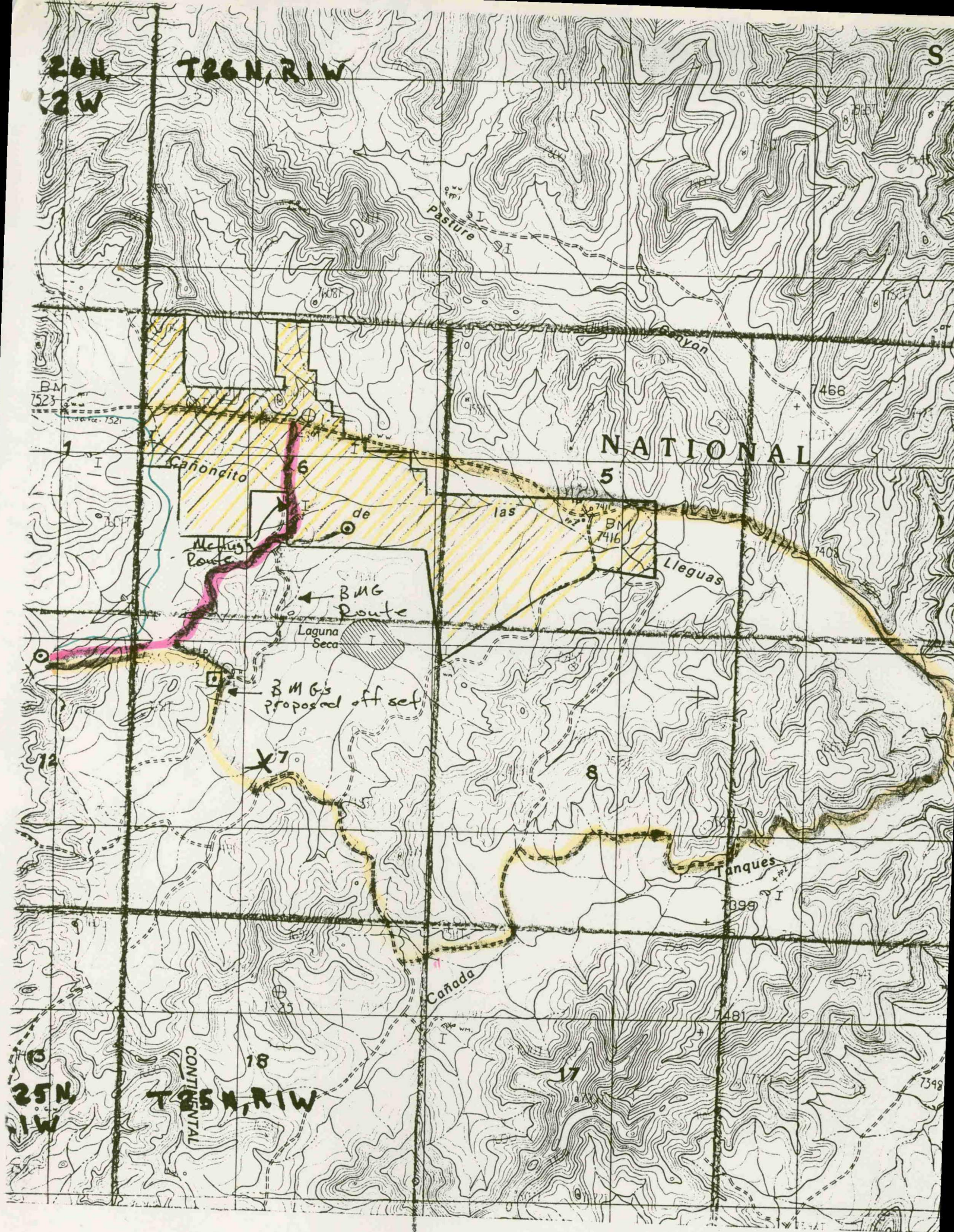




MC HUGH PROPOSED ACCESS ROUTE

FOREST SERVICE PROPOSED ACCESS ROUTE

~~ROUTE DESIGNATED~~  
ROUTE ERASED FROM MAP AT MEETING 12/4/85

PRIVATE SURFACE WITHIN SANTA FE FOREST



BEFORE EXAMINER STOGNER  
OIL CONSERVATION DIVISION

McHugh EXHIBIT NO. 1  
CASE NO. 8945

July 1, 1986

CERTIFIED - Return Receipt Requested

Mountain States Natural Gas  
P. O. Box 35426  
Tulsa, Oklahoma 74543

Attention: Mr. Albert Blair

|                           |                      |
|---------------------------|----------------------|
| BEFORE EXAMINER STOGNER   |                      |
| OIL CONSERVATION DIVISION |                      |
| <i>McHugh</i>             | EXHIBIT NO. <u>2</u> |
| CASE NO.                  | <u>8945</u>          |

Re: Continental Divide #1  
E/2 Section 12-T25N-R2W  
Rio Arriba County, New Mexico

Gentlemen:

Last November we mailed an Authority for Expenditure (AFE) instrument for your review which covered the anticipated drilling cost of the captioned well.

Your failure to respond by any means as to our proposed well resulted in a forced pooling action which was held on January 22, 1986.

A copy of the Order of the Division, Case No. 8788, Order No. R-8144 is enclosed for your files. Said Order was effective January 31, 1986. Per the Order itself, operations were to commence "on or before the first day of May, 1986". Due to access problems encountered with the Santa Fe National Forest, we were unable to commence our well but hope to do so by the end of the summer.

Enclosed are two copies of our AFE #0410010 for the Continental Divide #1 reflecting your 6.25% working interest. If agreeable, please execute and return one copy to my attention by Monday, July 21, 1986.

If you elect not to join, please contact me in order that I may discuss a far-mout arrangement.

In the event you elect not to join or respond to this well proposal, please be advised that we will again appear before the Oil Conservation Commission in an effort to force pool your interest.

The next hearing is scheduled for Wednesday, July 23, 1986 in Santa Fe and we will appear on the docket to present the pooling before the Commission once again.

Jerome P. McHugh & Associates  
Operating Affiliate: Nassau Resources, Inc.  
650 South Cherry, Suite 1225  
Denver, Colorado 80222  
(303) 321-2111

Mountain States Natural Gas  
July 1, 1986  
Page Two

Please contact me should you have any questions or need additional information.

Very Truly Yours,

  
Kent C. Craig

KCC/rm

enclosures

cc: Mr. Tom Kellahin  
Kellahin & Kellahin  
El Patio - 117 N. Guadalupe  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

Form 3811, July 1982

● **SENDER:** Complete items 1, 2, 3, and 4.  
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).  
☒ Show to whom and date delivered ..... **.70**  
☐ Show to whom, date, and address of delivery .....  
2. ☐ RESTRICTED DELIVERY .....  
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ **.70**

3. ARTICLE ADDRESSED TO: Albert Blair  
Mountain States Natural Gas  
P. O. Box 35426  
Tulsa, OK 74543

4. TYPE OF SERVICE:  
☐ REGISTERED ☐ INSURED  
☒ CERTIFIED ☐ COD  
☐ EXPRESS MAIL  
ARTICLE NUMBER  
P 121 800 575

1. Have received the article described above.  
SIGNATURE ☐ Addressee ☐ Authorized agent  
(Always obtain signature of addressee or agent.)

5. DATE OF DELIVERY **7-7-86**  
POSTMARK (may be on reverse side)

6. ADDRESSEE'S ADDRESS **NEW MEXICO**

7. UNABLE TO DELIVER BECAUSE: **NO POSTAGE**  
INITIALS

\* GPO: 1982-578-563

JEROME P. McHUGH AND ASSOCIATES

AUTHORITY FOR EXPENDITURE

DATE: 2 JUNE 1986  
 LEASE NAME: CONTINENTAL DIVIDE  
 LOCATION: NW NE SEC 12 T2N R2W  
 OPERATOR: JEROME P. McHUGH AND ASSOC.  
 DESCRIPTION: 8200' DAKOTA TEST  
 ACCOUNTING CODE: EXPENDITURE DESCRIPTION TANGIBLE COST INTANGIBLE COST

|                                      |         |         |  |
|--------------------------------------|---------|---------|--|
| LEGAL COSTS/SURFACE DAMAGES          | XXXXXXX | 6,000   |  |
| SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION | XXXXXXX | 54,000  |  |
| CONTRACT DRILLING                    | XXXXXXX | 110,000 |  |
| MUD/CHEMICALS/ADDITIVES              | XXXXXXX | 27,000  |  |
| WATER/PURCHASE/TRANSPORTATION        | XXXXXXX | 8,000   |  |
| OPEN HOLE LOGGING                    | XXXXXXX | 8,000   |  |
| MUD LOGGING                          | XXXXXXX | 2,000   |  |
| DST/FORMATION TESTING                | XXXXXXX | 0       |  |
| CORING/CORE ANALYSIS                 | XXXXXXX | 0       |  |
| TRUCKING/HAULING/CATWORK             | XXXXXXX | 3,000   |  |
| CEMENTING SERVICES                   | XXXXXXX | INCL    |  |
| RENTAL TOOLS AND EQUIPMENT           | XXXXXXX | 2,000   |  |
| PROFESSIONAL SERVICES AND EXPENSES   | XXXXXXX | 3,000   |  |
| SUPERVISION/OVERHEAD                 | XXXXXXX | 4,000   |  |
| CONTRACT SERVICES/SUPPLIES           | XXXXXXX | 3,000   |  |
| PLUG/ABANDON/CLEANUP                 | XXXXXXX | 6,500   |  |
| MISCELLANEOUS/CONTINGENCIES          | XXXXXXX | 10,000  |  |
| CASING, SURFACE &/OR CONDUCTOR       | XXXXXXX | INCL    |  |
| CASING, INTERMEDIATE                 | 0       | XXXXXXX |  |
| FLOAT EQUIPMENT & CENTRALIZERS       | INCL    | XXXXXXX |  |
| CASING HEAD/ DRILLING FLANGE         | 1,000   | XXXXXXX |  |
| NON-CONTROLLABLE EQUIPMENT           | 500     | XXXXXXX |  |

DRY HOLE COST: TOTAL \$248,000 (( 1,500 246,500

|                                        |         |         |  |
|----------------------------------------|---------|---------|--|
| CEMENTING SERVICES                     | XXXXXXX | 18,000  |  |
| COMPLETION UNIT/POWER SWIVEL/PUMP/PITS | XXXXXXX | 15,000  |  |
| PERFORATING AND CASING HOLE LOGGING    | XXXXXXX | 4,000   |  |
| FORMATION TREATING/FRAC/ACID           | XXXXXXX | 15,000  |  |
| RENTAL TOOLS & EQUIPMENT               | XXXXXXX | 3,000   |  |
| DIRT WORK/CONSTRUCTION                 | XXXXXXX | 7,000   |  |
| CONTRACT SERVICES/SUPPLIES             | XXXXXXX | 3,000   |  |
| SUPERVISION/OVERHEAD                   | XXXXXXX | 3,000   |  |
| PROFESSIONAL SERVICES & EXPENSES       | XXXXXXX | 9,000   |  |
| MISCELLANEOUS/CONTINGENCIES            | 45,000  | XXXXXXX |  |
| CASING, PRODUCTION &/OR LINER          | 4,000   | XXXXXXX |  |
| FLOAT EQUIPMENT & CENTRALIZERS         | 24,000  | XXXXXXX |  |
| TUBING/PACKER/SPECIAL SUBSURFACE EQUIP | 12,000  | XXXXXXX |  |
| RODS/PUMP/AUXILIARY EQUIP              | 4,000   | XXXXXXX |  |
| TUBING HEAD/CHRISTMAS TREE             | 25,000  | XXXXXXX |  |
| PUMPING UNIT/PRIME MOVER               | 12,000  | XXXXXXX |  |
| TANKS/STAIRWAY/WALKWAY                 | 10,000  | XXXXXXX |  |
| SEPARATOR/TREATOR/PRODUCTION UNIT      | 42,000  | XXXXXXX |  |
| PIPELINE/POWERLINE                     | 5,000   | XXXXXXX |  |
| VALVES/FITTINGS/LINE PIPE              | 2,000   | XXXXXXX |  |
| NON-CONTROLLABLE EQUIP/MISC EQUIP      | 3,000   | XXXXXXX |  |
| TRUCKING/HAULING/TRANSPORTATION        |         |         |  |

COMPLETION COSTS: TOTAL \$268,000 (( 188,000 80,000

TOTAL WELL COSTS: \$316,000 (( 189,500 326,500

PARTNER APPROVALS:  
 W1 X COMPANY  
 6.25% Mountain States Nat. Gas  
 93.75% McHugh, et al  
 BY TITLE DATE  
 J. P. McHugh  
 J. P. McHugh

*Just before*  
*6:24:00*  
*AFE change only*