

Mr. Philip T. McGrath
District Oil and Gas Engineer
USGS, Conservation Division
P.O. Box 959
Farmington, New Mexico 87401

March 25, 1977

Re: Scates Exploration Co., Inc.
Proposed Well Location
Section 31, T 29 N - R 17 W
San Juan County, New Mexico

Dear Mr. McGrath:

In accordance with the Department of the Interior (NTL-6) the following information is respectively submitted:

Paragraph A:

1. Existing roads. See attached Exhibit A.
2. Planned access roads. See attached Exhibit A.
3. Location of existing wells. See attached Exhibit A.
4. Location of tank batteries, production facilities, and production, gathering, and service lines. See attached Exhibit C.
5. Location and type of water supply. Hauling and produced water from conductor pipe, surface pipe annulus.
6. Source of construction materials. None needed.
7. Methods for handling waste disposal. All waste will be contained in fenced pits and covered as quickly as water level evaporates or as soon as usage ceases.
8. Ancillary facilities. None planned.
9. Well site layout. See attached Exhibit B.
10. Plans for restoration of the surface. When the drillsite construction starts, top soil will be striped and piled separately. If a productive well is completed the top soil will be utilized after reserve pit and garbage pits are backfilled. If the well is non-productive, the location will be contoured to original shape and top soil will be distributed over scared area.

10. Continued -

Grass seed recommended by appropriate authority will be sown. All fences will be removed.

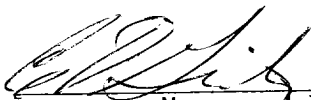
11. Other Information. The area at and near the drill site is rolling gentle relief features with a thin veneer of alluvium on top of soft, dark gray shale. We plan to utilize the trail road technique due to wind erosion effects and install drainage pipe only if appropriate authority recommends.

12. Lessee's or operator's representative. Cecil D. Gritz
44 Union Boulevard, Suite 619
Lakewood, Colorado 80228
(303) 988-4223

13. Certification.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Scates Exploration Company, Inc. and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

March 25, 1977
Date


Name and Title

Cecil D. Gritz
Consulting Petroleum Engineer

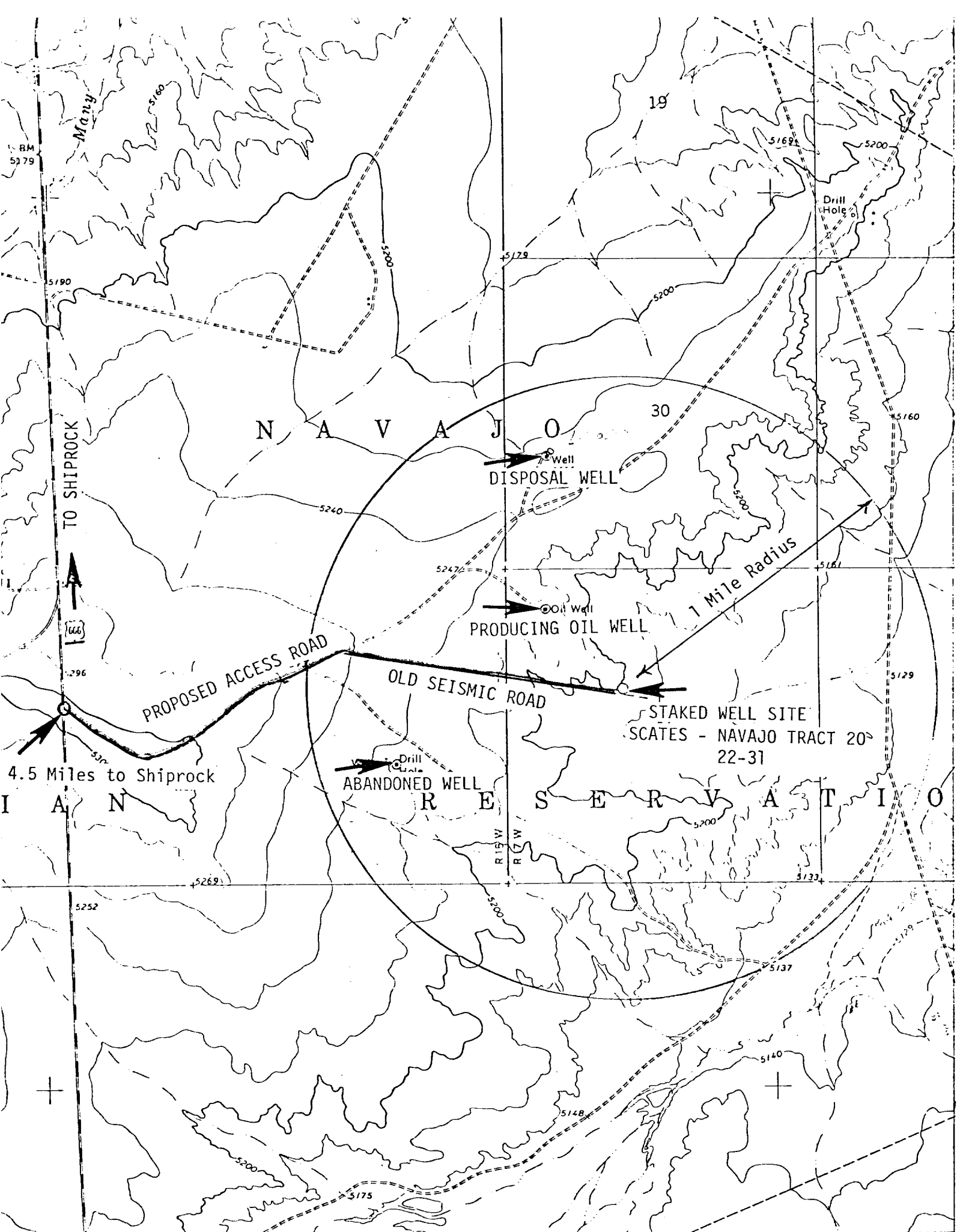
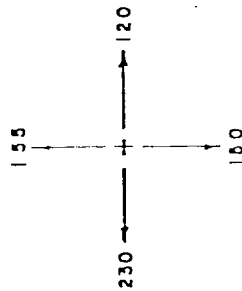


EXHIBIT "A"

ADDENDUM TO VICINITY MAP

The lateral road proceeding eastward to the location from U.S. Hwy. 666, 4.5 miles south of Shiprock will be maintained as necessary by a maintainer. At the point of departure from the lateral road of the old seismic road to the proposed well site only alteration as is necessary for heavy equipment to enter will be made. This road will be used only by traffic necessary to support the drilling operations. The roads will be maintained and altered to effect the least environmental impact possible. If the Navajo Tract 20, 22-31 well should be productive then this road will be improved after authority has been obtained from the necessary authorities.

VEE DOOR
NE - SUMMER
S - WINTER



DISPOSAL LINE,
BURIED 42" DEEP
2" LINE, PIPE
WELDED, COATED,
WRAPPED. TO
DISPOSAL WELL II
SECTION 30.

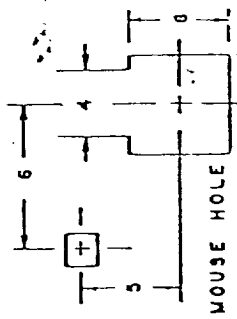
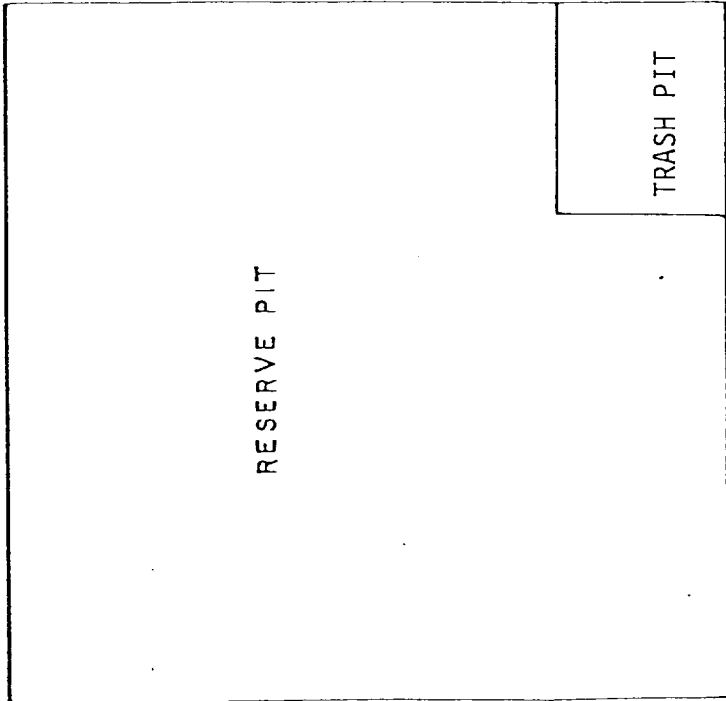
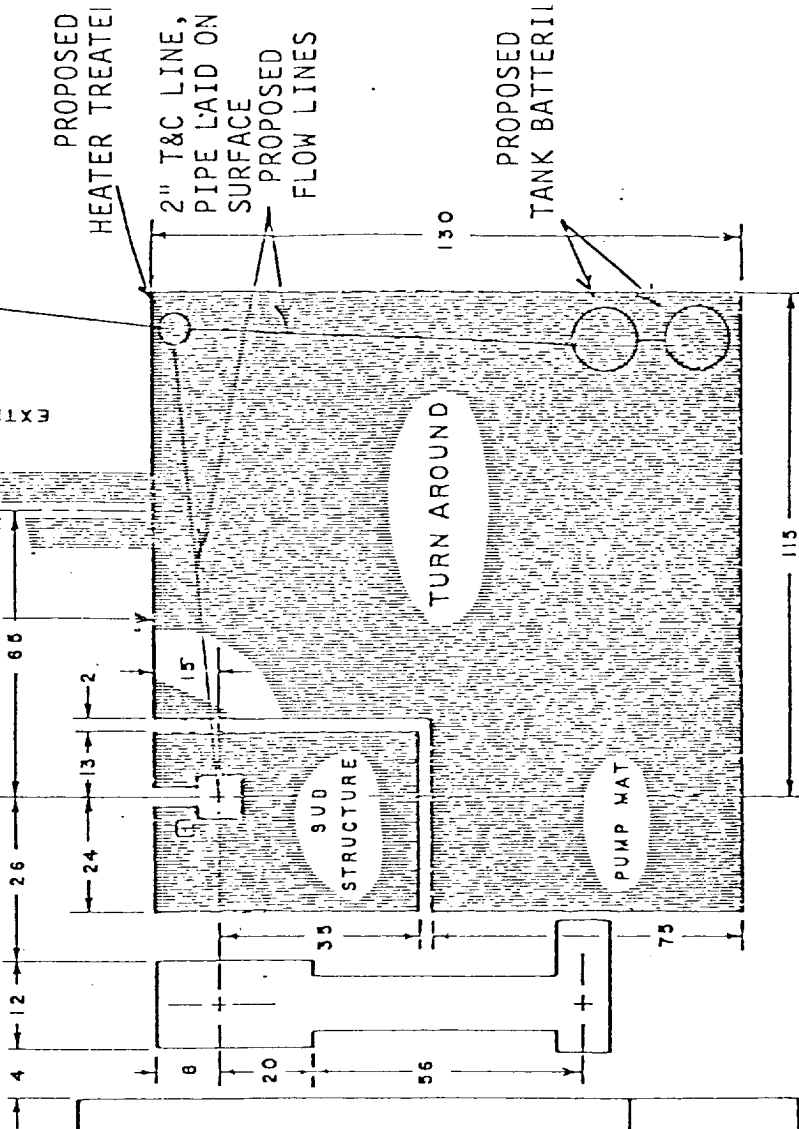
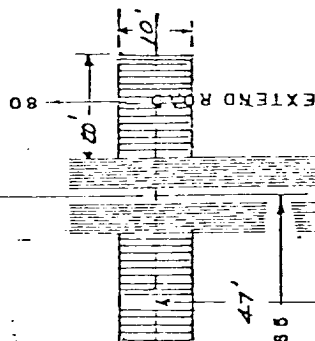


EXHIBIT "B" & "C"

Wellsite and
Rig Layout