

WORKING INTEREST OWNERSHIP
CANADA OJITOS UNIT F-19
SECTION 19, TOWNSHIP 25 NORTH, RANGE 1 WEST
RIO ARriba COUNTY, NEW MEXICO

Section 19 total 641.64 acres

Mountain States 1/2 of 120 acres = 60 acres = 9.351%

Canada Ojitos Unit Committed Working Interests: 90.649%

SCHULTZ ABSTRACT CO - INC.

Joe B. Schutz
President

Specializing in Rendering Federal, State, and Indian Abstracts of Title
Take-Offs, Oil and Gas Reports

Brent Schutz
Doug Schutz

P.O. BOX 973

PHONE 505/982-0130

SANTA FE, NEW MEXICO 87501

March 6, 1984

Mr. Al Greer
Benson-Montin-Greer Drilling Corp.
221 Petroleum Center Building
Farmington, New Mexico 87401

NM-03808
1075-8Q

Dear Mr. Greer;

The records at the Bureau of Land Management reflect the following information that you had requested:

NM-03995 (out of SF-081345)

Lessee: A. G. Hill, 700 Mercantile Building, Dallas, Texas.

Operating Rights: All formations except the Pictured Cliffs: Lessee has all.

Pictured Cliffs Formation: Northwest Pipeline Corp.

Overriding Royalty:

Annie M. White .199997% of 7/8ths
1839 E. 16th Place
Tulsa, Ok.

H. E. Milliken .70% of 8/3ths
355 N. West St.
Waynesburg, Pa.

Charles Lovejoy .17391% of 7/8ths
No address available

Joe Houston 3/40ths of .17391% of 7/8
200 Drew Bldg.
Tulsa, Ok.

John Martin 1/20 of .17391 of 7/8ths
200 Drew Bldg.
Tulsa, Ok.

Gerald Klein 3/40 of .17391% of 7/8
200 Drew Bldg.
Tulsa, Ok.

John Cartmill 3/20 of .17391% of 7/8
2807 E. 27th Pl.
Tulsa, Ok.

E. L. Combest 3/20 of .17391% of 7/8
1016 Biltimore Ave.
Kansas City, Mo.

Ethel Land 3/20 of .17391% of 7/8
5600 Missouri Dr.
Kansas City, Mo.

Milton Oil Corp. .42752 of 7/8
111 Devonshire St.
Boston, Ma.

Eugene Connor .71739% of 7/8ths

NM-01477

Lessees:	Reading and Bates Petroleum Corp.	1/3
	Hooper, Kimball & Williams, Inc.	1/3
	Ibex Partnership	31.21746
	Testamentary Trust under Will of	
	Warren Clark, Mabel Reed, Trustee	2.05074% of 5/24 (0.42724%)
	Carolyn Clark Oatman	4.19921% of 5/24 (0.81380%)
	Warren Clark Trust, Mabel Reed	
	Trustee	0.81380% (3.90625% of 5/24)

Operating Rights: Lessees have all rights covering: Sec. 7: N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$;
Sec. 18: SE $\frac{1}{4}$; Sec. 19: S $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$.

Covering Sec. 19: Lots 1,2 - Lessees have all rights
except the Picture Cliffs Formation.

Picture Cliffs Formation only: Northwest Pipeline Corp.

Overriding Royalty: None of record.

NM-03747

Lessees: Mountain States Natural Gas Corp. 1/2
Ruth G. Hardmen, Box 2708, San Antonio, Texas 1/4
Ralph Gilliland, Box 2708, San Antonio, Texas 1/4

Operating Rights: Covering Sec. 20: SW $\frac{1}{4}$ NE $\frac{1}{4}$ and Sec. 29: NE $\frac{1}{4}$ SE $\frac{1}{4}$: Surface to
Picture Cliffs Formation: El Paso Natural Gas Co.

Below Picture Cliffs Formation: Lessees have all.

Covering Sec. 30: W $\frac{1}{2}$ SE $\frac{1}{4}$ - Surface to top of Picture
Cliffs Formation: El Paso Natural Gas Co.

Below Picture Cliffs Formation: Lessees have all.

Picture Cliff Formation only: Northwest Pipeline Corp.

NOTE: Un-approved assignment of record title from
Ruth G. Hardman to Kistler Investment Company,
New York, New York, covering 25% record title held
by Ruth G. Hardman.

Overriding Royalty: None of record.

NM-03808

Lessees: Mountain States Natural Gas Corp. 50%

tract
11

NM-03808 continued -

Leesees continued:

Kistler Investment Company, 10 E. 53rd St, N.Y., N.Y. 25%
Ralph Gilliland 25%

Operating Rights: Surface to Base of Picture Cliff formation - covering Sec. 7: SW $\frac{1}{4}$ SE $\frac{1}{4}$ and Sec. 19: NW $\frac{1}{4}$ SE $\frac{1}{4}$ - El Paso Natural Gas Company. Below Picture Cliff formation: Lessees have all.

Surface to top of Picture Cliff formation covering Sec. 19: E $\frac{1}{2}$ NW $\frac{1}{4}$ - El Paso Natural Gas Company has all.
Picture Cliffs only - Northwest Pipeline Company has all.

Below the Picture Cliff Formation covering the E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 19 - Lessees have all.

Overriding Royalty: None of record.

NM-13372

Lease expired on July 31, 1981. Lands are now available when posted for the simultaneous drawing.

NM-23024

Lessee: Dugan Producing Company, P. O. Box 234, Farmington, N.M.

Operating Rights: Lessee has all.

Overriding Royalty: None of record.

NM-23220

Lessee: M.J. Harvey, Jr., Box 8060, Dallas, Texas

Operating Rights: Lessee has all rights.

Overriding Royalty: None of record.

BENSON-MONTIN-GREER DRILLING CORP.

221 PETROLEUM CENTER BUILDING, FARMINGTON, NM. 87401 505-325-8874

October 23, 1986

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mountain States Natural Gas Corporation
P.O. Box 35426
Tulsa, OK 74135

Attention: Mr. Albert J. Blair, President

Re: CANADA OJITOS UNIT
RIO ARRIBA COUNTY, NEW MEXICO:
COMPULSORY POOLING OF INTERESTS
FOR DRILLING A WELL IN SECTION 19,
TOWNSHIP 25 NORTH, RANGE 1 WEST

Gentlemen:

Benson-Montin-Greer Drilling Corp. proposes the drilling of a well in Section 19, Township 25 North, Range 1 West projected to the Mancos formation. The 640 acre proration unit under this well lies within the Canada Ojitos Unit which is within the West Puerto Chiquito Mancos oil pool.

All interests under the well have been unitized except those of Mountain States. We understand Mountain States owns a 50% working interest under the E/2 NW/4 and the NW/4 SE/4 of this section.

The proposed location is 1340' from the north line and 1903' from the west line of Section 19.

As discussed with your representative, Mark Pearson, we understand that you are considering commitment of your interest to the unit agreements; however to date we have received no confirmation from you in this respect.

We can delay no longer in making plans for the drilling of this well so we are asking for a compulsory pooling of the interests so that we may proceed. For your information we are sending you an AFE covering costs of the well and road improvement project which includes this well. Your share of the cost of this well and road improvements is 9.351%.

BENSON-MONTIN-GREER DRILLING CORP.

Mountain States Natural Gas Corporation
Attention: Mr. Albert J. Blair

Page No. 2
October 23, 1986

We anticipate that the Department of the Interior will take the same position on this well as it did with respect to unit well B-29 in that if it is a producer you will be required to commit your interests to the unit agreements.

Again we call your attention to the fact that we think your income tax burdens can be minimized by following the proper procedures in committing your interests to the unit agreements, and as before I request that you phone me, or in the alternative, respond to my calls.

Yours truly,

BENSON-MONTIN-GREER DRILLING CORP.

BY:


Albert R. Greer, President

ARG/tlp

Enclosures

P 017 191 283

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1984-448-014
PS Form 3800, Feb. 1982

Sent to Mountain States Nat. Gas	
Street and No. P.O. Box 35426	
P.O., State and ZIP Code Tulsa, OK 74135	
Postage	\$.22
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.70
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.67
Postmark or Date 10/23/86	

CERTIFIED

P 017 191 283

MAIL

BENSON-MONTIN-GREER DRILLING CORP.

AUTHORITY FOR EXPENDITURE

AFE #2458

DATE September 10, 1986

Prospect Canada Ojitos Unit Well Canada Ojitos Unit #34 (F-19)

Section 19 Township 25N Range 1W County Rio Arriba State New Mexico

Producing Formation or Formations Niobrara Projected Depth 8100'

INTANGIBLE COSTS

Surveying: Road and Location	\$ 1,500
Surveying: Archaeological	1,000
Roads and Location - Construction & Land Damages	8,500
Drilling: Type of Bid (Turnkey)	160,000
Day Work - Completion Rig - Day Work 20 days @ \$1,500/day	25,000
Transportation and Hauling Other Than Rig	7,500
Mud and Water - Included in Turnkey	
Equip. Rentals	2,500
Bits - Included in Turnkey	
Logging	10,000
Cement and Cementing	22,000
Cementing Equipment - Including Stage Collars	6,500
Perforating, Acidizing and Fracing	125,000
Engineering & Supervision	7,500
Labor	7,500
Overhead	3,500
Contingencies	25,000
TOTAL INTANGIBLE COSTS	\$ 413,000

TANGIBLE COSTS

<u>Well Equipment</u>	
Casing and Tubing:	
500' 9-5/8" K-55 36#	\$ 6,500
8250' 5-1/2" N-80 17#	69,000
8050' 2-7/8" EUE tubing, internally plastic coated	41,000
Gas Lift Subsurface Equipment	1,000
Wellhead and Equipment - Tubinghead, Valves, etc.	10,000
Well Flow Lines	2,500
Noncontrollable Well Equipment	1,500
Installation Costs	3,000
<u>Lease Equipment</u>	
Tank Battery - Single Tank (Surge Tank with Heater)	8,500
Separators and Heaters (Including Part of Gas Lift Equipment)	45,000
Measuring & Monitoring Equipment	2,500
Other Controllable Equipment	5,000
Noncontrollable Equipment	2,500
Installation Costs	6,000
Contingencies	5,000
TOTAL TANGIBLE COSTS	\$ 209,000
TOTAL DRILLING, COMPLETION AND EQUIPMENT COSTS	\$ 622,000

Approved: _____

Date: _____

BENSON-MONTIN-GREER DRILLING CORP.

AUTHORITY FOR EXPENDITURE

AFE #2465 - R

DATE September 10, 1986

Prospect Canada Ojitos Unit Well See Below

Section Various Township 25N & 26N Range 1W County Rio Arriba State New Mexico

Producing Formation or Formations _____ Projected Depth _____

Work Program Simon Canyon Road Improvement Project (allocated to 5 wells)

COU #29 (E-6), #31 (N-31), #32 (J-6), #33 (F-18), #34 (F-19)

Constructing road bed to grade, watering and compacting suitable for gravel	\$	15,000
Surface course gravel 3/4" minus:		
4,000 yds. (3.6 miles 16' wide 4" deep) @\$3.50/yd.		14,000
Hauling 7,000 yds. @\$4.50/yd.		18,000
Spreading on roadway, watering, mixing, rolling, packing, etc.		6,000
Miscellaneous including additional culverts, cattleguards and installation, etc.		5,000
Estimated equipment time, gravel hauling and working on road:		
Maintainer 120 hours @\$25.00/hr.		3,000
Tractor and roller 120 hours @\$20.00/hr.		2,400
Water truck 120 hours @\$30.00/hr.		3,600
Labor and Supervision		<u>5,500</u>
TOTAL COST	\$	72,500

Approved:

Date:

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1,517.00
 Producing Well Rate \$ 273.00
 Compressor Operating Rate \$273.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(6) An observation well shall be considered an active well.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

CANADA OJITOS UNIT

OVERHEAD RATES EFFECTIVE 4-1-86

	<u>1980</u> <u>Rates</u> (\$/Month)	<u>1986 Rate</u> <u>Effective</u> <u>4-1-86</u> (\$/Month)
Drilling well	1517	2360
Producing well	273	424.48

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-103
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

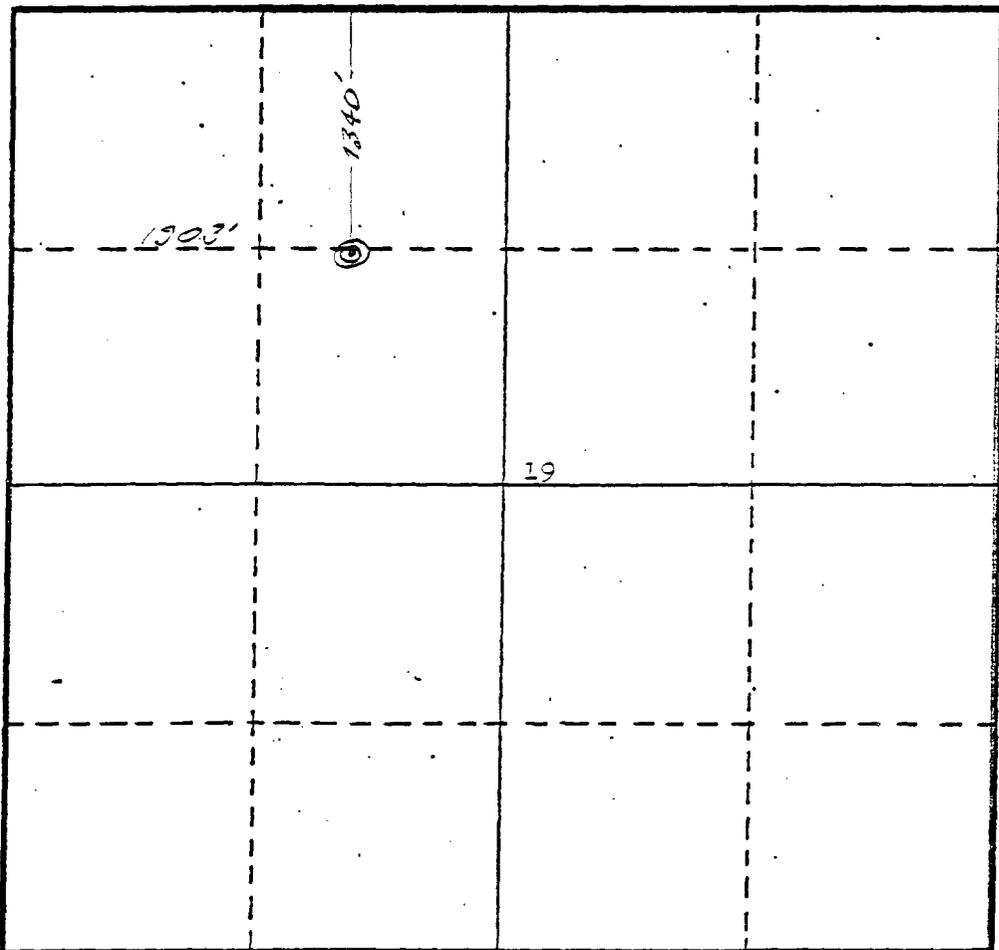
Operator BENSON MONTIN GREER DRILLING CORP.		Lease Canada Ojitos Unit			Well No. #34 (7-19)
Unit Letter K F	Section 19	Township 25 NORTH	Range 1 WEST	County RIO ARriba	
Actual Postage Location of Well: 1340 feet from the NORTH line and 1903 feet from the WEST line					
Ground Level Elev. 7652	Producing Formation Niobrara		Pool West Puerto Chiquito Mancos	Dedicated Acreage 640 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Virgil L. Stoabs

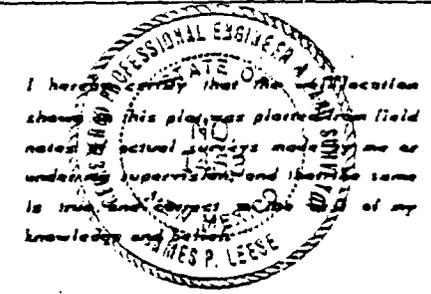
Name
Virgil L. Stoabs

Position
Vice President

Company
Benson-Montin-Greer Drilling Corp.

Date
09/29/86

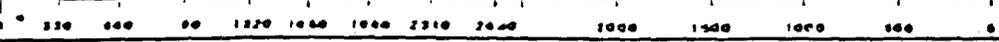
I hereby certify that the location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

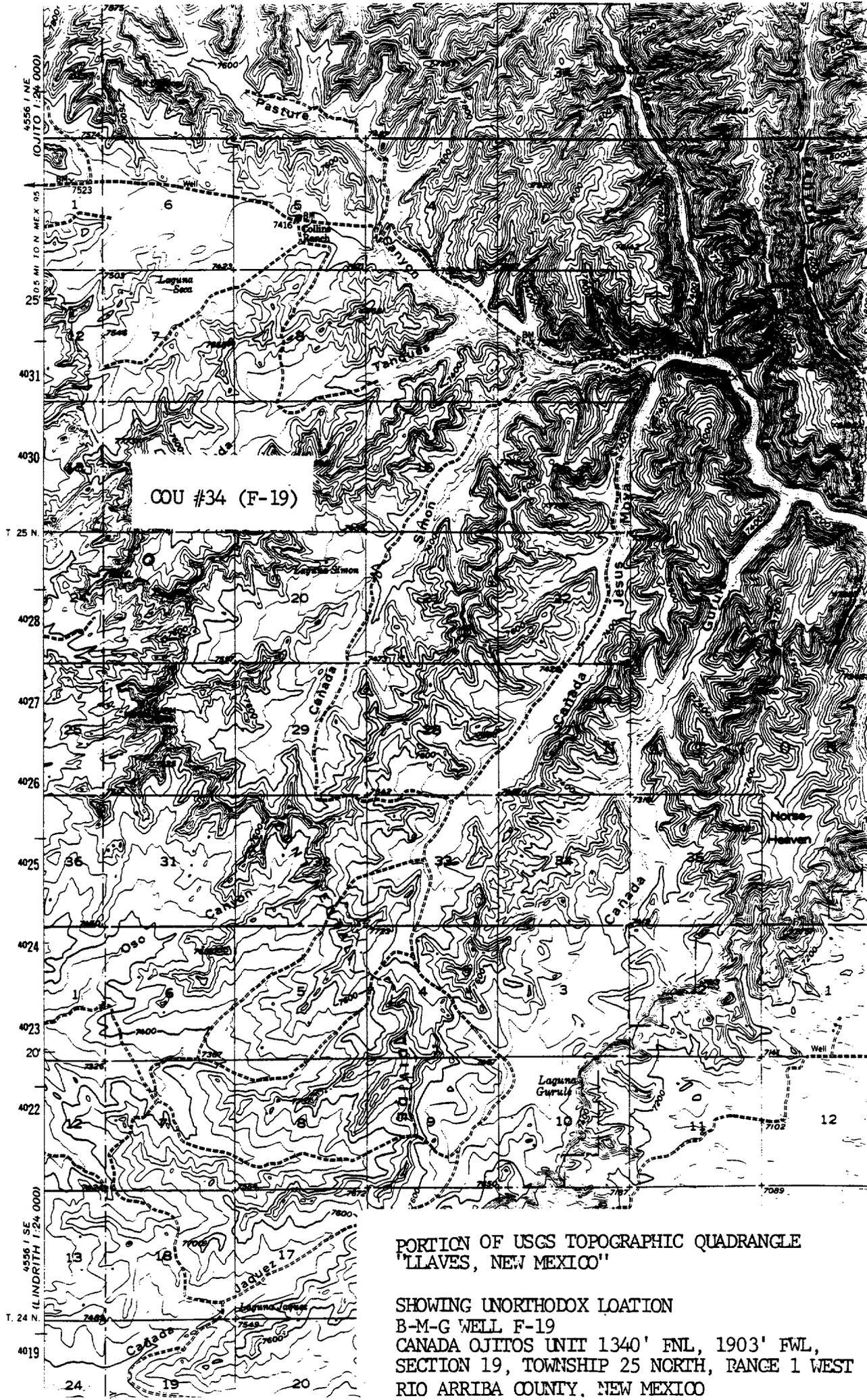


Date Surveyed
26 Sept. 1986

Registered Professional Engineer and/or Land Surveyor
James P. Lesse
James P. Lesse

Certificate No.
1463





COU #34 (F-19)

PORTION OF USGS TOPOGRAPHIC QUADRANGLE
"LLAVES, NEW MEXICO"

SHOWING UNORTHODOX LOCATION
B-M-G WELL F-19
CANADA OJITOS UNIT 1340' FNL, 1903' FWL,
SECTION 19, TOWNSHIP 25 NORTH, RANGE 1 WEST
RIO ARRIBA COUNTY, NEW MEXICO