

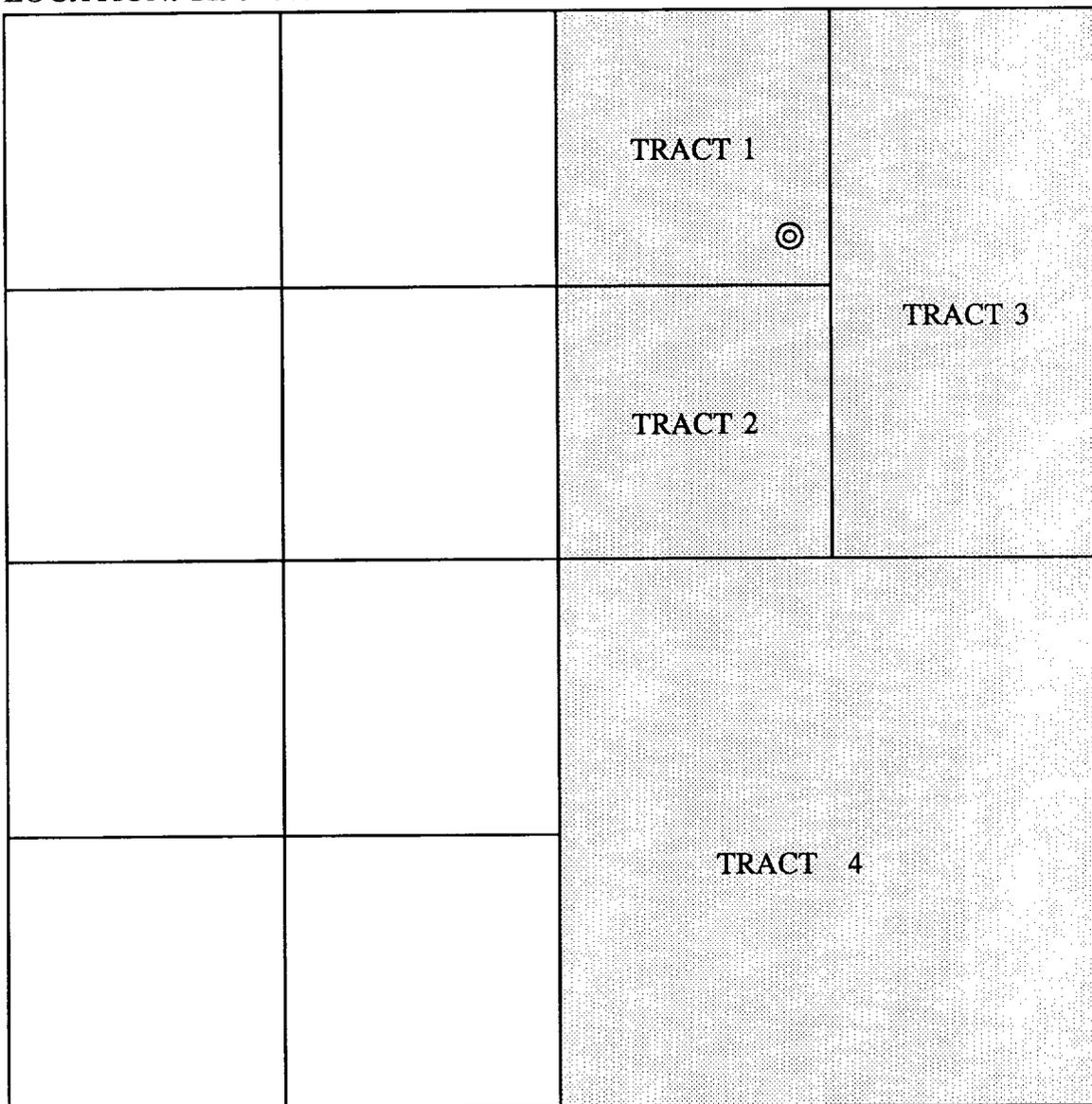
Exhibits 1 through 10
Complete Set

SG INTERESTS I, LTD.

10-29-92

FLORANCE GAS COM G #1 WELL
FRUITLAND COAL FORMATION
DRILLING AND SPACING UNIT
SECTION 30: E/2 TOWNSHIP 30 NORTH-RANGE 8 WEST
290.69 ACRES
SAN JUAN COUNTY, NEW MEXICO

LOCATION: 1190' FNL AND 1490' FEL



Scale 6" = 1 Mile

IM0640.EX

Application of SG Interests I, Ltd. for
Compulsory Pooling
Case No. 10586
Examiner Hearing Docket Dated 10/29/92
Exhibit No. 1

SG INTERESTS I, LTD., OPERATOR

10-29-92

FLORANCE GAS COM G #1 WELL

UNIT WORKING INTEREST

* SG Interests I, Ltd.	60.29020%
El Paso Production Company	24.98980%
Meridian Oil Production Inc.	2.67000%
Union Oil Company of California	6.31000%
✓Dirk Vanhorn Reemstma	0.57500%
✓Lance Brewster Reemstma	0.57500%
✓David A. Pierce	0.76660%
San Juan Royalty Partners	0.76670%
✓Susan Leigh Pierce Nelson	0.76670%
Estate of Mary Cecile Forehand	<u>2.29000%</u>
	100.00000%

* Working Interest obtained through Farmout Agreement.

SG INTERESTS I, LTD., OPERATOR

10-29-92

FLORANCE GAS COM G #1 WELL

LEASEHOLD OWNERSHIP

Tract 1

40.00 Acres
NW/4 of NE/4

As to a 36/144 Mineral Interest:

Union Oil Company of California	83.333%
Amoco Production Company	8.333%
Conoco, Inc.	<u>8.333%</u>
	100.000%

Subject to Farmout Agreement to SG Interests I, Ltd.

As to a 28/144 Mineral Interest:

Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u>
	100.00%

Subject to Farmout Agreement to SG Interests I, Ltd.

As to a 9/144 Mineral Interest:

Union Oil Company of California	100.00%
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As to a 71/144 Mineral Interest (Unleased Mineral Ownership):

Dirk Vanhorn Reemstma	8.453%
Lance Brewster Reemstma	8.453%
San Juan Royalty Partners	11.268%
Susan Leigh Pierce Nelson	11.268%
David A. Pierce	11.268%
Meridian Oil Production, Inc.	19.716%
Mary Cecile Forehand, deceased	16.896%
Union Oil Company of California	<u>12.678%</u>
	100.000%

Tract 2

40.00 Acres
SW/4 of NE/4

As to a 72/144 Mineral Interest:

Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u>
	100.00%

Subject to Farmout Agreement to SG Interests I, Ltd.

As to a 28/144 Mineral Interest:

Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u>
	100.00%

Subject to Farmout Agreement to SG Interests I, Ltd.

As to a 9/144 Mineral Interest:

Union Oil Company of California	100.00%
---------------------------------	---------

As to a 35/144 Mineral Interest (Unleased Mineral Ownership):

Meridian Oil Production, Inc.	40.00%
Mary Cecile Forehand, deceased	34.28%
Union Oil Company of California	<u>25.72%</u>
	100.00%

Tract 3

72.65 Acres
E/2 of NE/4

El Paso Production Company	100.00%
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Tract 4

138.04 Acres
SE/4

Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u>
	100.00%

Subject to Farmout Agreement to SG Interests I, Ltd.

FLORANCE GAS COM G #1 WELL

DESCRIPTION OF LEASES

SECTION 30: E/2 TOWNSHIP 30 NORTH-RANGE 8 WEST
SAN JUAN COUNTY, NEW MEXICO

Tract 1

40.00 Acres
NW/4 of NE/4

ORIGINAL LESSOR: R. E. Beamon, a single man
ORIGINAL LESSEE: Delhi-Taylor Oil Corporation
DATE: July 1, 1956
RECORDING DATA: Book 317, Page 65
NET ACRES: 7.78
DESCRIPTION: NW/4 NE/4
Containing 40 acres, more or less

ORIGINAL LESSOR: Martha H. Lynch, Trustee and W. W. Lynch, her husband
ORIGINAL LESSEE: Texas National Petroleum Company
DATE: April 4, 1956
RECORDING DATA: Book 300, Page 79
NET ACRES: 10.00
DESCRIPTION: NW/4 NE/4
Containing 40 acres, more or less

ORIGINAL LESSOR: Ralph A. Johnston; V. A. Johnston; Mrs. Willie Johnston, a widow; Mrs. Lillie Leona Rogers, a widow; Orville C. Rogers, Mrs. Veve Jean Gibbard and husband, Frank Gibbard; First National Bank of Fort Worth, Texas, Trustee for Eula May Johnston; and Eula May Johnston, a widow
ORIGINAL LESSEE: Texas National Petroleum Company
DATE: July 1, 1956
RECORDING DATA: Book 310, Page 153
NET ACRES: 2.50
DESCRIPTION: NW/4 NE/4
Containing 40 acres, more or less

Tract 1 - Unleased Mineral Interest:

The Estate of Mary Cecile Forehand	3.332 Net Acres
Union Oil Company of California	2.500 Net Acres
Meridian Oil Production, Inc.	3.888 Net Acres
Dirk Vanhorn Reemstma	1.667 Net Acres
Lance Brewster Reemstma	1.667 Net Acres
San Juan Royalty Partners	2.222 Net Acres
Susan Leigh Pierce Nelson	2.222 Net Acres
David A. Pierce	2.222 Net Acres

Tract 2

40.00 Acres
SW/4 of NE/4

ORIGINAL LESSOR: R. E. Beamon, a single man
ORIGINAL LESSEE: Delhi-Taylor Oil Corporation
DATE: July 1, 1956
RECORDING DATA: Book 317, Page 66
NET ACRES: 7.78
DESCRIPTION: SW/4 NE/4
Containing 40 acres, more or less

ORIGINAL LESSOR: Ricardo Jaquez (sometimes known as Recardio Jaquez) and wife,
Marinez Jaquez
ORIGINAL LESSEE: C. H. Nye
DATE: August 16, 1947
RECORDING DATA: Book 130, Page 2
NET ACRES: 20.00
DESCRIPTION: SW/4 NE/4
Containing 40 acres, more or less

ORIGINAL LESSOR: Ralph A. Johnston; V. A. Johnston; Mrs. Willie Johnston, a
widow; Mrs. Lillie Leona Rogers, a widow; Orville C. Rogers,
Mrs. Veve Jean Gibbard and husband, Frank Gibbard; First
National Bank of Fort Worth, Texas, Trustee for Eula May
Johnston; and Eula May Johnston, a widow
ORIGINAL LESSEE: Texas National Petroleum Company
DATE: July 1, 1956
RECORDING DATA: Book 310, Page 153
NET ACRES: 2.50
DESCRIPTION: SW/4 NE/4
Containing 40 acres, more or less

Tract 2 - Unleased Mineral Interest

The Estate of Mary Cecile Forehand	3.332 Net Acres
Union Oil Company of California	2.500 Net Acres
Meridian Oil Production, Inc.	3.888 Net Acres

Tract 3

72.65 Acres
E/2 of NE/4

SERIAL NO.:	NM-012718 (Formerly Part of SF 079511)
ORIGINAL LESSOR:	United States of America
ORIGINAL LESSEE:	Hazel Bolack
DATE:	September 1, 1949
DESCRIPTION:	E/2 NE/4 Containing 72.65 acres, more or less

Tract 4

138.04 Acres
SE/4

SERIAL NO.:	SF 079511-A
ORIGINAL LESSOR:	United States of America
ORIGINAL LESSEE:	Hazel Bolack
DATE:	September 1, 1949
RECORDING DATA:	Book 205, Page 111
DESCRIPTION:	SE/4 Containing 138.04 acres, more or less

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

October 1, 1992

Susan Leigh Pierce Nelson
4901 Crestwood Drive
Farmington, New Mexico 87402

CERTIFIED: RETURN RECEIPT REQUESTED

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Dear Ms. Nelson:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that own 2.222 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, your unleased mineral interest would total 0.76670% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.76670% Working Interest would be \$2,085.50. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do not desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

Application of SG Interests I, Ltd. for
Compulsory Pooling

Case No. 10586
Examiner Hearing Docket Dated 10/29/92
Exhibit No. 2

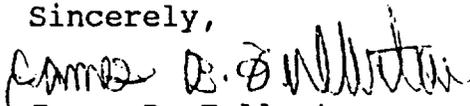
your 2.222 net mineral acres:

- 1) SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 2.222 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely,



James B. Fullerton
Consulting Landman on behalf of
SG Interests I, Ltd.

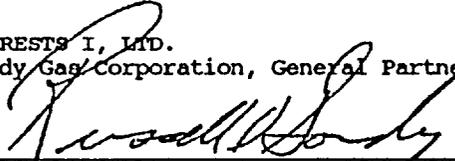
**SG INTERESTS I, LTD.
AUTHORITY FOR EXPENDITURE (AFE)**

WELL NO.		WELL NAME: Florance Gas Com "G"		DATE: 09/10/92	
FIELD: Basin Fruitland Coal		COUNTY: San Juan		STATE: New Mexico	
LOCATION: East Half (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.				PROPOSED T. D. 2600'	
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	\$3,000		\$3,000	
220/102	Location, Roads, Pits & Damages	\$14,500	\$2,500	\$17,000	
220/103	Mobilization/Demobilization			\$0	
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,150		\$2,150	
220/105	Contract Drilling - Footage 2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100	
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		\$3,200	\$3,200	
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	\$7,100	\$9,600	
220/111	Conventional Coring & Coring Service			\$0	
220/303	Water & Hauling		\$3,600	\$3,600	
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	\$6,730	\$8,680	\$15,410	
TOTAL INTANGIBLE EXPENSE		\$73,980	\$95,480	\$169,460	
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 2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390	
230/303	Tubing 2550 Ft. 2-3/8" @ \$2.20/Ft.		\$5,610	\$5,610	
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	\$99,600	\$102,550	
TOTAL WELL COST		\$76,930	\$195,080	\$272,010	

OPERATOR APPROVAL

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

DATE: September 10, 1992

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

Susan Leigh Pierce Nelson

DATE: _____

WORKING INTEREST: 0.76670%

APPROVED BY: _____

MINERAL INTEREST: _____

TITLE: _____

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

October 1, 1992

David A. Pierce
First Interstate Bank, as Agent
P.O. Box 4140
Farmington, New Mexico 87499

CERTIFIED:RETURN RECEIPT REQUESTED

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Gentlemen:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that David A. Pierce owns 2.222 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, his unleased mineral interest would total 0.76660% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.76660% Working Interest would be \$2,085.50. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do not desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

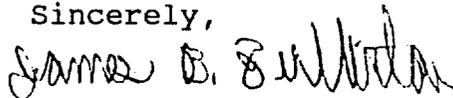
your 2.222 net mineral acres:

- 1) SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 2.222 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely,



James B. Fullerton
Consulting Landman on behalf of
SG Interests I, Ltd.

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

WELL NO.	WELL NAME: Florance Gas Com 'G'	DATE: 09/10/92
FIELD: Basin Fruitland Coal	COUNTY: San Juan	STATE: New Mexico
LOCATION: East Half (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.		PROPOSED T. D. 2600'
PURPOSE OF EXPENDITURE: Drill, Complete & Equip Coalbed Methane Gas Well		FORMATION: Fruitland Coal Seam

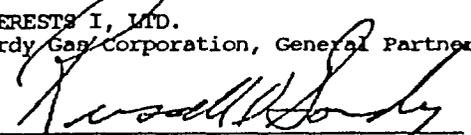
AFE CODE	INTANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
220/101	Staking & Permitting	\$3,000		\$3,000
220/102	Location, Roads, Pits & Damages	\$14,500	\$2,500	\$17,000
220/103	Mobilization/Demobilization			\$0
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,150		\$2,150
220/105	Contract Drilling - Footage 2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100
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		\$3,200	\$3,200
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	\$7,100	\$9,600
220/111	Conventional Coring & Coring Service			\$0
220/303	Water & Hauling		\$3,600	\$3,600
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	\$6,730	\$8,680	\$15,410
TOTAL INTANGIBLE EXPENSE		\$73,980	\$95,480	\$169,460

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 2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390
230/303	Tubing 2550 Ft. 2-3/8" @ \$2.20/Ft.		\$5,610	\$5,610
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	Motors & 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	\$99,600	\$102,550
TOTAL WELL COST		\$76,930	\$195,080	\$272,010

OPERATOR APPROVAL

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

DATE: September 10, 1992

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

DATE: _____

WORKING INTEREST: 0.76660%

MINERAL INTEREST: _____

David A. Pierce
First Interstate Bank, as Agent
APPROVED BY: _____
TITLE: _____

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

October 1, 1992

Dirk Vanhorn Reemstma
First Interstate Bank, as Agent
P.O. Box 4140
Farmington, New Mexico 87499

CERTIFIED:RETURN RECEIPT REQUESTED

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Gentlemen:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that Dirk Vanhorn Reemstma owns 1.667 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, his unleased mineral interest would total 0.57500%% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.57500% Working Interest would be \$1,564.00. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do not desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

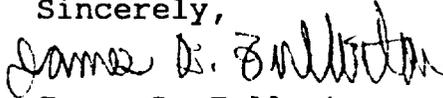
your 1.667 net mineral acres:

- 1) SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 1.667 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely,



James B. Fullerton
Consulting Landman on behalf of
SG Interests I, Ltd.

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

WELL NO.	WELL NAME: Florance Gas Com "G"	DATE: 09/10/92
FIELD: Basin Fruitland Coal	COUNTY: San Juan	STATE: New Mexico
LOCATION: East Half (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.		PROPOSED T.D. 2600'

PURPOSE OF EXPENDITURE: Drill, Complete & Equip Coalbed Methane Gas Well FORMATION: Fruitland Coal Seam

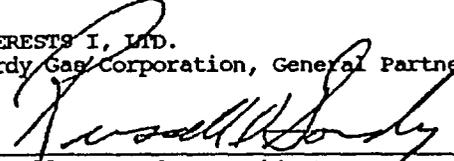
AFE CODE	INTANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
220/101	Staking & Permitting	\$3,000		\$3,000
220/102	Location, Roads, Pits & Damages	\$14,500	\$2,500	\$17,000
220/103	Mobilization/Demobilization			\$0
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,150		\$2,150
220/105	Contract Drilling - Footage 2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100
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		\$3,200	\$3,200
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	\$7,100	\$9,600
220/111	Conventional Coring & Coring Service			\$0
220/303	Water & Hauling		\$3,600	\$3,600
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	\$6,730	\$8,680	\$15,410
TOTAL INTANGIBLE EXPENSE		\$73,980	\$95,480	\$169,460

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 2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390
230/303	Tubing 2550 Ft. 2-3/8" @ \$2.20/Ft.		\$5,610	\$5,610
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	\$99,600	\$102,550
TOTAL WELL COST		\$76,930	\$195,080	\$272,010

OPERATOR APPROVAL

DATE: September 10, 1992

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

DATE: _____

WORKING INTEREST: 0.57500%

MINERAL INTEREST: _____

Dirk Vanhorn Reemstma
First Interstate Bank, as Agent

APPROVED BY: _____

TITLE: _____

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

October 1, 1992

Lance Brewster Reemstma
575 Edgcroft Road
Kensington, California 94707

CERTIFIED:RETURN RECEIPT REQUESTED

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Dear Mr. Reemstma:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that you own 1.667 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, your unleased mineral interest would total 0.57500% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.57500% Working Interest would be \$1,564.00. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do not desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

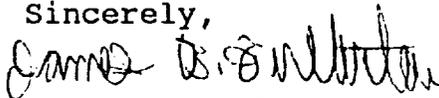
your 1.667 net mineral acres:

- 1) SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 1.667 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely,



James B. Fullerton
Consulting Landman on behalf of
SG Interests I, Ltd.

LAW OFFICES

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

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

October 6, 1992

TELECOPIER:
(505) 325-4675

OF COUNSEL
Charles M. Tansey

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 MAIL NO. P 081 703 765
RETURN RECEIPT REQUESTED

Susan Leigh Pierce Nelson
4901 Crestwood Drive
Farmington, NM 87402

Re: Application for Compulsory Pooling
SG Interests I, Ltd.
E/2 of Section 30, Township 30 North, Range 8 West
San Juan County

Dear Ms. Nelson:

The purpose of this letter is to provide notice to you, in accordance with the rules and regulations of the New Mexico Oil Conservation Division, that SG Interests I, Ltd. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 30, Township 30 North, Range 8 West, N.M.P.M., San Juan County, New Mexico, forming an approved non-standard 290.69 acre coal gas spacing and proration unit for said pool, to be dedicated to its Florance Gas Com G #1 Well to be drilled at a standard coal gas well location 1,190 feet from the north line and 1,490 feet from the east line of said Section 30. SG Interests I, Ltd. has requested that it be designated as the operator of the proposed well and that the order to be issued by the New Mexico Oil Conservation Division provide for the recovery by the joining working interest owners of the cost of drilling, completing, equipping and operating the proposed well, together with a reasonable charge for risk involved in drilling the well. In addition, SG Interests I, Ltd. has requested that the order establish a reasonable charge for the supervision of the well during the drilling and production stages.

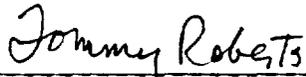
Application of SG Interests I, Ltd. for
Compulsory Pooling
Case No. 10586
Examiner Hearing Docket Dated 10/29/92
Exhibit No. 3

Susan Leigh Pi ce Nelson
Page 2
October 6, 1992

This application has been placed on the October 29th, 1992 docket of the New Mexico Oil Conservation Division. In accordance with the rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

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

Sincerely,



Tommy Roberts,
Attorney for
SG Interests I, Ltd.

TR:tlm

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

P 081 703 762



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, June 1991

Sent to: <i>Estate of Mary Cecil Forehand</i>	
By: <i>Gas E. Meriwether</i>	
Street and No: <i>Independent Executive</i>	
<i>516 East Houston</i>	
P.O., State and ZIP Code: <i>Crockett, TX 75835</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

SENDER:

- Complete items 1 and/or 2 for additional services. *SG-6*
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Susan Leigh Pierce Nelson
4901 Crestwood Drive
Farmington, NM 87402

4a. Article Number

P 081 703 764

4b. Service Type

- | | |
|-----------------------------------------------|--------------------------------------------------------------------|
| <input type="checkbox"/> Registered | <input type="checkbox"/> Insured |
| <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD |
| <input type="checkbox"/> Express Mail | <input checked="" type="checkbox"/> Return Receipt for Merchandise |

7. Date of Delivery

10 - 7

5. Signature (Addressee)

Susan Nelson

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

LAW OFFICES

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

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

TELECOPIER:
(505) 325-4675

OF COUNSEL
Charles M. Tansey

October 6, 1992

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 MAIL NO. P 081 703 765
RETURN RECEIPT REQUESTED

David A. Pierce
First Interstate Bank, as Agent
P.O. Box 4140
Farmington, NM 87499

Re: Application for Compulsory Pooling
SG Interests I, Ltd.
E/2 of Section 30, Township 30 North, Range 8 West
San Juan County

Dear Mr. Pierce:

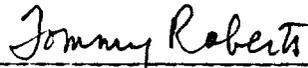
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David A. Pierce
Page 2
October 6, 1992

This application has been placed on the October 29th, 1992 docket of the New Mexico Oil Conservation Division. In accordance with the rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

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

Sincerely,



Tommy Roberts,
Attorney for
SG Interests I, Ltd.

TR:tlm

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

P 081 703 765



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to David A. Pierce
First Interstate Bank, as Agent
Street and No.
P.O. Box 4140
P.O. State and ZIP Code
Farmington, NM 87499

Postage

Certified Fee

\$

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom, Date, and Addressee's Address

TOTAL Postage & Fees

\$

Postmark or Date

PS Form 3800, June 1991

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
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I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

David A. Pierce
First Interstate Bank, As Agent
P.O. Box 4140
Farmington, NM 87499

4a. Article Number

081 703 765

4b. Service Type

- Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

10-7-92

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

LAW OFFICES

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

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

October 6, 1992

TELECOPIER:
(505) 325-4675

OF COUNSEL
Charles M. Tansey

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 MAIL NO. P 081 703 767
RETURN RECEIPT REQUESTED

Lance Brewster Reemstma
575 Edgcroft Road
Kensington, CA 94707

Re: Application for Compulsory Pooling
SG Interests I, Ltd.
E/2 of Section 30, Township 30 North, Range 8 West
San Juan County

Dear Mr. Reemstma:

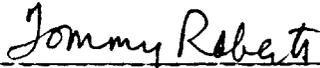
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Lance Brewster semstna
Page 2
October 6, 1992

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

Sincerely,



Tommy Roberts,
Attorney for
SG Interests I, Ltd.

TR:tlm

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

P 081 703 767



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, June 1991

Sent to Lance Brewster Reemstma	
Street and No. 575 Edgemoor Road	
P.O., State and ZIP Code Kensington, CA 94707	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

SENDER:

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- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Lance Brewster Reemstma
575 Edgemoor Road
Kensington, CA 94707

4a. Article Number
P 081 703 767

- 4b. Service Type
- Registered
 - Insured
 - Certified
 - COD
 - Express Mail
 - Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

LAW OFFICES

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

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

TELECOPIER:
(505) 325-4675

OF COUNSEL
Charles M. Tansey

October 6, 1992

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Robin D. Strother
Karen L. Townsend

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

CERTIFIED MAIL NO. P 081 703 766
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Dirk Vanhorn Reemstma
First Interstate Bank, as Agent
P.O. Box 4140
Farmington, NM 87499

Re: Application for Compulsory Pooling
SG Interests I, Ltd.
E/2 of Section 30, Township 30 North, Range 8 West
San Juan County

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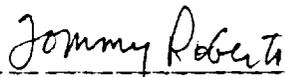
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Dirk Vanhorn F mstma
Page 2
October 6, 1992

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

Sincerely,



Tommy Roberts,
Attorney for
SG Interests I, Ltd.

TR:tlm

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

P 081 703 766



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to: Dirk Vanhoen Reemstma First Interstate Bank, As Agent	
Street and No: PO Box 4140	
P.O., State and ZIP Code: Farmington, Nm 87499	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

SENDER:

- Complete items 1 and/or 2 for additional services. **SG-6**
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- 2. Restricted Delivery

Consult postmaster for fee.

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Dirk Vanhoen Reemstma
First Interstate Bank, As Agent
P.O. Box 4140
Farmington, Nm 87499

4a. Article Number
0 081 703 766

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery
10-7-92

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Ally Pahl

Jim's
COPY

JAMES B. FULLERTON

PETROLEUM LANDMAN

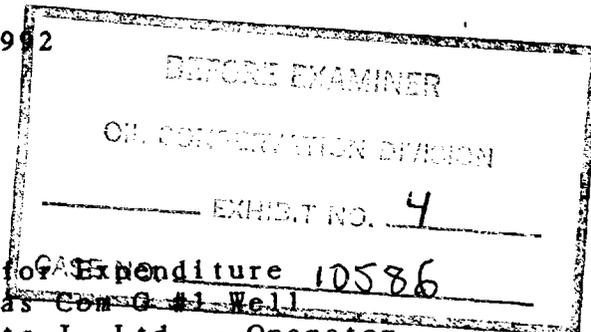
NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-266

October 12th, 1992



Susan Leigh Pierce Nelson
4901 Crestwood Drive
Farmington, New Mexico 87402

RE: Authority for Expenditure 10586
Florance Gas Con G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 08 West
Section 30: E/2
San Juan County, New Mexico

Dear Ms. Nelson:

SG Interests I, Ltd., as Operator of the proposed well referenced above, previously corresponded with you regarding our plans to drill the well during the 4th Quarter of 1992. We also provided you with an Authority for Expenditure (AFE) and outlined the costs associated with your Working Interest in the subject well.

Because of the pending expiration of the Section 29 Tax Credit that is effective on Fruitland (Coal) Wells drilled prior to December 31st, 1992, it is imperative that SG promptly undertake operations in order to qualify this well for the Tax Credit. To assure ourselves that operations can be undertaken in a timely manner, SG Interests I, Ltd. has filed an Application for Compulsory Pooling with the New Mexico Oil Conservation Division covering the Leases and Lands within the drilling and spacing unit for the referenced well. Our application is scheduled to be considered by the NMOCD on October 29th, 1992.

In order to expedite the process called for in our Compulsory Pooling Application, we are submitting to you, for review, an additional Authority for Expenditure that would be required under a Compulsory Pooling Order that may be entered into with respect to our Application. This AFE is identical to the AFE previously furnished to you.

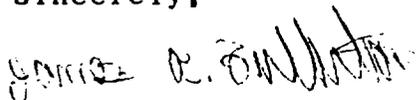
If you desire to participate for your proportionate Working interest in the costs associated with the subject well, please execute the enclosed Authority for Expenditure and return same to me at the address listed above. Your execution of this Authority for Expenditure shall serve as your election to participate for your portion of the costs associated with operations on the referenced well. As outlined in my previous correspondence to you, if you do not desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer to farmout or purchase your interest.

Susan Leigh Pierce Nelson
October 12th, 1992

Page 2

In as much as our Application for Compulsory Pooling is scheduled to be heard on October 29th, 1992, your early attention to this matter would be greatly appreciated. Should you have any questions or concerns, please feel free to call me at 303/534-4502.

Sincerely,



James B. Fullerton
Consulting Landman on behalf of
SG Interests, I, Ltd.

JBf/sj
enclosure

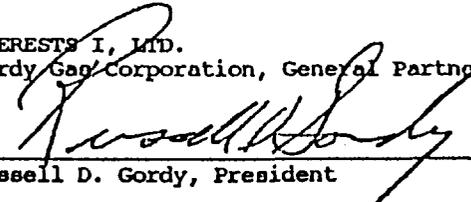
**SG INTERESTS I, LTD.
AUTHORITY FOR EXPENDITURE (AFE)**

WELL NO.		WELL NAME: Florance Gas Com 'G'		DATE: 09/10/92	
FIELD: Basin Fruitland Coal		COUNTY: San Juan		STATE: New Mexico	
LOCATION: East Half (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.				PROPOSED T.D. 2600'	
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	\$3,000		\$3,000	
220/102	Location, Roads, Pits & Damages	\$14,500	\$2,500	\$17,000	
220/103	Mobilization/Demobilization			\$0	
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,150		\$2,150	
220/105	Contract Drilling - Footage 2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100	
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		\$3,200	\$3,200	
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	\$7,100	\$9,600	
220/111	Conventional Coring & Coring Service			\$0	
220/303	Water & Hauling		\$3,600	\$3,600	
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	
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AFE CODE	TANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST	
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230/304	Wellhead Equipment, Tree	\$800	\$1,900	\$2,700	
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230/308	Tank Battery & Storage		\$5,500	\$5,500	
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TOTAL WELL COST		\$76,930	\$195,080	\$272,010	

OPERATOR APPROVAL

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

DATE: September 10, 1992

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

Susan Leigh Pierce Nelson

DATE: _____

WORKING INTEREST: 0.76670%

APPROVED BY: _____

MINERAL INTEREST: _____

TITLE: _____

Jim's
COPY

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-259

October 12th, 1992

David A. Pierce
First Interstate Bank, as Agent
Post Office Box 4140
Farmington, New Mexico 87499

RE: Authority for Expenditure
Florance Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 08 West
Section 30: E/2
San Juan County, New Mexico

Gentlemen:

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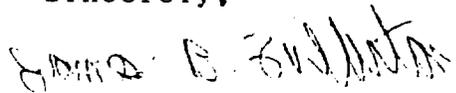
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David A. Pierce
First Interstate Bank, as Agent
October 12th, 1992

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James B. Fullerton
Consulting Landman on behalf of
SG Interests, I, Ltd.

JBf/sj
enclosure

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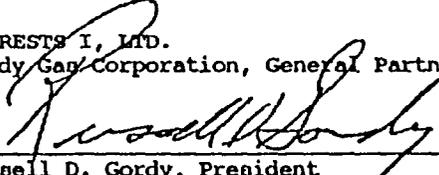
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OPERATOR APPROVAL

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

DATE: September 10, 1992

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

DATE: _____

WORKING INTEREST: 0.76660%

MINERAL INTEREST: _____

David A. Pierce
First Interstate Bank, as Agent
APPROVED BY: _____

TITLE: _____

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-258

October 12th, 1992

Lance Brewster Reemstma
575 Edgcroft Road
Kensington, California 94707

RE: Authority for Expenditure
Florance Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 08 West
Section 30: E/2
San Juan County, New Mexico

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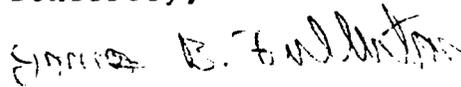
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Mr. Lance Brewster Reemstma
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Consulting Landman on behalf of
SG Interests, I, Ltd.

JBF/sj
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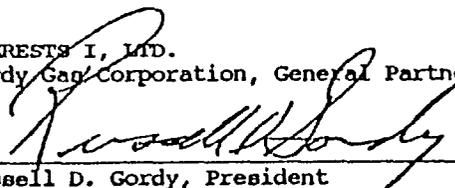
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Gordy Gas Corporation, General Partner

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JOINT INTEREST APPROVAL

Lance Brewster Reemstma

DATE: _____

WORKING INTEREST: 0.57500%

APPROVED BY: _____

MINERAL INTEREST: _____

TITLE: _____

Jim's
COPY

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-257

October 12th, 1992

Dirk Vanhorn Reemstma
First Interstate Bank, as Agent
Post Office Box 4140
Farmington, New Mexico 87499

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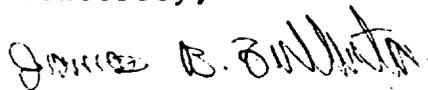
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First Interstate Bank, as Agent
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Consulting Landman on behalf of
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JBf/sj
enclosure

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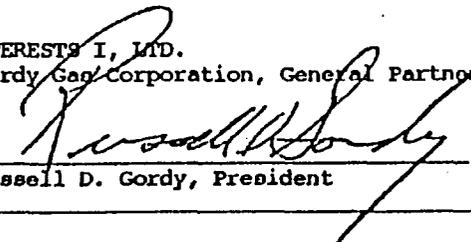
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230/306	Separator, Heater Treater, Dehydrator		\$11,800	\$11,800
230/307	Motors & Flowlines		\$13,500	\$13,500
230/308	Tank Battery & Storage		\$5,500	\$5,500
230/309	Subsurface Production Equipment			\$0
230/310	Misc. Well Equipment		\$2,200	\$2,200
230/311	Installation - Production Facilities		\$5,700	\$5,700
230/312	Compressor		\$40,000	\$40,000
TOTAL TANGIBLE EXPENSE		\$2,950	\$99,600	\$102,550
TOTAL WELL COST		\$76,930	\$195,000	\$272,010

OPERATOR APPROVAL

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

DATE: September 10, 1992

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

DATE: _____

WORKING INTEREST: 0.57500%

MINERAL INTEREST: _____

Dirk Vanhorn Reemstma
First Interstate Bank, as Agent
APPROVED BY: _____

TITLE: _____

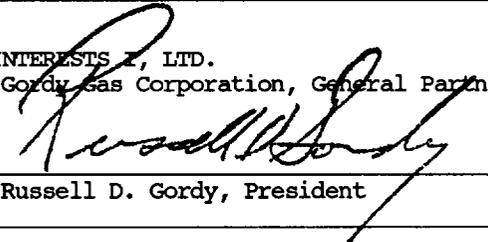
**SG INTERESTS I, LTD.
AUTHORITY FOR EXPENDITURE (AFE)**

WELL NO. NM402-0018		WELL NAME: Florance Gas Com "G"		DATE: 09/10/92	
FIELD: Basin Fruitland Coal		COUNTY: San Juan		STATE: New Mexico	
LOCATION: East Half (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.				PROPOSED T.D. 2600'	
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	\$3,000		\$3,000	
220/102	Location, Roads, Pits & Damages	\$14,500	\$2,500	\$17,000	
220/103	Mobilization/Demobilization			\$0	
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,150		\$2,150	
220/105	Contract Drilling - Footage 2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100	
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		\$3,200	\$3,200	
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	\$7,100	\$9,600	
220/111	Conventional Coring & Coring Service			\$0	
220/303	Water & Hauling		\$3,600	\$3,600	
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	\$6,730	\$8,680	\$15,410	
TOTAL INTANGIBLE EXPENSE		\$73,980	\$95,480	\$169,460	
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 2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390	
230/303	Tubing 2550 Ft. 2-3/8" @ \$2.20/Ft.		\$5,610	\$5,610	
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	
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TOTAL WELL COST		\$76,930	\$195,080	\$272,010	

OPERATOR APPROVAL

SG INTERESTS I, LTD.
Gordy Gas Corporation, General Partner

DATE: September 10, 1992

BY: 
Russell D. Gordy, President

JOINT INTEREST APPROVAL

DATE: _____

COMPANY: _____

WORKING INTEREST: _____ %

APPROVED BY: _____

TITLE: _____

Application of SG Interests I, Ltd. for
Compulsory Pooling

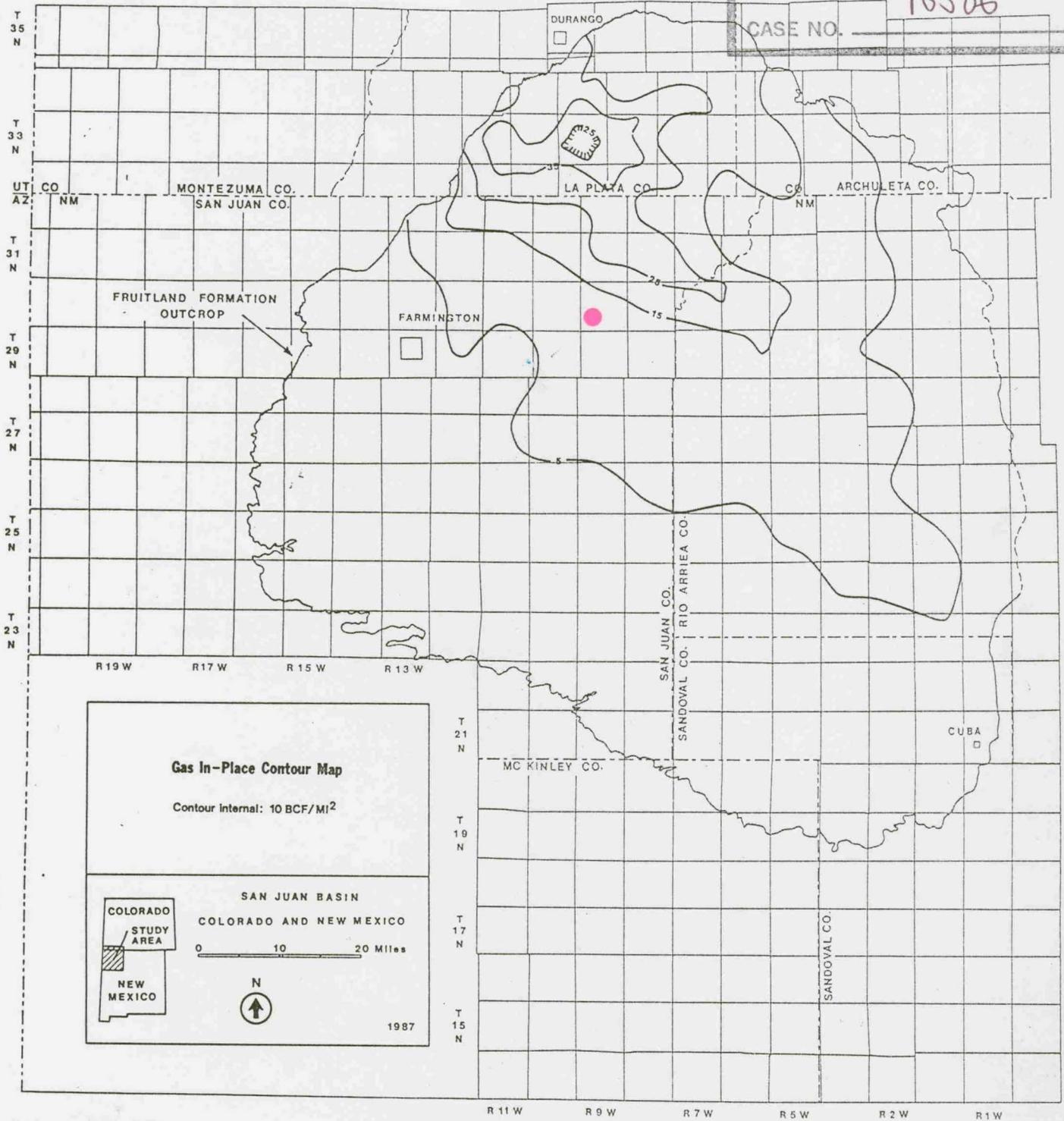
Case No. 10586

Examiner Hearing Docket Dated 10/29/92

Exhibit No. 5

EXHIBIT NO. 6
10586

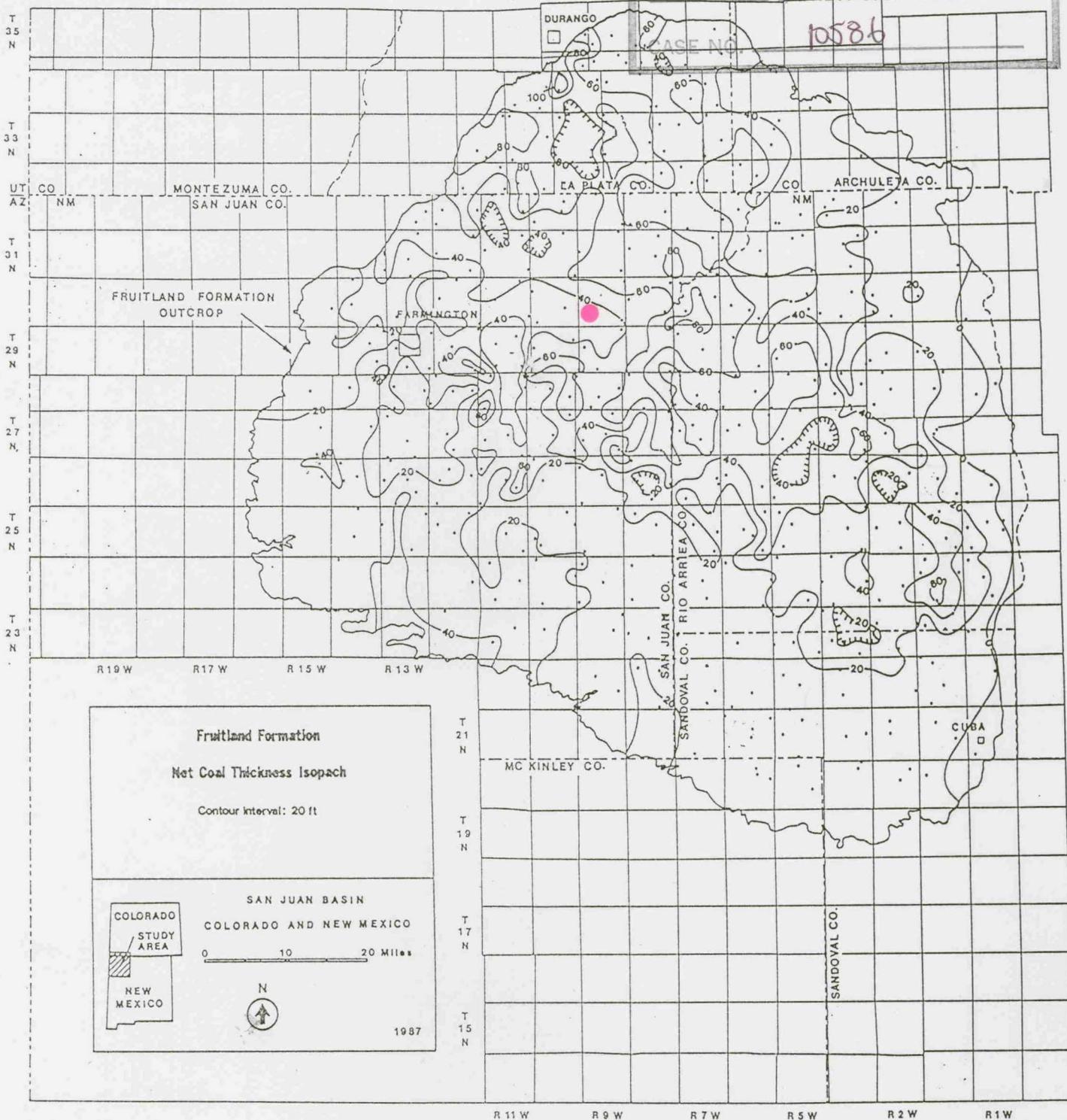
CASE NO. _____



Gas-in-place contour map.

EXHIBIT NO. 7

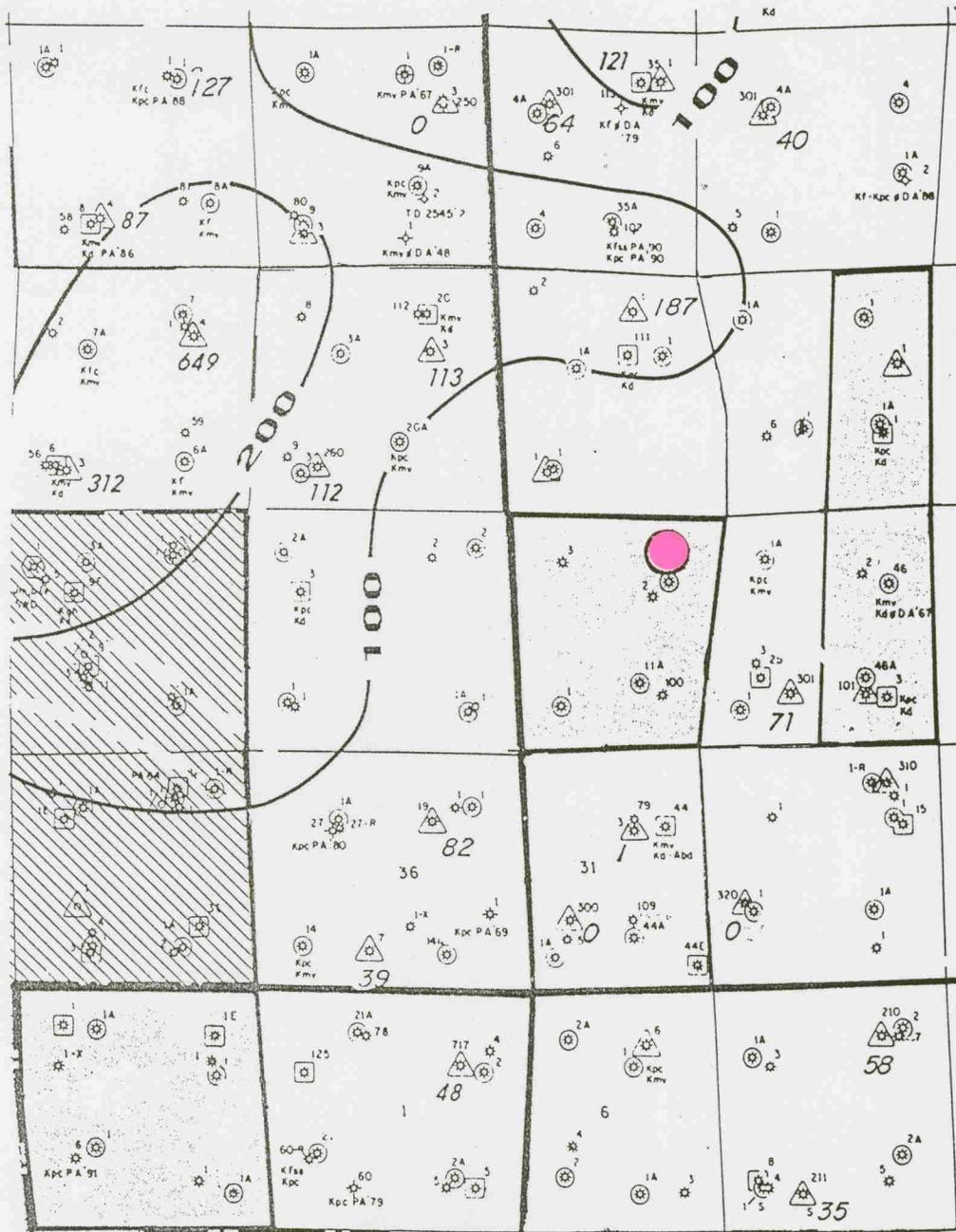
CASE NO. 10586



Fruitland Formation net-coal-thickness isopach map.

R-9-W

R-8-W



T
30
N

T
29
N

● = Subject Well

BEFORE EXAMINER
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 8
 CASE NO. 10586

Maralex Resources, Inc.
Florance Gas Com G
Well Vicinity Map

Fruitland Coal
 San Juan Co., New Mexico

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

SG INTERESTS I, LTD.
FLORANCE GAS COM G NO. 1
NE SECTION 30, T30N, R8W
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: 122.5 months
ROI: 0.32
DROI(15) -0.26
ROR 6.60
PV(15) \$-69.7

WITH TAX CREDITS

Payout: 69.7 months
ROI: 0.82
DROI(15) -0.04
ROR 13.6
PV(15) \$-11.7

10

10586