Mesa Grande Resources. Inc.

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

July 29, 1986

All Royalty Interest Owners (See Attached List)

> Re: Hawkeye #1 Well E/2, Section 23-25N-2W Rio Arriba County, New Mexico

Lad: es and Gentlemen:

On June 27, 1986, we sent you a Pooling Agreement for your execution covering your interest in the East Half of Section 23.

We have had a number of telephone calls and letters from royalty owners who were concerned that the interest set forth on Exhibit "A" of the Pooling Agreement did not reflect their mineral interest in the spacing unit. This letter is to let you know that the interests set forth on Exhibit "A" of the Pooling Agreement are not intended to reflect current mineral ownership. Instead, this schedule only sets forth the leases which will be subject to the Pooling Agreement and we realize that the mineral ownership has changed since the leases were taken many years ago.

The current mineral ownership is reflected in our Title Opinions and will appear on our Division Order. Some of you have also expressed concern over the notification you received of the Compulsory Pooling Hearing to be held on August 6, 1986. It is not our intention to rush you but it is necessary for us to force-pool one of the working interest owners and we decided in the interest of time and economy to include in that hearing all interests which were not committed by the date of the hearing. Therefore, if we receive your executed signature page for the Pooling Agreement prior to the August 6th hearing, your interest will not be included in the Compulsory Pooling Case.

We appreciate very much your understanding and cooperation in this matter.

Very truly yours.

Kathy Michael

Landman

BEFORE THE

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. <u>1964</u> Exhibit No. Submitted by <u>Mesa Grande</u>
Hearing Date <u>August 6.19</u>

KM:dv Attachment

ROYALTY INTEREST OWNERS

Attachment to July 29, 1986
Letter Regarding HAWKEYE #1 Pooling Agreement

Dorothy D. Hatley Post Office Box 255, Lebo Route West Plains, Missouri 65775

Margaret Cora Finklea Post Office Box 68 Warner, Oklahoma 74469

Frank M. & Dorothy E. Denman 1824 Woodrow Avenue Wichita Falls, Texas 76308

Lance Brewster Reemstma
4667 Ocean Boulevard, Apt. 306
San Diego, California 92109

Albert J. & Ruth Anne Blair 6333 South Richmond Tulsa, Oklahoma 74136

The Liberty National Bank & Trust: Company of Oklahoma City Post Office Box 25848
Oklahoma City, Oklahoma 73125

Edgar A. & Evelyn Boring Post Office Box 435 Blanco, New Mexico 87412

Janice Eugenia Robertson Post Office Box 497 Peralta, New Mexico 87042

Susan Elizabeth Schulze Post Office Box 3344 Harbor, Oregon 97415

Linda Muriel Adkins 7221 West 13th Street Kennewick, Washington 99337

Myra Loudene Jones 3915 South Aldon Tucson, Arizona 85706 Melvin D. & Anne Rueckhaus 319 7th Street, N.W. Albuquerque, New Mexico 87102

Interfirst Bank of Dallas, N.A. Post Office Box 83000 Dallas, Texas 75283 (Sabine Royalty Trust)

First Interstate Bank of Farmington Post Office Box 4140 Farmington, New Mexico 87499 (Heirs of John A. Pierce)

L. W. Wickes Agent Corporation c/o Hinkle, Cox, Eaton, Coffield and Hensley Post Office Box 2068 Santa Fe, New Mexico 87504-2068

Cyprus Mines Corporation Post Office Box 3299 Englewood, Colorado 80155 Attention: Jerry Bensing

Northwest Pipeline Corporation Post Office Box 8900 Salt Lake City, Utah 84108-0900 Attention: Darrell Gillen

MESA GRANDE RESOURCES, INC.

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

June 27, 1986

To All Interest Owners (See Attached List)

Re: Hawkeye #1 Well E/2, Section 23-25N-2W Rio Arriba County, New Mexico

Lad:es and Gentlemen:

Mesa Grande Resources, Inc. as Operator is planning to commence a well in the E/2 of Section 23, Township 25 North, Range 2 West, Rio Arriba County, New Mexico to test the Gallup formation.

Because the Ernest Hatley lease dated September 12, 1956 covering the NE/4 and the E/2 SE/4 of Section 23 does not contain a pooling provision, it will be necessary for all of the owners of interest under that acreage as well as the working interest owners in the W/2 SE/4 to execute a Pooling Agreement committing their respective interests to the proposed well.

We have prepared and enclose herewith a Pooling Agreement for your review and execution. Also enclosed are two additional signature pages and acknowledgment forms. We request that, after reviewing the Agreement, you execute them having your signature acknowledged by a Notary Public and return to this office the two extra signature pages with acknowledgments attached. The Agreement itself should be retained by you for your files. Married individuals should have their spouses join them in execution of this document.

We will appreciate your prompt return of your signature pages as we have a compulsory pooling case scheduled before the New Mexico Oil Conservation Division on August 6, 1986 at which time the Commission will be requested to force-pool the interest of any parties whose executed signature pages have not been received by that time.

If you have any questions or comments regarding the enclosed Agreement, please feel free to call. We look forward to hearing from you in the near future.

Very truly yours,

Kathy Michael Landman

KM:dw Enclosures

INTEREST OWNERS

Hawkeye #1 WELL E/2, Section 23-25N-2W Rio Arriba County, New Mexico

	Mesa Grande Resources, Inc.	Duer Wagner III
	1200 Philtower Building	1420 Continental Plaza
	Tulsa, Oklahoma 74103	777 Main Street
	Attention: Gregory R. Phillips	Fort Worth, Texas 76102 P259-367-034
	Mesa Grande, Ltd.	Ralph Gilliland
	1305 Philtower Building	7420 Caruth
	Tulsi, Oklahoma 74103	Dallas, Texas 75225 P259-367-035
Hand-delivered	Attention: L. Sweet	
		Mountain States Natural Gas Corp.
	Arriba Company, Ltd.	Post Office Box 35426 P259-367-036
	Post Office Box 35304	Tulsa, Oklanoma /4153
	Tulsa, Oklahoma 74153	Attention: Albert J. Blair, Jr.
P259-367-026	Attention: G. L. Morris	
		Dorothy D. Hatley
	Dugan Production Corp.	Box 255, Lebo Route P259-367-037
	Post Office Box 208	West Plains, Missouri 65775
	Farmington, New Mexico 87499	
P259-367-027	Attention: Robert Stovall	Margaret Cora Finklea Post Office Box 68
	Jame: B. Fullerton	Warner, Oklahoma 74469 P259-367-038
	Post Office Box 2368	
P259-367-028	Denver, Colorado 80201	Charles J. Finklea
		Post Office Box 1426 P259-367-039
	Clark & Oatman	Muskogee, Oklahoma 74402
	Post Office Box 1846	•
	Austin, Texas 78767	Frank M. & Dorothy E. Denman
P259-367-029	Attention: David Oatman	1824 Woodrow Avenue P259-367-040
		Wichita Falls, Texas 76308
	Hooper, Kimball and Williams, Inc.	
	Post Office Box 520970	Bruce F. & Stella Bristol
	Tulsa, Oklahoma 74152	4615 Gulf Freeway
P259-367-030	Attention: Greg D. Owens	Houston, Texas 77023 P259-367-041
	Ibex Partnership/P C, Ltd.	Katharine L. Pierce
	Post Office Box 911	Address Unknown
	Breckenridge, Texas 76024-0911	inat cop ominown
P259-367-031	Attertion: Ronald Holloway	Lance Brewster Reemstma P259-367-061
		4667 Ocean Boulevard, Apartment 306
	Reading & Bates Petroleum Co.	San Diego, California 92109
	3200 Mid-Continent Tower	bui bicgo, cultivinia belos
	Tulsa, Oklahoma 74103	Dirk Vanhorn Reemstma
P259-367-032	Attention: Eric Koelling	508 Le Mesa Avenue P259-367-062
		Leucadia, California 92024
	Duer Wagner, Jr.	(both Heirs of John A. Pierce)
	Post Office Drawer 980239	
P259-367-033	Fort Worth, Texas 76198	

Albert J. & Ruth Anne Blair

Tulsa, Oklahoma 74136 P259-367-043

6333 South Richmond

Interest Owners Hawkeye #1 Well Page Two

P259-367-044	Selma Williamson 7812 Ingram Drive, Apartment B Oklahoma City, Oklahoma 73132
P259-367-045	The Liberty National Bank & Trust Company of Oklahoma City Post Office Box 25848 Oklahoma City, Oklahoma 73125
P259-367-046	Georgia Fay Anderson 32: South Main Aztec, New Mexico 87410
P259-367-047	U. S. Royalties Corporation Post Office Box 789 Houston, Texas 77001
P259-367-048	Edgar A. & D. Evelyn Boring Post Office Box 435 Blanco, New Mexico 87412
P259 -367 -0 4 9	Jarice Eugenia Robertson Post Office Box 497 Peralta, New Mexico 87042
P259-367-050	Susan Elizabeth Schulze Post Office Box 3344 Harbor, Oregon 97415
P259-367-051	Lirda Muriel Adkins 7221 West 13th Street Kernewick, Washington 99337
P259- 367-052	Myra Loudene Jones 3915 South Aldon Tucson, Arizona 85706
P259-367-053	Melvin D. & Anne Rueckhaus 319 7th Street, N.W. Albuquerque, New Mexico 87102
P259-367-05 4	InterFirst Bank of Dallas, N.A. Post Office Box 83000 Dallas, Texas 75283
P259- 367 -055	Erin White Schaefer 5835 Stadium Street San Diego, California 92122
P259-367-056	Wayne L. & Flora Lee Hatley Post Office Box 73 Lindrith, New Mexico 87029

P259-367-063

First Interstate Bank of Farmington Heirs of John A. Pierce (David A. Pierce John B. Pierce, Susan Leigh Pierce Nelso P. O. Box 4140, Farmington, NM 87499

L. W. Wickes Agent Corporation c/o Hinkle, Cox, Eaton, Coffield and Hensley P259-367-058 Post Office Box 2068 Santa Fe, New Mexico 87504-2068 Attention: James Bruce

Cyprus Mines Corporation
Post Office Box 3299 P259-367-059
Englewood, Colorado 80155
Attention: Jerry Bensing

San Juan Gas Corporation 1200 Philtower Building Hand-delivered Tulsa, Oklahoma 74103 Attention: E. Alex Phillips

Northwest Pipeline Corporation
Post Office Box 8900 P259-367-060
Salt Lake City, Utah 84108-0900
Attention: Darrell Gillen

POOLING AGREEMENT

HAWKEYE #1 WELL

THIS AGREEMENT entered into as of June 24, 1986, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located by the pool rules and spacing orders of the New Mexico Oil Conservation Division; and

WHEFEAS, the parties hereto desire to unitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing pooled substances in accordance with the terms and conditions of this agreement, and subject to the pool rules and spacing orders of the New Mexico Oil Conservation Division;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "pooled area") are described as follows:

Township 25 North, Range 2 West, N.M.P.M. Section 23: E/2
Rio Arriba County, New Mexico

containing 320.00 acres, more or less, and this agreement shall include the Gavilan Mancos Formation and the Gavilan Greenhorn-Graneros-Dakota Formation underlying said lands and the crude oil and associated natural gas, hereinafter referred to as "pooled substances," producible from such Formations.

- 2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A" designating the operator of the pooled area and showing the acreage and ownership of oil and gas leases in all lands within the pooled area.
- 3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of that certain Operating Agreement dated June 24, 1986 which agreement is incorporated herein by reference.
- 4. The pooled area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all pooled substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.
- 5. The royalties payable on pooled substances allocated to the individual leases comprising the pooled area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement

shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

- 6. There shall be no obligation on the lessees to offset any well or wells completed in the same formations as covered by this agreement on separate component tracts into which the pooled area is now or may hereafter be divided, nor shall any lessee be required to measure separately pooled substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said pooled area from drainage of pooled substances by a well or wells which may be drilled offsetting said area.
- 7. The commencement, completion, continued operation or production of a well or wells for pooled substances on the pooled area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said pooled area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
- 8. Production of pooled substances and disposal thereof shall be in conformity with allocation, allotments, and cuotas made or fixed by any duly authorized person or regulatory body under applicable state statutes. This agreement shall be subject to all applicable state laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.
- 9. This agreement is effective June 24, 1986 upon execution by the necessary parties, notwithstanding the date of execution, and shall remain in force and effect as to the Gavilan-Mancos Formation and the Gavilan Greenhorn-Graneros-Dakota Formation individually for so long as pooled substances are, or can be, produced in paying quantities from the pooled formation or formations: Provided, that prior to production in paying quantities from the pooled area with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the pooled area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.
- 10. The covenants herein shall be construed to be covenants running with the land with respect to the pooled interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and is hereby conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest.
- 11. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

Signature Page to Pooling Agreement dated June 24, 1986, covering the E/2, Section 23-25N-2W, Rio Arriba Co., New Mexico - HAWKEYE #1 WELL

12. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR:	
MESA GRANDE RESOURCES, INC. By: Mully Mully Gregory R. Fhillips Vice President	By: Old Assistant Secretary.
NON-OPERATORS:	7,7,7,0
MESA GRANDE, LTD.	ATTEST:
By: L. Sweet, Attorney-in-Fact	Ву:
ARRIBA COMPANY, LTD.	ATTEST:
By: G. L. Morris, General Partner	Ву:
DUGAN PRODUCTION CORP.	ATTEST:
Ву:	Ву:
JAMES B. FULLERTON	SPOUSE
CLARK & CATMAN	ATTEST:
Ву:	Ву:
HOOPER, FIMBALL AND WILLIAMS, INC.	ATTEST:
Ву:	Ву:
IBEX PARINERSHIP	ATTEST:
By:	Ву:
P C, LTD.	ATTEST:
By:	Ву:
READING & BATES PETROLEUM CO.	ATTEST:
Bu.	Rv:

Signature Page to Pooling Agreement dated June 24, 1986, covering the E/2, Section 23-25N-2W, Rio Arriba Co., New Mexico - HAWKEYE #1 WELL

DUER WAGNER, JR.	SPOUSE
DUER WAGNER III	SPOUSE
RALPH GILLILAND	SPOUSE
MOUNTAIN STATES NATURAL GAS CORP.	ATTEST:
Ву:	Ву:
ROYALTY CWNERS:	
WILLIAM G. HATLEY, Joint Tenant	DOROTHY D. HATLEY, Joint Tenant
MARGARET CORA FINKLEA, Separate Property	
CHARLES J. FINKLEA, Trustee of the Charles J. Finklea Trust dated June 25, 1984	
FRANK M. DENMAN, JR.	DOROTHY E. DENMAN
BRUCE F. BRISTOL	STELLA BRISTOL
KATHARINE L. PIERCE, a widow	
LANCE BREWSTER REEMSTMA, Separate l'roperty	
DIRK VANHORN REEMSTMA, Separate Property	
FIRST INTERSTATE BANK OF FARMINGTON Trustee for David A. Pierce, John B. Pierce and Susan Leigh Pierce Nelson (Heirs of John A. Pierce)	ATTEST:
Ву:	Ву:
ALBERT J. BLAIR, JR.	RUTH ANNE BLAIR
SELMA WILLIAMSON, a widow	
THE LIBERTY NATIONAL BANK & TRUST COMPANY OF OKLAHOMA CITY, Trustee	ATTEST:
of the Selma Williamson Trust	Вуз

Signature Page to Pooling Agreement dated June 24, 1986, covering the E/2, Section 23-25N-2W, Rio Arriba Co., New Mexico - HAWKEYE #1 WELL

GEORGIA FRY ANDERSON, Separate Property	
U.S. ROYALTIES CORPORATION	ATTEST:
Ву:	Ву:
EDGAR A. FORING, SR., Trustee under Trust Agreement dated March 20, 1985	D. EVELYN BORING, Trustee under Trust Agreement dated March 20, 1985
JANICE EUGENIA ROBERTSON, Separate Property	SUSAN ELIZABETH SCHULZE, Separate Property
LINDA MURIEL ADKINS, Separate Property	MYRA LOUDENE JONES, Separate Property
MELVIN D. RUECKHAUS	ANNE RUECKHAUS
INTERFIRST BANK DALLAS, N.A. Trustee of the Sabine Royalty Trust	ATTEST:
Ву:	-1.
ERIN WHITE SCHAEFER, Separate Froperty	
WAYNE L. FATLEY, Joint Tenant	FLORA LEE HATLEY, Joint Tenant
OVERRIDING ROYALTY INTEREST:	
L. W. WICKES AGENT CORPORATION	ATTEST:
Ву:	Ву:
CYPRUS MINES CORPORATION	ATTEST:
Ву:	Ву:
SAN JUAN GAS CORPORATION	ATTEST:
By: E. ALEX PHILLIPS, President	Ву:
NORTHWEST PIPELINE CORPORATION	ATTEST:
By:	

New Mex..co - HAWKEYE #1 WELL HEIRS, LEVISEES OR SUCCESSORS IN INTEREST OF M. M. WILLIAMSON, who may include Selma J. Williamson, his widcw ACKNOWLEDGMENTS INDIVIDUAL STATE OF SS. COUNTY OF _ The foregoing instrument was acknowledged before me this day of _____, 1986, by ____ his/her Separate Property. My Commission Expires: Notary Public HUSBAND & WIFE STATE OF ____ COUNTY OF The foregoing instrument was acknowledged before me this _ day of _____, 1986, by , Husband and Wife. My Commission Expires: Notary Public CORPORATION STATE OF Oklahoma SS. COUNTY OF Tulsa The foregoing instrument was acknowledged before me this 26th day of ______, 1986, by Gregory R. Phillips ____, Vice President of Mesa Grande Resources, Inc. , a(n) Oklahoma corporation, on behalf of the corporation. My Commission Expires: B. 4-Notary Public PUBL C SIN ARD FOR S (ASA)

Signature Page to Pooling Agreement dated June 24, 1986, covering the E/2, Section 23-25N-2W, Rio Arriba Co.,

EXHIBIT "A"

Attached to and made a part of that certain Pooling Agreement dated June 24, 1986 covering the E/2 of Section 23, T25N-R2W, Rio Arriba County, New Mexico, as to the crude oil and associated natural gas produced from the Gavilan Mancos Formation and the Gavilan Greenhorn-Graneros-Dakota Formation.

Lessor	Lease Date	Lessee or Owner of Record		Description	Gross/Net Acres
E. W. Hatley, et ux	6/30/47	Mesa Grande, Ltd. Arriba Company, Ltd. Dugan Production Corp.	71.25% 3.75% 25.00%	T25N-R2W Sec. 23: NE%	160.00/160.00
E. W. Hatley, et ux	6/30/47	Reading & Bates Petroleum Co. Hooper, Kimball and Williams P C, Ltd. Ibex Partnership Clark & Oatman	33.333% 33.3333% 15.6087% 15.6087% 2.1160%	Sec. 23: NE% SE%	40.00/40.00
E. W. Hatley, et ux	6/30/47	Mountain States Natural Gas Corp. Ralph Gilliland Duer Wagner, Jr. Duer Wagner III	. 50.0000% 25.0000% 23.2500% 1.7500%	T25N-R2W Sec. 23: SE% SE%	40.00/40.00
Bruce Bristol, et ux	10/10/56	Mesa Grande, Ltd. Arriba Company, Ltd.	95.0000% 5.0000%	T25N-R2W Sec. 23: Why SEh	80.00/7.50
John A. Pierce, et ux	10/10/56	Mesa Grande, Ltd. Arriba Company, Ltd.	95.0000% 5.0000%	T25N-R2W Sec. 23: Why SEh	80.00/3.75
John Anderson, et ux	10/10/56	Mesa Grande, Ltd. Arriba Company, Ltd.	95.0000% 5.0000%	<u>T25N-R2W</u> Sec. 23: Why SEh	80.00/7.50
Charles J. Finhlea, et ux	10/10/56	Mesa Grande, Lid. Arriba Company, Ltd.	95.0000*	Sec. 23: Why SEN	80.00/3.75
Frank M. Denman, Jr.	10/26/56	Mesa Grande, Ltd. Arriba Company, Ltd.	95:0000% 5:0000%	T25N-R2W Sec. 23: Why SEh	80.00/7.50

Lessor Lease Date	Gus Anison, et ux 12/13/56 Mes. Arr	M. M. Williamson, 2/6/57 Mese et ux Arr	U. S. Royalties 7/1/85 James Corporation	Edgar A. Boring, Sr., 3/20/85 James et ux	Susan Elizabeth 8/1/85 James Schulze	Linda Muriel Adkins, 2/28/86 Mesa et vir	Wayne L. Hatley, 5/12/83 Mesa	J. W. Jones, et ux 8/1/85 Jame	Melvin D. Rueckhaus, 8/1/85 James et ux	Sabine Royalty Trust 4/1/86 James	Erin White Schaefer 7/3/85 James	
Lessee or Owner of Record	Mesa Grande, Ltd. Arriba Company, Ltd.	Mesa Grande, Ltd. Arriba Company, Ltd.	es B. Fullerton	es B. Fullerton	es B. Fullerton	Mesa Grande Resources, Inc.	Mesa Grande Resources, Inc.	James B. Fullerton	es B. Fullerton	es B. Fullerton	ss B. Fullerton	James B. Fullerton
	95.0000% 5.0000%	95.0000% 5.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
Description	T25N-R2W Sec. 23: Wh SEh	T25N-R2W Sec. 23: W' SE'	T25N-R2W Sec. 23: Wh SEh	T25N-R2W Sec. 23: Wh SEH	T25N-R2W Sec. 23: Wh SEh	T25N-R2W Sec. 23: Wh SEW	T25N-R2W Sec. 23: Why SEN	T25N-R2W Sec. 23: Why SEN	T25N-R2W Sec. 23: Why SEh	T25N-R2W Sec. 23: Why SEk	T25N-R2W Sec. 23: Why SEk	
Gross/Net Acres	80.00/3.75	80.00/6.25	80.00/1.333	80.00/1.333	80.00/1.333	80.00/1.333	80.00/20.00	80.00/1.334	80.00/2.00	80.00/8.00	80.00/2.00	80 00/1 33/

MESA GRANDE RESOURCES, INC.

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

June 16, 1986

To All Working Interest Owners (See Attached List)

Re: Hawkeye #1 Well

Township 25 North, Range 2 West

Section 23: East Half

Rio Arriba County, New Mexico

Gentlemen:

Mesa Grande Resources, Inc. proposes the drilling of a Gallup-Dakota well to be located in the NE/4 SE/4 of Section 23, Township 25 North, Range 2 West, with the E/2 of the section designated as the 320 acredilling 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 Hawkeye #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 3% overriding royalty convertible to a proportionate 30% working interest in the assigned acreage after payout.

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

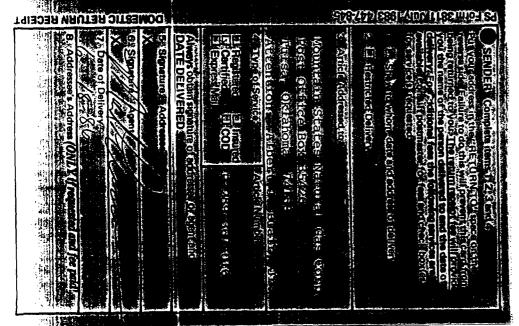
Very truly yours,

Kachy Michael

Kathy Michael Landman

KM:dw Enclosures

Certified Mail to Mountain States (P259-367-016)



P 259 367 016 RECEIPT FOR CERTIFIED MAIL

NO INSURANCI DO JERACE PROJECTO NOT FOR PYTERNATIONAL MAIL

·See Reverse Mountain States Natural Gas Street and No P. O. Box 35426 PIOI, State and ZiP Code Culsa, Oklahoma Seriford Fina Boed a Deliza No Ferr Restricted Delivery Fire Return Receipt showing a whom and Date Deli-.70 Return Receip TOTAL 3800, ⊃ostma Haws we #1 Well AFE Sec. 23-25N-2W

HAWKEYE #1 WELL E/2, Section 23-25N-2W Rio Arriba County, New Mexico

WORKING INTEREST OWNERS

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

Dugan Production Corp.
Post Office Box 208
Farmington, New Mexico 87499
Attention: Robert Stovall

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

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

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

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

Mountain States Natural Gas Corp. Post Office Box 35426 Tulsa, Oklahoma 74153 Attention: Albert J. Blair, Jr. Arriba Company, Ltd.
Post Office Box 35304
Tulsa, Oklahoma 74153
Attention: G. L. Morris

James B. Fullerton
Post Office Box 2368
Denver, Colorado 80201

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

P C, Ltd.
Post Office Box 9.1
Breckenridge, Texas 76024-0911
Attention: Ronald A. Holloway

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

Ralph Gilliland 7420 Caruth Dallas, Texas 75225

FOIL AND GAS MINING LEASE

THIS AIRI "MENT, entered into this the JO the day of June	
between Ernost W listley and Sallie Hatley, his wife bereinster called lessor,	•
	٠٠, نچ . :
and hereinafter called lessee, does witness:	i,
1. That least r, for and in consideration of the sum of Righty and 00,00 Dollars (\$ 80.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted	
and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and	M
lines and other structures, thereon to produce, save, take care of and manufacture all of such substances, and for housing and	- il
boarding employees, the fullowing described tract of land in this County of Rio Arriba and	1
State of New Mexico County, to-wit;	
The East Half (E) of	
	* 1
in Section 23 Township 25 11 Range 2 W and containing 320 acres, more or less?	
2 This lesse shall remain in force for a term of ten (10) years and as long thereafter as oiligas, casinghead gas, cas, cas, cas, cas, cas, cas, cas, c	1
3. The lessee shall deliver to the credit of the lesser at royalty, free of cost, in the pipe line to which lessee may consect its wells the equal one-eighth part of all oil produced and saved from the lessed premises, or at the lessee's option, may	
pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is rea isto the pipe line, or into storage tanks.	
4. The lessee shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay Fifty (\$50.00) Dollars per annum as royalty from each such	1
well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any well on the leased premises for stoves and inside lights in the principal	i
dwelling bouse on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lesses shall may to lessor for manufacture of	
gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof.	
E. It operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this last, this lesse shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or	1
tensor to the lessor or for the lessor's credit in the Albuquarqua Rat! I Trust and Savings Bank at	
Albuquerque, New Mexico	
lessale's agent and shall continue as the depository of any and all sums payable under this lesse, regardless of changes of	
ownership in sa d land or in the oil and gas, or in the reptals to accrue theregoder, the sum of	
Eighty and co/co Dollars (\$.80,00) which shall	
operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like.	
periods successively. All payments or benders may be made by check or draft of lesses or any assignee thereof, malled or death of the lesses, or his successors in interest, the payment in	X
tender of rentals in the manner provided above shall be hinding on the heirs, devisees, executors and administrators at reach	
to Liberary stars prior to the discovery of all or yes so this lead and during the term of this fease, the leave shall not terminate, provided operations for the drilling of a well-likell be communed by the next carries purpose paying date, or provided the leaves begins or recurses the payment of regular in the manner and emount herein above provided (and it will	
evand the proceding paragraphic hereof governing the payment of typolog and the mining and office thereof shall continue in (ores), and the payment of the p	*
The leaser shall have the right to use, free of own, gain writer found do sold find for its operations thereon, except higher than the right to use, free of own, gain and writer found do sold find for its operations thereon, except higher than the right of leaser. When manipul by leaser the leaser that had been allowed the leaser the leaser than th	
The leases shall have the right to use, free of our, god, all and water found do said had for its operations thereon, graspy, wifer than the walls of leases. When manage analytic header, the header shall bury gipt then helder play depth and shall pay for farming cause on said land. He wall had be delibed oneser than 20 feet to the bases or harp now on said premises without written qualified of the lease to remove all machinery, figures a land to the lease to remove all machinery, figures a land by the property of the lease to remove all machinery, figures a land by the payer of the lease to remove all machinery, figures a land to the lease to remove all machinery. Including the right to drow and remove all cashage.	
ft. If the estate of other party hereto is assigned (and the privilege of accipating in while are in party is party hereto is assigned (and the privilege of accipating in white are is a special to the later, amounters, administratory assessment and accipating to the property in the land or the later of the privilege of the party	1
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which the labest pressions shall beredite be evered in according or in applicate senter, the pressions, about the local shall be divided around the sentence of all synthese according because the best of a suffering and all the divided around the sentence of the sentence	4
operated as one issue and all separates assuming heromorphy than the treated as an entrary and all the divided among and paid inclinational owners in the properties that the servery server in the entry and all the interpretations are the servery of the lesses to effect under a respect to the interpretation that the servery owned by each social negative described hand overead by the entry hand acreage. There shall be sufficient in the part of the lesses to effect under an experient meets into public the label overead by the last owner and be recalled by the distinction of electronic and the separate measuring or receiving trains. It is into the entry of the entry this lesse shall be analyzed in the special and the shall be analyzed in the servery of the lesses of the lesses of the entry o	
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part to be formed of the above described lands, and the holes of owner of for point part we part wheel full or make distant in the Modeling of the projections of the print due from him or them, such definite half had operate or definit or affect this lease in so far he district this past or grant and had upon which the said began or any managers helded had been partied and repreted in any single of held with the said began or any withhird payments thereof said repreted distribution in the parties designate, in the parties on titled to remain a common agent to receive all payments due herounder, and to execute division in the former we behalf of said printed, and their vegacities properties in title. At 11. Leaser hereby warrants and agrees to defend title to the land herein described and agrees that the leaser at its outless, may like and	â
discharge any faces, mortgages, or other liens existing, levied, or assessed against the above described lands, and it exent it ascribed by event it ascribed by event it ascribed by the cights of any holder or assessed against the above described lands, and in event it ascribed buch option, it shall be subregated to the cights of any holder or holders thereof and may reimburge itself by applying bushe discharge of the subregated to the cights of any holder the subregated by applying bushe discharge of the subregated by applying bushe discharge of the subregated by a subregated by a subregated by the subregated by the subregated by a subregated by the s	í.
	4.
it. Notwith mading anything in this lease contained to the contrary, it is expressly agreed that if leaves shall confidence drilling operations at day ignor while this letter is in free, this lease shall bear shall be and its term shall continue so long as such opticious are prescribed and the production of the lease of the production of the lease of the	17
if he production recents therefore, they as 'manyle production and the leased possible shall sense from any cates, the brand shall not terminally expected operations for the first shall be presented by the party of the production of the productions for the productions for the productions of the product of	4
instance the transmission of the primary and submer has controlled the primary that appreciate of the primary term of this least that the primary term of this least that the primary term of the primary term of this least that the primary term of	
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IN WITH ESS WHEREOF, we sign the day and year first above writing.	
WITNESS: Smut 1 4 tlan	*
Clock to the	
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