig must be moved in and start drilling operations within 30 days. Diligent drilling operations must continue to total depth.

Your attention is also directed to the Interior Board of Land Appeals decision regarding Classic Mining Corp., 37 IBLA 342, which further interpreted diligent drilling and the use of small rigs to spud and a large rig to subsequently continue drilling operations.



Lack of drilling operations with a large drilling rig at Mesa Chijuilla Unit Well No. 1 Federal 8-21-2 on May 31, 1979, will cause lease NM-A-9570 (expiration date 5-31-79) to terminate. Lack of drilling operations with a large drilling rig on June 2, 1979, at the Mesa Chijuilla Unit well will cause lease NM-9372 (expiration date 4-30-79) to be recommended for termination. A U.S.G.S. technician will inspect the well on both dates for diligent drilling operations.

Sincerely yours,

A handwritten signature in cursive script, reading "Carl A. Barrick".

Carl A. Barrick
Acting District Engineer