

JAMES J. RUBOW  
1645 Court Place #324  
Denver, Colorado 80202  
303-572-3351

RECEIVED APR 12 1994

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
P.O. Box 2088  
Santa Fe, NM 87501

April 11, 1994

RE: NMOCD Cases 10956 & 10957  
Miller 32-6-11 #1 Well & Carnes 32-6-11 Well  
San Juan and Rio Arriba Counties,  
New Mexico

STATE ENGINEER  
Oil Conservation Division  
Consol Exhibit No. 12  
Case No. 10955-56-57

Dear Mr. Stogner:

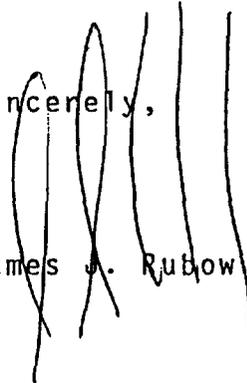
Reference is made to my FAX and letter to you dated April 8, 1994, wherein I requested an extension of time for the above headed cases.

On Friday afternoon, April 8, 1994, after my FAX to you, I received a telephone call from the Colorado Oil and Gas Commission concerning a case being held before them. This case had been on the Docket for hearing on April 18, 1994, however because there were no protests received, they plan to hold an administrative hearing on April 14, at 2:15 P.M. to consider the matter.

Due to this obvious scheduling conflict, I ask that you consider this, in addition to the reasons previously given, when deciding whether or not to grant a later date for the hearings before you.

Thank you for your consideration of this letter.

Sincerely,

  
James J. Rubow

CC: Philip G. Wood  
W. Thomas Kellahin  
Edmund T. Anderson IV

JAMES J. RUBOW  
1645 Court Place #324  
Denver, Colorado 80202  
303-572-3351

RECEIVED APR 11 1994

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
P.O. Box 2088  
Santa Fe, NM 87501

April 8, 1994

Re: Application of Consolidated Oil & Gas, Inc.  
for Compulsory Pooling  
NMOCD Cases 10956 & 10957  
Miller 32-6-11 #1 Well & Carnes 32-6-11 Well  
San Juan and Rio Arriba Counties, New Mexico

Dear Mr. Stogner:

Request is hereby made for a continuation of the above headed hearings until at least April 28, 1994. It is currently on the docket for April 14, 1994.

I did not receive a notice of this hearing until April 4, 1994 and due to confusion was not clear as to when this matter was actually scheduled until April 6, 1994.

There appear to be numerous legal issues associated with this matter in addition to the normal Oil and Gas Commission issues of waste, correlative rights, etc. At least one lawsuit has already been filed relative to this case by Edmund T. Anderson, IV. The facts of Mr. Anderson's case are almost identical to my own.

I am contemplating the filing of a lawsuit in the State of Colorado relative to this case.

The short notice period has not allowed me sufficient time to consider the situation fully and prepare an adequate response. By granting me an extension, at least until the April 28th date, you will be assured of fairness to all parties.

I have verbally notified Tom Kellahin, attorney for the applicant as well as Philip Wood, landman for applicant of my request for a continuance.

Thank you for your consideration of my request.

Sincerely,

James J. Rubow

CC: Philip G. Wood  
W. Thomas Kellahin  
Edmund T. Anderson IV

MINERAL DEED

RECEIVED APR 11 1994

KNOW ALL MEN BY THESE PRESENTS THAT Buddy W. Baker of P.O. Box 9190, Denver, CO 80209 hereinafter called Grantor, (whether one or more) for and in consideration of the sum of TEN AND MORE Dollars (\$10.00) cash in hand paid and other good and valuable considerations, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto James J. Rubow 1645 Court Place #324, Denver, CO 80202 hereinafter called Grantee (whether one or more) 100% of Grantor's right, title and interest in and to all of the oil, gas and all other minerals in and under and that may be produced from the following described lands in Rio Arriba County, State of New Mexico, to wit:

TOWNSHIP 32 NORTH, RANGE 6 WEST  
Section 11: N1/2E1, and a 3 acre tract of land located in the SE1/4SW1/4, being that portion of said tract lying south and east of the San Juan River, said tract being identified as Parcel 31A in that certain instrument titled "Order Confirming Title" dated November 24, 1961 and recorded in Book 69, Pages 101-122, Rio Arriba County, New Mexico

including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands; and including all lands owned or claimed by Grantor as part of any tract above described or adjacent or contiguous thereto and containing 83.00 acres, more or less, together with the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating and developing said lands for oil, gas, and other minerals, and storing, handling, transporting and marketing the same therefrom with the right to remove from said land all of Grantee's property and improvements.

Grantor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted and likewise agrees that Grantee herein shall have the right at any time to redeem for said Grantor by payment, any mortgage, taxes or other liens on the above described land, upon default in payment by Grantor, and be subrogated to the rights of the holder thereof.

TO HAVE AND TO HOLD, The above described property and easement with all and singular the rights, privileges, and appurtenances thereunto or in any wise belonging to the said Grantee herein his heirs, successors, personal representatives, administrators, executors, and assigns forever, and Grantor does hereby warrant said title to Grantee his heirs, executors, administrators, personal representatives, successors and assigns forever and does hereby agree to defend all and singular the said property unto the said Grantee herein his heirs, successors, executors, personal representatives, and assigns against every person whomsoever claiming or to claim the same or any part thereof.

WITNESS MY HAND, this 24 day of March  
Buddy W. Baker  
Buddy W. Baker

107370  
IN THE COUNTY  
CLERK'S OFFICE  
AT 10:45 O'CLOCK A.M.  
BOOK 145 Page 94

MAR 28 1994

STATE OF Colorado )  
COUNTY OF Denver )

DAVID S CHAVEZ  
County Clerk ~~Fla~~ County  
New Mexico  
By De. Maly Deputy

On this 24 day of March, 1994, before me personally appeared Buddy W. Baker

to me known to be the person or (or persons) described in and who executed the foregoing instrument, and acknowledged that he (or she or they) executed the same as his (or her or their) free and voluntary act and deed.

My commission expires:  
4-10-95

David S Chavez  
Notary Public



RECEIVED MAR 28 1994

March 25, 1994

Philip G. Wood  
Consolidated Oil & Gas, Inc.  
410 17th St, Ste 2300  
Denver, CO 80202

Re: Carnes and Miller Wells  
Purchase of Mineral Interest  
T32N-R6W  
Sec. 11  
Rio Arriba County, New Mexico

Dear Mr. Wood:

Enclosed please find a copy of a Mineral Deed from Buddy W. Baker to James J. Rubow. This deed transfers all of Mr. Baker's interest in the subject minerals to Rubow.

This information is being provided to you so that you are current on the ownership underlying the this tract.

If you have any questions, feel free to contact the undersigned at the above telephone number.

Sincerely,

James J. Rubow

jjr

**MINERAL DEED**

KNOW ALL MEN BY THESE PRESENTS THAT Buddy W. Baker  
Denver, CO 80209 of P.O. Box 9190,  
hereinafter called Grantor, (whether one or more) for and in consideration of the sum of TEN AND MORE Dollars (\$10.00) cash in hand paid and other good and valuable considerations, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto James J. Rubow  
1645 Court Place #324, Denver, CO 80202, hereinafter called Grantee (whether one or more) 100% of Grantor's right, title and interest in and to all of the oil, gas and all other minerals in and under and that may be produced from the following described lands in Rio Arriba County, State of New Mexico, to wit:

TOWNSHIP 32 NORTH, RANGE 6 WEST  
Section 11: N1/4SE1/4, and a 3 acre tract of land located in the SE1/4SW1/4, being that portion of said tract lying south and east of the San Juan River, said tract being identified as Parcel 31A in that certain instrument titled "Order Confirming Title" dated November 24, 1961 and recorded in Book 69, Pages 101-122, Rio Arriba County, New Mexico

including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands; and including all lands owned or claimed by Grantor as part of any tract above described or adjacent or contiguous thereto and containing 83.00 acres, more or less, together with the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating and developing said lands for oil, gas, and other minerals, and storing, handling, transporting and marketing the same therefrom with the right to remove from said land all of Grantee's property and improvements.

Grantor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted and likewise agrees that Grantee herein shall have the right at any time to redeem for said Grantor by payment, any mortgage, taxes or other liens on the above described land, upon default in payment by Grantor, and be subrogated to the rights of the holder thereof.

TO HAVE AND TO HOLD, The above described property and easement with all and singular the rights, privileges, and appurtenances thereunto or in any wise belonging to the said Grantee herein his heirs, successors, personal representatives, administrators, executors, and assigns forever, and Grantor does hereby warrant said title to Grantee his heirs, executors, administrators, personal representatives, successors and assigns forever and does hereby agree to defend all and singular the said property unto the said Grantee herein his heirs, successors, executors, personal representatives, and assigns against every person whomsoever claiming or to claim the same or any part thereof.

WITNESS MY HAND, this 24 day of March, 1994.

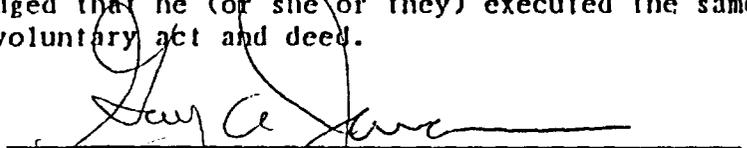
  
Buddy W. Baker

STATE OF Colorado )  
COUNTY OF Denver )

On this 24 day of March, 1994, before me personally appeared Buddy W. Baker

to me known to be the person or (or persons) described in and who executed the foregoing instrument, and acknowledged that he (or she or they) executed the same as his (or her or their) free and voluntary act and deed.

My commission expires: 4-20-95

  
Notary Public

# Consolidated Oil & Gas, Inc.

March 14, 1994

Mr. James J. Rubow  
1645 Court Place, Suite 324  
Denver, Colorado 80202

Re: Carnes 32-6-11 #1 Well  
N/2 Section 11, T32N, R6W  
San Juan County, New Mexico

Dear Mr. Rubow:

Reference is made to your letter dated March 7, 1994.

It would appear from your letter that both you and Mr. Baker have rejected Consolidated's offer to lease your mineral interest. Consolidated's offer is identical to terms by which we have successfully leased other undivided interest owners located within the same tracts. The lease terms that you have proposed are substantially different and unacceptable.

Consolidated also offered you and Mr. Baker the opportunity to voluntarily participate in this well by paying your share of actual and future expenses. However, you continue to insist that your right to participate requires you to pay for only your share of future completion and operating expenses and not the actual cost of drilling. It, therefore, appears that we are unable to reach a voluntary agreement with you despite our efforts to do so.

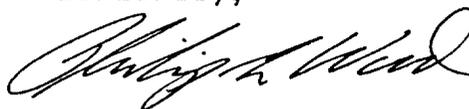
Accordingly, please be advised that we have directed our attorney to file a compulsory pooling application before the New Mexico Oil Conservation Division to have your interest pooled. He will advise you of the time and place of the hearing so that you may attend and participate in that hearing if you so desire.

Further, I see no point in engaging in an exchange of data and information (some of which is available to you through public record) when it is apparent that we are not going to agree on the two basic issues: 1) reimbursement for actual costs already paid and 2) lease terms. In response to your request for a release of

Mr. James J. Rubow  
March 14, 1994  
Page Two

the Stella M. Quintana Oil and Gas Lease dated May 20, 1988, I suggest that you contact T.H. McElvain, Jr. (Santa Fe) who, to the best of my knowledge, remains the Lessee of record.

Sincerely,



Philip G. Wood  
Land Manager

PGW:lm

cc - Mr. Buddy W. Baker  
P.O. Box 9190  
Denver, Colorado 80209

RECEIVED MAR 08 1994

JAMES J. RUBOW  
1645 Court Place #324  
Denver, Colorado 80202  
303-572-3351

Philip G. Wood  
Consolidated Oil & Gas, Inc.  
410 17th St, Ste 2300  
Denver, CO 80202

March 7, 1994

Re: Carnes 32-6-11 #1 well  
Sec. 11, T32N-R6W  
San Juan County, New Mexico

Dear Mr. Wood:

I am in receipt of your letter dated March 1, 1994 outlining certain details and plans relating to the above headed well.

You should be aware that the mineral interest referred to in your March 1, 1994 letter has been transferred to James J. Rubow. Also, this letter is being written on behalf of both Buddy Baker, and James J. Rubow who are owners of identical mineral interests in the above described tract.

Prior to making an election as to whether or not to participate in the well or grant a lease, several items need to be resolved.

1. I request that a release of the old lease be prepared and filed of record.
2. Please provide me with a copy of the Pooling Order No. R-9179 which you quote in your March 1st letter.
3. You sent a copy of a Summary Ledger Report prepared by Richmond Petroleum purporting to track costs associated with Richmond's drilling of the Carnes well. I gather from your letter that this is the amount for which you are seeking reimbursement. Did Consolidated pay Richmond the amount that Richmond claims as their costs? If your company paid for an interest that Richmond didn't own, you should pursue the matter with them. If your company didn't pay for the unleased percentages attributable to the Rubow - Baker mineral interest then why should you be entitled to reimbursement by us? Please provide me with a copy of the check or other proof of payment to Richmond for the Carnes well which confirms your costs.

4. Please provide me with a copy of all logs, test data, daily drilling reports, etc. which relate to the subject well.
5. Please send me a proposed Operating Agreement covering the subject well.
6. I am awaiting your proposal for gas gathering and/or gas purchase.

What are your plans related to the Miller #1 well which is located in the N $\frac{1}{2}$  of Section 11, Township 32 North, Range 6 West? Both Baker and Rubow have tiny mineral interests in the Miller well in addition to the subject well.

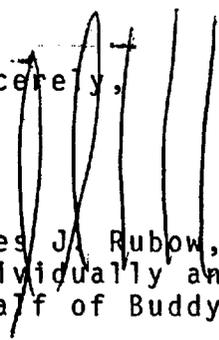
As earlier stated, I believe that, at most, Baker - Rubow owe only their pro-rata share of completion costs and have no responsibility for payment of costs incurred while our minerals were subject to an oil and gas lease.

Subject to items 1 thru 6 above, we would be willing to consider granting a lease to Consolidated on the following terms:

- A) One year lease.
- B) \$200.00 per net acre bonus.
- C) 25% Royalty.

We will await receipt of the requested items and remain willing to discuss the matter of leasing our mineral interest.

Sincerely,

  
James J. Rubow,  
individually and on  
behalf of Buddy Baker

CC: Baker

RECEIVED MAR 17 1984

JAMES J. RUBOW  
1645 Court Place #324  
Denver, Colorado 80202  
303-572-3351

Philip G. Wood  
Consolidated Oil & Gas, Inc.  
410 17th St #2300  
Denver, CO 80202

Re: Mineral Deed  
T32N-R6W  
Sec. 11  
San Juan & Rio Arriba Counties  
New Mexico

Dear Mr. Wood:

Enclosed please find a copy of the recorded Mineral Deed showing the transfer from Passport Energy, Inc. to James J. Rubow.

If you have any questions, feel free to contact me.

Sincerely,

James J. Rubow

MINERAL DEED

95

KNOW ALL MEN BY THESE PRESENTS THAT PASSPORT ENERGY, INC. of 1645 Court Place #324, Denver, CO 80202 hereinafter called Grantor, (whether one or more) for and in consideration of the sum of TEN AND MORE Dollars (\$10.00) cash in hand paid and other good and valuable considerations, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto JAMES J. RUBOW, 1645 Court Place #324, Denver, CO 80202 hereinafter called Grantee (whether one or more) 100% of Grantors right, title and interest in and to all of the oil, gas and all other minerals in and under and that may be produced from the following described lands in Rio Arriba County, State of New Mexico, to wit:

Section 11: N1/4SE1, and a 3 acre tract of land located in the SE1/4SW1/4 being that portion of said tract lying south and east of the San Juan River, said tract being identified as Parcel 31A in that certain instrument titled "Order Confirming Title" dated November 24, 1961, and recorded in Book 69, Pages 101-122, Rio Arriba County, New Mexico

including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands; and including all lands owned or claimed by Grantor as part of any tract above described or adjacent or contiguous thereto and containing 83.00 acres, more or less, together with the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating and developing said lands for oil, gas, and other minerals, and storing, handling, transporting and marketing the same therefrom with the right to remove from said land all of Grantee's property and improvements.

Grantor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted and likewise agrees that Grantee herein shall have the right at any time to redeem for said Grantor by payment, any mortgage, taxes or other liens on the above described land, upon default in payment by Grantor, and be subrogated to the rights of the holder thereof.

TO HAVE AND TO HOLD, The above described property and easement with all and singular the rights, privileges, and appurtenances thereunto or in any wise belonging to the said Grantee herein his heirs, successors, personal representatives, administrators, executors, and assigns forever, and Grantor does hereby warrant said title to Grantee his heirs, executors, administrators, personal representatives, successors and assigns forever and does hereby agree to defend all and singular the said property unto the said Grantee herein his heirs, successors, executors, personal representatives, and assigns against every person whomsoever claiming or to claim the same or any part thereof.

WITNESS MY HAND, this 25 day of February, 1994.

ATTEST: Lee R. Martin, Asst Sec.

James J. Rubow, President

106864 FILED IN THE COUNTY CLERK'S OFFICE AT 9:30 O'CLOCK A.M. Book 144 Page 679

STATE OF Colorado ) COUNTY OF Denver )

MAR 07 1994 DAVID S CHAVEZ County Clerk P/A County New Mexico

On this 25 day of February, 1994, before me personally appeared James J. Rubow, President of Passport Energy, Inc. Deputy

to me known to be the person or (or persons) described in and who executed the foregoing instrument, and acknowledged that he (or she or they) executed the same as his (or her or their) free and voluntary act and deed, and that such act was taken on behalf of said corporation.

My commission expires: 1996

Susan J. German Notary Public

679

# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Mr. James Rubow  
Passport Energy, Inc.  
1645 Court Place, Suite 324  
Denver, Colorado 80202

Re: Carnes 32-6-11 #1 Well (2.50%)  
S/2 Section 11, T32N, R6W (320.00 acres)  
San Juan County, New Mexico

Dear Mr. Rubow:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Carnes 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Carnes #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (8 net acres/80 gross acres, located in the N/2 SE/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9179. Sections (7) & (10) of Order No. R-9179 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
  - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Mr. James Rubow  
March 1, 1994  
Page Two

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$224,616.72 which, when multiplied by your participating interest of 2.50%, would mean a reimbursement to Consolidated of \$5,615.42. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Mr. James Rubow  
March 1, 1994  
Page Three

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for \$6,236.67 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,

Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
James Rubow, President

DATE: \_\_\_\_\_

|   |   |                                     |                                  |   |                              |                                       |   |
|---|---|-------------------------------------|----------------------------------|---|------------------------------|---------------------------------------|---|
| <p>● <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br/>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)      2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p> |   |                                     |                                  |   |                              |                                       |   |
| <p>3. Article Addressed to:</p> <p>MR. JAMES RUBOW<br/>PASSPORT ENERGY, INC.<br/>1645 COURT PLACE, SUITE 324<br/>DENVER, CO 80202</p>   | <p>4. Article Number<br/>P 241 400 288</p> <p>Type of Service:</p> <table><tr><td><input type="checkbox"/> Registered</td><td><input type="checkbox"/> Insured</td></tr><tr><td><input checked="" type="checkbox"/> Certified</td><td><input type="checkbox"/> COD</td></tr><tr><td><input type="checkbox"/> Express Mail</td><td><input type="checkbox"/> Return Receipt for Merchandise</td></tr></table> <p>Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b></p> | <input type="checkbox"/> Registered | <input type="checkbox"/> Insured | <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD | <input type="checkbox"/> Express Mail | <input type="checkbox"/> Return Receipt for Merchandise |
| <input type="checkbox"/> Registered   | <input type="checkbox"/> Insured  |                                     |                                  |   |                              |                                       |   |
| <input checked="" type="checkbox"/> Certified   | <input type="checkbox"/> COD  |                                     |                                  |   |                              |                                       |   |
| <input type="checkbox"/> Express Mail   | <input type="checkbox"/> Return Receipt for Merchandise   |                                     |                                  |   |                              |                                       |   |
| <p>5. Signature - Addressee<br/>X</p>   | <p>8. Addressee's Address (ONLY if requested and fee paid)</p>  |                                     |                                  |   |                              |                                       |   |
| <p>6. Signature - Agent<br/>X</p>   |   |                                     |                                  |   |                              |                                       |   |
| <p>7. Date of Delivery<br/>3 29 94</p>  |   |                                     |                                  |   |                              |                                       |   |

# Consolidated Oil & Gas, Inc.

March 4, 1994

Certified Mail  
Return Receipt

Mr. James Rubow  
Passport Energy, Inc.  
1645 Court Place, Suite 324  
Denver, Colorado 80202

Re: Miller 32-6-11 #1 Well (0.128866%)  
N/2 Section 11, T32N, R6W (232.80 acres)  
San Juan County, New Mexico

Dear Mr. Rubow:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Miller 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has qualified for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Miller #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (0.3 net acres/3 gross acres, located in the SE/4 SW/4 NE/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9178. Sections (7) & (10) of Order No. R-9178 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
  - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Mr. James Rubow  
March 4, 1994  
Page Two

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$142,872.67 which, when multiplied by your participating interest of 0.128866%, would mean a reimbursement to Consolidated of \$184.11. Richmond's detailed cost summary is enclosed for your review. The next phase of completion work is tentatively scheduled to occur in late spring or early summer.

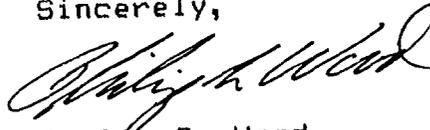
Please notify Consolidated of your election to either lease or participate on or before March 25, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Mr. James Rubow  
March 4, 1994  
Page Three

2) To indicate your election to participate, please sign below and return one original of this letter, along with a check made out to Consolidated Oil & Gas, Inc., for \$184.11 to cover past expenses.

Sincerely,



Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
James Rubow, President

DATE: \_\_\_\_\_

I/WE ELECT TO PARTICIPATE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
James Rubow, President

DATE: \_\_\_\_\_

|   |   |
|---|---|
| <p>● <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br/>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)      2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p> |   |
| 3. Article Addressed to:<br><br>Mr. James Rubow<br>Passport Energy, Inc.<br>1645 Court Place, Suite 324<br>Denver, CO 80202   | 4. Article Number<br><br>P 329 599 408                  |
| Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise   |   |
| Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b>  |   |
| 5. Signature - Addressee<br>X   | 8. Addressee's Address (ONLY if requested and fee paid) |
| 6. Signature - Agent<br>X   |   |
| 7. Date of Delivery<br>3-8-94   |   |

# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Mr. Buddy W. Baker  
P.O. Box 9190  
Denver, Colorado 80209

Re: Carnes 32-6-11 #1 Well (2.50%)  
S/2 Section 11, T32N, R6W (320.00 acres)  
San Juan County, New Mexico

Dear Mr. Baker:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Carnes 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Carnes #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (8 net acres/80 gross acres, located in the N/2 SE/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9179. Sections (7) & (10) of Order No. R-9179 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Mr. Buddy W. Baker  
March 1, 1994  
Page Two

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$224,616.72 which, when multiplied by your participating interest of 2.50%, would mean a reimbursement to Consolidated of \$5,615.42. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Mr. Buddy W. Baker  
March 1, 1994  
Page Three

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for \$6,236.67 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,

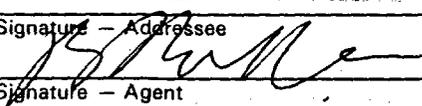
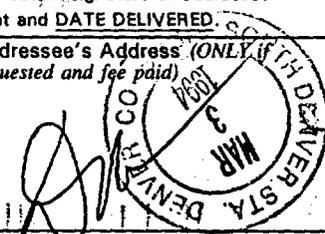
Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Buddy W. Baker

DATE: \_\_\_\_\_

|   |   |
|---|---|
| <p>● <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br/>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)      2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p> |   |
| 3. Article Addressed to:<br><br>MR. BUDDY W. BAKER<br>P.O. BOX 9190<br>DENVER, CO 80209   | 4. Article Number<br>P 207 123 626<br>Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| 5. Signature - Addressee<br>X   | 8. Addressee's Address (ONLY if requested and fee paid)<br>  |
| 6. Signature - Agent<br>X   |   |
| 7. Date of Delivery   |   |

# Consolidated Oil & Gas, Inc.

March 4, 1994

Certified Mail  
Return Receipt

Mr. Buddy W. Baker  
P.O. Box 9190  
Denver, Colorado 80209

Re: Miller 32-6-11 #1 Well (0.128866%)  
N/2 Section 11, T32N, R6W (232.80 acres)  
San Juan County, New Mexico

Dear Mr. Baker:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Miller 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has qualified for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Miller #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (0.3 net acres/3 gross acres, located in the SE/4 SW/4 NE/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9178. Sections (7) & (10) of Order No. R-9178 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
  - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Mr. Buddy W. Baker  
March 4, 1994  
Page Two

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$142,872.67 which, when multiplied by your participating interest of 0.128866%, would mean a reimbursement to Consolidated of \$184.11. Richmond's detailed cost summary is enclosed for your review. The next phase of completion work is tentatively scheduled to occur in late spring or early summer.

Please notify Consolidated of your election to either lease or participate on or before March 25, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Mr. Buddy W. Baker  
March 4, 1994  
Page Three

2) To indicate your election to participate, please sign below and return one original of this letter, along with a check made out to Consolidated Oil & Gas, Inc., for \$184.11 to cover past expenses.

Sincerely,



Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

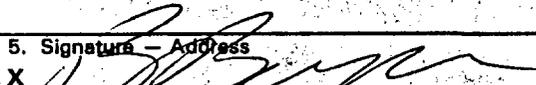
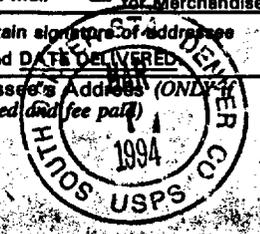
BY: \_\_\_\_\_  
Buddy W. Baker

DATE: \_\_\_\_\_

I/WE ELECT TO PARTICIPATE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Buddy W. Baker

DATE: \_\_\_\_\_

|   |   |
|---|---|
| <p>● <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br/>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)      2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p> |   |
| 3. Article Addressed to:<br><br>Mr. Buddy W. Baker<br>P.O. Box 9190<br>Denver, CO 80209   | 4. Article Number<br>P 329 599 407<br><br>Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| 5. Signature - Addressee<br>X   | 8. Addressee's Address (ONLY if requested and fee paid)   |
| 6. Signature - Agent<br>X   | Always obtain signature of addressee or agent and DATE DELIVERED.<br>  |
| 7. Date of Delivery<br>3-7-94   |   |

490 D  
I

# OIL AND GAS LEASE

15885

AGREEMENT, Made and entered into the 20th day of May, 1988, by and between  
Stella M. Quintana, a widow

whose post office address is Arboles, Colorado, hereinafter called Lessor (whether one or more) and  
T.H. McElvain Jr. whose post office address is 2148, Santa Fe, NM 87501, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten & More DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of San Juan and Rio Arriba State of New Mexico, described as follows, to-wit:

Township 32 North, Range 6 West  
Section 11: N $\frac{1}{2}$ SE $\frac{1}{4}$ , and a 3 acre tract of land located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ , being that portion of said tract lying South and East of the San Juan River, said tract being identified as Parcel 31A in that certain instrument entitled "Order Confirming Title" dated November 24, 1961, and recorded in Book 69, Page 101-122, in the Office of the County Clerk, Rio Arriba County, New Mexico.

and containing 83.0 acres, more or less. Four

1. It is agreed that this lease shall remain in force for a term of four years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:  
1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or re-working operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease: such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

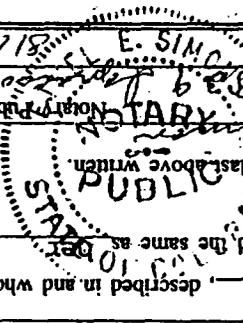
xx Stella M. Quintana  
Stella M. Quintana

SS#

838

STATE OF Colorado  
COUNTY OF La Plata  
ss. Stella M. Quintana  
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 20 day of May, 19 88, personally appeared Stella M. Quintana

and \_\_\_\_\_  
to me known to be the identical person \_\_\_\_\_, described in and who executed \_\_\_\_\_  
the within and foregoing instrument of writing and acknowledged to me that she \_\_\_\_\_  
and voluntarily act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires April 19, 1990



STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_  
ss. \_\_\_\_\_  
BEFORE ME, the undersigned, a Notary Public, in and for said \_\_\_\_\_

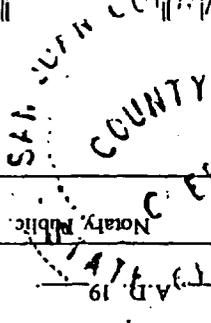
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_

Address: \_\_\_\_\_  
Notary Public.

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_  
ss. \_\_\_\_\_  
ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19 \_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he \_\_\_\_\_  
and that the seal affixed to said instrument is the corporate seal of \_\_\_\_\_  
said corporation and that said instrument was signed and sealed in the half of said corporation by authority of its Board of Directors, and said \_\_\_\_\_  
Book \_\_\_\_\_ Page \_\_\_\_\_  
Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 1988

JOSE E. ATENCIO  
County Clerk Rio Arriba County  
New Mexico  
By Jose E. Atencio Deputy



No. \_\_\_\_\_  
FROM \_\_\_\_\_  
TO \_\_\_\_\_  
Dated \_\_\_\_\_, 19 \_\_\_\_\_  
No. Acres \_\_\_\_\_  
County \_\_\_\_\_  
Term \_\_\_\_\_  
This instrument was filed for record on the 13<sup>th</sup> day of June, 19 88, at 7:50 o'clock A. M., and duly recorded in Volume 1089 Page 490  
\_\_\_\_\_ of the records of this office.  
Carl Hardy County Clerk  
By Carl Hardy  
When recorded return to James B. Sullivan  
1645 Court Place #406  
Denver, Colo. 80202

**EDMUND T. ANDERSON, IV**  
**OIL AND GAS PROPERTIES**  
 P.O. BOX 8575  
 MIDLAND, TEXAS 79708-1575

TELE: (915) 686-8838

April 8, 1994

|  |                 |            |              |
|--|-----------------|------------|--------------|
| Post-It™ brand fax transmittal memo 7671 |                 | # of pages | 2            |
| To                                       | Michael Stogner | From       | Eel Anderson |
| Co.                                      |                 | Co.        |              |
| Dept.                                    |                 | Phone #    |              |
| Fax #                                    | 505-207-5741    | Fax #      | 915-683-4100 |

Mr. Michael E. Stogner  
 Chief Hearing Examiner  
 Oil Conservation Division  
 310 Old Santa Fe Trail, Room 219  
 Santa Fe, NM 87501

Re: Application of Consolidated Oil &  
 Gas, Inc., Case 9745

Dear Mr. Stogner,

After our conversation yesterday, I realized that I had not fully set forth the reasons for requesting a continuance in the above case.

The case is more than just one of preventing waste and protecting correlative rights. No one has filed for a permit to drill additional wells, or otherwise protect their land against drainage. No one is contesting Consolidated's right to complete the wells. The only correlative rights at stake here are those of the parties Consolidated is seeking to force pool. No, this case involves thorny legal questions which should be addressed in a court.

For instance. Consolidated says my lease expired. Richmond continues to try to pay me shut-in gas royalties, and has tried to pay Mr. Rubow shut-in gas royalties within the last two weeks. Mr. Rubow is in the same position as I, that is, Richmond was never entitled to pay shut-in gas royalties because the well was never capable of producing gas. This is a legal question, and Consolidated and Richmond cannot both be right; the lease is either in effect, or it is not. The Commission does not have the jurisdiction under Section 70-2-12 to decide this issue.

Further, the issue of costs is not primarily one of reasonableness or validity, although those issues will come up; the issue is whether Consolidated or Richmond have a legal right to claim them. Again, this is a legal question which should be addressed in a court of law, and I have taken the first step to resolve this.

Finally, I have had to take a great deal of my time to defend this action; time which I could have spent making money for my family. Consolidated's demand that I pay my proportionate share of what Richmond spent is so contrary to the law that I am entitled to attorney's fees. The hearing examiner would not have the authority to grant me compensation for my time, but the court can.

Apr 08, 1994 09:17AM FROM a neill properties

TO 15058275741

F.02

Mr. Michael E. Stogner  
April 8, 1994  
Page 2

Actions such as these clog dockets and impade business. Consolidated should have to compensate me for all the problems they have caused.

Consolidated has represented to me that they have begun completion on both wells in order to secure the Section 29 tax credits. Therefore, no harm will be done to Consolidated or the State of New Mexico by delaying this hearing.

I would like you to know that I was unaware that the letter I received from Consolidated constituted notice as required by Section 70-2-23. I felt sure that the Commission would send me notice when it was ready to proceed.

Again, I request that this hearing be postponed until the court has ruled on the matter.

Thank you for your time and attention to this matter.

Sincerely,

*Edmund T. Anderson, IV*  
Edmund T. Anderson, IV

|  |                 |                |              |
|--|-----------------|----------------|--------------|
| Post-It™ brand fax transmittal memo 7671 |                 | * of pages * 2 |              |
| To                                       | Michael Stogner | From           | Ed Anderson  |
| Co.                                      |                 | Co.            |              |
| Dept.                                    |                 | Phone #        |              |
| Fax #                                    | 505-827-5741    | Fax #          | 915-625-4500 |

# *Consolidated Oil & Gas, Inc.*

March 17, 1994

Mr. Edmund T. Anderson, IV  
P.O. Box 8575  
Midland, Texas 79708-1575

Re: Carnes 32-6-11 #1 Well  
Federal 32-6-9 #1 Well  
San Juan County, New Mexico

Dear Mr. Anderson:

Reference is made to your letter dated March 14, 1994.

It would appear from your letter that you have rejected Consolidated's offer to lease your mineral interest. I should point out that Consolidated's offer is identical to terms through which we have successfully leased other interest owners located within the same area and under the same wells.

Consolidated has also offered you the opportunity to voluntarily participate in this well by paying your share of actual and future expenses. However, you continue to insist that your right to participate requires you to pay for only your share of future completion and operating expenses and not the actual cost of drilling. It, therefore, appears that we are unable to reach a voluntary agreement with you despite our efforts to do so.

Accordingly, please be advised that we have directed our attorney to file a compulsory pooling application before the New Mexico Oil Conservation Division to have your interest pooled. He will advise you of the time and place of the hearing so that you may attend and participate in that hearing if you so desire.

As per our phone conversation of March 16th, I do appreciate your comments concerning Consolidated and the spirit in which your letter was written. Further, we believe that the New Mexico Oil Conservation Division does have jurisdiction over this matter and invite your involvement in the process. I am cognizant the fact that you are an attorney and/or may have access to legal counsel in New Mexico. Should you wish to adjudicate this matter outside of the confines of the Conservation Division, I sincerely hope that we will maintain our open lines of communication.

Yours very truly,

CONSOLIDATED OIL & GAS, INC.

Philip G. Wood  
Land Manager

RECEIVED MAR 21 1994

EDMUND T. ANDERSON, IV  
OIL AND GAS PROPERTIES  
P.O. BOX 8575  
MIDLAND, TEXAS 79708-1575

TELE: (915) 686-8838

March 17, 1994

Philip G. Wood  
Consolidated Oil & Gas, Inc.  
410 17th Street, Ste. 2300  
Denver, CO 80202

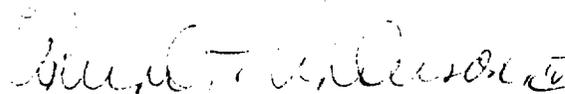
Re: Carnes 32-6-11 #1, S $\frac{1}{2}$  Section 11,  
T-32-N, R-6-W, N.M.P.M.; and  
Federal 32-6-9 #1, E $\frac{1}{2}$  Section 9,  
T-32-N, R-6-W, N.M.P.M., all in  
San Juan County, New Mexico

Dear Mr. Wood,

Following our conversation yesterday, I consulted with my attorney, who is licensed in New Mexico, and he is of the opinion that I am on firm ground.

My comments and my offer in my letter of March 14, 1994, remain unchanged, except that I hereby offer to prepay the costs of completion, as such costs pertain to my interest.

Sincerely,



Edmund T. Anderson, IV,  
Individually and as Trustee

RECEIVED MAR 16 1994

EDMUND T. ANDERSON, IV  
OIL AND GAS PROPERTIES  
P.O. BOX 8575  
MIDLAND, TEXAS 79708-1575

TELE: (915) 686-8838

March 14, 1993

Philip G. Wood  
Consolidated Oil & Gas, Inc.  
410 17th Street, Ste. 2300  
Denver, CO 80202

Re: Carnes 32-6-11 #1 Well, S $\frac{1}{2}$  Section 11,  
T-32-N, R-6-W, N.M.P.M.; and Federal  
32-6-9 #1 Well, E $\frac{1}{2}$  Section 9, T-32-N,  
R-6-W, N.M.P.M., all in San Juan  
County, New Mexico

Dear Mr. Wood,

I have carefully considered your letters dated March 1, 1994, and the issues raised by them; I am of the opinion that I have the right to participate in the completion of the above wells without payment to Consolidated of any of the costs incurred by Richmond.

It is elementary that an oil and gas lease conveys exclusive authorization upon the lessee to go upon the land for the purpose of prospecting for oil and gas, severing and removing the same. At the expiration of the lease, all rights so transferred terminate, and are reinvested in the lessor, and the lessor has no further obligations to the lessee other than permitting lessee to enter upon his land to remove equipment or complete lessee's obligations under the lease regarding restoration, etc.

An assignee of an oil and gas lease stands in the place of the original lessee, and acquires no greater rights than those held by the original lessee. Thus, Consolidated's acquisition of Richmond's rights in the above land did not confer upon Consolidated any greater interest than that owned by Richmond at the time of conveyance.

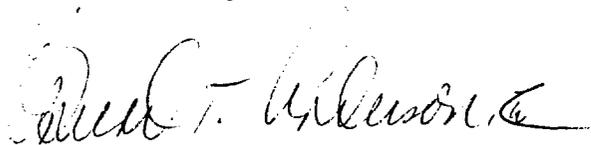
Richmond owned nothing insofar as my mineral interest was concerned, and Consolidated acquired nothing. If Consolidated paid value for rights Richmond did now own, it should not have done so. Not only was the expired lease of record, but my Affidavit noting expiration was also of record, and Consolidated was on notice.

Consolidated is without legal basis or justification in demanding payment from me for work done by Richmond, and I will contest such assertion. Further, I do not believe the Oil and Gas Conservation Commission has jurisdiction to hear this non-issue, and I will challenge their involvement in this matter.

Legal issues aside, I would prefer to enter into a working relationship with Consolidated on an amicable basis. I have checked with friends in Denver, and found that Consolidated has a good reputation for integrity and financial responsibility; I have an equal reputation. Consolidated appears to be the type of company with which I like to do business. However, if you prefer to adjudicate this matter, you should know that I am an attorney. Additionally, northern New Mexico is particularly attractive for skiing and fly fishing this time of year, and I would welcome a vacation.

I will join in the completion of the above two referenced wells on a heads up basis. I do not prepay expenses, and have signed no operating agreement requiring me to do so. I will pay Consolidated's bills on the 26th of the month when I pay everyone else's.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edmund T. Anderson, IV".

Edmund T. Anderson, IV

# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Edmund T. Anderson IV  
Individually and as Trustee of the  
Mary Anderson Boll Family Trust  
2521 Humble  
Midland, Texas 79705

Re: Federal 32-6-9 #1 Well (3.579098%)  
E/2 Section 9, T32N, R6W (279.40 acres)  
San Juan County, New Mexico

Dear Mr. Anderson:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Federal 32-6-9 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Federal #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your combined mineral interest (10 net acres/40 gross acres, located in the SE/4 SE/4 of Section 9, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9033. Sections (7) & (10) of Order No. R-9033 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
  - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Edmund T. Anderson IV  
March 1, 1994  
Page Two

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$139,748.88 which, when multiplied by your participating interest of 3.579098%, would mean a reimbursement to Consolidated of \$5,001.75. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

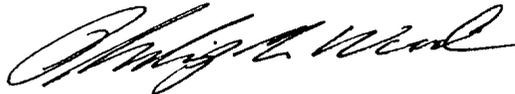
Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Edmund T. Anderson IV  
March 1, 1994  
Page Three

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for \$6,662.45 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,



Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Edmund T. Anderson IV

BY: \_\_\_\_\_  
Edmund T. Anderson IV  
as Trustee of the Mary  
Anderson Boll Family  
Trust

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

|  |   |
|--|---|
| <p><b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br/>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.      2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p> |   |
| 3. Article Addressed to:<br><br>EDMUND T. ANDERSON IV, IND. AND TR OF<br>MARY ANDERSON BOLL FAMILY TRUST<br>2521 HUMBLE<br>MIDLAND, TX 79705   | 4. Article Number<br>P 329 599 396<br>Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| 5. Signature - Addressee<br>X  | Always obtain signature of addressee or agent and DATE DELIVERED.<br>8. Addressee's Address (ONLY if requested and fee paid)  |
| 6. Signature - Agent<br>X <i>Mary Anderson Boll</i>  |   |
| 7. Date of Delivery<br>3-4-94  |   |

# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Edmund T. Anderson IV  
Individually and as Trustee of the  
Mary Anderson Boll Family Trust  
2521 Humble  
Midland, Texas 79705

Re: Carnes 32-6-11 #1 Well (3.125%)  
S/2 Section 11, T32N, R6W (320.00 acres)  
San Juan County, New Mexico

Dear Mr. Anderson:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Carnes 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Carnes #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your combined mineral interest (10 net acres/40 gross acres, located in the SE/4 SW/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9179. Sections (7) & (10) of Order No. R-9179 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Edmund T. Anderson IV  
March 1, 1994  
Page Two

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$224,616.72 which, when multiplied by your participating interest of 3.125%, would mean a reimbursement to Consolidated of \$7,019.27. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Edmund T. Anderson IV  
March 1, 1994  
Page Three

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for \$7,795.83 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,

Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Edmund T. Anderson IV

BY: \_\_\_\_\_  
Edmund T. Anderson IV  
as Trustee of the Mary  
Anderson Boll Family  
Trust

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

|  |  |
|--|--|
| <p>● <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br/>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.      2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p> |  |
| <p>3. Article Addressed to: _____</p>  |  |
| <p>4. Article Number<br/>P 329 599 396</p>   |  |
| <p>Type of Service:</p> <p><input type="checkbox"/> Registered      <input type="checkbox"/> Insured<br/><input checked="" type="checkbox"/> Certified      <input type="checkbox"/> COD<br/><input type="checkbox"/> Express Mail      <input type="checkbox"/> Return Receipt for Merchandise</p>  |  |
| <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>   |  |
| <p>5. Signature — Addressee<br/>X</p>  |  |
| <p>6. Signature — Agent<br/>X <i>Ma. Eugenia Vane...</i></p>   |  |
| <p>7. Date of Delivery<br/>3/1/94</p>  |  |
| <p>8. Addressee's Address (ONLY if requested and fee paid)</p>   |  |

78245

OIL AND GAS LEASE

THIS AGREEMENT made this 19th day of July, 1988, between the below signed party, of 2521 Humble, Midland, Texas 79705

herein called lessor (whether one or more), and T.H. McElvain, Jr. of P.O. Box 2148, Santa Fe, NM 87504-2148, lessee.

1. Lessor, in consideration of Ten Dollars and Other Valuable Consideration, 10.00 & OVC, in hand paid, except of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil, gas, and associated hydrocarbons, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said substances, the following described land in San Juan County, New Mexico, to wit:

SE 1/4 SE 1/4 Section 9, and SE 1/4 SW 1/4 Section 11, both in T-32-N, R-6-W, N.M.P.M.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 80 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of 2 years from this date (called "primary term"), and as long thereafter as oil or gas, either or both, is produced from said land or land with which said land is pooled.

3. The lessee shall deliver to lessor, free of cost, in the tanks or at the transmission pipelines (as distinguished from gathering pipelines) to which wells may be connected, an equal 1/5 part of all oil, gas and associated hydrocarbons produced and saved from said land or, at the option of the lessor, said part of the market value of all oil and gas produced and saved from said premises, provided that on gas sold of the well in a bona fide transaction between the lessee and a party not controlled by the lessee (no term "market value" shall be the price realized from such sale, if at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized, which is capable of producing gas in paying quantities, but which is shut-in before or after production therefrom; such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in the manner as though gas therefrom was actually being sold or used. In such event, lessee covenants and agrees to pay lessor, as royalty, a sum equal to twice the amount of the delay rentals hereinafter provided for per annum for the period commencing on the date such well is actually shut-in, unless this lease is being maintained in force and effect by some other provision hereof, in which event such period shall commence on the date this lease ceases to be maintained in force and effect by some other provision hereof. Payment or tender shall be made to lessor or deposited to the credit of the lessor in the depository bank named in this lease. The first payment shall be due and payable on or before 90 days after the date such well is shut-in, or 90 days from the date this lease ceases to be maintained in force by some other provision hereof. Thereafter, if no gas is produced and sold or used prior thereto, except temporary sales or use for lease operations, subsequent payments shall be due annually thereafter on or before the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises, or on any single pooled unit from which acreage covered hereby may be pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate or any gaseous substance and wells classified as gas wells by any governmental authority having jurisdiction. The requirement for the payment of such shut-in gas well royalty is a covenant and not a condition and the failure to make timely payment therefor shall in no event be deemed a basis for the automatic termination of this lease. Notwithstanding any provision herein to the contrary with regard to shut-in gas wells, the existence of a shut-in gas well on the leased premises shall not be a basis for continuing this lease in force and effect for more than two consecutive one-year periods beyond the primary term.

4. If actual drilling operations are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of Eighty and NO/100 Dollars (\$ 80.00)

which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term. Payment or tender may be made to the lessor or to the First City National Bank of Midland, Texas, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's successors and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or if any reason fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another method of payment or tender and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or either lessor if more than one, on or before the rental paying date.

5. Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates, or parts thereof for the production of oil or gas. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten per cent (10%) thereof. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. Notwithstanding any provision in this lease to the contrary, neither operations upon nor production from the existence of a shut-in gas well on acreage pooled into a unit (regardless of whether such unit be formed under the terms hereof or by governmental authority) shall be deemed operations, production or the existence of a shut-in gas well, sufficient to continue this lease in force as to acreage covered by this lease and not included in such pooled unit even though such operations, production or shut-in gas well may be located on land included in this lease; similarly, neither operations upon, production from, nor the location of a shut-in gas well on acreage not included in such pooled unit shall be sufficient to continue this lease in force as to acreage included in any such unit. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

6. If, prior to discovery of oil or gas on said land or land pooled therewith lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within sixty (60) days thereafter, or if it be within the primary term commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion and abandonment of said dry hole or holes or the cessation of production. If a dry hole is completed and abandoned at any time during or after the last fourteen (14) months of the primary term and prior to discovery of oil or gas on said land, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil or gas is not being produced on said land or land pooled therewith but lessee is then engaged in actual drilling operations or the reworking of any well on said land or land pooled therewith, this lease shall remain in force in accordance with its terms so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as oil or gas is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be draining the leased premises, lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for drilling operations that not for repressuring, pressure maintenance, cycling, or secondary recovery operations) and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When requested by lessor, lessee shall bury pipelines below plow depth. No well shall be drilled nearer than 200 feet to any structure on said premises without the written consent of lessor. Lessee shall pay for damages caused by its operations to improvements, livestock, forage, and growing crops on said land.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several beneficial owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If lessor or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lease or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall make payment of said rentals.

9. Lessor hereby warrants and agrees to defend the title to said land as to persons claiming by, through or under lessor but not otherwise, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessor's rights under the warranty in the event of failure of title, it is agreed that, if lessor owns an interest in said land less than the entire fee simple estate then the royalties and rentals to be paid lessor shall be reduced proportionately. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. If this lease now or hereafter covers any land in which the ownership of the oil and gas estate differs, either as to persons (including persons designated as "lessor") or amounts, from that as to any other part of the leased premises, no pooling or unitization of royalty interests as between any such lands is intended and shall be implied or result merely from the inclusion of such lands within this lease, nor shall the execution hereof amount to an offer to any owner of non-executive interest to effect such a pooling by the ratification of this instrument.

11. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all subsequent obligations, express or implied, of this agreement as to the acreage so surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Anything to the contrary notwithstanding, it is agreed and understood that:

175-A

a. At the end of the primary term, or at the expiration of operations for drilling or reworking any well on the land covered by this lease or on land on which this land is pooled or unitized, whichever is the later date, Lessee must continue to drill wells on the above described leased premises or on land on which this land is pooled or unitized provided that operations for drilling each well must be commenced no more than one hundred twenty (120) days after completion of the last well drilled. If at any time more than 120 days shall have elapsed after completion of such last well drilled, and Lessee has not commenced operations for the drilling of a subsequent well, then in that event, this lease shall terminate save and except as to the acreage dedicated to said well(s) in accordance with the minimum spacing rules of the New Mexico Oil and Gas Conservation Commission. Time saved between one well or wells may be accumulated and used to extend the time between any other pair of wells. Lessee shall designate the acreage to be retained by instrument filed for record in the county(ies) named in this Lease. Lessee shall incur no penalty for failure to drill any well other than the loss of this Lease except as to each unit designated above or as to each proration unit upon which there is a producing well.

b. Should a hole be lost during the process of drilling of any of said wells by reason of blowout, explosion, heaving shale, excessive pressure, mechanical difficulties, or any other cause beyond the reasonable control of Lessee, then Lessee shall have the privilege of drilling an "in lieu of" well provided that commencement of operations for the drilling of said "in lieu of" well is within thirty (30) days after the abandonment of said prior well, and when so drilled, such "in lieu of" well will meet the well-drilling obligations herein provided as to such well.

c. It is understood and agreed that the completion date of a well shall be construed as the date on which the official potential test is taken for the New Mexico Oil and Gas Conservation Commission, or the date on which such well is plugged if the same is a dry hole.

d. At the expiration of the primary term hereof, or at such time as this lease expires in part after extending same under the drilling, reworking or continuous development provisions of this lease, whichever is the later date, this lease shall terminate as to all horizons one hundred feet (100') below the deepest producing horizon in each spacing unit.

e. Lessee shall notify Lessor of any assignment of this lease and shall provide Lessor with a copy of such assignment.

f. Royalties due under this Lease shall begin to be paid by the first purchaser within 60 days after first sales and shall thereafter be paid monthly. If royalties are not so paid, they shall earn interest at the rate of 15% per annum until paid.

g. Other provisions:

(1) For the purpose of calculating royalty payments hereunder, "market value" shall include any monies received by lessee in the form of tax rebates.

13. Lessee agrees to notify Lessor when a test well is spudded on the land covered by this lease or pooled therewith, and Lessee agrees to furnish Lessor a location plat and drilling reports with respect to each such well.

*E. T. Anderson, IV*  
E. T. Anderson, IV, also known as Edmund T. Anderson, IV, Individually, and as Independent Executor and Trustee under the Wills of Edmund T. Anderson, III, also known as E. T. Anderson, III, Edmund T. Anderson, and E. T. Anderson; and Lillian Anderson, also known as Lillian Gartin Anderson and Lillian G. Anderson

Report all income earned by this Lease under the Estate of Edmund T. Anderson, III. Tax I.D. #75-6304688

FORM OF ACKNOWLEDGMENT FOR CORPORATIONS

175-B

THE STATE OF TEXAS

BEFORE ME

County of \_\_\_\_\_ a Notary Public in and for the County of \_\_\_\_\_ and State of Texas, on this day personally appeared \_\_\_\_\_ known to me to be the person whose name is subscribed to the foregoing instrument as \_\_\_\_\_

and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the act and deed of said \_\_\_\_\_

Given under my hand and seal of office on this the \_\_\_\_\_ day of \_\_\_\_\_ A. D. 19 \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, Texas.

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me on the 19th day of July 19 88, by E. T. Anderson, IV



FRANCES A. FLEMING  
Notary Public, State of Texas  
My Commission Expires Sept. 30, 1988

*Frances A. Fleming*  
Notary Public for the State of Texas  
Notary's Printed Name: FRANCES A. FLEMING  
Notary's Commission Expires: 9-30-88

SINGLE ACKNOWLEDGMENT

THE STATE OF NEW MEXICO

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_, by \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County New Mexico.  
Notary's Printed Name: \_\_\_\_\_  
Notary's Commission Expires: \_\_\_\_\_

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

BEFORE ME, the undersigned authority, on this day personally

County of \_\_\_\_\_ appeared \_\_\_\_\_ known to me to be the person \_\_\_\_\_ whose name \_\_\_\_\_ is/are subscribed to the foregoing instrument and acknowledged to me that he/they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the \_\_\_\_\_ day of \_\_\_\_\_ A. D. 19 \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, Texas.

PRODUCERS 88 12/73 -- TEXAS

No. \_\_\_\_\_

Oil and Gas Lease

FROM

E. T. Anderson, IV et al

TO

T. H. McElvain, Jr.

Dated July 19, 1988

No. Acres 80

San Juan New Mexico County, Texas

Term 2 years

This instrument was filed for record on the

12th day of August 1988 at

1:35 o'clock P. M., and duly

Recorded in Book 1692 Page 175

of the \_\_\_\_\_ records of this office.

*Clara Brady* County Clerk

*John [unclear]* County, Texas

By *Bobbie [unclear]* Deputy

When recorded return to

Dec 4 1988

T. H. McElvain Oil & Gas Properties

P.O. Box 2143

Santa Fe, New Mexico 87504-2148

# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Jerry L. Young & Donna M. Young  
P.O. Box 421  
Ignacio, Colorado 81137

Re: Federal 32-6-9 #1 Well (7.158196%)  
E/2 Section 9, T32N, R6W (279.40 acres)  
San Juan County, New Mexico

Dear Mr. & Mrs. Young:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Federal 32-6-9 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Federal #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (20 net acres/120 gross acres, located in the SW/4 NE/4, W/2 SE/4 of Section 9, T32N, R6W) was unleased at the time the well was first drilled and that Richmond subsequently pooled your interest under Oil Conservation Division Order No. R-9033. We have no record as to whether Richmond ever afforded you the opportunity to participate and pay your share of expenses. Sections (7) & (10) of Order No. R-9033 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Jerry L. Young & Donna M. Young  
Page Two  
March 1, 1994

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid a further pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$139,748.88 which, when multiplied by your participating interest of 7.158196%, would mean a reimbursement to Consolidated of \$10,003.50. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

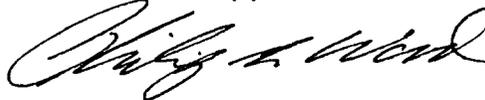
Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Jerry L. Young & Donna M. Young  
Page Three  
March 1, 1994

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for \$13,324.90 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,



Philip G. Wood  
Land Manager

PGW:1m  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Jerry L. Young

BY: \_\_\_\_\_  
Donna M. Young

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

|  |  |
|--|--|
| <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.<br>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.<br>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.    2. <input type="checkbox"/> Restricted Delivery (Extra charge) |  |
| 3. Article Addressed to:<br><br>JERRY L. YOUNG AND<br>DONNA M. YOUNG<br>P.O. BOX 421<br>IGNACIO, CO 81137  | 4. Article Number<br><b>P 329 599 394</b><br>Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise<br>Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b> |
| 5. Signature - Addressee<br><b>X</b> <i>Donna M. Young</i>   | 8. Addressee's Address (ONLY if requested and fee paid)  |
| 6. Signature - Agent<br><b>X</b>   |  |
| 7. Date of Delivery<br><b>3/5/94</b>   |  |

# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Mr. Manuel A. Rodriguez  
9295 S. Kalil Drive  
Scottsdale, Arizona 85260

Re: Carnes 32-6-11 #1 Well (0.187027%)  
S/2 Section 11, T32N, R6W (320.00 acres)  
San Juan County, New Mexico

Dear Mr. Rodriguez:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Carnes 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Carnes #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (1.1969 net acres/2.3939 gross acres, located in the SW/4 SW/4 NW/4 SW/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9179. Sections (7) & (10) of Order No. R-9179 read as follows:

- (7) The operator is hereby authorized to withhold the following costs and charges from production:
  - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
  - (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Mr. Manuel A. Rodriguez  
March 1, 1994  
Page Two

- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this Order.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

- A) Primary lease term of one (1) year,
- B) Royalty of 20%, proportionately reduced,
- C) Bonus consideration of \$60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was \$224,616.72 which, when multiplied by your participating interest of 0.187027%, would mean a reimbursement to Consolidated of \$420.09. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

- 1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

Mr. Manuel A. Rodriguez  
March 1, 1994  
Page Three

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for \$466.57 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,

Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Manuel A. Rodriguez

DATE: \_\_\_\_\_



# Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail  
Return Receipt

Mr. Richard G. Clark  
9295 S. Kalil Drive  
Scottsdale, Arizona 85260

Re: Carnes 32-6-11 #1 Well (0.187027%)  
S/2 Section 11, T32N, R6W (320.00 acres)  
San Juan County, New Mexico

Dear Mr. Clark:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Carnes 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Carnes #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your mineral interest (1.1969 net acres/2.3939 gross acres, located in the SW/4 SW/4 NW/4 SW/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9179. Sections (7) & (10) of Order No. R-9179 read as follows:

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Mr. Richard G. Clark  
March 1, 1994  
Page Two

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Mr. Richard G. Clark  
March 1, 1994  
Page Three

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Sincerely,

Philip G. Wood  
Land Manager

PGW:lm  
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: \_\_\_\_\_  
Richard G. Clark

DATE: \_\_\_\_\_

PHOENIX, AZ 850

MAR 5 1994

PM

MAR 5

**CERTIFIED**  
Place this over top of envelope to the right of the return address.  
P-207 123 456

410 17th Street, Suite 2300  
Denver, CO 80202

*Consolidated Air & Sea, Inc.*

**TO:**

MR. RICHARD G. CLARK  
9295 S. KATHI DR  
SCOTTSDALE, AZ 85260

REASON FOR NON DEL. (IN CHECKED)  
MOVED LEFT ( )  
ATTEMPTED DEL. ( )  
UNCLAIMED ( )  
NO ADDRESSES ( )  
INCOMPLETE ( )  
OTHER ( )

*MIC 6915*

RECEIVED MAR 07 1994