

Drawer 600
Farmington, New Mexico 87401

June 5, 1981

Johns Federal 74

Mesa Petroleum Company
1660 Lincoln Street
2800 Lincoln Center
Denver, Colorado 80264

Gentlemen:

K The State of New Mexico has established field spacing for the SW $\frac{1}{4}$ sec. 18, T. 32 N., R. 11 W., NMP Mer., as a drilling unit for the production of gas from the Pictured Cliffs.

A well has been completed in the Pictured Cliffs formation at a location in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of said section 18.

Part of your Federal oil and gas lease Santa Fe 078118 is within the spacing unit for this well and by Federal regulation, 43 CFR 3105, an approved communitization agreement, effective prior to the initial production from the well, will be required.

If an agreement is not submitted for approval, compensatory royalty will be assessed in the amount of the royalty rate for lease Santa Fe 078118 times the ratio of the acreage of lease Santa Fe 078118 within the spacing unit to the total acreage within the spacing unit times the total value of the production from the spacing unit well, on a monthly basis, effective the first of the month during which first production is established.

Standard instruction and a copy of the model communitization agreement form are available upon request. The instructions provide guidance concerning execution and final submittal for approval. If you decide to proceed without securing the model form and instructions, please be advised that four executed copies of the agreement, at least one of which must contain the original execution by all signatory parties, should be filed with the Regional Conservation Manager, U. S. Geological Survey, Conservation Division, P.O. Box 26124, Albuquerque, N. M. 87125 for approval. Three copies of the approved agreement, including the copy containing the original signatures, will be retained for Federal use, and the remaining copies will be returned to the operator designated in the agreement. If you require an original for recording purposes or duplicate copies for other distribution, the number of copies submitted should be increased accordingly.

Sincerely yours,

Dean Elliott

En Michael F. Reitz

Acting District Oil and Gas Supervisor

cc: *SCR* /
RPC-6

Lease - General Correspondence

Chronological file EGBecher:lje