

SG Exhibits A through D
Complete Set

Eric P. Serna
Chairman
Jerome D. Block
Commissioner
Louis E. Gallegos
Commissioner

State of New Mexico
State Corporation Commission

CORPORATION DEPARTMENT

P.O. Drawer 1269
Telephone (505) 827-4508

Santa Fe
87504-1269



08/26/92 08:17:16

SCC # 0299263 TAX & REV ID # 000000000000

BASIN NATURAL GAS CORPORATION (NO STOCKHOLDERS' LIABILITY)

STATE OF INCORPORATION: NM DATE OF INCORPORATION: 03/17/1953
CORPORATION TYPE: DPR STATUS: FORFEITED
REPORT TYPE: 00 FISCAL YEAR: 00/00/00 REPORT POSTMARK: 00/00/00
SUPPLEMENTAL REPORT POSTMARK: 00/00/00

PURPOSE:
MAILING ADDRESS: STE 4 BLATT BLDG.
SANTA FE NM 87501
PRINCIPAL BUSINESS PLACE IN NEW MEXICO:
NM
PRINCIPAL PLACE OUTSIDE NEW MEXICO:

REGISTERED ST OF INCORP FOREIGN ADDRESS:

NEW MEXICO REGISTERED AGENT: AGENT DESIGNATION DATE: 03/17/53
MR. DAVID CHAVEZ
PLAZA BLDG. SANTA FE NM 87501

INCORPORATORS: DATE OF ELECTION OF DIRECTORS: 00/00/00

DIRECTORS:
NO DIRECTOR RECORDS ON FILE

Nov. 19, 1992

BEFORE EXAMINER STOGNER	
Oil Conservation Division	
SG	Exhibit No. A
Case No. 10585	

BEST
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ARTICLES OF INCORPORATION
OF
BASIN NATURAL GAS CORPORATION,
No Stockholders' Liability

The undersigned acting as incorporators of a corporation (hereinafter referred to as the "Corporation") under the laws of the State of New Mexico adopt the following Articles of Incorporation, and hereby certify:

ARTICLE I.

The name of the corporation is BASIN NATURAL GAS CORPORATION,
No Stockholders' Liability.

ARTICLE II.

The location of the principal office of the corporation in the State of New Mexico shall be at Suite 11, Blatt Building, Santa Fe, New Mexico; and the name of the agent therein and in charge thereof upon whom process against the corporation may be served is Thomas J. Cotton.

ARTICLE III.

The business, and the objects, and purposes to be transacted, promoted and carried on and for which the Corporation is formed are:

1. To buy, own, sell, and lease petroleum lands or any other real estate; to locate petroleum, gas and other mineral lands under the laws of the United States and the laws of any state, territory, district or possession of the United States and of any foreign country; to drill and bore wells for water, oil, gas or any other substance; to mine for, produce, manufacture, refine and deal in petroleum and all its products any by-products and all the materials used in such business, and transact other business collateral thereto.

To buy, lease or otherwise acquire drilling rigs or other machinery or apparatus necessary to accomplish the purpose of the

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Corporation; to generally engage in the business of drilling; contractor, and to operate rotary and cable type drilling rigs or any other type of drilling rig and to use the same as contractor or sub-contractor, to take farm-out and to drill in any way and under any terms or conditions; and generally to let out contracts of drilling for the drilling of wells of water, gas, oil or any other substance.

To engage in the transportation of oil, gas, salt, sulphur, or other minerals, either produced by this corporation or other persons or corporations, by means of pipe lines, tramways, railroads, boats, barges or other conveyances or to lease or sublease all or any part thereof to other persons or corporations for the like purpose, and, in order to fully carry out said objects and purposes, to purchase, lease, or otherwise acquire, pipe lines, tramways, railroads, boats, barges, tank cars, locomotives, pumping stations, steam plants, air plants and all other machinery, apparatus and paraphernalia necessary or incidental thereto.

To build, construct, lease, purchase or otherwise acquire buildings, machinery and other apparatus for refining, smelting, manufacturing or otherwise working up the products of mineral lands, either produced by this corporation or other persons or corporations, and to refine, smelt, manufacture or otherwise work up the by-products of said minerals and to operate the said plant and market the products or by-products as manufactured to the best advantage.

To engage in a general oil or mineral brokerage business by buying, selling or otherwise trading in mineral lands or the products or by-products of mineral lands.

To carry on such other business pertaining to oil, gas, salt, sulphur or other minerals as may be found necessary or desirable or such as is generally engaged in by a corporation of this kind.

To buy, own, sell, lease and exchange real estate, and to make such improvements as shall be deemed advisable for the betterment of the land or for placing the same in a more suitable condition for selling or leasing, and to do a general real estate business.

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ARTICLE IV.

In furtherance and not in limitation of the general powers conferred by the laws of the state of New Mexico, and the objects and purposes herein set forth, it is expressly provided that this corporation shall also have the following powers:

a) To purchase, or otherwise acquire on such terms and in such manner as the by-laws of the company from time to time provide, and to own, hold and deal with shares of its capital stock, and to reissue the same from time to time; provided, however, that the shares so purchased or held shall not be directly or indirectly voted, nor shall they be entitled to dividends during such period or periods as they shall be held by the corporation.

b) To issue its convertible debentures in an amount not to exceed One Million Dollars (\$1,000,000.00) which said debentures may be converted into the common stock of the corporation at a rate of not less than One Dollar per share and as further provided for by the Board of Directors of the corporation.

ARTICLE V.

The amount of the total authorized capital stock of the corporation shall be Three Hundred Thousand Dollars (\$300,000.00) and the number of shares into which the same is divided shall be Three Million shares (3,000,000) of common stock of the par value of Ten Cents (10¢) each. The amount of capital stock with which the Corporation shall commence business is One Thousand Dollars (\$1,000.00).

ARTICLE VI.

The names and post office addresses of the incorporators and the number of shares of stock subscribed for by each, which is the amount of capital stock with which the Corporation shall commence business, are as follows:

<u>Name</u>	<u>Post Office Address</u>	<u>Number of Shares</u>
Thomas B. Catron	Santa Fe, New Mexico	1,000
A. L. Bergere	6311 Wilshire Blvd., Los Angeles, California	8,000
June Ellis Catron	Santa Fe, New Mexico	1,000

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ARTICLE VII.

The duration of the Corporation shall be One Hundred (100) years.

IN WITNESS WHEREOF, we have hereinto affixed our signatures this 12th day of March, 1953.

Thomas B. Catron

A. L. Bergere

June Ellis Catron

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) ss

On this 12th day of March, 1953, before me personally appeared Thomas B. Catron, A. L. Bergere and June Ellis Catron, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Witness my hand and seal the day and year last above written.

Charles S. Sikes
Notary Public

My commission expires July 9, 1953.

TELEFAX TRANSMITTAL

FROM: Mike Finney
Finney Land CO.

TO: Tommy Roberts
Tansey, Rsebrough

FAX: (505) 325-4675

DATE: October 22, 1992

Number of Pages including cover: 8

SUBJECT: T29N-R11W, Sec. 26: NW¼NW¼
Basin Natural Gas Company

Tommy:

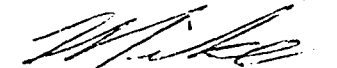
Attached please find the following:

- 1) Copy of Assg. of Operating Rights from F.B. Umbarger to Basin Natural Gas Company;
- 2) Current status report from the New Mexico State Corporation Commission concerning Basin Natural Gas Company that shows its status as forfeited;
- 3) Copy of the Articles of Incorporation for the company, these were also obtained from the Corporation Commission. Note that the last page shows the duration of the company to be 100 years.

I spoke with Thomas Catron on this matter on 8-27-92. He said that he did not remember the company, but when I gave him the list of parties that incorporated it he said that they were himself, his wife, and his father-in-law. He said he would look into it and get back with me, but he never did.

I spoke with his son, Fletcher Catron, today because he is out of town until next week, he did not know anything about it and said he would leave a message for his father. I told him that we were probably going to force pool this interest next week, but we would still be interested in working with them if they can determine who now owns the interest. He said not have a problem with this.

Let me know if you need anything else.


Michael J. Finney

xc: Jim Fullerton

If you have any problems with this fax
5691.

BEFORE EXAMINER STOGNER
Oil Conservation Division
SG Exhibit No. B
Case No. 10585
please call (303) 259-

LAW OFFICES

TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON
FARMINGTON, NEW MEXICO 87401
TELEPHONE: (505) 325-1801

OF COUNSEL
Charles M. Tansey

TELECOPIER:
(505) 325-4675

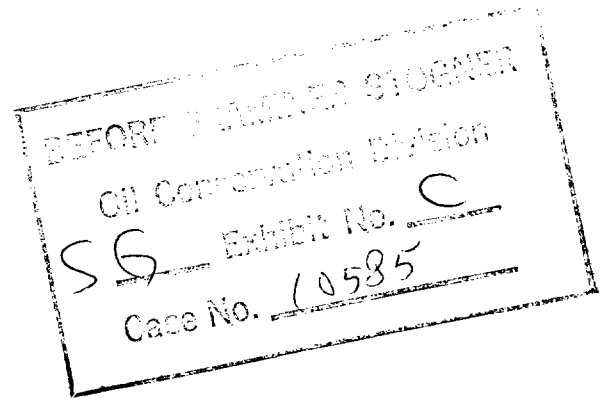
Douglas A. Echols
Richard L. Gerding
Connie R. Martin
Michael T. O'Loughlin
James B. Payne
Tommy Roberts
Haskell D. Rosebrough
Robin D. Strother
Karen L. Townsend

Mailing Address:
P. O. Box 1020
Farmington, N.M. 87499

CERTIFIED NO. P 895 106 680
RETURN RECEIPT REQUESTED

October 30, 1992

Thomas B. Catron
P.O. Box 788
Santa Fe, New Mexico 87504-0788



Re: Application for Compulsory Pooling
SG Interests I, Ltd.
Case No. 10585
W/2 of Section 26, Township 29 North, Range 11 West
San Juan County, New Mexico

Dear Mr. Catron:

On October 29, 1992, SG Interests I, Ltd. presented evidence to the New Mexico Oil Conservation Division in Case No. 10585 in support of its application seeking an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 26, Township 29 North, Range 11 West, N.M.P.M., San Juan County, New Mexico.

SG Interests I, Ltd. entered the hearing with uncertainty as to the ownership of the leasehold operating rights in and under the NW/4NW/4 of Section 26, i.e. an undivided 12.5% of the working interest in the well proposed to be drilled by SG Interests I, Ltd. Its prior investigation indicated that Basin Natural Gas Corporation, a New Mexico corporation, acquired all of the leasehold operating rights applicable to the Basin-Fruitland Coal (Gas) formation in and under the NW/4NW/4 of Section 26 in 1952. The county and federal records contain no evidence of further transfer of those rights. A search of the records maintained in the office of the State Corporation Commission reveals that Basin Natural Gas Corporation is defunct. That search also reveals that you, together with A. L. Bergere and June Ellis Catron, were stockholders in the corporation.

Thomas B. Catron
Page 2
October 30, 1992

Prior to the conclusion of the hearing before the New Mexico Oil Conservation Division, it was decided by SG Interests I, Ltd. to request that Case No. 10585 be continued until the November 19, 1992 Examiner Hearing Docket for the purpose of giving you, as the possible owner of an interest in the subject lands, notice in accordance with the rules and regulations of the New Mexico Oil Conservation Division of the application in Case No. 10585.

Consequently, please be advised that Case No. 10585 has been continued to the November 19, 1992 Examiner Hearing Docket, at which time you are entitled to be present to present testimony and to submit evidence in support of your position regarding the merits of the application. Enclosed for your information is a copy of the application filed by SG Interests I, Ltd. in Case No. 10585.

Do not hesitate to contact me should you have any questions regarding this matter.

Sincerely,



Tommy Roberts,
Attorney for
SG Interests I, Ltd.

cc: James B. Fullerton
Consulting Landman on behalf
of SG Interests I, Ltd.
1645 Court Place, Suite 406
Denver, Colorado 80202

Encl.

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

TOMMY ROBERTS, being first duly sworn, states as follows:

1. That I am an attorney in the law firm of Tansey, Rosebrough, Gerding & Strother, P.C. in Farmington, New Mexico.

2. That I was retained to represent SG Interests I, Ltd., the applicant in Case No. 10585 filed with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 26, Township 29 North, Range 11 West, N.M.P.M., San Juan County, New Mexico.

3. That on October 30, 1992, in the course of my representation of SG Interests I, Ltd. in Case No. 10585, I mailed a certified -- return receipt requested -- letter to Thomas B. Catron, who may own an uncommitted leasehold operating rights interest in and under the subject lands, advising him that the applicant had presented evidence in Case No. 10585 on October 29, 1992 and notifying him that Case No. 10585 would remain open and would be called for supplemental hearing on November 19, 1992.

4. That the return receipt applicable to the certified mailing to Thomas B. Catron was returned to my office with a notation thereon that it was delivered on November 4, 1992.

6. That to the best of my knowledge and belief, the notice requirements set forth in Rule 1207 of the Rules and Regulations of the New Mexico Oil Conservation Division, insofar as they are pertinent to the application in Case No. 10585, have been satisfied.

FURTHER AFFIANT SAYETH NOT.

Tommy Roberts
TOMMY ROBERTS

FEDERAL BUREAU OF INVESTIGATION

RECEIVED BY MAIL ROOM STICHER

Civil Liberties Division

SG Exhibit No. D

Case No. 10585

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 9th day of November, 1992, by Tommy Roberts.

Mary Kay Cornwall
Notary Public

My Commission Expires:

11-27-92

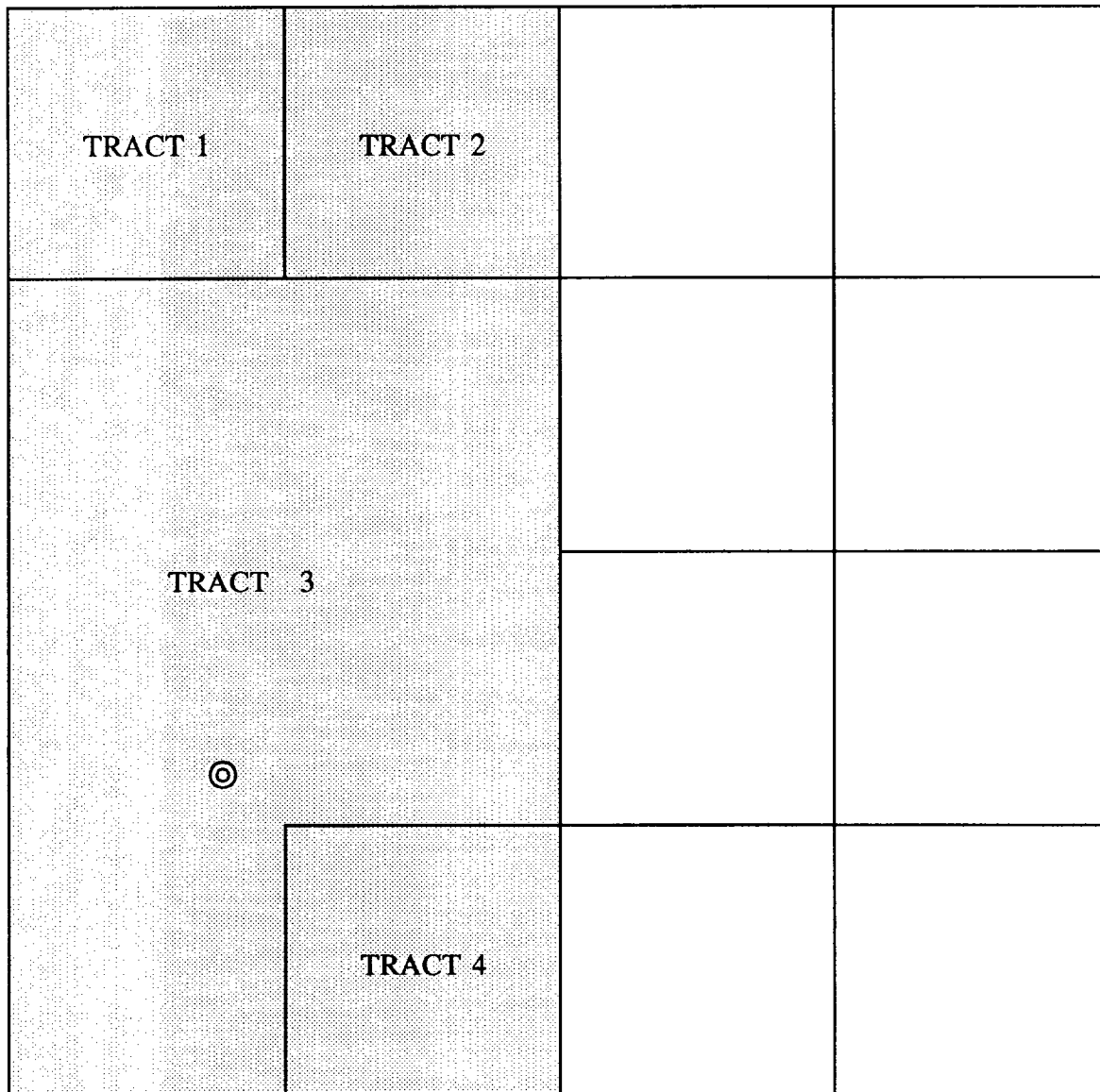
SG Exhibits 1 through 7
Complete Set

SG INTERESTS I, LTD.

10-29-92

BLOOMFIELD 29-11-26 #2 WELL
FRUITLAND COAL FORMATION
DRILLING AND SPACING UNIT
SECTION 26: W/2 TOWNSHIP 29 NORTH-RANGE 11 WEST
320.00 ACRES
SAN JUAN COUNTY, NEW MEXICO

LOCATION: 1600' FSL AND 1050' FWL



Scale 6" = 1 Mile

III\0639.EX

Application of SG Interests I, Ltd. for
Compulsory Pooling
Case No. 10585
Examiner Hearing Docket Dated 10/29/92
Exhibit No. 1

SG INTERESTS I, LTD., OPERATOR

10-29-92

BLOOMFIELD 29-11-26 #2 WELL

UNIT WORKING INTEREST

* SG Interests I, Ltd.	62.50000%
<i>Posthumous</i> F. B. Umbarger Estate <i>— Basin Nat. Gas Co.</i>	12.50000%
Southland Royalty Company	12.50000%
Meridian Oil Production, Inc.	<u>12.50000%</u>
	100.00000%

* Working Interest obtained through Farmout Agreement.

SG INTERESTS I, LTD., OPERATOR

10-29-92

BLOOMFIELD 29-11-26 #2 WELL

LEASEHOLD OWNERSHIP

Tract 1

40.00 Acres
NW/4 of NW/4

F. B. Umbarger 100.00%

Tract 2

40.00 Acres
NE/4 of NW/4

Southland Royalty Company 100.00%

Tract 3

200.00 Acres
S/2 of NW/4, N/2 of SW/4, SW/4 of SW/4

Amoco Production Company 100.00%

Subject to Farmout Agreement to SG Interests I, Ltd.

Tract 4

40.00 Acres
SE/4 of SW/4

Meridian Oil Production, Inc. 100.00%

SG INTERESTS I, LTD., OPERATOR

10-29-92

BLOOMFIELD 29-11-26 #2 WELL

DESCRIPTION OF LEASES

**SECTION 26: W/2 TOWNSHIP 29 NORTH-RANGE 11 WEST
SAN JUAN COUNTY, NEW MEXICO**

Tract 1

40.00 Acres
NW/4 of NW/4

SERIAL NO.: SF 047020 (b)
ORIGINAL LESSOR: United States of America
ORIGINAL LESSEE: Thornton C. Huddle, Donald R. Eaton, Charlotte G. Eaton as
Joint Independent Executors of the Estate of Marquis G. Eaton,
deceased
DATE: February 1, 1960
RECORDING DATA: Book 465, Page 186
DESCRIPTION: NW/4 NW/4
Containing 40 acres, more or less

Tract 2

40.00 Acres
NE/4 of NW/4

ORIGINAL LESSOR: Joe Mangum and Mamie Mangum, his wife
ORIGINAL LESSEE: Southern Union Production Company
DATE: August 30, 1946
RECORDING DATA: Book 89, Page 819
DESCRIPTION: NE/4 NW/4
Containing 40 acres, more or less

Tract 3

200.00 Acres
S/2 of NW/4, N/2 of SW/4, SW/4 of SW/4

ORIGINAL LESSOR: Austin A. Davis, single, and Al Greer
ORIGINAL LESSEE: Al Greer
DATE: April 18, 1957
RECORDING DATA: Book 351, Page 154
DESCRIPTION: S/2 NW/4, N/2 SW/4, SW/4 SW/4
Containing 200 acres, more or less

Tract 4

40.00 Acres
SE/4 of SW/4

SERIAL NO.: SF 047020 (b)
ORIGINAL LESSOR: United States of America
ORIGINAL LESSEE: Thornton C. Huddle, Donald R. Eaton, Charlotte G. Eaton as
Joint Independent Executors of the Estate of Marquis G. Eaton,
deceased
DATE: February 1, 1960
RECORDING DATA: Book 465, Page 186
DESCRIPTION: SE/4 SW/4
Containing 40 acres, more or less

SG INTERESTS I, LTD. AUTHORITY FOR EXPENDITURE (AFE)

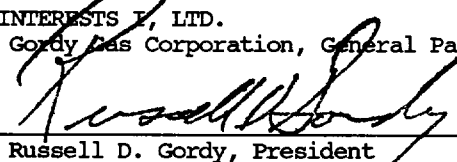
WELL NO.	WELL NAME: Bloomfield 29-11-26 #2	DATE: 09/10/92		
FIELD: Basin Fruitland Coal	COUNTY: San Juan	STATE: New Mexico		
LOCATION: West Half (W/2) of Section 26, Township 29 North - Range 11 West, N.M.P.M.		PROPOSED T.D. 1925'		
PURPOSE OF EXPENDITURE: Drill, Complete & Equip Coalbed Methane Gas Well		FORMATION: Fruitland Coal Seam		

AFE CODE	INTANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
220/101	Staking & Permitting	\$1,200		\$1,200
220/102	Location, Roads, Pits & Damages	\$16,000	\$2,500	\$18,500
220/103	Mobilization/Demobilization			\$0
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,100		\$2,100
220/105	Contract Drilling - Footage 1925 Ft. @ \$13.53/Foot	\$25,990		\$25,990
220/001	Contract Drilling - Turnkey			\$0
220/301	Completion Rig		\$7,500	\$7,500
840/110	Workover Rig			\$0
220/106	Fuel, Power & Lubricants			\$0
220/107	Bits, Reamers & Stabilizers			\$0
220/108	Drilling & Completion Fluids		\$3,000	\$3,000
220/302	Casing Crews, Tongs, Handling Tools		\$1,200	\$1,200
220/109	Misc Labor, Contract Services	\$1,000	\$5,500	\$6,500
220/110	Cement, Cmt Services, Mech Aids & Devices	\$2,500	\$6,800	\$9,300
220/111	Conventional Coring & Coring Service			\$0
220/303	Water & Hauling		\$3,400	\$3,400
220/112	Mud Logging			\$0
220/113	Logging - Open Hole - SWC's & Dipmeter	\$4,800		\$4,800
220/304	Cased Hole Logs, Perforating & Other Wireline Services		\$5,200	\$5,200
220/305	Inspection & Testing	\$800	\$1,200	\$2,000
220/307	Acidization, Fracturing & Stimulation		\$40,000	\$40,000
220/114	Rentals Tools & Equipment	\$1,200	\$2,800	\$4,000
220/115	Directional Drilling Services			\$0
220/117	Communications			\$0
220/120	Overhead per Operating Agreement	\$1,000	\$3,000	\$4,000
220/119	Supervision	\$1,200	\$4,000	\$5,200
220/121	Contingencies (10%) & Misc	\$5,780	\$8,610	\$14,390
TOTAL INTANGIBLE EXPENSE		\$63,570	\$94,710	\$158,280

AFE CODE	TANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
230/101	Conductor Casing			\$0
230/102	Surface Casing 250 Ft. 8-5/8" @ \$8.60/Ft.	\$2,150		\$2,150
230/103	Intermediate Casing			\$0
230/104	Drilling Liner			\$0
230/301	Production Liner			\$0
230/302	Production Casing 1925 Ft. 5-1/2" @ \$5.15/Ft.		\$9,920	\$9,920
230/303	Tubing 1900 Ft. 2-3/8" @ \$2.20/Ft.		\$4,180	\$4,180
230/304	Wellhead Equipment, Tree	\$800	\$1,900	\$2,700
230/305	Artificial Lift Equipment, Pumping Unit			\$0
230/306	Separator, Heater Treater, Dehydrator		\$11,800	\$11,800
230/307	Meters & Flowlines		\$13,500	\$13,500
230/308	Tank Battery & Storage		\$5,500	\$5,500
230/309	Subsurface Production Equipment			\$0
230/310	Misc. Well Equipment		\$2,200	\$2,200
230/311	Installation - Production Facilities		\$5,700	\$5,700
230/312	Compressor		\$40,000	\$40,000
TOTAL TANGIBLE EXPENSE		\$2,950	\$94,700	\$97,650
TOTAL WELL COST		\$66,520	\$189,410	\$255,930

OPERATOR APPROVAL

DATE: September 10, 1992

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner
BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

DATE: _____

COMPANY: _____

WORKING INTEREST: _____

APPROVED BY: _____

TITLE: _____

Application of SG Interests I, Ltd. for
Compulsory Pooling
Case No. 10585
Examiner Hearing Docket Dated 10/29/92
Exhibit No. 2

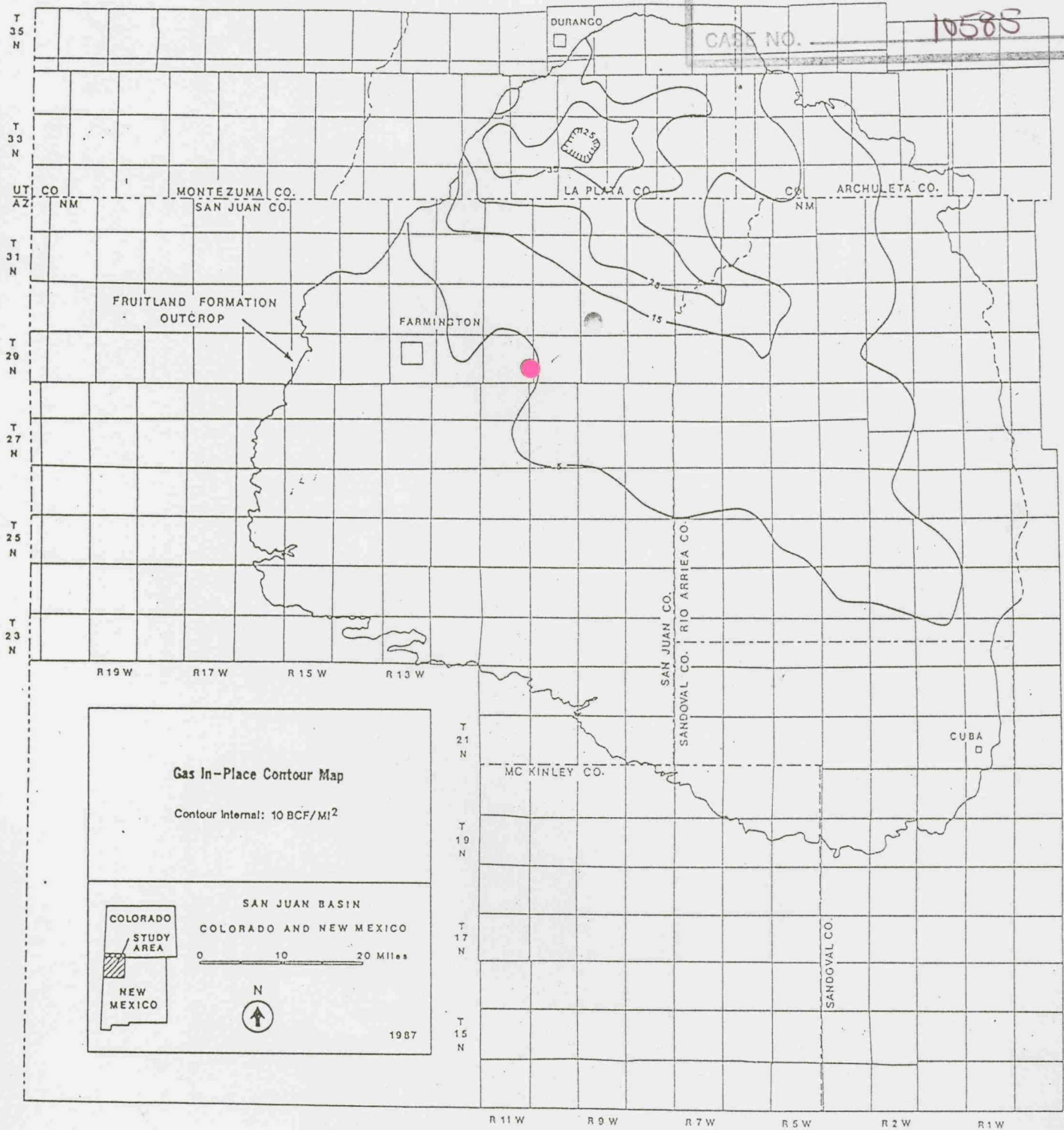
BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO.

10585



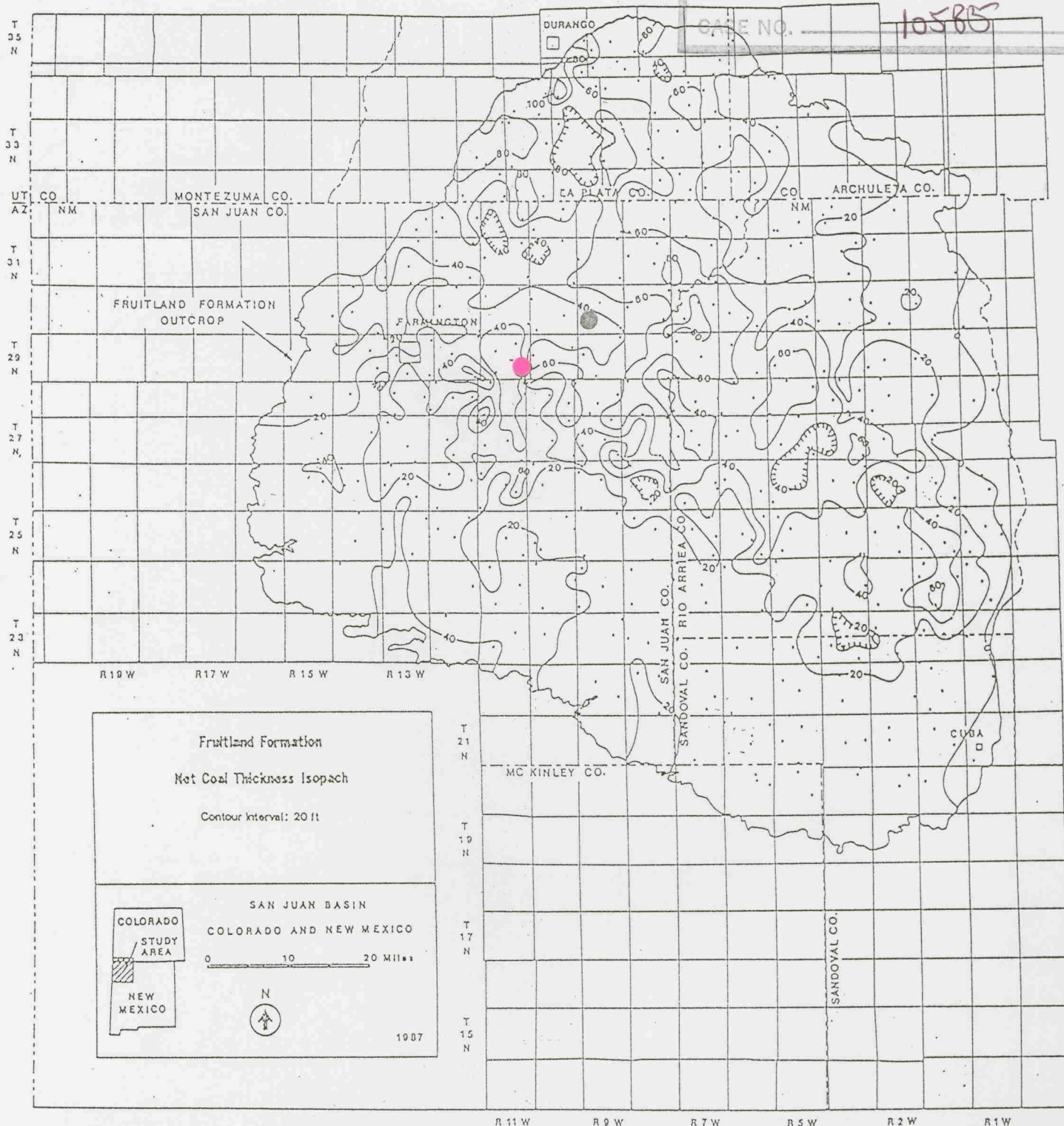
Gas-in-place contour map.

BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO. 4

10585

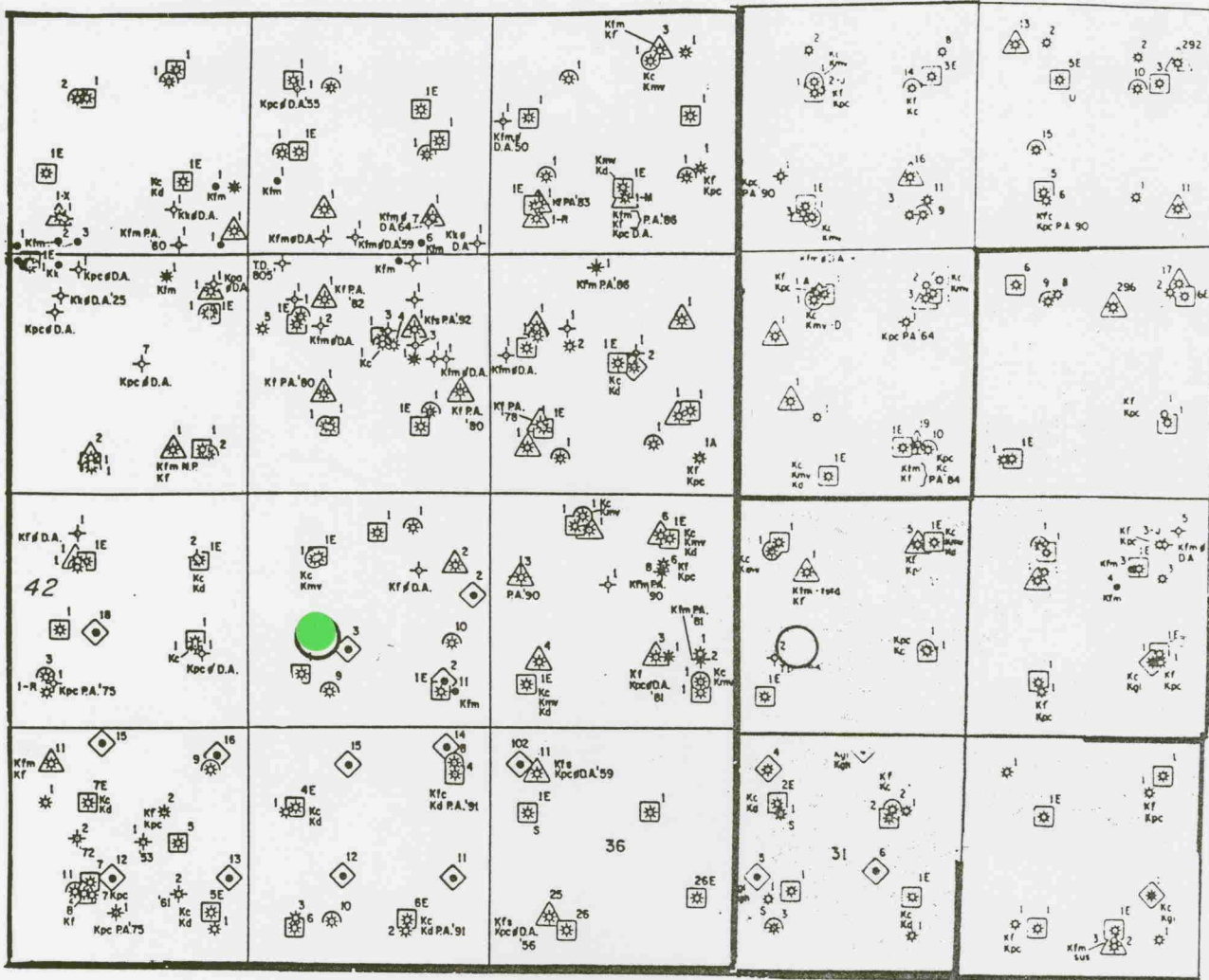


Fruitland Formation net-coal-thickness isopach map.

Kelso, Bruce S. and Wicks, Donald E. Geology and Coal-Bed Methane Resources of the Northern San Juan Basin, Colorado and New Mexico 1988

R-11-W

R-10-W

T
29
N
 = Subject Well

Maralex Resources, Inc.

Sikes and Bloomfield Well Vicinity Map

Fruitland Coal
San Juan Co., New Mexico

Current Production 6/92
Force Pooling Action 10/29/92

BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO. 5CASE NO. 10585

R-10-W



Force Pooling Action 10/29/92

CASE NO. 10585

SG INTERESTS I, LTD.
BLOOMFIELD 29-11-26 NO. 2
SW SECTION 26, T29N, R11W
SAN JUAN COUNTY, NEW MEXICO
ECONOMIC SUMMARY

ASSUMPTIONS: Initial Rate: 125 MCFD
Decline Rate: 5% per yr.
Gas Price: \$1.50/MCF
Escalation Rate: 4% per yr.
Operating Costs: \$1000/mo.
Cost Escalator: 5% per yr.

RESULTS:

WITHOUT TAX CREDITS

Payout:	174.8 months
ROI:	0.40
DROI(15)	-0.25
ROR	7.35
PV(15)	\$-64.5

WITH TAX CREDITS

Payout:	61.0 months
ROI:	1.04
DROI(15)	0.02
ROR	15.96
PV(15)	\$5.62

