

**MESA GRANDE RESOURCES, INC.**

**1200 PHILTOWER BUILDING  
TULSA, OKLAHOMA 74103  
(918) 587-8494**

July 14, 1986

To All Working Interest Owners  
(See Attached List)

Re: Phantom #1 Well  
W/2, Section 16-25N-2W  
Rio Arriba County, New Mexico

Gentlemen:

Please find enclosed a revised Authority for Expenditure (AFE)  
for the above referenced well.

This revised AFE more accurately reflects the current costs with-  
in the well area and also is the result of changes in our planned  
completions.

If you have already signed our previously submitted AFE, you need  
not sign this one; please retain it for your records. If you have  
not approved our initial AFE, we respectfully request that you return  
one executed copy of the enclosed as soon as possible so as to avoid  
unnecessary delays and pooling action.

We appreciate your prompt response.

Very truly yours,

*Christopher L. Phillips*

Christopher L. Phillips  
Manager of Field Operations

CLP:dw  
Enclosures

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. <u>8963</u>	Exhibit No. <u>3</u>
Submitted by <u>Mesa Grande Resources</u>	
Hearing Date <u>August 6, 1986</u>	

PHANTOM #1 WELL  
W/2, Section 16-25N-2W  
Rio Arriba County, New Mexico

WORKING INTEREST OWNERS

Mesa Grande, Ltd.  
1305 Philtower Building  
Tulsa, Oklahoma 74103  
Attention: L. Sweet

Mountair States Natural Gas Corp.  
Post Office Box 35426  
Tulsa, Oklahoma 74153  
Attention: Albert J. Blair, Jr.

Duer Wagner, Jr.  
Post Office Drawer 980239  
Fort Worth, Texas 76198

Reading & Bates Petroleum Co.  
3200 Mid-Continent Tower  
Tulsa, Oklahoma 74103  
Attention: Eric Koelling

P C, Ltd.  
Post Office Box 911  
Breckenridge, Texas 76024-0911  
Attention: Ronald A. Holloway

Clark & Oatman  
Post Office Box 1846  
Austin, Texas 78767  
Attention: David Oatman

Arriba Company, Ltd.  
Post Office Box 35304  
Tulsa, Oklahoma 74153  
Attention: G. L. Morris

Ralph Gilliland  
7420 Caruth  
Dallas, Texas 75225

Duer Wagner, III  
1420 Continental Plaza  
777 Main Street  
Fort Worth, Texas 76102

Hooper, Kimball and Williams, Inc.  
Post Office Box 520970  
Tulsa, Oklahoma 74152  
Attention: Greg D. Owens

Ibex Partnership  
Post Office Box 911  
Breckenridge, Texas 76024-0911  
Attention: Ronald A. Holloway

MESA GRANDE RESOURCES, INC.

1200 PHILTOWER BUILDING  
TULSA, OKLAHOMA 74103  
(918) 581-8494

June 17, 1986

To All Working Interest Owners  
(See Attached List)

Re: Phantom #1 Well  
Township 25 North, Range 2 West  
Section 16: West Half  
Rio Arriba County, New Mexico

Gentlemen:

Mesa Grande Resources, Inc. proposes the drilling of a Gallup-Dakota well to be located in the SW/4 SW/4 of Section 16, Township 25 North, Range 2 West, with the W/2 of the section designated as the 320 acre drilling block.

Our records indicate that you are the owner of a working interest within this drilling block. Accordingly, we enclose herewith two (2) copies of our Authority for Expenditure (AFE) along with a proposed Operating Agreement.

After reviewing these materials, if you wish to participate in the drilling of the Phantom #1 Well, please so indicate by signing the AFE and returning one executed copy to this office. An Exhibit "A" and signature pages for the Operating Agreement will be furnished to you at a later time.

If you do not wish to participate in the drilling of this well, Mesa Grande Resources, Inc. is interested in acquiring a farmout on your acreage on the following basis:

Mesa Grande Resources, Inc. would earn 100% of your leasehold interest subject to reservation by you of a proportionate 5% overriding royalty convertible to a proportionate 30% working interest in the assigned acreage after payout.

It is our intention to spud the Phantom #1 Well in mid-August. Therefore, we would appreciate your early review of and response to our proposals.

Very truly yours,

*Kathy Michael*

Kathy Michael  
Landman

KM:dw  
Enclosures

Note to File: Mountain States Natural Gas Corporation  
by Certified Mail P 259-367-017

P 259 367 017

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

Sent to	Mountain States Natural Gas Corp.
Street and No.	Post Office Box 35426
P.O. State and Zip	Tulsa, Oklahoma 74153
Postage	
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.10
Return Receipt Date and Address of Sender	
TOTAL POSTAGE	1.85

June 1986  
\* U.S.G.P.O. 1985-480-794

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4. Put your address in the RETURN TO space on reverse side. Failure to do this will prevent this being returned to you. The return receipt fee will be the name of the person delivered to and the delivery. For additional fees the following are available. Consult postmaster for fees and check for service(s) requested.

1. ☐ Show to whom, date and address of delivery.

2. ☐ Restricted Delivery.

3. Article Addressed to Mountain States Natural Gas Post Office Box 35426 Tulsa, Oklahoma 74153 Attention: Albert J. Blain

4. Type of Service: ☐ Registered ☐ Insured ☐ Certified ☐ COD ☐ Express Mail

Article Number: P 259-367

5. Signature of Addressee

6. Signature of Sender

7. Date of Delivery

8. Addressee's Address (ONLY if requested and

DOMESTIC RETURN RECEIPT

PHANTOM #1 WELL  
W/2, Section 16-25N-2W  
Rio Arriba County, New Mexico

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