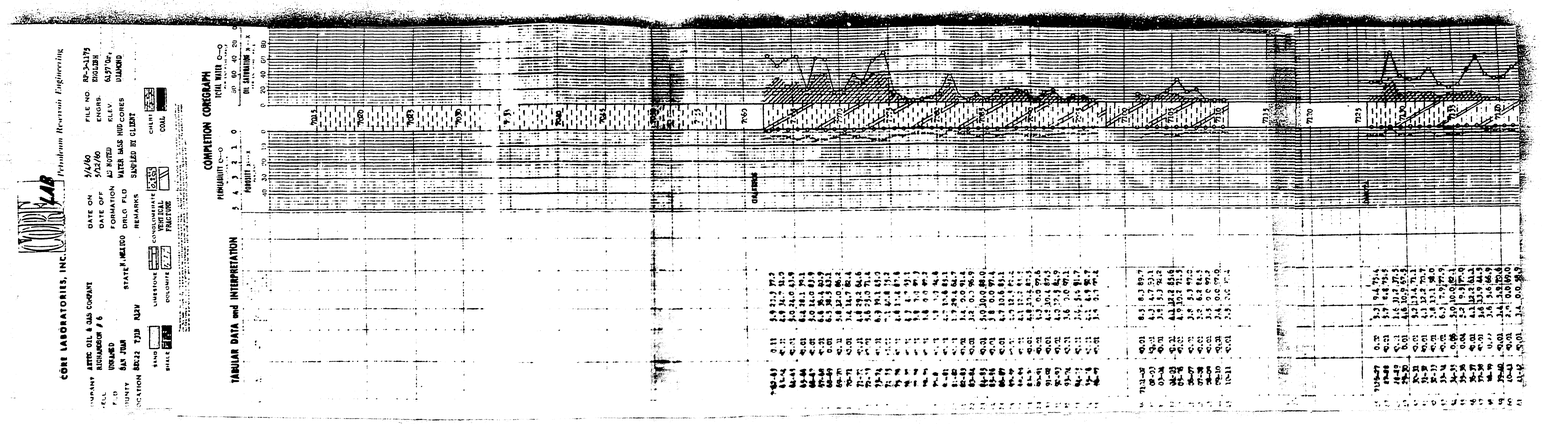
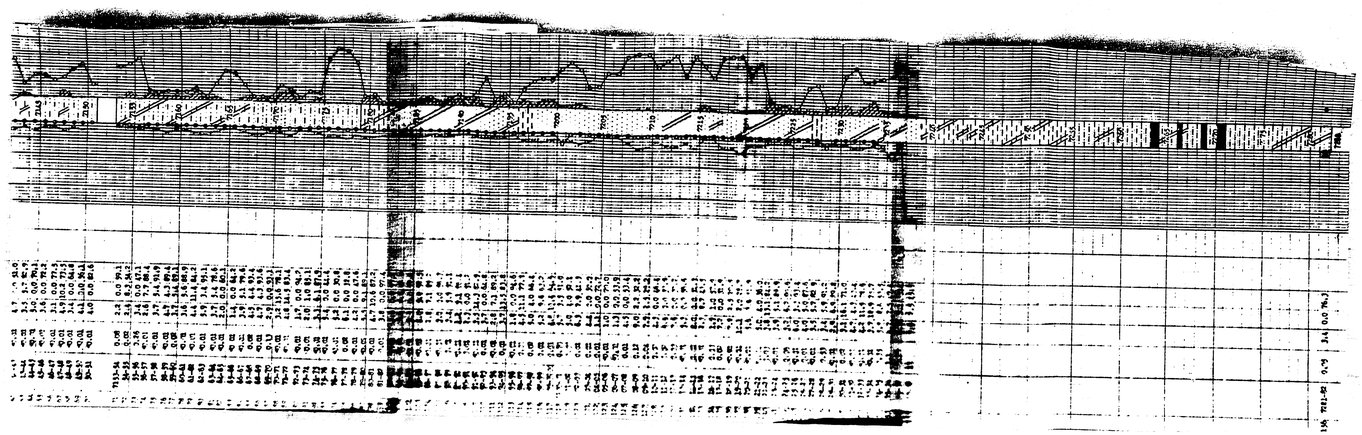
Case No.
2504

Page Exhibit


CORE LABORATORIES, INC.
Petroleum Reservoir Engineering
COMPLETION CORELOGRAPH
TABULAR DATA and INTERPRETATION





STANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS SUMMARY

341.999
Large Core Analysis

Well: Angel Peak Unit #1 — Lab. No. 3035
Field: Wildcat, San Juan County, New Mexico — Date Reported: 10-31-51
Location: 990' From N & E Lns. of Sec. 35 T27N R10W — Date Received: 10-22-51
Formation Analyzed: Dakota & Morrison — Elev.: 6329'

CORING DATA

Zone	6658-6829	5824-5877
Start Coring	6658	5829
Top of Sand	6658	5829
Bottom of Sand	6829	5877
Stopped Coring	6829	5877
Total Feet Cored	171	54*
Total Feet of Formation	171	----
Recovery, Feet of Formation	107	19
Recovery, % of Formation	39.5	----

Type of Drilling Fluid (Oil or Water Base Mud): Water Base
Filtrate Loss (cc. per 30 min. API): 3.5

*Does not include drilling interval of 24'

SUMMARY OF CORE ANALYSIS

Oil Content (by Extraction)

Zone	Feet of Net Sand	Porosity Max.	Porosity Min.	Porosity Wtd. Avg.	Average Oil Sat. %
Large Core Only	6658-6829	85	15.0	<.5	7.4	----
Large Core & Small Plugs	6658-6829	95	15.0	<.5	7.0	----
Large Core Only	6829-5877	12	21.0	1.0	7.8	----
Large Core & Small Plugs	5824-5877	19	21.0	1.0	9.1	----

*For Comparative Purposes Only. Not To Be Used In Estimating Oil In Place.

Permeability*

Zone	Feet of Net Sand	Millidarcys Max.	Millidarcys Min.	Millidarcys Wtd. Avg.	Capacity Feet x md.
Large Core Maximum	6658-6829	85	20,000.00	.09	247.00	20,978.00
Large Core Average From Maximum	6658-6829	85	67.00	.06	3.91	332.35
Large Core & Small Plug	6658-6829	95	20,000.00	<.05	221.27	21,020.65
Large Core Maximum	6829-5877	12	291.00	.33	27.79	333.48
Large Core Maximum	5824-5877	19	31.00	.08	16.05	304.95
Large Core & Small Plug	5824-5877	19	2,100.00	.12	299.47	5,690.00

*Cross Hatch Coincidence, Fracturation and Parallel To Bedding Planes Indicates "Less Than" Indicates "Greater Than"

Letter of transmittal by L. G. Speer, dated: 10-31-51, File: DJS-656-251.1 thru DJS-1660-251.1 and DJS-6829-251.1

Data indicated by asterisks were obtained on small plugs due to samples being unsuitable for large core analysis.
Results of formation factor tests to follow as supplementary report.
With graphical core analysis low.

cc: W. W. Allis
Attn: Lewis Finch, Jr.
R. T. Morley (2)
C. F. Bedford
W. J. Holte
M. M. Montgomery
L. G. Speer, Jr.

By D. B. Reed

RECEIVED NOV 17 1951 ENGINEERING DEPT.

STANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS SUMMARY

341.999
Large Core

Martin Lee Mark Yates #1

Well: Angel Peak Unit #1 — Lab. No. 3035
Field: Wildcat, San Juan County, New Mexico — Date Reported: 10-24-51
Location: 990' From N & E Lns. of Sec. 35 T27N R10W — Date Received: 10-15-51
Formation Analyzed: Dakota Sand — Elev.: 6319'

CORING DATA

Zone	6565-665A
Start Coring	6565
Top of Sand	6565
Bottom of Sand	----
Stopped Coring	6658
Total Feet Cored	93
Total Feet of Formation	----
Recovery, Feet of Formation	93
Recovery, % of Formation	----

Type of Drilling Fluid (Oil or Water Base Mud): Water Base
Filtrate Loss (cc. per 30 min. API): 3.8

SUMMARY OF CORE ANALYSIS

Oil Content (by Extraction)

Zone	Feet of Net Sand	Porosity Max.	Porosity Min.	Porosity Wtd. Avg.	Average Oil Sat. %
Large Core Only	6565-665#	57	10.7	<.5	3.7	----
Large Core and Small Plug	6565-665#	93	11.3	<.5	3.7	----

*For Comparative Purposes Only. Not To Be Used In Estimating Oil In Place.

Permeability*

Zone	Feet of Net Sand	Millidarcys Max.	Millidarcys Min.	Millidarcys Wtd. Avg.	Capacity Feet x md.
Large Core Maximum	6565-6658	57	4.42	.09	.59	33.63
Large Core Average From Maximum	6565-6658	57	1.73	.03	.27	15.39
Large Core Maximum and Small Plug	6565-6658	93	4.82	<.05	.51	47.43

*Cross Hatch Coincidence, Fracturation and Parallel To Bedding Planes Indicates "Less Than" Indicates "Greater Than"

Letter of transmittal by L. G. Speer, dated: 10-30-51, File: DJS-656-251.1
Data indicated by asterisks were obtained on small plugs due to samples being unsuitable for large core analysis.
Results of formation factor tests to follow as supplementary report.
With graphical core analysis low.

cc: W. W. Allis
Attn: Lewis Finch, Jr.
R. T. Morley (2)
C. F. Bedford
W. J. Holte
M. M. Montgomery
L. G. Speer, Jr.

By D. B. Reed

RECEIVED OCT 29 1951 ENGINEERING DEPT.

STANOLIND OIL AND GAS COMPANY 341.999
RESEARCH DEPARTMENT
CORE ANALYSIS SUMMARY
Large Core

Martin Lee Mark Yates #1

Well: Angel Peak Unit #1 — Lab. No. 3035
Field: Wildcat, San Juan County, New Mexico — Date Reported: 1-15-52
Location: 990' Fr. N & E Lines of Sec. 35 T27N R10W — Date Received: 12-27-51
Formation Analyzed: Morrison — Elev.: 6329'

CORING DATA

Zone	6990-7510	7756-7863
Start Coring	6990	7756
Top of Sand	6829	7715
Bottom of Sand	7745	7920
Stopped Coring	7510	7963
Total Feet Cored	130*	17
Total Feet of Formation	921**	175
Recovery, Feet of Formation	13C	11
Recovery, % of Formation	14.1%	6.3%

Type of Drilling Fluid (Oil or Water Base Mud):
Filtrate Loss (cc. per 30 min. API):
*Note: This depth does not include 42½' drilling interval
**Note: This depth does not include 15' hole

SUMMARY OF CORE ANALYSIS

Oil Content (by Extraction)

Zone	Feet of Net Sand	Porosity Max.	Porosity Min.	Porosity Wtd. Avg.	Average Oil Sat. %
Large Core Only	6990-7510	46-1/2	17.1	1.6	7.9	----
Large Core & Small Plugs	6990-7510	130	27.1	<.5	7.9	----
Large Core Only	7756-7863	4	21.6	11.9	17.0	----
Large Core & Small Plugs	7756-7863	11	21.6	1.1	11.2	----

*For Comparative Purposes Only. Not To Be Used In Estimating Oil In Place.

Permeability*

Zone	Feet of Net Sand	Millidarcys Max.	Millidarcys Min.	Millidarcys Wtd. Avg.	Capacity Feet x md.
Large Core Maximum	6990-7510	46-1/2	9.56	.05	1.43	70.36
Large Core Average From Maximum	6990-7510	46-1/2	84.00	.05	6.00	1,476.00
Large Core & Small Plugs	6990-7510	130	482.00	.05	10.79	1,476.00
Large Core Maximum	7756-7863	4	84.00	1.2	24.00	96.00
Large Core & Small Plugs	7756-7863	11	84.00	1.2	24.00	264.00

*Cross Hatch Coincidence, Fracturation and Parallel To Bedding Planes Indicates "Less Than" Indicates "Greater Than"

Letter of transmittal by L. G. Speer, Jr., dated: 1-14-52, File: DJS-656-251.1
Also: Provisional Core Analysis
Formation Factor Tests to follow
Data indicated by asterisks were obtained on small plugs due to samples being unsuitable for large core analysis
Report attached to Core Report dated: 12-14-51.

cc: W. W. Allis
Attn: Lewis Finch, Jr.
R. T. Morley (2)
C. F. Bedford
W. J. Holte
M. M. Montgomery
L. G. Speer, Jr.

By D. B. Reed

RECEIVED JAN 17 1952 ENGINEERING DEPT.

A.R.M.L.F. Microfilmed

STANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS DATA RECORD

WELL: Jarel Teak Unit #1 FIELD: Wildcat STATE: New Mexico DATE: 2-13-52 LAB NO. 3035

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY TO AIR IN MILLIDARCYS		POROSITY %
			Vertical	90° from Vertical	
			.62*		7.3*
	6990-91	Sand	492.00*		15.1*
	5991-92	"	38'.00*		16.1*
	6992-93	"	103.10*		16.2*
	6993-94	"	76.90	59.40	15.6
	6994-95	"	68.00*		13.5*
	6995-96	"	31.78	25.55	12.8
	6996-97	"	92.30	85.90	15.0
	6997-98	"			
	6998-99	"	<.05*		<.5*
	6999-7000	"	17.32	15.83	13.5
	7000-01	"	1.99*		10.2*
	7001-02	"	51.80	39.39	12.8
	7002-03	"	54.98	43.68	12.7
	7003-04	"	43.98	40.45	12.8
	7004-05	"	96.88	86.65	14.6
	7005-06	"	69.05	58.30	14.6
	7006-07	"	44.60	36.40	14.4
	7007-08	"	206.69*		13.2*
	7008-09	"	168.90*		14.9*
	7009-10	"	62.66	59.20	15.2
	7010-11	"	19.24	16.07	13.2
	7011-12	"	4.64*		12.1*
	7012-13	"	9.98	7.91	13.1
	7013-14	"	15.17	12.17	13.8
	7014-15	"	39.00*		15.1*
	7015-16	"	12.63	33.45	15.8
	7016-17	"	.41*		7.6*
	7017-18	"	1.69*		9.9*
	7018-19	"	<.05*		9.2*
	7019-20	"	<.05*		1.9*
	7020-21	"	<.05*		7.0*
	7021-22	"	<.05*		1.1*
	7179-80	Sand w/shale	.24	.23	3.1
	7180-80-1/2	"	<.05*		3.1*
	7180-1/2-81	"	2.10	1.52	5.4
	7181-82	"	.32	.26	1.6
	7182-82-1/2	"	21.95*		3.2*
	7182-1/2-83	"	31.20*		3.1*
	7183-84	"	<.05*		1.1*
	7184-85	"	<.05*		1.1*
	7185-86	Silicious Quartz Sand w/shale	.11	.06	1.8
	7186-87	"	.20	.17	4.7
	7187-88	"	1.33	1.13	8.7
	7188-89	"	.61	.52	10.7

Per reported permeability, porosity and core analysis data are obtained from portion of core horizontally obtained to be of minimum low factor variability of porosity in which permeability, porosity and oil-bearing tests are made.

Three Hundred Thirteen Thousandths Plug

By _____ L. L. Reed

STANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS DATA RECORD

WELL Angel Peak Unit #1 FIELD Wildcat STATE New Mexico DATE 2-13-52 LAB NO. 3035

SAMPLE NO.	DEPTH	DESCRIPTIONS	PERMEABILITY TO AIR MILLIDARCYS VERTICAL	PERMEABILITY TO AIR MILLIDARCYS HORIZONTAL 90° FROM Vertical	POROSITY %	RESIDUAL SATURATIONS % PORE SPACE OIL	RESIDUAL SATURATIONS % PORE SPACE WATER	% RECOVERY OF OIL IN 60 MIN.	% RECOVERY OF OIL IN 24 HRS.	FORMATION RESISTIVITY FACTOR
39	7638-39	Sand	1.66		8.99					
40	7639-40	"	.99	.60	7.6					
41	7640-41	"	1.11	.53	7.6					
42	7641-42	"	.40	.68	7.6					
43	7642-43	"	1.06		7.09					
44	7643-44	"	.90	.68	7.5					
45	7644-45	"	5.65	4.71	7.6					
46	7645-46	"	.429		7.50					
47	7646-47	"	1.23		14.34					
48	7647-48	"	.031		9.88					
49	7648-649	"	1.61	1.65	7.4					
50	7649-50	"	.63	.65	7.6					
51	7650-51	"	1.07	1.07	7.6					
52	7651-52	"	.41	.73	7.5					
53	7652-53	"	.24	.22	6.7					
54	7653-54	"	.13	.23	7.7					
55	7654-55	"	.39	.33	5.3					
56	7655-56	"	.03	.06	6.8					
57	7656-57	"	.69	.51	5.9					
58	7657-58	"	1.14	.53	6.2					
59	7658-59	"	.41		9.44					
60	7659-60	"	.71	.62	5.3					
61	7660-61	"	.47	.65	5.6					
62	7661-62	"	1.67		6.0					
63	7662-63	"	.74	.69	7.3					
64	7663-64	"	1.22	.50	7.4					
65	7664-65	"	1.39	1.70	7.4					
66	7665-66	"	1.65		7.14					
67	7666-67	"	1.52		7.09					
68	7667-68	"	1.42	1.29	6.1					
69	7668-69	"	1.42		6.14					
70	7669-70	"	11.11		13.0					
71	7670-71	"			13.4					
72	7671-72	"	5.83		11.4					
73	7672-73	"	5.44	3.51	11.9					
74	7673-74	"	7.17	7.43	11.1					
75	7674-75	"	30.90	31.90	7.1					
76	7675-76	"	77.15		6.5					
77	7676-77	"	97.15		6.0					
78	7677-78	"	11.10	13.68	10.6					
79	7678-79	"	42.30	42.23	6.5					
80	7679-80	"								
81	7680-81	"	56.15	53.55	3.6					
82	7681-82	"	436.90		3.64					
83	7682-83	"	71.90		3.74					

The reported analyses, opinions and interpretations are based on observations and materials supplied by or on behalf of the client. Accordingly, Stanolind Oil and Gas Company and its officers and employees assume no responsibility and make no warranty or representations as to the productivity, proper operation or profitableness of any oil, gas or other mineral well or sand in connection with which such report is used or relied upon.

STANOLIND OIL AND GAS COMPANY

RESEARCH DEPARTMENT

CORE ANALYSIS DATA RECORD

WELL Angel Peak Unit #1 FIELD Wildcat STATE New Mexico DATE 2-13-52 LAB. NO. 1035

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCYS		POROSITY PERCENT	SATURATION, % PORE SPACE			% RECOVERY OF TOTAL SAT.	RESIDUAL SATURATION, %
			Horizontal	90° From Horizontal		OIL	WATER	TOTAL		
1e	7189-90	Silicious quartz sand w/shale	1.31	.51	6.8					
1f	7190-91	"	.51	.24	5.4					
1g	7191-92	"	.71	.69	6.4					
1h	7192-93	"	.85	.75	5.1					
1i	7193-94	"	.17	.27	3.7					
1j	7194-95	"	.05*	-	6.8*					
1k	7195-96	"	61.58	.37	5.2					
1l	7196-97	"	1.45	.40	5.4					
1m	7197-98	"	1.03	.71	3.2					
1n	7198-99	"	.48	.53	4.4					
1o	7199-7200	"	.80	.38	4.2					
1r	7200-01	"	.51	.50	5.3					
1s	7201-02	"	.77	.36	3.5					
1t	7202-03	"	.58	.48	6.0					
1u	7203-04	"	.47	.38	6.1					
1v	7204-05	"	.48	.42	6.4					
1w	7205-06	"	.39	.35	7.1					
1x	7206-07	"	.34	.40	4.7					
1y	7207-08	"	.22	.21	3.8					
1z	7208-09	"	1.48	.74	4.9					
1z	7209-10	"	.83	.71	6.2					
1z	7210-11	"	.69	.41	5.5					
1z	7211-12	"	.49	.44	5.9					
1z	7212-13	"	2.51	1.70	7.2					
1z	7213-14	"	1.67	1.16	10.6					
1z	7214-15	"	.98	.69	7.5					
1z	7215-16	"	2.32	1.41	6.5					
1z	7216-17	"	1.21	1.52	5.2					
1z	7217-18	"	.92	.63	6.0					
1z	7218-19	"	.53	.38	5.1					
1z	7219-20	"	6.83	6.25	7.3					
1z	7220-21	"	.66	.48	6.5					
1z	7221-22	"	2.06	1.33	6.2					
1z	7222-23	"	1.81	1.12	7.3					
1z	7223-24	"	2.54	2.38	7.8					
1z	7224-25	"	1.63	.97	6.4					
1z	7225-26	"	.63	.43	6.9					
1z	7226-27	"	6.05*	-	6.0*					
1z	7227-28	"	1.98	-	6.6*					
1z	7228-29	"	.62	.32	1.0*					
1z	7229-30	"	.875	-	1.8*					
1z	7230-31	"	.504	-	1.4*					
1z	7236-37	Sand	11.10	4.66	13.1					
1z	7237-38	"	2.48		12.4*					

The material supplied, analyses and interpretations are for the exclusive use of our customers to whom they are furnished, and will not be made available to others without the express consent of ourselves. We assume no responsibility for the operation of any property or the production therefrom, and make no warranty or guarantee as to the productivity of any formation or well.

Form Research Petroleum Engineering Form

FORM 406 CAB

TANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS DATA RECORD

WELL Angel Peak Unit #1 FIELD Wildcat STATE New Mexico DATE 2-13-52 LAB NO. 3011

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCYS		RESIDUAL SAT. %	EXTRACTED, % PORE SPACE			% VOLUME IN PORE SPACE	GRAIN DENSITY	POROSITY %
			Horizontal	90° to Bedding		OIL	WATER	TOTAL			
1	7801-02	Sand	3.80	1.17	7.2						
2	7802-03	"	1.12	1.06	7.9						
3	7803-04	"	1.10*		7.6*						
4	7838-39	"	39.15	39.15	7.4						
5	7739-40	"	64.00	64.00	12.2						
6	7740-41	"	39.10*		7.2*						
7	7741-42	"	9.18	9.27	7.9						
8	7742-43	"	20.10*		7.3*						

The reservoir data herein, summary and core descriptions has obtained from portion of core hereinabove delivered to or cutting from portion hereinafter by or which permeability, porosity and evidence tests are made
from Company, Trustee, Successor, Etc.

By _____

STANOLIND OIL AND GAS COMPANY

RESEARCH DEPARTMENT

CORE ANALYSIS DATA RECORD

WELL Angel Peak Unit #1 FIELD Wildcat STATE New Mexico DATE 10-24-53 LAB NO 3035

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCYS AT 90° DEGREES F.		POROSITY PERCENT	SATURATION, % PORE SPACE			% GRAVITY OF OIL	RECOVERY OF OIL % OF OIL IN PLACE
			Maximum	90° From Maximum		OIL	WATER	GAS		
A	6565-66	Sand	.89		11.3*					
B	6566-67	"	.104		9.3*					
C	6567-68	"	.43		9.1*					
D	6568-69	"	.40*		7.0*					
E	6569-70	"	.03*		6.8*					
F	6570-71	"	2.13	.08	5.7					
G	6571-72	"	.18*		5.2*					
H	6572-73	"	.39	.24	5.4					
I	6573-74	"	.20*		5.1					
J	6574-75	"								
K	6575-76	"	.09	.05	3.1					
L	6576-77	"	.23*		5.0*					
M	6577-78	"	.26	.03	5.1					
N	6578-79	"	.57	.30	5.2					
O	6579-80	"	.20*		5.2*					
P	6580-81	Shaley Sand	1.14	1.10	7.7					
Q	6581-82	"	.5	.15	7.7					
R	6582-83	"	1.53	.28	2.0					
S	6583-84	"	.4	.30	1.6					
T	6584-85	"	2.60		2.2*					
U	6585-86	"	.35	.17	1.9					
V	6586-87	"	1.21	.11	1.9					
W	6587-88	"	.09	.05	1.5					
X	6588-89	"	.30	.25	1.4					
Y	6589-90	"	.60	.8	1.3					
Z	6590-91	"	.09*		8*					
AA	6591-92	Sand	.19*		2.6*					
AB	6592-93	"	.29*		1.6*					
AC	6593-94	"	.89	.30	1.6					
AD	6594-95	"	.74	.64	2.0					
AE	6595-96	"	44*		5.3*					
AF	6596-97	"	.55	.51	2.7					
AG	6597-98	"	.09*		3.9*					
AH	6598-99	"								
AI	6599-6600	"	.15							
AJ	6600-01	"								
AK	6601-02	"								
AL	6602-04	"								
AM	6604-05	Shaley Sand								
AN	6605-06	"								
AO	6606-07	"								
AP	6607-08	"								
AQ	6608-09	"								
AR	6609-10	"								

For explanation of symbols and other information in this report, see "Explanation of Symbols and Terms Used in Core Analysis Reports" Form 1-A.

STANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS DATA RECORD

WELL Angel Peak Unit #1 FIELD Wildcat STATE New Mexico DATE 10-22-51 LAB NO 3035

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCYS Horizontal	Vertical	INVESTIGATOR	SATURATION % PORE SPACE OIL	WATER	TOTAL	% RECOVERY IN CUTTING OIL	POROSITY % Fract. @ 800 p.s.i.	RESIDUAL SATURATION % Pore Space
			90° Frac								
			Parallel	Perpendicular							
AS	6610-11	Shaley Sand	.36	.23	-.5						
AT	6611-12	"	.17	.12	.1						
AU	6612-13	"	.17	.15	1.4						
AV	6613-14	"	.14	.10	1.0						
AW	6614-15	"									
AX	6615-16	"	1.74	.65	5.0						
AY	6616-17	"	.54	.38	5.1						
AZ	6617-18	"	.198		4.8						
BA	6618-19	"	.139		2.9						
BB	6619-20	"	.098		1.3*						
BC	6620-21	"	.196		1.7*						
BD	6621-22	"	.50	.33	1.1						
BE	6622-23	"	.44	.31	5.1						
BF	6623-24	"	.11	.03	.6						
BG	6624-25	"	.23	.00	.8						
BH	6625-26	"	.20	.14	1.2						
BI	6626-27	"	.17	.11	1.4*						
BJ	6627-28	"	.17		1.4*						
BK	6628-29	"	.14		1.2*						
BL	6629-30	"	.15		1.6*						
BM	6630-31	"									
BN	6631-32	"	.37	.21	.8						
BO	6632-33	"	.30		1.4*						
BP	6633-34	"	3.77*		1.9*						
BQ	6634-35	"	.15	.06	.5						
BR	6635-36	"	.44	.16	4.0						
BS	6636-37	"	.70	.31	.1						
BT	6637-38	"	.19	.12	.9						
BU	6638-39	"	.30	.16	.7						
BV	6639-40	"	.38	.21	1.2						
BW	6640-41	"	.10	.07	1.1						
BX	6641-42	"	.34	.16	3.8						
BY	6642-43	"	.084		1.5*						
BZ	6643-44	"	.109		1.5*						
CA	6644-46	"	.29	.21	.7						
CB	6645-47	"	.19		1.5*						
CC	6647-48	"	.164		1.0*						
CD	6648-49	Sand	.139		1.4*						
CE	6649-50	"	.12	.06	4.4						
CF	6650-51	"	.30	.13	.6						
CG	6651-52	"	4.6	4.75	6.1						
CH	6652-53	"	.12	.10	1.7						
CI	6653-54	"	1.74	.16	1.3						
CJ	6654-55-1/2	"	.40	.19	1.4						
CK	6655-1/2-56	"	.76	.47	10.3						
CL	6656-57	"	.73	.29	1.7						
CM	6657-58	"	1.20	.50	.7						

For numerical data values, symbols and basic conditions upon which results from Stanolind Oil and Gas Company laboratories are obtained, see Stanolind Laboratory Procedure Instruction Book.

STANOLIND OIL AND GAS COMPANY

RESEARCH DEPARTMENT

CORE ANALYSIS DATA RECORD

WELL Jewell Peak Unit #1 FIELD Wildcat

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCYS	POROSITY % BY VOLUME
			Horizontal	Vertical
	6654-60	Sand	4.10	1.56
	6660-61		13.71	
	6661-62		1.14	
	6662-64			
	6664-66		15.32	12.
	6666-67-1/2		1.78	
	6667-1/2-69			
	6669-70		20.67	1.86
				3.56
	6670-72			
	6672-73		4.91	
	6673-74		9.00	
	6674-75		.99	
	6675-76		7.95	
	6676-77		.79	
	6677-78		2.61	
	6678-79		1.57	1.56
	6679-80		.48	.06
	6680-81		1.01	
	6681-82		29.2	17.
	6682-83		11.19	6.
	6683-84			
	6684-85		.004	
	6685-86			.34
	6686-87		2.11	
	6687-88			
	6688-89			
	6689-90		6.10	1.32
	6690-91		.03	
	6691-92			
	6692-93		9.46	5.7
	6693-94		57.15	7.55
	6694-95		.24	
	6695-96		.009	
	6696-97		2.38	1.91
	6697-98		2.43	
	6698-99			
	6699-6700			
	6700-01			
	6701-02		215.00	5.84
	6702-03		5.61	
	6703-04			
	6704-05			
	6705-06			
	6706-07		19.00	
	6707-08			
	6708-09		2.63	
	6709-10			
	6710-11			
	6711-12			
	6712-13			
	6713-14			
	6714-15			
	6715-16			
	6716-17			
	6717-18			
	6718-19			
	6719-20			

Sand w/shale

DATE 10-31-53 LAB. NO. 939

SATURATION, % PORE SPACE				GRAIN DENSITY	
OIL	WATER	GAS	TOTAL % PORE SPACE	GRAMS PER CC.	REMARKS

STANOLIND OIL AND GAS COMPANY

RESEARCH DEPARTMENT

CORE ANALYSIS DATA RECORD

WELL Carol Lea Unit #1 FIELD Wildcat STATE New Mexico DATE 10-31-53 LAB NO. 1035

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY TO AIR MILLIDARCYS		POROSITY %	RESIDUAL SATURATION % PORE SPACE					
			90° Laminae	90° Axial		OIL	WATER	TOTAL	% PORE SPACE	PERMEABILITY TO WATER AT RESIDUAL OIL	WATER FLOOD RESIDUAL OIL
1	6722-23	Sand w/scale	3.30	2.9							
2	6723-22	"	1.27	1.1							
3	6722-21	"	1.09	.							
4	6721-20	"	4.75	.							
5											
6	6725-26	"	3.15	2.56							
7	6726-28	"	3.16	2.58							
8	6727-29	"	.98	.86							
9	6728-30	"	1.40	.81							
10	6729-31	"	.055								
11	6730-32	"	.20	1.0							
12	6731-33	"	1.46	1.16							
13	6733-34	"	>10,000.00	97.00							
14	6735-36	"									
15	6736-37	"	6.97	3.87							
16	6737-38	"	1.24	1.92							
17	6738-39	"	5.51	3.96							
18	6739-40	"	1.06	.77							
19	6740-49	Shaley sand	10.72	1.24							
20	6749-50	"	17.42	1.20							
21	6750-51	"	6.63	2.77							
22	6778-79	Sand	1.34	.73							
23	6779-80	"									
24	6780-81	"	13.24	3.6							
25	6781-82	"	14.62	11.16							
26	6782-83	"	1.37	.80							
27	6783-84	"	1.99	1.00							
28	6784-85	"	.98	.62							
29	6785-86	"	3.84	2.94							
30	6786-87	"	2.58	1.30							
31	6787-88	"	2.11	1.79							
32	6788-89	"									
33	6790-91	Lime w/shale	4.95	1.24							
34	6791-92	"	3.16	3.06							
35	6792-94	"	.09	.06							
36	6794-95	"	8.03	4.08							
37	6795-96	"	14.42	3.35							
38	6796-97	"	5.78	2.53							
39	6797-99	"	1.73	1.54							
40	6277-6300	"	10.23	6.32							
41	6618-19	Sand									
42	6619-20	"	4.76	4.73							
43	6620-21	"	2.16	1.24							
44	6621-22	"	7.81	1.55							
45	6622-23	"	5.34	3.98							
46	6623-24	"	9.87	3.79							

Core Chamber at Pressure Reservoir Temp.

STANOLIND OIL AND GAS COMPANY
RESEARCH DEPARTMENT
CORE ANALYSIS DATA RECORD

WELL Angel Peak Unit #1 FIELD Widcat STATE New Mexico DATE 30-33-51 LAB NO. 3055

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY TO AIR IN MILLIDARCYS Horizontal	PERMEABILITY TO AIR IN MILLIDARCYS Vertical
#1	6858-59	Sand	2.8*	2.07
#2	6859-60	"	2.48	.93
#3	6860-61	"	-.06*	
#4	6861-62	"	-.09*	
#5	6862-63	"	15.55	3.49
#6	6863-64	"	.61	.44
#7	6864-65	"	1.43	.92
#8	6865-66	"	3.47	1.39
#9	6866-67	"		
#10	6867-68	"	.33	.28
#11	6868-69	"	1.54	.43
#12	6869-70	"	2.90	1.51
#13	6870-71	"	6.7	2.27
#14	6871-72	"	302.00*	
#15	6872-73	"	281.90	211.90
#16	6873-74	"	12.29	11.05
#17			1911.00*	
#18	6874-75	"		
#19	6875-76	"	1100.00*	
#20	6876-77	"	434.00*	
			33.00*	

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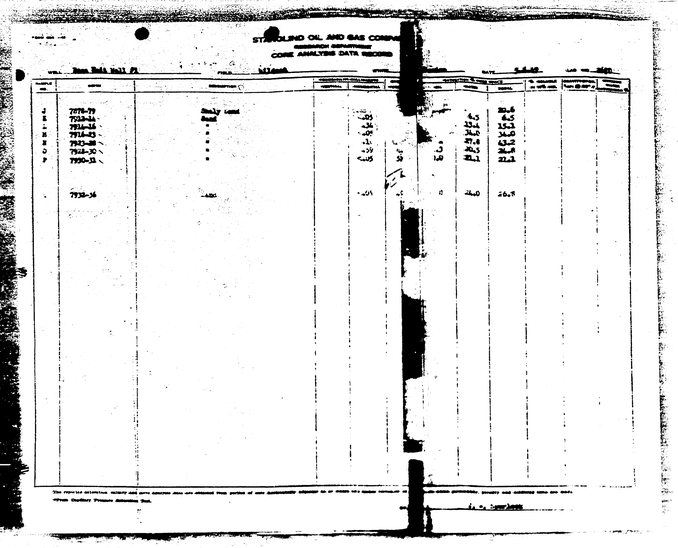
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CORE ANALYSIS DATA SHEET

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RESEARCH DEPARTMENT

CORE ANALYSIS DATA RECORD

WELL Bonus Hall Well #1 FIELD Littlefield STATE New Mexico DATE 9-6-49 LAB NO. 4590

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCYS VERTICAL	PERMEABILITY MILLIDARCYS HORIZONTAL	POROSITY %	SATURATION % PORE SPACE OIL	SATURATION % PORE SPACE WATER	SATURATION % PORE SPACE TOTAL	% VOLUME IN 1/8 DIA.	FREE WATER DATA Feet @ 0° F	RESIDUAL SATURATION % WATER
J	7870-79										
K	7918-19	Shaly Sand		<.05	3.0	3.1	18.5	20.6			
L	7919-20	Sand		<.05	2.8	0.0	6.5	6.5			
M	7918-19	"		.16	6.5	0.0	13.4	13.4			
N	7923-24	"		<.05	2.9	0.0	14.0	14.0			
O	7925-26	"		.12	3.8	15.1	27.8	42.9			
P	7930-31	"		.59	4.1	5.3	20.5	25.8			
				<.05	3.4	0.0	21.1	21.1			
	7932-36	Shale		<.05	4.1	2.8	24.0	26.8			

The reported extraction, salinity and core analysis data are selected from portions of core immediately adjacent to or within two inches vertically of the Thief Chamber Pressure Extraction Plug.

Core permeability, porosity and saturation tests are made

By J. M. Longbottom

STANOLIND OIL AND GAS COMPANY

RESEARCH DEPARTMENT

CORE ANALYSIS DATA RECORD

WELL Moore Unit #1 FIELD Hobbs STATE New Mexico DATE 6-7-48 LAB. NO. 8649

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY MILLIDARCIES VERTICAL	PERMEABILITY MILLIDARCIES HORIZONTAL	EFFECTIVE POROSITY %	SATURATION, % PORE SPACE OIL	SATURATION, % PORE SPACE WATER	SATURATION, % PORE SPACE TOTAL	% RECOVERY BY WATER FLOOD	RESIDUAL GRAVITY API @ 60° F.	RESIDUAL CHLORIDES AS NaCl %
1	7943-47	Sand		.005	5.1						
2	7947-49	Shaly Sand		.05	2.1	2.8	72.6	75.4			
3	8033-35	Sand		.08	2.5	20.3	14.4	34.7			
4	8035-37	Shaly Sand		.05	1.5	7.4	72.7	100.0			
5	8037-40	Sand		.05	2.1	2.9	72.7	100.0			
6	8040-43	Shaly Sand		.08	2.5	20.3	14.1	100.0			
7	8043-45	"		.05	2.1	2.9	72.7	100.0			
8	8045-48	Sand		.08	2.5	20.3	14.1	100.0			
9	8048-50	Shaly Sand		.05	2.1	2.9	72.7	100.0			
10	8050-54	"		.05	2.5	20.3	14.1	100.0			
				.05	2.1	2.9	72.7	100.0			
				.05	2.5	20.3	14.1	100.0			
11	8058-60	Shaly Sand		1.05	2.1	20.3	72.7	100.0			
12	8060-62	"		.15	2.1	20.3	14.1	100.0			
				.05	2.1	2.9	72.7	100.0			
				.05	2.5	20.3	14.1	100.0			
				1.05	2.1	20.3	72.7	100.0			

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CORE ANALYSIS DATA

WELL Huerfano Unit #4 FIELD Wildcat

Date 6-30-51 Lab. No. 3972

Sample No.	Depth	Description	90° Perm. Maximum	90° Perm. Horiz.	Optical Porosity
CORE #1	6950-51	Siltstone	2.44	-	21
	6965-66	"	5.66	-	
	6970-71	"	20.74	4.	23
	6976-77	"	1.84	1.19	15
	6983-84	"	<.05		21

The material submitted, tested and above analyses made are performed from portions of cores believed representative by us which were recovered in the course of operations on which permissible, powers and evidence tests are made. Results Engineers assume no responsibility.

J. W. Spurlock

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CORE ANALYSIS DATA RECORD

WELL Surface Unit #1 FIELD Wildcat STATE New Mexico DATE 4-30-83 LAB. NO. 2872

SAMPLE NO.	DEPTH	DESCRIPTION	PERMEABILITY Maximum	PERMEABILITY 90° to Max.	POROSITY %	SATURATION % PORE SPACE OIL	SATURATION % PORE SPACE WATER	RESIDUAL SATURATION % PORE SPACE OIL	RESIDUAL SATURATION % PORE SPACE WATER	GRAIN DENSITY
AS	6801-1/2-03	Sand	* .34	——						
AT	6803-04	"	* .39	——						
AU	6803-04	"	* .29	——						
AV	6824-25	"	* 41.49	——						
			* .24	——						
AW	6825-26	"								
AX	5826-27	"	4.83	.77						
AY	6832-33	"	1.53	1.39						
AZ	6833-34	"	.32	.21						
BA	6834-35	"	.41	.39						
BB	6835-36	"	.77	.59						
BC	6836-37	"	580.00	6.11						
BD	6837-38	"	4.50	.52						
			1.46	.83						
BE	6838-39	"								
BF	6839-40	"	3.30	2.98						
BG	6840-41	"	880.00	28.10						
BH	6841-42	"	.58	.47						
BI	6842-43	"	2.57	1.51						
BJ	6843-44	"	1.85	1.21						
BK	6844-46	"	9.06	4.11						
BL	6846-47	"	2.96	1.89						
			26.25	14.00						
BM	6847-49	"								
BN	6849-50	"	2.56	1.07						
BO	6850-57	"	9.00	2.16						
BP	6857-59	"	726.00	33.80						
BQ	6859-60	"	.36	.21						
BR	6966-67	"	3.17	.75						
BS	6867-68	"	27.36	.15						
BT	6868-69	"	1.39	1.21						
			9.36	1.92						
BU	6869-70	"								
BV	6870-71	"	2.65	2.30						
BW	6871-72	"	1.51	.18						
BX	6872-73	"	.38	.30						
			1.93	1.80						
BW	6916-15	Siltstone								
BX	6917-18	"	4.56	2.40						
BY	6918-20	Sandstone	* .28	——						
BZ	6920-21	"	.37	.34						
CA	6921-22	"	.97	.59						
CB	6922-23	"	15.60	15.58						
CC	6923-24	"	2.80	2.08						
CD	6924-25	"	32.60	20.00						
CE	6925-26	"	73.70	63.60						
CF	6927-28	"								
CG	6940-41	"	99.10	12.20						
CH	6946-47	Siltstone	9.20	.21						

SAMPLE NO.	DEPTH	DESCRIPTION	Vertical Permeability
BW	6916-15	Siltstone	
BX	6917-18	"	.09
BY	6918-20	Sandstone	
BZ	6920-21	"	5.61
CA	6921-22	"	.103
CB	6922-23	"	3.32
CC	6923-24	"	.55
CD	6924-25	"	.45
CE	6925-26	"	27.00
CF	6927-28	"	
CG	6940-41	"	29.69
CH	6946-47	Siltstone	11.59

J. W. Spurlock

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RESEARCH DEPARTMENT
CORE ANALYSIS DATA RECORD

Boundary Unit A — Wildcat — Ray Hendon — 6-30-51 — 3872

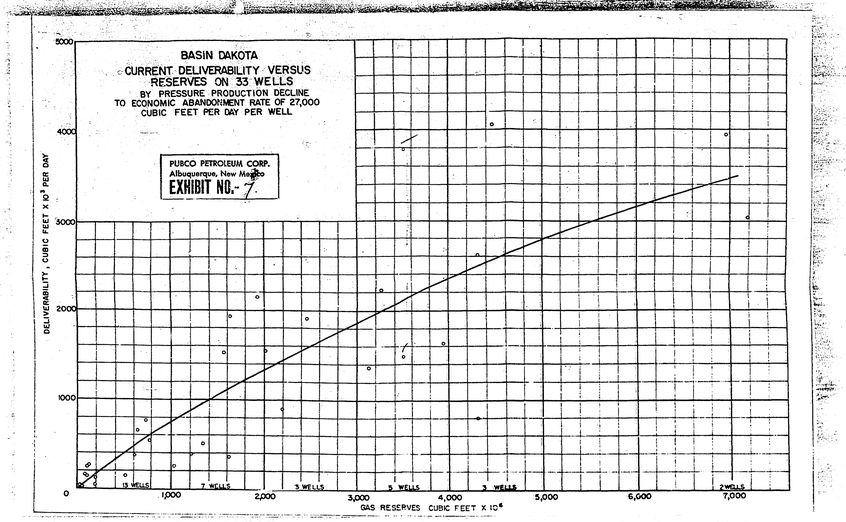
Sample No.	Description	Permeability Millidarcys Maximum	Permeability Millidarcys 90° From Maximum	Porosity %	Saturation % Pore Space Oil	Saturation % Pore Space Water	Saturation % Pore Space Gas	Remarks
7905-07	Sand	14	11	18.8				
7907-09	"	11	10	20.0				
7909-11	"	18	10	19.3				
7911-13	Sand w/shale	14	12	17.7				
7913-15	"	2.16	.49	8.4				
7915-17	"	2.46	1.23	9.7				
7917-19	Sand	6.00	1.1	12.2				
7919-21	Sand w/coal streak	.20	.08	6.3				
7921-23	"	7.57	2.72	14.6				
7923-25	"	4.77	3.00	14.1				
7925-27	"	4.78	3.38	14.1				
7927-29	"	1.59	.32	9.3				
7929-31	"	1.80	1.60	9.2				
7931-33	Sand w/fracture	1.39	1.15	9.6				
7933-35	Sand	9.43		16.2				
7935-37	"	36.18	.90	8.9				
7937-39	"	.53	.49	14.4				
7939-41	"	1.06	.98	14.1				
7941-43	"	934	.90	13.1				
7943-45	Sand w/shale	.28		6.4				
7945-47	"	1.55	.11	6.1				
7947-49	"	1.50	.12	6.1				
7949-51	"	.26	.07	11.6				
7951-53	"			1.3				
7953-55	"	3.96	.41	6.8				
7955-57	"	9.21		180.0				
7957-59	"	1.15	.15	6.3				
7959-61	"	1.05	.91	6.0				
7961-63	Sand w/shale	.16	.07	6.1				
7963-65	"	.72	.15	6.5				
7965-67	"	.28		5.3				
7967-69	Sand			5.3				
7969-71	"	1.98		5.4	3665 ft.			6.05 % water
7971-73	"	1.78		5.4	9767 ft.			= 2.32 m/ water
7973-75	"	.73		5.4				
7975-77	"	.73		11.6				
7977-79	"	.53		8.7				
7979-81	"	.63		6.4				

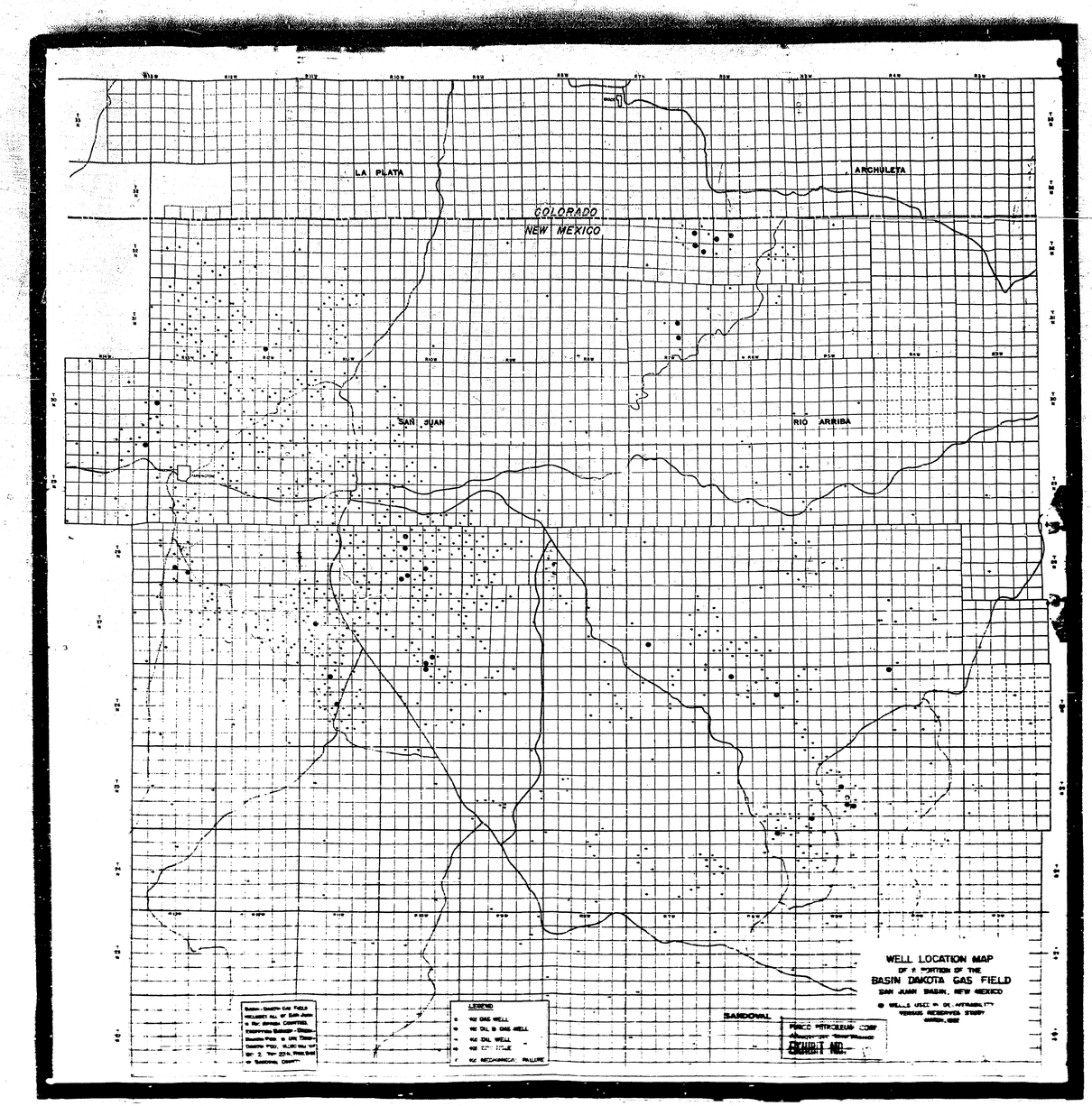
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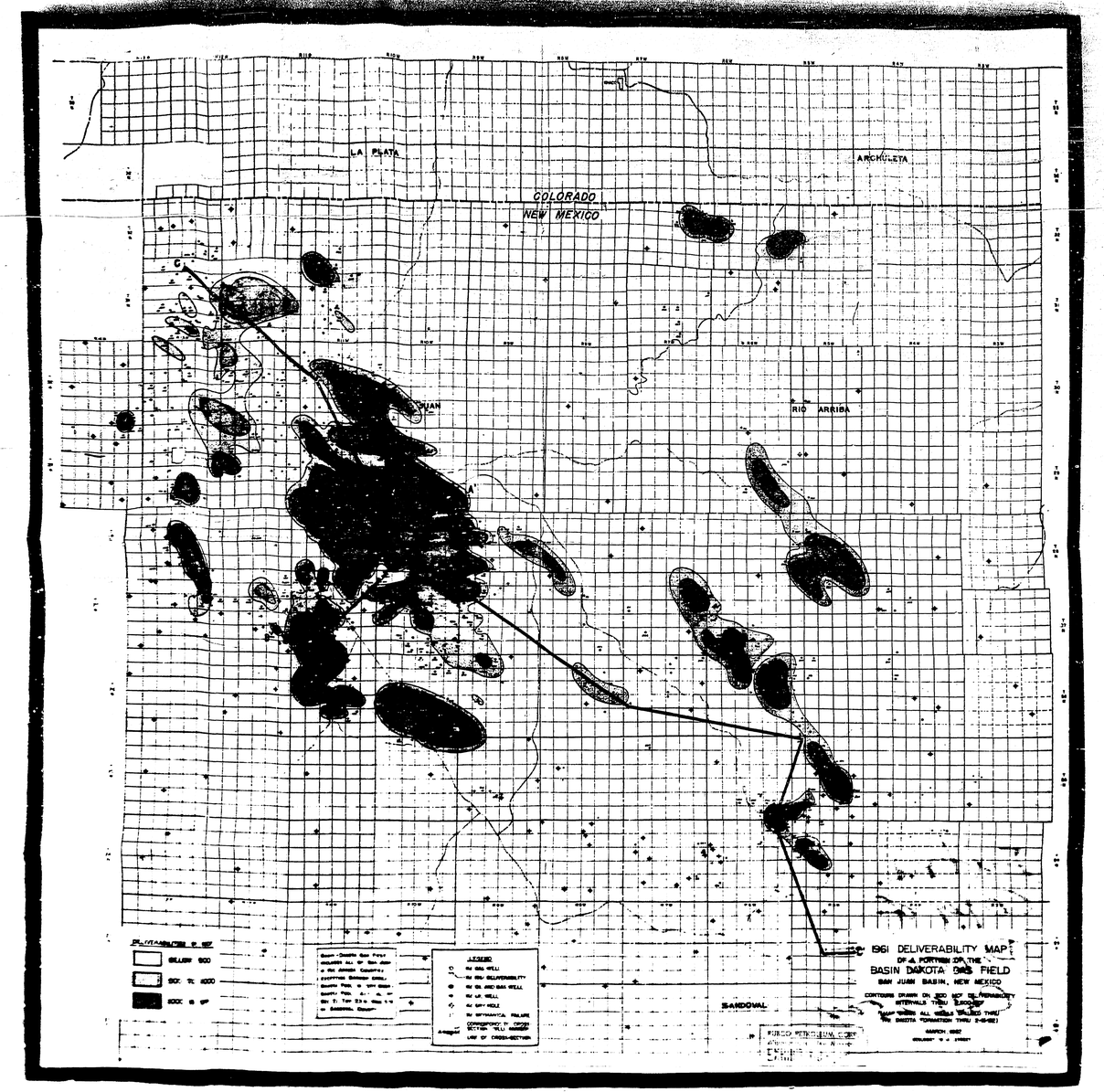
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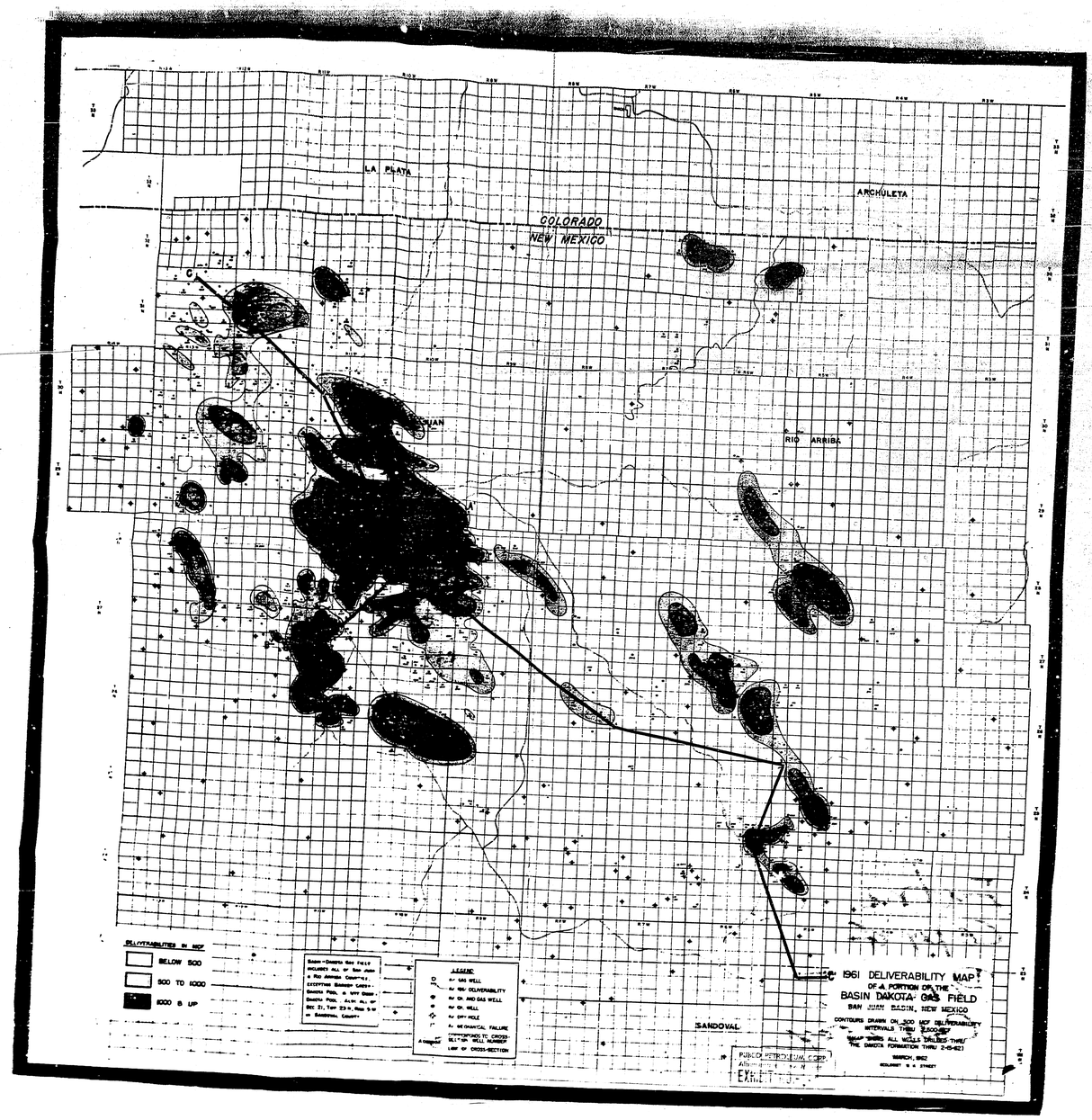
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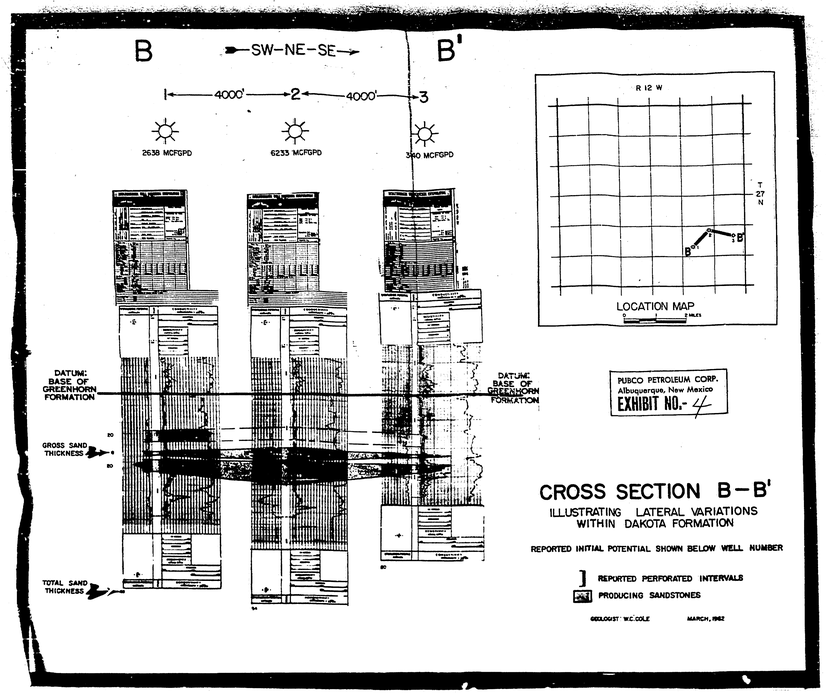
Large Exhibits


BASIN DAKOTA
CURRENT DELIVERABILITY VERSUS
RESERVES ON 33 WELLS
BY PRESSURE PRODUCTION DECLINE
TO ECONOMIC ABANDONMENT RATE OF 27,000
CUBIC FEET PER DAY PER WELL
PUBCO PETROLEUM CORP.
Albuquerque, New Mexico
EXHIBIT NO. 7
DELIVERABILITY, CUBIC FEET X 10³ PER DAY
5000
4000
3000
2000
1000
0
13 WELLS
7 WELLS
3 WELLS
5 WELLS
3 WELLS
2 WELLS
1,000
2,000
3,000
4,000
5,000
6,000
7,000
GAS RESERVES CUBIC FEET X 10⁶


LA PLATA
ARCHULETA
COLORADO
NEW MEXICO
SAN JUAN
RIO ARRIBA
SANDOVAL
WELL LOCATION MAP
OF A PORTION OF THE
BASIN DAKOTA GAS FIELD
SAN JUAN BASIN, NEW MEXICO
LEGEND


LA PLATA
ARCHULETA
COLORADO
NEW MEXICO
SAN JUAN
RIO ARRIBA
SANDOVAL
1961 DELIVERABILITY MAP
OF A PORTION OF THE
BASIN DAKOTA GAS FIELD
SAN JUAN BASIN, NEW MEXICO
CONTOURS DRAWN ON 500 MCF DELIVERABILITY
INTERVALS THRU 2,000 MCF
MAP SHOWS ALL WELLS TESTED THRU
THE DAKOTA FORMATION THRU 2-10-1961
MARCH 1962
PLOTTED AT 1" = 1 MILE
LEGEND
GAS WELL
GAS DELIVERABILITY
GAS AND GAS WELL
LP WELL
DRY HOLE
MECHANICAL FAILURE
CORRESPONDS TO CROSS SECTION WELL NUMBER
LINE OF CROSS-SECTION
DELIVERABILITIES IN MCF
SAUSAGE 900
900 TO 4000
4000 & UP
AZTEC PETROLEUM CORP.


LA PLATA
ARCHULETA
COLORADO
NEW MEXICO
SAN JUAN
RIO ARRIBA
SANDOVAL
DELIVERABILITIES IN MCF
BELOW 500
500 TO 1000
1000 & UP
Basin-Dakota Gas Field includes all of San Juan & Rio Arriba Counties, Exception Blanco Gallegos Dakota Pool & W/2 Dakota Pool, Aztec All of Sec 21, Twp 23 N, Rge 9 W in Sandoval County
LEGEND
A- GAS WELL
A- 1961 DELIVERABILITY
A- OIL AND GAS WELL
A- OIL WELL
A- DRY HOLE
A- MECHANICAL FAILURE
CORRESPONDS TO CROSS-SECTION WELL NUMBER
LINE OF CROSS-SECTION
1961 DELIVERABILITY MAP
OF A PORTION OF THE
BASIN DAKOTA GAS FIELD
SAN JUAN BASIN, NEW MEXICO
CONTOURS DRAWN ON 300 MCF DELIVERABILITY INTERVALS THRU 2,500 MCF
MAP SHOWS ALL WELLS DRILLED THRU THE DAKOTA FORMATION THRU 2-15-62
MARCH, 1962
PUNCH PETROLEUM CORP.
EXHIBIT


B
SW-NE-SE
B'
1
4000'
2
4000'
3
2638 MCFGPD
6233 MCFGPD
340 MCFGPD
DATUM: BASE OF GREENHORN FORMATION
DATUM: BASE OF GREENHORN FORMATION
GROSS SAND THICKNESS
TOTAL SAND THICKNESS
R 12 W
T 27 N
B
B'
LOCATION MAP
PUBCO PETROLEUM CORP.
Albuquerque, New Mexico
EXHIBIT NO.- 4
CROSS SECTION B-B'
ILLUSTRATING LATERAL VARIATIONS
WITHIN DAKOTA FORMATION
REPORTED INITIAL POTENTIAL SHOWN BELOW WELL NUMBER
REPORTED PERFORATED INTERVALS
PRODUCING SANDSTONES
GEOLOGIST: W.C. COLE
MARCH, 1982

C.I. MICROGRAPHICS W.N.M.C.F.
P.O. DRAWER 850
GRANTS, NEW MEXICO 87020

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FRAME NUMBER 149
DATE 12-10-87
SIGNED OUT BY Lydia Baca

SW A

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
4412 MCFGPD	SHUT IN	2060 MCFGPD	4147 MCFGPD	4914 MCFGPD	4849 MCFGPD		2284 MCFGPD	1975 MCFGPD	1265 MCFGPD	2084 MCFGPD	5469 MCFGPD	5818 MCFGPD	5981 MCFGPD	53.25 BOPD 2936 MCFGPD

DATUM: BASE OF GREENHORN FORMATION

GROSS SAND THICKNESS

TOTAL SAND THICKNESS

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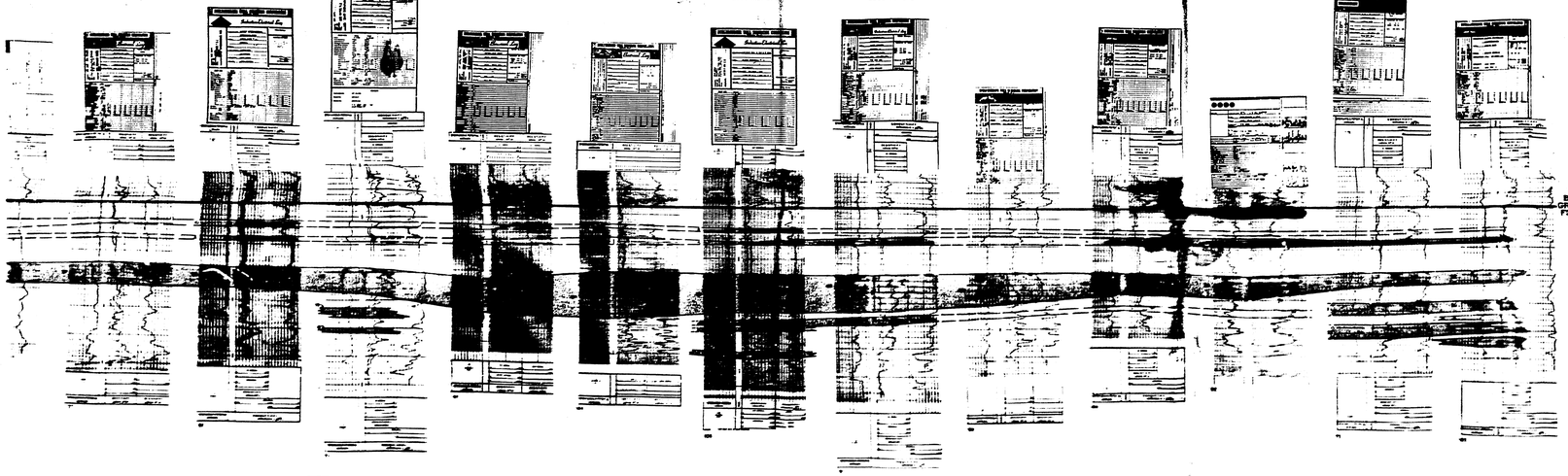
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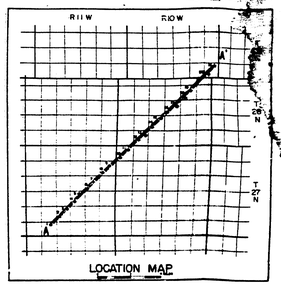
A' NE

10 11 12 13 14 15 16 17 18 19 20 21

1265 MCFGPD | 2084 MCFGPD | 5469 MCFGPD | 5818 MCFGPD | 5981 MCFGPD | 53.25 BOPD 2936 MCFGPD | 100 BOPD 3900 MCFGPD | 8578 MCFGPD | 8103 MCFGPD | 7371 MCFGPD | 6190 MCFGPD | 3836 MCFGPD



DATUM: BASE OF GREENHORN FORMATION



LOCATION MAP

PUBCO PETROLEUM CORP.
Albuquerque, New Mexico
EXHIBIT NO.-

CROSS SECTION A-A'

ILLUSTRATING LATERAL VARIATIONS WITHIN DAKOTA FORMATION ACROSS MAIN DAKOTA PRODUCING AREA

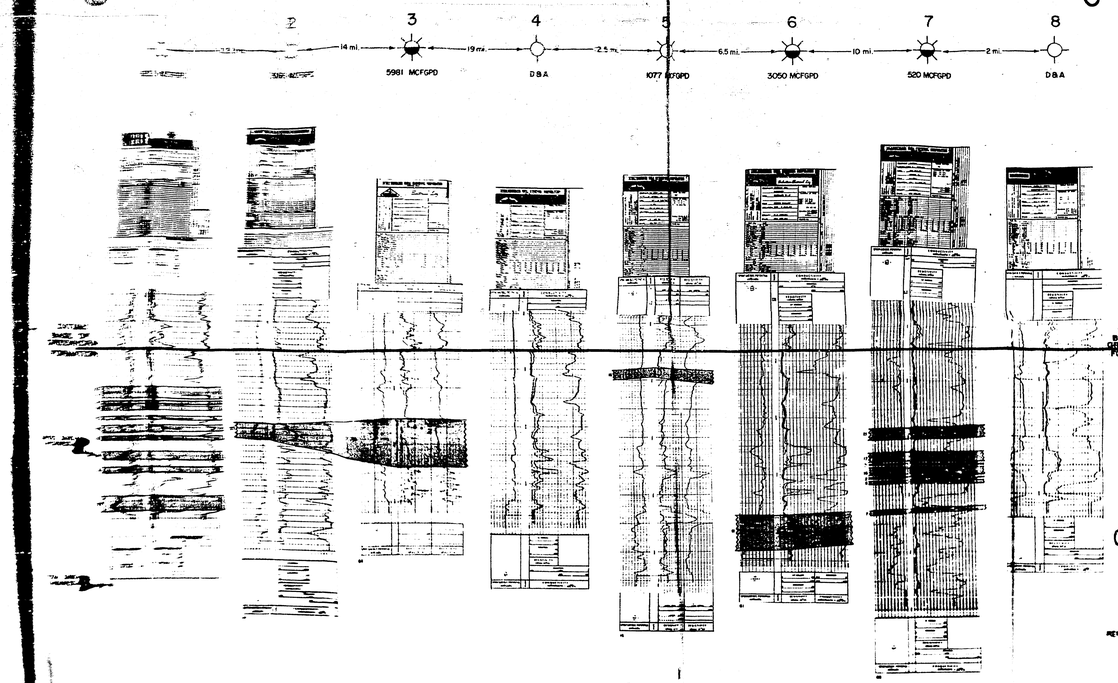
REPORTED INITIAL POTENTIAL SHOWN BELOW WELL NUMBER

REPORTED PERFORATED INTERVALS

PRODUCING SANDSTONE

C

C'



NOTE: REFER TO DELIVERABILITY OR DISPATCH MAPS FOR LINE OF SECTION

DATUM:
BASE OF GREENHORN FORMATION

PUBCO PETROLEUM CORP.
Albuquerque, New Mexico
EXHIBIT NO.- 3

CROSS SECTION C–C'

ILLUSTRATING LATERAL VARIATIONS WITHIN DAKOTA FORMATION
AND SHOWING THE
VARIOUS PRODUCING ZONES
IN THE
BASIN DAKOTA POOL

REPORTED INITIAL POTENTIAL SHOWN BELOW WELL NUMBER

REPORTED PERFORATED INTERVALS

PRODUCING SANDSTONES

GEOLOGY: W.A. COLE MARCH, 1961

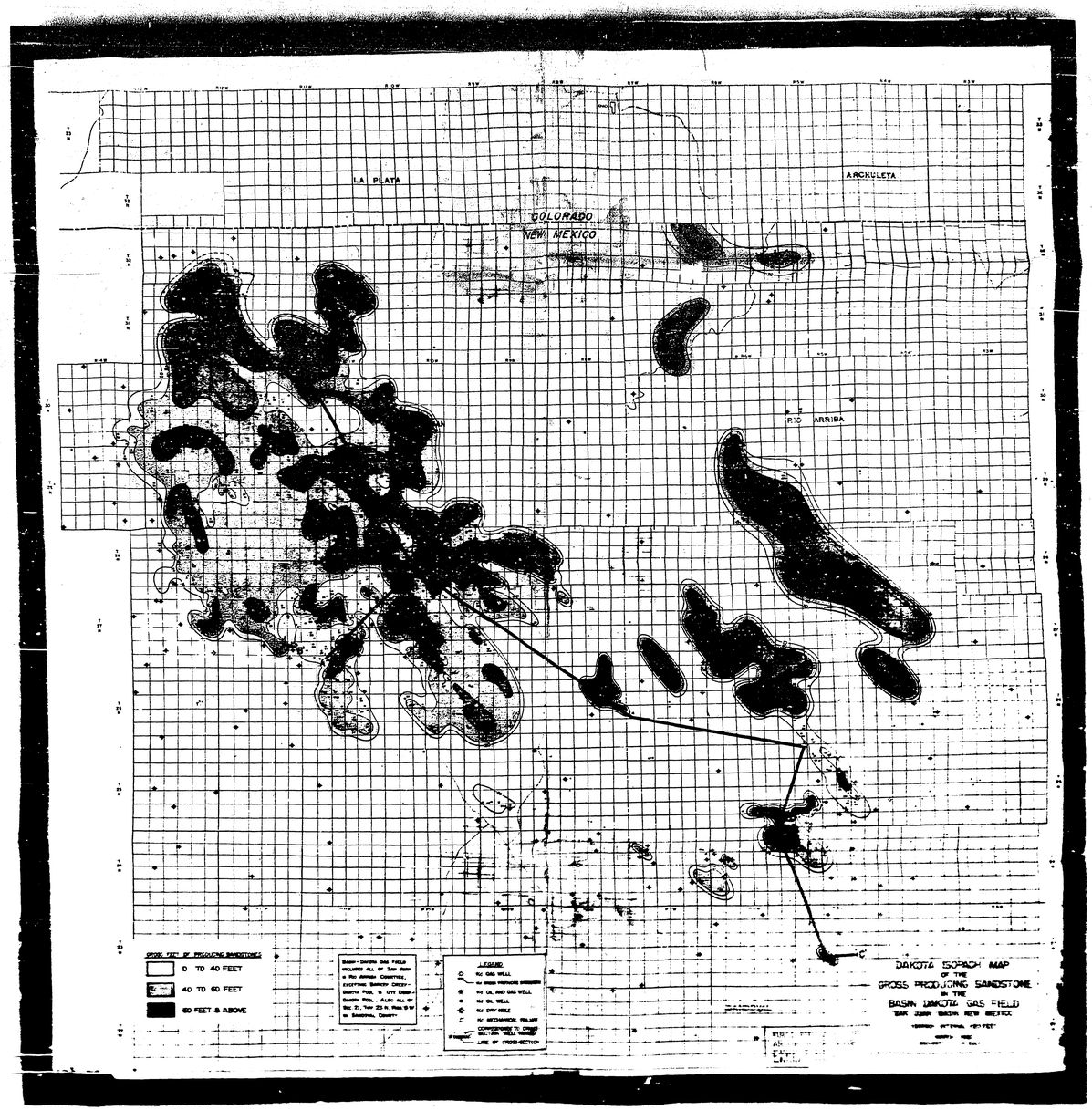
C.J. MICROGRAPHICS W.N.M.C.F.
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FRAME NUMBER 149.156-52.153
DATE 12-16-87
SIGNED OUT BY Lynn Bess

EXTRA COPIES OF
CONSOLIDATED'S EXHIBITS
3, 4, 5, 6, 7 and 8
February 14, 1984 Hearing

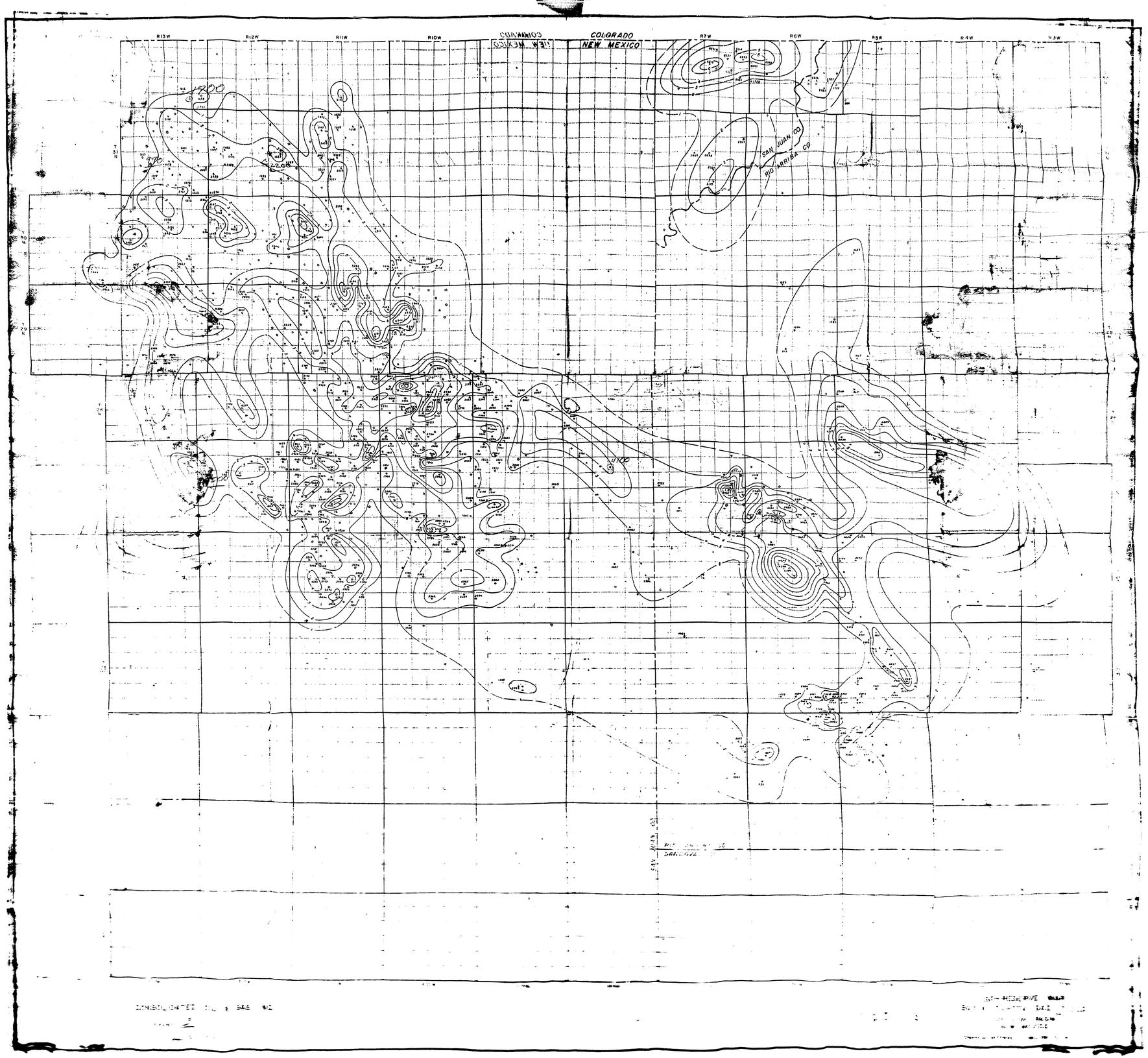


Exhibit 9

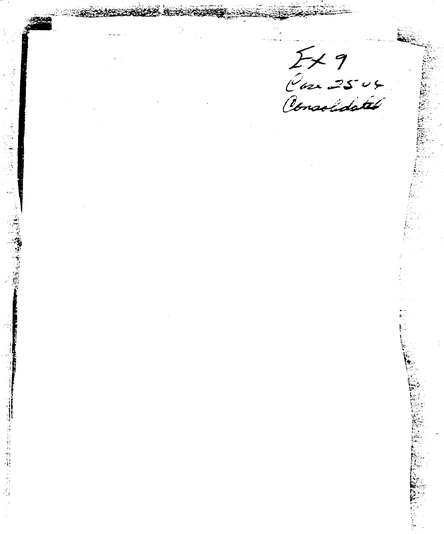
Case 2504

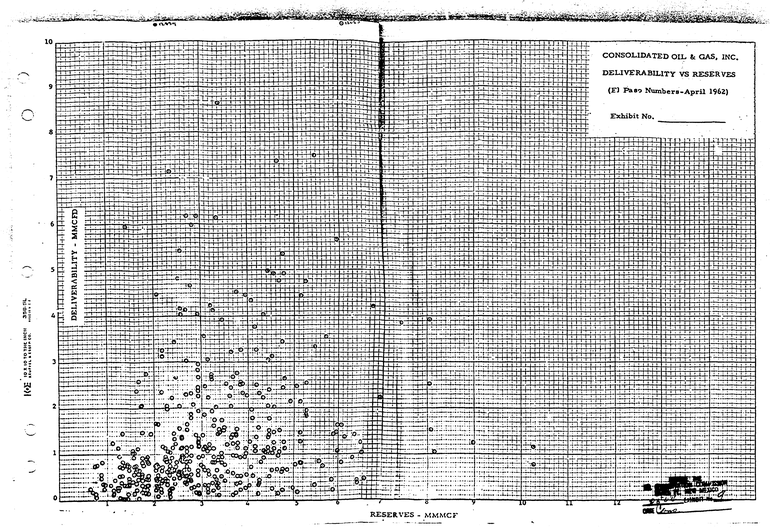
Consolidated

Water Damaged

UNABle to UNFold

FRAME NO. 154



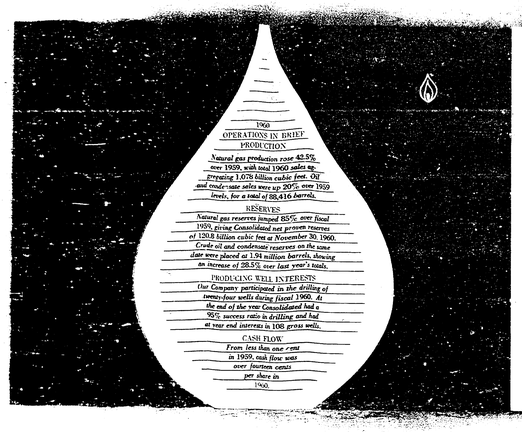

CONSOLIDATED OIL & GAS, INC.
DELIVERABILITY VS RESERVES
(El Paso Numbers-April 1962)
Exhibit No. _____
DELIVERABILITY - MMCFD
RESERVES - MMMCF
10 9 8 7 6 5 4 3 2 1 0
1 2 3 4 5 6 7 8 9 10 11 12

Case No.
2504

Large Exhibits

Consolidated Inc.

1961
ANNUAL REPORT



ANNUAL REPORT FOR THE YEAR ENDING NOV. 30, 1960

CONTENTS

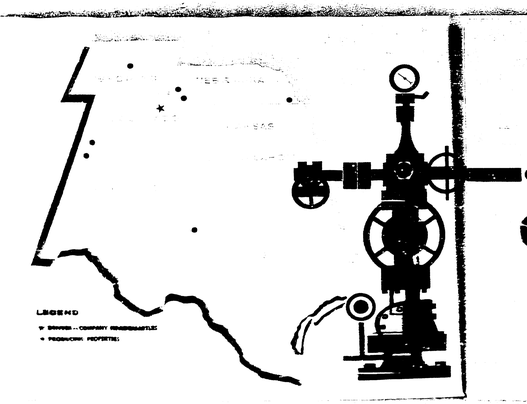
President's Message 2
Drilling 5
Production and Markets 6
Financial Summary, Section ... Center Section
1960 Activity by Area 7
Texas
Eastern Nebraska
Denver Basin
Southwestern Colorado
Northwestern New Mexico
Management Group 10
Officers ..... Inside Back Cover
Forecast — 1961 11
Directors 12
Dedication — Saul A. Levine ... Inside Back Cover

GRAPHS

1960 — Production versus Capability 3
Natural Gas Use Projection — California 5
Gross Producing Wells 9
Natural Gas — Net Proved Reserves 6
Net Gas Produced — by Years ... 6
Crude Oil and Condensate — Net Proved Reserves 6
Net Liquids Produced — by Years 6
Status of Net Proved Reserves 11

MAPS

Western United States 4
Consolidated's Operating Area
Major Natural Gas Markets
Northwestern New Mexico 8



Annual Report FOR FISCAL YEAR ENDING NOV. 30, *1961*

CONSOLIDATED OIL & GAS, INC.

HIGHLIGHTS

PRODUCTION: Natural gas production rose 39% over 1960 with total sales of 1,402 billion cubic feet. Oil and condensate for the year rose to 133,000 barrels, an increase of 51% over the previous year.

RESERVES: Natural gas reserves rose 26%, giving the company net proven reserves of 152 billion cubic feet at year's end. Crude oil and condensate reserves at the same time were 2.413 million barrels — an increase of 24 percent.

PRODUCING WELL INTERESTS: Consolidated participated in the drilling of 90 wells during fiscal 1961, for a success ratio of 100%. At year's end the company had interests in 235 producing oil and gas wells.

CASH FLOW: From fourteen cents a share in 1960, cash flow increased to 27 cents per share in 1961.



THE PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

JANUARY 28, 1961

Dear Shareholder:

With the support of the stockholders as fully demonstrated by 97% of subscribers to 99% of the offering of common stock and common stock purchase warrants (without added cost to underwriters), the fiscal year of 1960 got off to a very favorable start. Prospects during the coming years, by this demonstration of your faith in the program of Management, Consolidated was able to raise $40,000,000, and immediately upon receipt applied toward accelerating the proven gas reserves development.

The effect of Consolidated's accelerated program, beginning late in the year as it did, is not reflected in fiscal 1960 sales of oil and gas. During the last three months of the year, however, our productive gas capacity shows the results of this program. As per graph on the opposite page, Consolidated's new production potential was followed by higher rates of production in the last month as the period of higher demand for gas began.

While posting only a 27% increase in sales of oil and gas over 1959, Consolidated's net proven gas reserves had a actual 35% increase. Net proven reserves of oil and condensate increased 58%. It is imperative that a favorable balance between production and new reserves be maintained in a natural resources company, and this was accomplished in 1960.

It is noteworthy that on November 30, 1959, Consolidated had approximately sixty-five billion cubic feet of net proven gas reserves, slightly more than fifty per cent were developed. By the end of fiscal 1960, total proven gas reserves had almost doubled, but were still about fifty per cent developed. Then we are assured of a successful development drilling program for 1961. Nevertheless, Management is maintaining its active search to further increase Consolidated's reserves in the same effective manner as in the past.

A total of one hundred and [illegible] wells were drilled during the year, resulting in a [illegible] success ratio. Of the wells completed, [illegible] were classified in the December 1960 President's Progress Report. Of twenty-four wells drilled or deepened for completion changes in a new horizon, only one was unsuccessful.

Successful wells during 1960 increased our potential deliverability from natural gas wells by 28% over fiscal 1959. As a result, Consolidated's net rate of gas production capability increased 12,000,000 cubic feet per day, as shown on the graph. This is the income equivalent of $500,000 per year, not counting crude oil or condensate sales. The amount of natural gas we expect to sell during 1961 will depend on total demand for gas from the San Juan Basin area. Under the terms of our contracts with gas transmission companies, we can be generally assured that there will be no less than our full production deliverability.

The drilling program for 1960 was not confined to development work. New reserves were established principally as the result of wildcat successes. Three Dakota gas wells were drilled on acreage acquired during the year in the San Juan Basin. While acquiring this new acreage, Consolidated released several tracts of undeveloped wildcat acreage in the Rocky Mountain area which were not deemed encouraging enough to continue in force. Total acreage ownership of some 60,000 acres throughout the Rocky Mountain region has remained relatively constant during the past two years.

A review of the activities of the Company for 1960 as compared to Management's Forecast presented in the 1959 Annual Report indicates a very close parallel between predictions and accomplishments.

Consolidated was successful in maintaining a rapid pace in development drilling and also obtaining new farmouts proven for Dakota gas production in the San Juan Basin. Five more wells were drilled on my Fulcher #1 Dakota gas properties at no out-of-pocket cost to Consolidated. Most of our commercial, uranium gas wells as of November 1959 have since been connected into gas gathering systems.

Consolidated's revenue flow substantially increased during the year so that our additions to cash were up from less than one cent per share in 1959 to more than fourteen cents per share in fiscal 1960.

Pursuit of possible acquisitions of income producing companies, specified in the 1959 Forecast, was unceasing. At year end, negotiations were almost completed for a merger of Midland Oil Company of Wyoming into Consolidated. The loss of Mr. Farwell Smith, who resigned as Secretary, Saul A. Levine, was especially regretted on January 12, 1961. This was the same date that your Board of Directors gave approval to the Midland-Consolidated merger, a project of consequence to which Mr. Levine had devoted a great deal of time in recent months.

Plans for listing Consolidated's common stock on the American Stock Exchange were successfully delayed by the prospective merger. Management, acting under instructions of the Board of Directors, plans to make application shortly after the merger proposal has been approved upon by the shareholders of Consolidated and Midland.

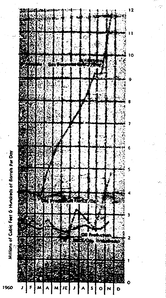
Consolidated's accomplishments during 1960 could not have been so successfully realized without continued maximum effort on the part of all employees. Due to their efforts, general and administrative costs were reduced without slackening our growth rate. Mr. Clyde J. Cooper, Jr., formerly associated with our legal counsel, joined Consolidated on a full-time basis during 1960 as head of the Land and Legal Department. Other changes and additions were made in the operating staff to bring the Company's total number of employees to 31 at the end of the year.

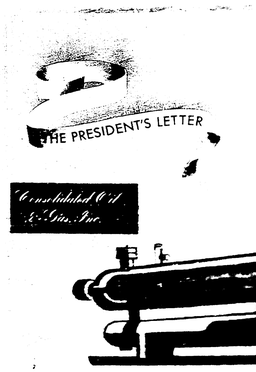
The guidance of the very distinguished group of men presently serving as your Board of Directors has again been a material contribution to the growth of the Company. Their continued active service should assure Consolidated of another successful year in 1961.

Policy plans and Management's Forecast for 1961 are to be found on page 11 of this report.

Sincerely,

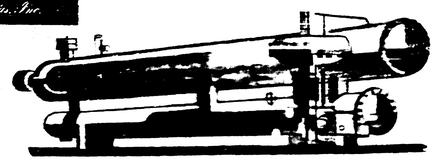
Harry A. Trueblood Jr.





THE PRESIDENT'S LETTER

Consolidated Oil & Gas, Inc.



To the Shareholders:

During the twelve months ending November 30, total sales from all sources were up 41% over 1960 while the dollar income from oil and gas sales rose 36%. For the first time in our history there was net income in each quarter of the year, with a substantial profit in the fourth quarter. There was a cash flow of $[illegible] per share for 1961 as opposed to [illegible] per share in 1960. Drilling activities were limited to development of the Company's proved gas reserves which resulted in a 100% success ratio of twenty gas wells completed out of twenty-seven drilled—exclusive of ten dual zone gas producers. An unexpected discovery of a new producing zone occurred in one of the dual wells. Though activities were confined to development drilling, total proven gas reserves rose 26% and remain only 43% developed at this time. Total proven oil and condensate reserves rose 21% but are still only 57% developed. The significance of these increases may be understated when one considers that the total of all sales items represents the production of the wells [illegible] after twenty successful developments during 1961, there are still twenty-eight proven undeveloped gas drilling units available for development during Fiscal 1962. Finally, the dollar cost of assets of Consolidated rose 56% during 1961, but when considered in the light of the value of new reserves added, the assets more almost doubled for the fourth consecutive year.

Although Management considers the foregoing worthy of recognition, there are particularly pleasing aspects we consider the adverse conditions under which this progress was accomplished. For example, the first months of the fiscal year had practically no development drilling due to the Midland Oil Company merger which required the attention of [illegible] available personnel. Then lack of development permitted [illegible] to expire on many of the undeveloped gas leases which might otherwise have been [illegible]. Another adverse factor which tended to reduce the percentage increase in sales was the restriction of Dakota gas production in the San Juan Basin on February 1, 1961. This proration reduces production approximately two-thirds of that previously forecast for the [illegible] factor reducing oil sales was the failure to unitize the East [illegible] properties for the purpose of [illegible]. This has delayed [illegible] some a year, the expected increase in oil revenues from this source. Several smaller factors also tended to reduce oil and gas sales [illegible] an article in backlogs of new gas with delays in government [illegible] actions on requests for authorities, etc., but most of these [illegible] of lending institutions was upon demonstration when Management succeeded in the sale of [illegible] reserves upon which appears in the current sheet in the form of deferred [illegible]. This new payment was reserved certain low operating [illegible] conformant corporations and strengthened the overall [illegible] over revenues of the Company. In reality the future sheet [illegible] must realize that all natural producing [illegible] are being orderly retired by income from properties, and thus may be subtracted from the current liabilities when determining a true working capital position. Using this approach, Consolidated has a positive rather than a negative working capital position which one sees at first glance.

Certain necessary changes in operations supervision were made in order to allow Management to conduct a more active search for new acquisitions by purchase or merger. J. B. Ladd was promoted to Executive Vice President and Robert B. Tomson was moved from direct supervision of the San Juan Basin operations into Denver as Operations Vice President. Harold C. Gatjahr, a graduate accountant and CPA, was employed as Assistant Treasurer and Controller of the Company. As a result of these changes, your Board of Directors has further strengthened the operating team of Consolidated both for present and future operations.

Consolidated is once again involved in merger negotiations at the close of its fiscal year. Agreements are being finalized with Tekoil Corporation of Oklahoma City, (OTC) which has very sizeable oil reserves. These oil properties should prove to be extremely complementary with Consolidated's long-term, well-favored gas reserves. Under terms of the Merger Agreement, satisfactory refinancing of the Tekoil debt must be accomplished before completion of the merger. As of this date, satisfactory bank commitments have been received. By the time shareholders receive this Annual Report, a Proxy Statement will have been sent each of you which will give in more intimate detail both the reasons for the merger and the benefits which will accrue to shareholders of Tekoil and revamped growth patterns as a result of this merger are also included in the section called "Forecast for 1962" found on page 15. Upon the assumption that satisfactory completion of the merger will be accomplished, it would be well to welcome the more than 1,000 shareholders of Tekoil as new shareholders of Consolidated.

In closing, it must be stated as it has in the past that the achievements of this Company are entirely dependent upon a maximum effort on the part of all personnel from field level operations to top management. Consolidated is very fortunate in having capable people who believe that the Company can be built into a large independent oil and gas company through careful planning in its operations and proper financing as it progresses.

Respectfully submitted,

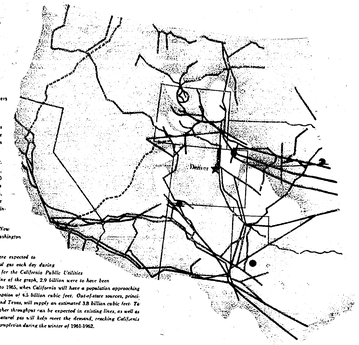
Harry A. Trueblood Jr. President

MAP LEGEND

Major Natural Gas Pipeline
Natural Gas Pipeline — Authorization
Crude Oil Pipeline
Geologic Basins

CONSOLIDATED LEGEND

Main Operations Office
Field Operations Headquarters and Producing Properties



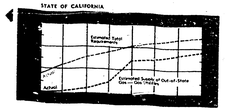
Since 1951, California's requirements have impelled the growth rate of the natural gas industry in the Mountain States.

During the 1950-1960 decade, California's population grew to 15.7 million, a 48.5% increase. Preliminary 1960 Census figures place its numerical gain at its Mountain States or 1.8 million, giving the 464,000 square miles of these eight states a total of 7.8 million inhabitants.

Numerically, Oregon grew less than New Mexico in the ten-year period, Washington added fewer people than Arizona.

Domestic and industrial consumers were expected to require 3.4 billion cubic feet of natural gas each day during 1960, according to estimates prepared for the California Public Utilities Commission. As shown on the lower line of the graph, 2.9 billion were to have been received from out-of-state. Projections to 1965, when California will have a population approaching 20 million, indicate ...in consumption of 4.5 billion cubic feet. Out-of-state sources, principally the Rocky Mountain States, Oklahoma, and Texas, will supply an estimated 3.8 billion cubic feet. To meet ... extra demand in California, higher throughput can be expected in existing lines, as well as new pipeline construction. Canadian natural gas will take more the demand, reaching California through a pipeline project targeted for completion during the winter of 1965-1962.

STATE OF CALIFORNIA



DRILLING

Consolidated participated in the drilling of more than 135,000 feet of hole during fiscal 1960, representing a total expenditure in excess of $7,000,000. Of the twenty-four wells in which the Company participated, only three may be considered as exploratory. Twenty-one were development wells in furtherance of Consolidated's policy to expedite growth of daily gas productive capabilities.

Two of the three exploratory wells were unsuccessful: the Consolidated-Mesa, Inc. No. 1 in Sec. 24-T30N-R8W, San Juan County, New Mexico, and the Consolidated-N.C.R.A. No. 1, located in Sec. 22-T36N-R7W, Rio Arriba County, New Mexico. (See map on page 8.)

Consolidated's only exploratory failure was a deepening operation to test the Dakota possibilities under a portion of our Spring Creek block in southern Colorado.

Thirteen successful development wells were drilled in the Northwest Blanco Area of New Mexico's San Juan Basin. Ten were single zone Dakota gas completions. The other was a single zone Mesaverde completion, with the deeper Dakota formation considered as proven. On long held acreage, Consolidated successfully deepened a Mesaverde producer, dually completing the well from the Mesaverde and Dakota. One new Mesaverde-Dakota dual completion was drilled in 1960.

As the fiscal year ended, Consolidated was preparing to drill two Dakota wells in the Northwest Blanco area.

Three wells were drilled in the Post Glorieta Field of West Texas. Two were completed in the Glorieta and one in the San Andres formation. Three older oil wells were recompleted as dual producers from both the Glorieta and San Andres.

No new drilling was done in the Falls City, Nebraska, area nor in the Denver Basin of Colorado, Nebraska, and Wyoming.

Consolidated does not own or operate drilling rigs or associated equipment. Drilling and completion operations are performed under contract with experienced, reputable firms in accordance with specifications set forth by Consolidated's engineering, geological and legal departments. Consolidated's field personnel work closely with the contractors, supervising the progress of the various operations.

PRODUCTION AND MARKETING

Consolidated's concentrated program of developing ore on gas reserves, reworking existing oil wells, and acquiring additional oil reserves by purchase produced the following results in fiscal 1961:

The company produced 133,000 barrels of crude oil and natural gas liquids for an increase of 34% over fiscal 1960, and 1.5 billion cubic feet of natural gas which is an increase of 20% over the previous year.

At year end, Consolidated owned 27 net gas wells under a gross total of 65, and 50 net oil wells out of a gross total of 170.

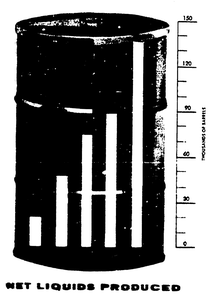
The overall domestic crude oil market has continued to be plagued by imports and other over-supply problems, resulting in severe proration in certain areas. However, no significant penalty has been experienced in Consolidated's crude oil marketing situation since almost all properties qualify for certain exemptions that keeps any proration restrictions.

Over 99% of Consolidated's developed and producing gas reserves are located in the San Juan Basin of New Mexico where severe marketing restrictions are imposed. These reserves are dedicated to El Paso Natural Gas Co. and Southern Union Gas Co. under long term contracts, which provide the following features: (1) Purchasers must take, or pay for, a specified minimum amount of gas each year from each specific group of wells. (2) Purchasers must grant price escalations each five years, one of which became effective two years ago after long months approval by the Federal Power Commission. (3) Purchasers must recognize a "favored nations" provision which assures an automatic increase in sales price commensurate with better prices which any buyer might have approved for the purchase of gas from other operators in the San Juan Basin.

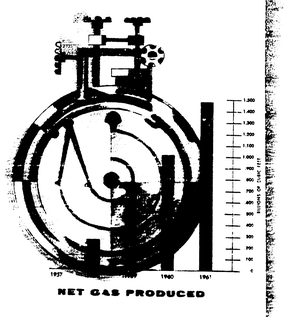
Because of currently limited marketing outlets, Consolidated sold only about 40% of its pipeline-connected productive capacity during the year. Further restrictions were imposed because of the time lag necessitated in the physical drilling and completion of the wells and subsequent pipeline hookup following the necessary approvals from state and federal agencies for selling the gas. As a result, sales during fiscal 1961 were only equivalent to a daily average of 23% of year-end productive capacity. Consolidated's year-end sales capability was 60% above that existing at the end of fiscal 1960.

Management is convinced that the long range gas marketing picture is excellent; it is only necessary to weather the current period of restriction. Recent published statistics show that during 1959 the United States consumed about seven trillion cubic feet of gas as compared to about 13 trillion cubic feet for 1960. It is estimated that domestic consumption of natural gas will continue to increase at a rate approximating 3½% annually until it reaches 18 trillion cubic feet by 1970.

The gross reserves added annually by industry have been steadily declining from 25 trillion cubic feet during 1956 to only 18 trillion cubic feet or barely offsetting the rate of withdrawal during 1961. At outlook, it is believed that the demand for established gas reserves and productivities can only increase from the nationwide economy. Even San Juan Basin. As the market develops and additional pipeline outlets inevitably become available, Consolidated will be ready.



NET LIQUIDS PRODUCED



NET GAS PRODUCED



*Includes Crude Oil and Condensate

Production and Markets

Including both crude oil and condensate, Consolidated's liquids production for 1960 was 20% higher than 1959's total. Our Company's improvement is gratifying, especially in the face of a 1960 national average of approximately a one-half per cent decline in crude production and a six per cent three-year in natural gas liquids production. Consolidated produced and sold 28,445 barrels of crude and condensate in the year just ended.

Part of the increase in liquids production may be credited to the 38% increase in natural gas production over 1959. Natural gas production rose from 756 million cubic feet during 1959 to 1,078 million cubic feet during fiscal 1960.

From each million cubic feet of Dakota gas produced in the San Juan Basin, Consolidated recovers between 10 and 20 barrels of condensate. This straw-colored liquid contains a high percentage of natural gasoline and is readily marketable. Prices have been consistently between $2.25 and $2.45 per barrel after transportation costs.

Despite the fact that the average producing well interest was reduced by 1.5 net oil wells. The reduction was principally due to abandonment of sub-marginal well interests. As discussed in the section on Activity by Area, careful engineering practices have maintained high levels of production.

Net producing gas well interests increased by 7.3% during fiscal 1960.

While crude oil and condensate sales form a substantial percentage of gross income, the broad base of Consolidated's growth structure rests on natural gas production from the San Juan Basin lying generally between New Mexico and Southwestern Colorado, the Company's largest and nation's second largest gas producing area. More than 3,000 wells tap half a dozen different gas productive formations to supply domestic and industrial customers via intrastate and interstate gas transmission lines.

Dakota formation gas production is assuming a more important role in terms of emphasis and productivity in the San Juan Basin. In spite of quickened interest, there were fewer than 200 Dakota productive wells in the San Juan Basin at November 1960. At this time, Consolidated had varying interests in almost 10% of all Dakota wells in this portion of New Mexico.

Proration, or State regulated limitation of production, will commence around February 1, 1961, for the Dakota formation in New Mexico. This regulation has been in effect for other oil and gas producing formations for several years.

The consequence of proration on Consolidated's natural gas interests in this area is one of balance between realizable income and productive well life.

Consolidated has long-term gas sales contracts with El Paso Natural Gas Company and Southern Union Gas Company, operators of gas transmission lines. These contracts contain escalation clauses which provide for periodic increases in prices received by Consolidated for its gas. Equally important is the "take-or-pay" proviso which generally assures our Company of payment for a minimum of fifty per cent of a well's annual potential delivery into the lines.

Periodically increasable gas sales from 100% of a well's capacity has allowed Consolidated a ready portion of the total available market for natural gas. Offsetting the possible annual decrease in total income from gas sales is a 25-35% extension of the productive life of the wells. Here again, a balance is achieved between over-all income from higher volume gas sales at near term prices or equivalent total gas sales over a longer term with escalating prices.

An important aspect of Consolidated's growth base is the accuracy with which natural gas reconnaissance is made. This has proven to be a "gilt" edge factor in conducting exploration and development loan assistance from financial institutions. Management's policy of assuring acquisition of natural gas reserves and production had the effect of supplying a readily predictable income which could be applied to debt service. Had Consolidated's future income been proportionately linked to the relatively uncertain domestic crude oil market, it is questionable whether shareholders' equities could have grown at present rates.



DRILLING

During fiscal 1961, the company participated in the drilling of twenty gas wells ranging in depth from 6,200' to 7,600' at a cost of approximately $340,000 each. Consolidated was operator of seventeen wells and was a participant with Southern Union Gas Company, Adobe Oil Company and Sunset International Petroleum Corporation in the remaining three wells. All wells drilled were classed as development wells. One hundred percent success in the year's program was particularly gratifying in view of the overall industry's 1960 average oil development wells of 74%; similarly the Rocky Mountain area success ratio was 75%.

All 20 wells drilled were in the San Juan Basin – sixteen of them in our Northwest Blanco Area, two in the company's new Hare-Lone Area (discussed in 1960), and one in the prolific Ante Canyon Area under the "farmed-out/reserved" arrangement with Sunset International Petroleum Corp. One other well drilled a few miles southeast of the Northwest Blanco Area was not only completed as a Dakota development well, but also resulted in the discovery of a new Gallup formation gas pool.

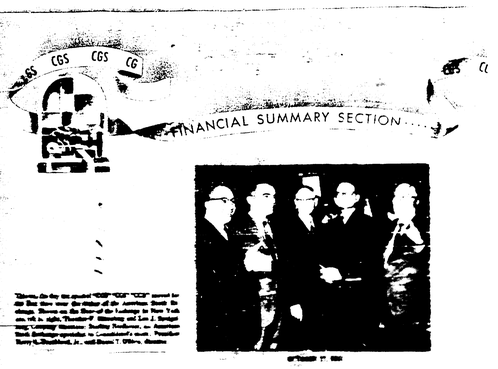
The development of new reserves and reports from these new wells is accompanied by the fact that ten wells were dual-zone completions. These dual zone wells directly essentially twice the capacity and reserves with only about 10% additional expenditure for each one well.

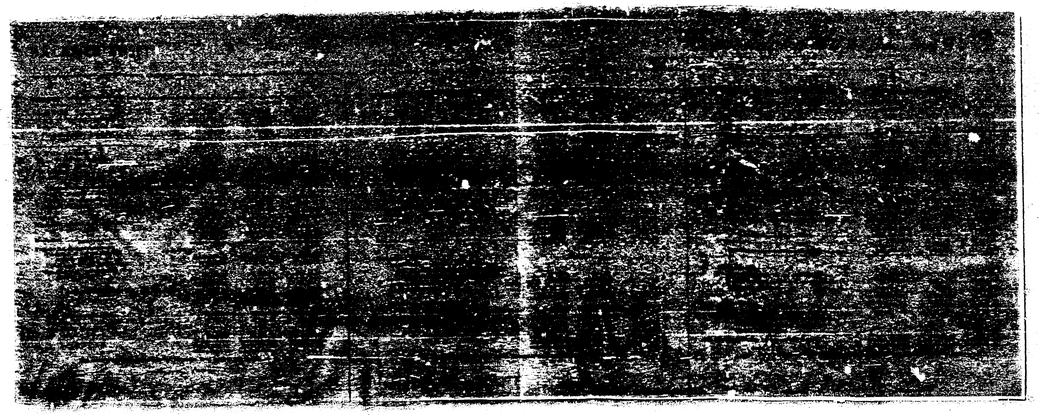
As a result of this intensified development of proven gas reserves during 1961, the company's capacity for daily net gas production was increased approximately 8%.

The net revenue producing gross acres of Consolidated's presently developed acreage rose 7.1% the past fiscal year. In this period, the company participated in seventy gross wells and was successful in sixty-three for an average of 90%, including exploratory ventures. The exploratory program alone enjoyed a 50% success ratio versus the long-established industry average of 11%. Only two of fifty-eight development wells were failures.

DRILLING SUMMARY

Fiscal Period		Exploratory Well-Prod.	Exploratory Well-Dry	Development Well-Prod.	Development Well-Dry	Total Wells
1961	Gross	0	0	20	0	20
	COG Net	0	0	5.625	0	5.625
1960	Gross	2	1	21	0	24
	COG Net	1.105	0.594	9.566	0	11.265
1959	Gross	3	2	14	1	20
	COG Net	0.736	1.025	3.299	0.312	5.361
1958	Gross	2	2	1	1	6
	COG Net	0.648	0.804	0.099	0.278	1.829





BALANCE SHEET

Consolidated Oil & Gas, Inc.

ASSETS

November 30, 1961, 1960, 1959

Current assets:	1961	1960	1959
Cash	$ 160,328.25	133,780.73	181,234.80
Notes receivable — secured	—	150,000.00	150,000.00
Notes receivable — unsecured	15,334.39	4,300.00	21,918.80
	15,334.39	154,300.00	171,918.80
Accounts receivable:			
Oil and gas purchasers	40,918.53	25,849.15	25,632.81
Interest holders in jointly owned properties	306,779.03	222,009.95	116,494.65
Others	28,459.56	17,440.16	22,004.94
	376,157.12	265,299.26	164,132.40
Work in progress at cost	4,706.59	1,451.70	28,152.75
Inventory of equipment	46,974.49	51,091.49	51,545.78
Prepaid expenses	2,274.69	2,483.49	2,551.58
	815,837.56	615,431.49	554,235.29
Noncurrent assets — notes receivable — secured — Note 1	344,000.00	129,000.00	99,000.00
Investments	27,054.00	19,538.00	6,961.50
Property and equipment at cost — Note 2:			
Producing oil and gas properties — partially pledged	6,259,425.03	2,652,099.56	1,887,919.41
Undeveloped oil and gas properties	156,000.38	179,382.99	210,099.90
Land, buildings and equipment — partially pledged	107,265.45	96,190.56	73,526.87
	6,522,690.86	2,927,673.11	2,171,546.21
Less accumulated depreciation and depletion	694,452.00	340,732.95	240,412.57
	5,828,238.86	2,586,940.16	1,931,133.64
Other assets:			
Deferred financing costs	21,826.29	2,740.54	9,825.00
Organization and deferred charges	12,109.36	3,185.15	3,159.97
Organization expense	—	—	6,118.75
	33,935.65	5,925.69	21,293.72
	$7,049,066.07	3,356,835.34	2,558,624.15

The accompanying "Notes to Financial Statements" are an integral part of this statement.

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	1961	1960	1959
Notes payable — portion due within one year:			
Unsecured	$ 269,219.03	314,760.53	165,350.53
Secured	233,700.02	116,672.81	272,150.86
	502,619.04	431,433.34	372,811.39
Accounts payable	341,060.78	234,753.93	160,911.00
Interest holders in jointly owned properties	14,811.61	50,959.71	19,218.42
Other accrued liabilities	20,163.11	23,317.78	24,835.05
Advances on drilling arrangements	120,487.50	59,412.92	59,208.74
	1,039,947.66	869,334.74	636,004.60
Long term purchase obligations	—	—	81,150.00
Notes payable — portion due after one year:			
Unsecured	26,000.00	61,000.00	78,895.00
Secured	212,750.32	179,997.31	195,666.65
	293,750.32	279,997.31	365,060.65
Deferred income — Note 1	1,477,773.00	1,042,581.48	810,879.48
Stockholders' equity:			
Common stock — authorized 5,000,000 shares at $.25 par value November 30, 1961 issued and outstanding 1,060,207 shares	265,100.00	211,819.00	202,919.00
Capital surplus — Notes 5 and 7	2,017,652.10	611,184.10	196,225.24
	2,282,752.10	823,003.10	399,144.24
Retained earnings (deficit) — from December 1, 1961	1,150,011.99	141,919.46	(194,231.83)
	3,432,764.09	964,922.56	204,912.41
Less treasury stock at cost — Note 6	176,779.82	76,000.00	76,000.00
	$ 3,255,984.27	888,922.56	128,912.41

STATEMENT OF INCOME AND EXPENSE AND RETAINED EARNINGS (Deficit)

Three Years Ended November 30, 1961

Income	1961	1960	1959
Oil and gas sales — Note 3	$ 594,138.17	342,863.20	291,097.74
Drilling arrangements and operations reimbursements	1,493,970.33	1,026,582.89	437,833.02
Miscellaneous	98,924.20	122,113.06	120,422.15
	2,187,040.70	1,491,379.15	829,352.91
Costs and expenses			
Direct costs:			
Production costs	395,061.54	126,109.04	134,572.53
Direct production payment expense — Note 1	42,458.05	31,591.90	13,193.70
Drilling arrangements and operations reimbursements	1,110,987.69	812,730.33	427,349.67
Dry hole costs	—	82,056.21	95,426.16
Abandonment and recondition of leases	16,219.71	43,908.85	8,466.35
Lease rentals — undeveloped properties	32,560.63	15,189.13	13,137.52
General and administrative	179,395.85	142,547.14	108,447.39
	1,409,383.47	1,253,567.60	862,586.32
Operating income (loss) before depreciation, depletion and amortization	497,457.23	294,511.55	133,233.41
Depreciation, depletion and amortization	181,668.77	129,400.62	116,310.58
Operating income (loss)	315,838.46	165,110.93	16,922.83
Other income (expense):			
Gain (loss) on sale of capital assets	1,262.69	(42,345.51)	403.06
Interest expense	(58,266.03)	(52,264.28)	(27,021.85)
	(56,663.96)	(94,609.79)	(27,424.94)
Net income (loss)	259,144.50	70,501.14	(10,502.11)
Retained earnings (deficit) beginning of period	(413,156.99)	(484,257.63)	(473,755.52)
Retained earnings (deficit) at end of period	$ (154,011.99)	(413,756.49)	(484,257.63)

The accompanying "Notes to Financial Statements" are an integral part of this statement.



1960 ACTIVITY BY AREA

TEXAS

In the Post Clayton Field of Garza County, Texas, Consolidated has drilled fourteen wells since the property was originally acquired. Of the thirty-six wells which the Company now operates, thirty-two produce crude oil from the Clayton Formation, one from the Canyon Reef formation, and three are finally completed, producing from both of these horizons.

All of the operators in the Post Clayton Field are considering a joint waterflood project on a joint basis. Consolidated's engineers are examining the feasibility of such a project and its possible conversion into a full scale field flood. Secondary recovery methods, such as waterflooding, can produce as much or more than was recovered by flowing or pumping during the primary life.

In the Oceanic Field of Howard and Borden Counties, Consolidated's two wells continue to produce their full daily allowable. The crude oil from this field is under a natural water drive which, combined with pressure maintenance, results in slow decline in productivity and maximum recovery from the total oil in place in the Canyon Reef formation.

EASTERN NEBRASKA

Production from Consolidated's wells in the Falls City area continues to be relatively steady. Ten inactive operating properties, two sub-marginal wells have been abandoned. Eight producing wells in this area — per field pump wa average of ten barrels each per day with every anticipation that profitable operations can be maintained for some time to come.

During fiscal 1960, Consolidated acquired the remaining outstanding working interests to give the Company 100% of the working interest in 23.

DENVER BASIN

In the Denver Basin of Northeast Colorado and Western Nebraska, Consolidated's net production averaged 260 barrels per day, as compared with 280 barrels per day during 1959. The slow decline is the result of Consolidated's policy of remedial work to maintain and increase production wherever it can be applied, of the most advanced engineering techniques.

In Cheyenne County, the Company abandoned the Miller well which was incapable of profitable operation even after remedial efforts. Abandonment of this well reduced to fourteen the number of wells now being operated in the Dewey-Nacke area.

Through purchases, Consolidated now owns approximately fifty per cent of the working interests in its Denver Basin properties. This includes undrilled acreage which Management considers to have a potential of from two to four locations for development wells.

Consolidated's very extensive operations, principally in waterflooding, have led to the increase in the Denver Basin with excellent results. The amenability of the "D" and "J" sands (the major producing zones) has been amply demonstrated. Alert to the potential profitability of waterflooding, Consolidated has completed detailed technical examinations of the Denver Basin holdings.

SOUTHWESTERN COLORADO

Consolidated's one drilling failure during 1960 was on the Cheney #1 well in Mesa county, a Dakota gas well. Based on evaluating the promising indications of Dakota pay noted in a previous well.

A portion of our acreage was relicsed following the deepening attempt. However, additional acreage was earned by drilling to bring our present holdings in the San Juan portion of the San Juan Basin to approximately 10,000 acres. This acreage block is partially maintained in effect by those shut-in Mesaverde gas wells which have been drilled.

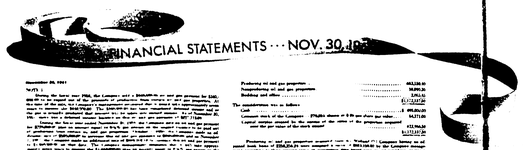
Other formations, deeper still than the Dakota, may prove to contain commercial quantities of gas or oil. These formations — the Entrada, Morrison, Pennsylvanian, Mississippian, and Devonian — are now actively being considered as drilling targets by Consolidated.

Outside of the Denver Basin and San Juan Basin areas, Consolidated holds some 4,000 net acres of lease in other basinal areas of oil or gas potential. These leases are maintained principally as nearby drillings by other operators develops new geological data.

WYOMING

No drilling operations during 1960 by Consolidated. Undeveloped leaseholds were selectively reduced from 46,000 net acres to 41,000 net acres as of November 30, 1960. Net royalty acreage increased by 300 acres over 1959 to an approximate 2,800 at the end of the fiscal year. Consolidated's undeveloped and royalty leases are located in five of the principal basinal areas of the state.

Toward the close of our fiscal year a wildcat well was being drilled near one of our undeveloped leases in the Powder River Basin of northeastern Wyoming. Scheduled to the Dakota formation which has proven oil productive in nearby areas, the well had not reached its objective by year end. Geological and engineering information from this exploratory test will provide a data upon which the value of Consolidated's leases may be determined.



FINANCIAL STATEMENTS ··· NOV. 30, 19

November 30, 1961

NOTE 1

NOTE 2

NOTE 3

NOTE 4



ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders
Consolidated Oil & Gas, Inc.
Denver, Colorado

Gentlemen:

We have examined the balance sheet of Consolidated Oil & Gas, Inc., as of November 30, 1961, and the related statements of income and expense and retained earnings (deficit) for the year then ended.

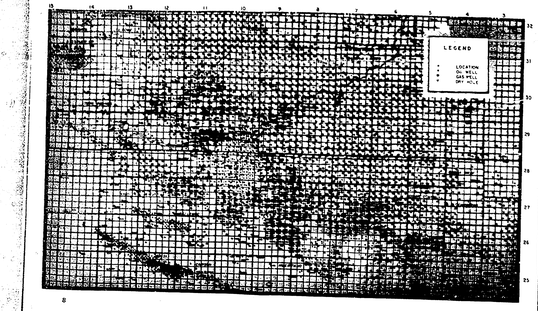
Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

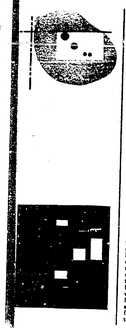
In our opinion, the accompanying balance sheet and statement of income and expense and retained earnings (deficit) present fairly the financial position of Consolidated Oil & Gas, Inc., at November 30, 1961, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Denver, Colorado
January 17, 1962

W. L. CLAUSEN

/1960 Activity By Area *(Continued)*





NORTHWESTERN NEW MEXICO

1 Consolidated moved to expand its acreage position in the Northwest Blanco area during fiscal 1960. By the end of the month of November 1960, 3,200 acres had been completed as gas producers and completion is set on another 2,600 gross acres on which 9,200 acres already held. Both new and old acreage is considered by Management to be proven for Dakota gas production.

Eight additional wells will be drilled to exploit the new acreage obtained under farmout agreements with Southern Union Gas Company and Pan American Petroleum Corporation. Gas laterals and gathering lines owned by El Paso Natural Gas Company and Southern Union Gas Company, traverse this block of acreage. All but three of Consolidated's Northwest Blanco area wells were tied into the line ready for production at the end of 1960. These are scheduled for early hook-up.

Of added significance to the potential value of Consolidated's Northwest Blanco block was an announcement of a proposed deep test near the southeast corner of our acreage. Planned to go to a total depth of 12,500 feet in order to test Pennsylvanian and Mississippian formations, the well site lies approximately 4½ miles from our company's concentration of acreage.

2 During fiscal 1960, five wells were drilled in this block in which our Company has a "carried working interest". This type of interest indicates that drilling and completion costs are borne by the operator. Consolidated's share of the cost is repaid from production. Of the thirteen wells currently producing, four will have fully paid-back their costs within the next ninety days, and begin contributing income to Consolidated. Revenue accruing from other of the Dakota Wells in the Fulcher Kutz area will be realized commencing in 1961 and 1962.

On November 30, 1959, Consolidated owned a one-eighth "carried working interest" in ten Dakota gas producers within eighteen 320-acre units of 320 acres each. During 1960 Consolidated increased its additional interests to increase its ownership to approximately one-sixth (16-5/8) of the working interest production. Productive capabilities of the Dakota formation in this area of the San Juan Basin have consistently been among the highest gauged. Consolidated's interest in these wells tested for a total of 20,000,000 cubic feet of gas per day from the Dakota.

3 In San Juan County, Consolidated obtained a 960 acre farmout from Southern Union Gas Co. consisting of three dual zone Dakota-Pictured Cliffs and one single zone Pictured Cliffs locations, the acreage lying in the northeast side of the Hubbell-Ballard Pictured Cliffs field.

Our first well, the No.1 Hale was drilled to a total depth of 7,262 feet. As the fiscal year closed it was being completed as a dual zone gas discovery after having gauged almost four million cubic feet of gas per day from the two zones on a 3-orifice flow test.

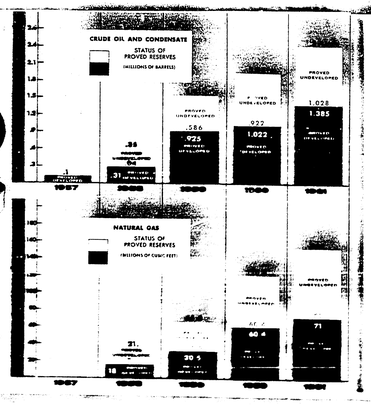
The three Dakota-Pictured Cliffs locations will be in the Company's 1961 drilling program. Consolidated has a 65.5% working interest in the three locations.

4 East of the Hale block, in San Juan County, Consolidated obtained a farmout of 1,280 acres with diverse interests in the Mesaverde, Gallup, and Dakota formations. Each of these is considered as potentially productive of oil or gas in this portion of the basin.

Consolidated's N.C.R.A. No. 1, drilled to 6,812 feet, is now being completed as a second Mesaverde gas discovery well from the Dakota.

Five additional locations remain to be drilled. Orderly development is planned which should result in five and one-eighth net wells added to Consolidated's net productive capacity. It is expected that a number of these wells will be drilled to final completion for both the Mesaverde and the Dakota formations.



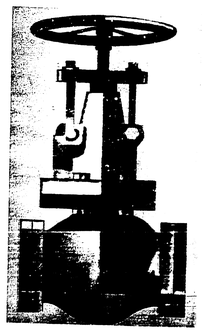


FORECAST 1962

Numerous proven gas locations are available for development on Consolidated's properties in the San Juan Basin . . . at least twenty-eight proven gas locations exclusive of the proven but shut-in Spring Creek acreage are available for drilling during the fiscal year . . . some twenty development wells inclusive of several dual zone and a few triple zone gas wells are planned for the coming year . . . several water injection wells will have to be drilled on two pilot waterfloods to be instigated in 1962 . . . East Tempest Dome field pilot waterflood should begin in early spring . . . pilot waterflood operation of the Glorieta formation in West Texas should begin in mid-summer . . . several exploratory ventures will probably be drilled in 1962 . . .

Exclusive of Tekoil merger mentioned elsewhere in this report, sales of oil and gas for coming year should approximate from $900,000 to $1,000,000 . . . an increase of 25% or more . . . demand for gas in San Juan Basin should stay approximately the same during the coming year with improvements forecast for 1963 . . . cash flow should approximate 50¢ to 56¢ per share as opposed to 27¢ for 1961 . . . total sales should increase at least 25% . . . net income should increase by 25% .

Inclusive of Tekoil Corporation for 1962, at least six additional development wells are available . . . new waterflood operations may be instigated . . . new equipment for old waterflood projects should substantially increase revenues . . . new gas well development on Jamnell Gas Company properties should yield substantial increase developed gas reserves . . . debt will be orderly retired by production from properties . . . probable secondary reserves should be changed into proven as a result of new development activities . . . gross sales should exceed $1,000,000 . . . cash flow should increase to 80¢ or 90¢ per share . . . net income will disappear as a result of Tekoil's very high depreciation and depletion rate.



MANAGEMENT GROUP

Effective solutions to operating problems are found by frequent sharing of skills and experience within the Management group. As a result, a 10% reduction in general administrative and production expenses was realized in 1960. Yet the Company operated 16 more wells than during the previous year, was responsible for more business activity than ever before.



Mr. Strickland and Mr. Farmer



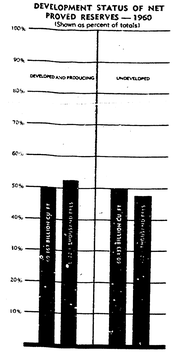
Mr. Crumpacker and Mr. Cooper

Mr. Pritchard, Mr. Land, Mr. Farmer



Mr. Pritchard and Mr. Land

DEVELOPMENT STATUS OF NET PROVED RESERVES — 1960
(Shown as percent of totals)



FORECAST 1961

With twenty-five proven undrilled 320-acre Dakota gas units, a successful drilling program for 1961 is assured . . . several wells will be dual zone completions, either as Dakota-Mesaverde or Dakota-Pictured Cliffs gas wells . . . the Company's interest in these wells should approximate sixteen net wells . . . completing development of the remaining proven undeveloped gas reserves . . .

Assuming the Midland Oil Company merger, mentioned in the President's message, is completed . . . Consolidated would own interests in approximately 250 oil and gas wells by the end of 1961 . . . it is anticipated, however, that only $800,000 of actual sales will take place during the first year . . . since gas wells drilled during the year may not have a full year's production due to delayed connection into the gathering and transmission system . . . this projection includes no allowance for additional increased income from Midland properties on which waterflood income would begin in 1963.

Cash flow for the next year, including Midland, has been estimated at thirty-five cents per share . . . to be utilized to reduce indebtedness created during the drilling of development wells . . . new acquisitions of producing properties and proven Dakota gas well farmouts will be actively sought as in past years . . . to maintain Consolidated's accelerated rate of growth . . .

During 1961 Consolidated should be listed on the American Stock Exchange . . . giving stockholders a more stable market for purchase and sale of their shares . . . Consolidated plans long-term debt financing more commensurate with the long-life gas reserves . . . serving to improve its current position and to develop additional working capital with which to acquire new properties . . . additional exploratory work may be commenced on certain of Consolidated's undeveloped properties not now proven for production . . . activities of other operators, near the Company's undeveloped acreage, will continue to be carefully followed for information of product and economic consequence to our Company.

. . . MANAGEMENT . . .

"Management — the judicious use of means to accomplish an end."
— Webster

While it is true that stockholders formulate policy — and in a very real sense "run" a company — the day to day decisions must be made by the officers. The close-knit officers of Consolidated work informally as a team — so that each contributes his best efforts as a part of the whole.



The president and the executive vice president



President Harry A. Trueblood, Jr., at the map case in his office



Robert B. Tennent, vice president.



Mrs. Irene Manley, secretary to the Company's executive officers.





C. J. Cooper, Jr., vice president — the company's secretary and general attorney, confers with H. J. Gallagher, assistant secretary-treasurer and controller.

J. F. Lee, executive vice president, planning and coordinating the short-range

DIRECTORS



James D. Landauer
Director
& Secretary
Since 1944

President and Director of James D. Landauer Associates, Inc., New York City and many enterprises. As well, he is a partner in the Real Estate Trust of New York, a director of the Empire Trust Company, Inc., and a trustee of the East River Savings Bank.



Carl J. Odegard
Director
& Director
Since 1954

Retired in 1945 after long years with the Northwestern National Bank of Minneapolis, Minn. Mr. Odegard is a director of Consolidated Oil & Gas, Inc., a director of Western Nuclear, Inc., and president of the Colorado Southern Land Corporation. He is also a director of Rocky Mountain Power Company, a director of KDO Radio Corporation, Inc., of Pueblo, Colorado, and a member of the Board of Trustees of Colorado College. Mr. Odegard has been a member of Consolidated's executive committee.



John E. Price
Director
& Director
Since 1944

Senior Board Member in length of service, having been prominent in the organization of Edward Drilling Co., Tampa, a pioneer operation in various types of drilling equipment and methods. Mr. Price is also a professional Landman in coal, timber, mining, and oil. He resides in Ft. Myers, Florida.



Henry A. Trumbind, Jr.
President
& Director
Since 1954

President of the Company and member of the Executive Committee. A petroleum engineer by profession, Mr. Trumbind was an independent operator and consultant in Tulsa, Oklahoma, before becoming President of Colorado Western Exploration, Inc.



Saul A. Levine*
Director
& Secretary
Since 1955

Executive Vice President and Secretary of the company. Mr. Levine is one of the three members of the Consolidated Oil & Gas, Inc., executive committee from New York. Currently he has specialized in corporate finance and related oil industry affairs.

*Deceased



Donald T. O'Shea
Director
& Director
Since 1955

Practicing attorney of New York and Los Angeles, Farmerly President of Sidereal Trustee, Vice President of Sidereal Land & Water Company, and director of the KDO Radio Company, Inc. Is now a director of KDO Radio Color Pictures, Inc., Pueblo Airlines, and a member of the Board of Regents of Loyola University of Los Angeles.



Theodor F. Rittenberg
Director
& Director
Since 1945

Serves as Treasurer, Assistant Secretary, and as a member of the Executive Committee of Consolidated Oil & Gas, Inc. A finance consultant, Mr. Rittenberg is in the business of making payment investigations.



Henry A. Wilmerding
Director
& Director
Since 1945

Graduate of Yale University and a retired Captain in the United States Naval Reserve. Mr. Wilmerding is a resident of Windsor, New York, and is engaged in various financial activities for his own account.

OFFICES:

EXECUTIVE OFFICES: 2112 Tower Building, Denver-U.S. National Center, Denver 2, Colorado
TRANSFER AGENT: Consolidated Oil & Gas, Inc., Stock Transfer Department, 1700 Broadway, Denver 2, Colorado
REGISTRAR: U. S. Stock Transfer Co., 814 Boston Building, 828 17th Street, Denver 2, Colorado
COUNSEL: Calkins, Rodden & Kramer, First National Bank Building, Denver 2, Colorado
AUDITOR: W. L. Claequin, Certified Public Accountant, 1030 Petroleum Club Building, Denver 2, Colorado

IN MEMORIAM



SAUL A. LEVINE

1911-1961

"Know ye not that there is a prince and a great man fallen this day"—II Samuel 3:38

This lament of King David expresses the sentiment of those who knew Saul A. Levine and his outstanding services to Consolidated Oil & Gas, Inc. In addition to being one of the original founders of Consolidated, he had at various times served as Director, Secretary, Treasurer and Executive Vice President. But no titular recital can describe the influence he exerted or the earnest attachment to his work which has made this Company almost the lengthened shadow of this man.

We count as one of our principal assets, intangible though it may be, an affection and loyalty for Consolidated, Saul Levine's spirit and personality—his spirit which, undaunted by difficulties or temporary reverses, inspired him always in thought, word and deed.

His warmth of personality, remarkable intellect, counsel and guidance have been a source of strength to us all, available always through the formative years of Consolidated, whether those were periods of prosperity or adversity. His career, rich in achievement, has left a distinct imprint upon the petroleum industry as well as the world of finance.

Our adviser, associate and friend is gone. We on the Board shall ever be indebted to him for the example he has left us of devotion to private and public duty and responsibility.

IN GRATEFUL REMEMBRANCE of Saul A. Levine, this is a tribute to his memory to which this 1960 Annual Report is sincerely dedicated.

By THE BOARD OF DIRECTORS
January 1961



OFFICERS

Harry A. Trumbind, Jr.
President

J. B. Ladd
Executive Vice President

Robert L. Tenison
Vice President

Theodor F. Rittenberg
Treasurer-Assistant Secretary

C. J. Cooper, Jr.
Secretary

H. C. Goepfert
Assistant Secretary and
Assistant Treasurer

DIRECTORS



John E. Price
A member of Ft. Myers, Fla., Mr. Price is Consolidated's senior Board member in length of service, having joined the Board in 1944. Formerly a prominent Landman in coal, timber, mining and oil, in addition to his present business, he has extensive holdings in ranching, mining and oil.



Donald T. O'Shea
A practicing attorney in both New York and California, Mr. O'Shea is a director of Consolidated since 1955. For many years a director of Sidereal Land and president of the Colorado Southern Land Corporation, he is also a director of KDO Radio Color Pictures, Inc., of Pueblo, Colorado, and a member of the Board of Regents of Loyola University of Los Angeles. Mr. O'Shea is a member of Consolidated's executive committee.



Carl J. Odegard
A resident of Tryon, Ne. Dak., and Vice Chairman of the Board, Mr. Odegard retired from the Northwestern National Bank of Minneapolis, Minn., after many years, the Northwest Security National Bank of St. Paul. He has served on the Board of Consolidated since 1954.



James D. Landauer
President and Director of James D. Landauer Associates, Inc., New York City and many enterprises. As well, he is a partner in the Real Estate Trust of New York, a director of the Empire Trust Company, Inc., and a trustee of the East River Savings Bank. He has served as a director of Consolidated since 1944.



Theodor F. Rittenberg
Treasurer, assistant secretary and a member of the executive committee of Consolidated Oil & Gas, Inc., a director of Consolidated since 1945. A finance engineer, Mr. Rittenberg is in the business of making payment investigations.



Leo A. Freeman
Of Chicago, became a Director of Consolidated as the result of the merger with Holland Oil Company of which he was a director. A director of Consolidated Oil & Gas, Inc., and of Rocky Mountain Corporation, he is general counsel for several large mid-western corporations.



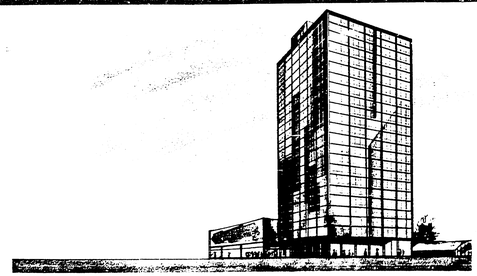
Leo J. Spielgelberg
A partner in the stock brokerage firm of Reynolds, Irey & Co., members of the New York Stock Exchange. Mr. Irey has been with that company for the past 30 years and has been a Consolidated director since 1954.



Henry A. Wilmerding
A graduate of Yale University and a retired captain in the United States Naval Reserve, Mr. Wilmerding is a resident of Windsor, N. Y. A director of Consolidated since 1945, he serves on the financial committee.

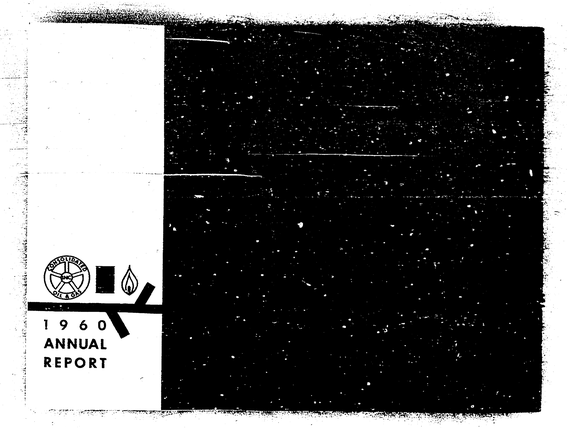


Harry A. Trumbind, Jr.
President of the company and a member of the Executive Committee, Mr. Trumbind engages in petroleum engineering as an independent operator and consultant in Tulsa, Oklahoma before becoming President of Colorado Western Exploration, Inc. He has been a director since 1954.



Consolidated Oil & Gas, Inc.

EXECUTIVE OFFICES: 2112 Tower Building, Denver U. S. National Bank Center, Denver 2, Colorado
TRANSFER AGENT: Central Bank & Trust Company, P.O. Box 5540, Terminal Annex, Denver 17, Colorado
REGISTRAR: U. S. Stock Transfer Company, 814 Boston Building, 828 17th Street, Denver 2, Colorado
COUNSEL: Calkins, Rodden & Kramer, First National Bank Building, Denver 2, Colorado
AUDITOR: W. L. Claequin, Certified Public Accountant, 1030 Petroleum Club Building, Denver 2, Colorado



1960
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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

OF

CONSOLIDATED OIL & GAS, INC.

DENVER, COLORADO

Cons 2507

March 1962

January 19, 1962

To the Stockholders:

A special meeting of the stockholders of Consolidated Oil & Gas, Inc., will be held on the Twelfth Floor of the Petroleum Club, 110 Sixteenth Street, Denver, Colorado, at 2:00 o'clock p.m., Mountain Standard Time, on February 14, 1962, for the following purposes:

1. To consider and vote upon the adoption and approval of a merger agreement dated as of December 15, 1961, between Consolidated Oil & Gas, Inc. (Consolidated), and Teksil Corporation (Teksil), a Delaware corporation, providing for the merger of Teksil into Consolidated, a copy of which merger agreement is annexed as Exhibit B to the Proxy Statement attached to this notice, and to authorize the officers of the Company to take such further action as may be necessary or advisable to effect the merger.

2. To transact such other business as may properly come before the meeting or any adjournment thereof, although the management of Consolidated does not know of or contemplate the transaction of any other business at such meeting.

Under authority vested in them by the By-Laws of the Company, the directors have fixed January 2, 1962, as the record date for determination of stockholders entitled to notice of and to vote at such meeting. The transfer books will not be closed.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST TWO-THIRDS OF THE OUTSTANDING SHARES IS REQUIRED TO APPROVE THE MERGER. IT IS THEREFORE IMPERATIVE THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE MEETING. PLEASE SIGN, DATE AND RETURN YOUR PROXY IMMEDIATELY.

BY ORDER OF THE BOARD OF DIRECTORS

HARRY A. TRUEBLOOD, JR.
President

C. J. COOPER, JR.
Secretary

Proxy Statement

The accompanying Proxy is solicited on behalf of management of Consolidated Oil & Gas, Inc., a Colorado corporation (hereinafter sometimes referred to as "Consolidated" or the "Surviving Corporation"), for use at a special meeting of stockholders to be held on February 14, 1962, and any adjournment thereof.

The purpose of the special meeting is to consider and vote upon the adoption and approval of a Merger Agreement between Consolidated and Tekoil Corporation, a Delaware corporation (hereinafter sometimes referred to as "Tekoil"), wherein Tekoil will merge into Consolidated in accordance with the laws of the State of Colorado.

The shares covered by proxies executed and returned will be voted at the meeting and at any adjournment thereof, and will be voted as directed therein with respect to the merger, except that any proxy in which no direction is given will be voted in favor of the merger. Each proxy granted is revocable and at any time before it is voted may be revoked by the stockholder granting it.

The only outstanding voting securities of Consolidated are its Common Stock, each share of which entitles the holder thereof to one vote. As of December 15, 1961, there were outstanding and entitled to vote 1,840,526 shares of Common Stock. Only stockholders of record at the close of business on January 2, 1962, are entitled to vote at the meeting or any adjournment thereof.

MERGER AGREEMENT BETWEEN CONSOLIDATED OIL & GAS, INC. AND TEKOIL CORPORATION

Approval of Directors

The directors of Consolidated and Tekoil have duly approved an Agreement of Merger between Consolidated and Tekoil, a copy of which is annexed hereto as Exhibit "B," and the Board of Directors of each corporation has declared the Merger to be advisable and in the best interests of the corporation and its stockholders.

Reasons for Merger

In the opinion of the management of Consolidated, the principal reasons for the merger are as follows:

(a) There should be a substantial reduction of expenses below the total amount presently paid by both companies.

(b) Although Tekoil has sufficient oil and gas reserves to retire its present indebtedness if its creditors permit it to operate its properties or if its indebtedness can be refinanced, a combination of the companies, with Consolidated as the Surviving Corporation, will permit refinancing on a basis not available to either company individually.

(c) The cash flow generated by the combined companies should be sufficient to meet the terms of the refinanced debt of the Surviving Corporation and to permit the development of the proven undeveloped properties in an orderly fashion.

Effect of Merger

Upon the effective date of the Merger, the separate existence of Tekoil will cease and it will be merged with and into Consolidated, which will be the Surviving Corporation. All rights, privileges, powers and franchises and all property, real, personal and mixed, of Consolidated and of Tekoil, and all debts due to said corporations will automatically vest in the Surviving Corporation.

Principal Provisions of Merger Agreement

A summary of the principal provisions of the Merger Agreement is as follows:

(a) The provisions of the Certificate of Incorporation and By-Laws of the Surviving Corporation will be identical with those contained in the present Certificate of Incorporation and By-Laws of Consolidated.

(b) Generally, the Merger will not otherwise affect the rights of existing stockholders of Consolidated, except that additional shares of stock will be issued as hereinafter stated. Although the rights

of existing stockholders will not be affected, the interests of such stockholders will be affected, as evidenced by the COMPARATIVE DATA set forth on page 7. Each share of the common stock ($0.20 par value) of Consolidated; each restricted stock option for the purchase of shares of common stock issued and outstanding at the effective date of the Merger and each common stock purchase warrant for the purchase of shares of such common stock issued and outstanding at the effective date of the merger will not be affected by the Merger.

Each 2½ shares of the common stock ($1.00 par value) of Tekoil, issued and outstanding at the effective date of the Merger, will be converted into one (1) share of common stock of the par value of $0.20 of Consolidated, and each holder of such common stock of Tekoil, upon presentation and surrender of his certificate or certificates therefor to Consolidated or its designated agent, will be entitled to one or more certificates representing shares of stock of Consolidated at the rate of one (1) share of such common stock of Consolidated for each 2½ shares of common stock of Tekoil represented by the certificate or certificates so surrendered. However, neither certificates for fractional shares of the common stock of Consolidated nor scrip certificates will be issued to the holders of Tekoil stock, and in lieu thereof arrangements will be made with an exchange agent so that for 120 days after the effective date of the Merger, each holder of a fractional interest shall have the election exercisable through the exchange agent at the time of surrender of his certificate or certificates of Tekoil common stock for exchange, to either buy sufficient additional fractional interests required to make up a full share, or may sell the fractional interest to which he is entitled. For the purpose of purchasing or selling fractional interests the Consolidated common stock is valued at $5.00 per share. The failure to elect to buy or sell a fractional interest shall be deemed to be an election to sell.

After the expiration of 120 days, the exchange agent will sell (for the account of the holders of such fractional share interests) shares of common stock of Consolidated equivalent to such fractional share interests as indicated by the then outstanding Tekoil stock certificates. The exchange agent will thereafter and until six years after the effective date of the Merger pay to such holders upon exchange of their stock certificates their pro rata share of the proceeds of such sale. Any balance of such proceeds remaining after such six-year period will be returned to the Surviving Corporation.

On and after the effective date of the Merger, holders of options to buy common stock of Tekoil, outstanding as of the effective date of the Merger, shall exchange such options for options to purchase one (1) share of common stock of Consolidated for each 2½ shares of Tekoil covered by the option at a price per share which is 2½ times the price set under the options to buy Tekoil stock.

(c) As of November 30, 1961, the aggregate indebtedness of Tekoil which is in default was $4,217,991.80. The Merger is conditioned upon the obtaining of favorable bank financing to refinance certain of the loans to Tekoil which are presently in default. See caption REFINANCING OF TEKOIL INDEBTEDNESS.

(d) In the event the Merger is consummated, if all the TeCoal shares are exchanged, 454,905 shares of common stock of Consolidated will be issued therefor. These shares will represent approximately 20.55 percent of the total number of shares of common stock of Consolidated to be outstanding after the merger is consummated.

(e) On the effective date of the Merger there shall be reserved from and among the authorized but unissued shares of the common stock ($0.20 par value) of Consolidated (i) 404,157 shares for issuance upon conversion of outstanding common stock purchase warrants issued by Consolidated, (ii) 75,000 shares for issuance under the Restricted Stock Option Plan of Consolidated which shall continue as the plan of the Surviving Corporation (being 66,500 shares covered by outstanding options and 8,500 shares reserved for the granting of future options), (iii) such number of shares as may be required for issuance under an option to purchase 20,000 shares of common stock of Tekoil granted by Tekoil to Jessell Gas Co., a corporation. The option is exercisable at various dates beginning in March, 1963, and ending in March, 1966, at prices ranging from $6.00 to $6.50 per share of Tekoil common stock.

CAPITALIZATION

The following tabulation sets forth on a pro forma basis as of November 30, 1961, the debt and capitalization of the Surviving Corporation.

	Amount Outstanding on November 30, 1961
CONSOLIDATED OIL & GAS, INC.	
First mortgage notes(A)	$ 490,824.55
Sundry indebtedness(B)	15,905.79
Unpaid interest	289,739.05
Preferred stock, $10.00 par value, authorized, 100,000 shares	None
Convertible preferred stock, $10.00 par value, authorized 10,000 shares	None
Common stock, $0.20 par value, authorized, 5,000,000 shares(D)	1,840,593 shares
Common stock options, authorized 75,000 shares	66,500 shares
Common stock purchase warrants(E)	404,190 shares
TEKOIL CORPORATION AND SUBSIDIARY COMPANY	
First mortgage notes(F)	$4,377,448.54
Sundry indebtedness(G)	162,546.76
Common stock, $1.00 par value, authorized 2,000,000 shares	1,210,927 shares
Common stock to be issued to The Saint Anne's Oil Production Company pursuant to the terms of an agreement under which the companies were merged effective March 15, 1956	1,336 shares
Common stock options	30,000 shares
CAPITAL STOCK—PRO FORMA	
Common stock, $0.20 par value, authorized 5,000,000(H)	2,325,406 shares
Common stock options	75,500 shares
Common stock purchase warrants(E)	404,190 shares

(A) Note dated 5-31-61, maturity 1-31-64, with monthly installments of $11,500.00, payable to Central Bank and Trust Company, Denver, Colorado, in amount of $330,000.00 reduced to $287,357.89 at 11-30-61, 6¼% interest, secured by substantially all First (Chetopa); TEXAS, Denver-Julesburg and substantially all of the producing properties in Lead Creek, Oklahoma properties.

Note dated 3-28-61, payable to Wild Goatmore Supply Co. in 25 monthly installments of $1,000.00 in amount of $75,000.00, reduced to $37,000.00 at 11-30-61. 7% interest, secured by all of Falls City, Nebraska, properties.

Note dated 8-30-61, payable to Wild Goatmore Supply Co. in 24 monthly installments of $2,500.00 in amount of $60,000.00, reduced to $47,500.00 at 11-30-61. 6% interest, secured by a production payment receivable with a growth factor of 7% from certain producing gas properties in the San Juan Basin, New Mexico.

Note dated 3-1-58, maturity 2-1-63, payable to Wild Goatmore Supply Co. in amount of $40,000.00, reduced to $14,697.24 at 11-30-61, payable in monthly installments; with 6% interest, secured by a production payment receivable with a growth factor of 7% from certain producing gas properties in the San Juan Basin, New Mexico.

Note dated 3-1-58, in principal amount of $14,695.76, payable to Mountain States Investment Co., payable over 20 years in monthly installments, reduced to $13,147.07 at 11-30-61. 5¼% interest, secured by residential property located in Denver, Colorado.

Note dated 5-25-60, maturity 5-1-65, payable to California Bank, Los Angeles, California, in principal amount of $100,000.00, reduced to $54,497.34 at 11-30-61, payable in monthly installments; with 6.5% interest, are and by rate, and the 1% per annum interest rate charged on the loan is assigned to the Central Bank; and Trust Co., Denver, Colorado, referred to in the first paragraph of this note are and pledged to the Central Bank.

Note dated 10-10-58, maturity date 5-1-62, payable to the First National Bank, Farmington, New Mexico, in monthly installments, 6% interest, in principal amount of $5,700.00, reduced to $1,253.26 at 11-30-61, secured by real property, Farmington, New Mexico.

Note dated 10-1-61, payable to Western Pipe and Tube Co., Inc., maturity date 5-1-64, 6% interest, principal amount $30,000.00, reduced to $27,490.60 at 11-30-61, secured by a production payment receivable with a growth factor of 7% from certain producing gas properties in the San Juan Basin, New Mexico.

(B) Includes $15,000.00 due within one year on Note (A) above.

(C) Represents unsecured notes bearing interest at 6%, all but $20,000.00 due within one year.

(D) Does not include shares underlying the common stock options.

(E) The common stock purchase warrants entitle the holder thereof to purchase one share of common stock at the price of $6.00 per share to before January 31, 1963, and thereafter at $6.67½ per share until termination. The termination date for the warrants is June 29, 1967.

(F) Mortgage note dated 7-14-60, maturity 7-1-64, payable to The Mercantile National Bank, Dallas, Texas, in principal amount of $4,500,000.00, reduced to $4,150,000.00 at 11-30-61, 5½% interest payable monthly installments of $75,000.00 each, secured by mortgage, deed of trust and assignment of production on substantially all oil and gas properties owned at July 31, 1959 and assignment of interest in Jessell Gas Company.

Note dated 7-31-61, maturity 7-31-64 for principal amount of $225,000.00, 12½% for principal amount of $100,000.00, 3-31-65 for principal amount of $207,910.00 payable to The Mercantile National Bank, Dallas, Texas, 6¼% interest. The total of $625,000.00 has been reduced to $614,290.27 at 11-30-61. All three notes were due 12-6-61 but have an extension by the same principal's mortgage to the above properties.

Note dated 10-16-58 payable to the First National Bank of Dallas, Dallas, Texas, interest at 7%, principal amount $13,000.00, reduced to $11,482.89 at 11-30-61, secured by the personal surrender of D. W. Ward which account was $36,771.66 at 11-30-61.

Note dated 10-16-58 payable to the First National Bank of Dallas, Dallas, Texas, interest 5%, principal amount $20,000.00, reduced to $17,666.75 at 11-30-61, secured by oil and gas properties in Lead Creek, Oklahoma, production and of the oil and gas sales from the pledged properties.

Note dated 8-31-61, payable to the First National Bank of Dallas, Dallas, Texas, interest 6%, principal amount $150,000.00, reduced to $147,500.00 at 11-30-61, paid out of and secured by various oil and gas properties in Lead Creek, Oklahoma.

(G) Represents notes and lease purchase option agreements bearing interest rate varying from 6% to 7% issued for the purchase of acquisition of field and laboratory equipment, pumps, tanks and the like.

(H) The 1,210,927 shares of stock of Tekoil Corporation and the 1,336 shares of Consolidated Oil & Gas, Inc. the Surviving Corporation.

CONSOLIDATED OIL & GAS, INC.—SUMMARY OF OPERATIONS

(Combined with Operations of Colorado Western Exploration, Inc., for Years Prior to Merger, May 1, 1958)

The following summary of operations of Consolidated Oil & Gas, Inc., for the six years ended November 30, 1961, has been examined by W. L. Claspill, Independent Public Accountant, for the five years ended November 30, 1961, as set out elsewhere in this proxy statement. Data pertaining to the period of six final years ended November 30, 1961, should be read in conjunction with the financial statements and notes thereto, which appear elsewhere in this proxy statement.

	Years Ended November 30,					
	1961—Note B & C	*1960*	*1959*	*1958*	*1957*	*Not Audited 1956*
Income:						
Oil and gas sales	$ 534,138.17	342,543.20	271,007.74	170,782.51	93,702.22	27,452.91
Drilling arrangements and operations reimbursements	1,479,978.85	1,026,563.89	437,833.02	411,279.35	455,180.14	207,749.53
Miscellaneous	98,954.30	122,553.06	130,452.17	37,755.73	66,037.12	67,937.97
	2,107,045.72	1,491,779.15	839,292.93	619,817.59	614,741.76	303,140.41
Costs and expenses:						
Direct costs:						
Production costs	205,061.54	126,109.04	134,572.53	110,358.40	87,696.14	35,210.09
Direct production payment expense	87,055.05	31,591.90	13,185.71	1,009.90	—	—
Drilling arrangements and operations reimbursements costs	1,118,967.69	815,720.53	427,349.67	315,999.78	352,261.95	143,704.73
Dry hole costs		83,006.21	95,424.18	37,725.15	10,756.71	9,598.50
Abandonment and surrender of leases	16,719.71	27,956.21	9,498.35	23,517.48	70,093.59	21,849.98
Lease rentals—nonproducing properties	25,280.83	15,354.13	16,112.52	7,763.47	5,163.78	2,448.95
General and administrative	179,295.85	145,547.14	135,145.83	103,974.15	157,599.01	124,311.69
Depreciation, depletion and amortization	181,845.77	129,400.81	118,510.29	93,004.93	79,935.53	37,257.49
	1,791,232.24	1,309,665.82	970,098.91	750,899.25	727,507.42	377,035.34
Operating income or (loss)	315,805.48	195,113.33	(140,744.02)	(98,347.66)	(142,125.41)	(73,895.53)
Other income (expense):						
Gain or (loss) on sale of capital assets	1,542.89	(61,745.51)	(403.05)	1,387.25	27,501.85	11,065.83
Interest expense	(35,206.65)	(52,284.28)	(27,021.36)	(20,754.98)	(10,531.33)	(19,243.51)
	(56,663.76)	(114,029.79)	(27,424.94)	(19,367.73)	17,011.51	(8,177.68)
Income or (loss) before provision for Federal and state income taxes	259,144.50	(8,916.56)	(177,168.94)	(117,715.39)	(125,113.91)	(82,053.61)
Provision for Federal and state income taxes						
Net income or (loss)	$ 259,144.50	(8,916.56)	(177,168.94)	(117,715.39)	(125,113.91)	(82,053.61)
Per share of common stock outstanding—Note A:						
Number of shares outstanding at end of period	1,840,503	1,548,498	1,402,492	1,178,811	890,989	630,198
Net income (loss)	.14	(.006)	(.13)	(.10)	(.17)	(.13)
Gain or (loss) on sale of properties	.0008	(.04)	(.0001)	.001	.03	.02
Dividends declared	None	None	5% Stock	None	None	None

Note A—In order to make the figures properly comparable as to earnings or losses per share of common stock outstanding at the end of each fiscal year, the common stock outstanding has been adjusted to reflect the 5% stock dividend declared in December, 1959, and paid January 15, 1960, to stockholders of record December 31, 1959.

Note B—The year ended November 30, 1961, marked the acquisition of the assets acquired from the Holland Oil & Company on February 10, 1961, date of acquisition.

Note C—The Company showed a profit during the fiscal year ended November 30, 1961, because on the basis were drilled and no substantial capital assets accrued from predecessor corporations became unimportant and had to be abandoned, sold or surrendered. Net operating revenues from oil and gas, as well as drilling arrangements and operations reimbursements, were up over prior years thereby generating a greater amount of gross profit.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Summary of Consolidated Losses (Note 1)

The following summary of consolidated losses, in so far as it relates to the four fiscal years ended March 31, 1961, and the eight months ended November 30, 1961, has been examined by Main and Company, independent certified public accountants, as set forth in their report included elsewhere in this proxy statement. The summary should be read in conjunction with the financial statements and related notes which are also included elsewhere in this proxy statement. With respect to that portion of the summary related to the unaudited eight months' period ended November 30, 1960, the management of Tekoil believes that all adjustments (consisting solely of normal recurring accruals) necessary to a fair statement of the operating results for such periods has been included.

	Eight Months Ended		Year Ended March 31,				
	November 30, 1961	*November 30, 1960 Not Audited*	*1961*	*1960*	*1959*	*1958*	*1957 Not Audited*
Revenues:							
Oil and gas, net of production taxes	$ 1,297,025	1,231,808	2,297,491	2,541,490	2,215,989	1,736,952	1,054,298
Laboratory, logging, service and engineering fees	80,374	158,366	227,548	131,783	104,774	27,918	4,800
	1,363,400	1,390,174	2,524,949	2,673,282	2,320,743	1,764,840	1,059,098
Costs and expenses:							
Lease, laboratory and other operating expenses	552,331	602,900	1,030,480	931,180	955,580	606,970	361,190
General and administrative expenses	200,071	349,732	522,490	525,130	527,560	509,514	322,521
Depreciation, depletion and amortization (Note 3)	909,901	910,336	1,215,531	1,294,780	970,401	742,795	467,456
Amortization of intangible drilling and development costs	124,901	126,408	160,611	272,438	319,152	240,070	—
Dry hole costs, abandoned leases and delay rentals (Note 7)	151,980	126,502	192,702	150,769	154,762	115,367	33,022
Share of net loss of Jewell Gas Company, a limited partnership (Note 2)	65,308	15,772	20,261	—	—	—	—
Share of other partnership net loss	—	11,736	15,736	11,140	2,857	—	—
	1,013,312	2,132,499	3,199,987	3,195,437	2,905,992	2,210,506	1,203,971
Income (loss) from operations	(649,912)	(442,694)	(674,038)	(482,145)	(585,249)	(445,666)	(174,773)
Other income and expense:							
Interest expense	243,029	294,914	367,360	370,490	282,154	175,174	107,100
Other expense—net	40,709	12,999	14,149	(19,529)	(30,253)	(267)	3,709
	283,738	277,913	415,518	350,961	251,902	174,907	111,059
Net income (loss) before special charge	(933,650)	(720,607)	(1,077,556)	(839,606)	(837,171)	(624,535)	(285,832)
Special charge for write-down of assets of Petroleum Technologists, Inc. (Note 1)	192,565	—	—	—	—	—	—
Net income (loss)	$(1,013,706)	(720,607)	(1,077,556)	(839,606)	(837,171)	(624,535)	(285,832)
Per share of common stock outstanding:							
Number of shares outstanding at end of period	1,210,927	1,210,927	1,210,927	1,172,907	1,172,903	1,172,203	741,536
Net income (loss) per share	$ .84	(.59)	(.89)	(.72)	(.71)	(.53)	(.39)
Dividends per share	None	None	None	None	None	None	None

Notes 1, 2, 3 and 7 in the summary above refer to notes to financial statements appearing elsewhere in this proxy statement

*Represents $\frac{1}{4}$ of amount for the year ended March 31, 1961

Tekoil's losses are largely a result of subsidiary, in all of its oil and gas revenues having been offset by lease operating expense and provision for depreciation, depletion and amortization, leaving an excess of revenues over cash operating expenses. Further contributing to such losses were increased lease rentals and abandonments of leases as a result of premature drilling. Additionally, Tekoil's subsidiary, Petroleum Technologist, sustained losses aggregating $737,491 during the period from May 12, 1958, date of its inception, to November 30, 1961.

COMPARATIVE DATA

Set forth below are certain financial data relating to Teledyne, Inc. and its subsidiaries, Allegheny Ludlum Steel Corporation, and to the combined companies giving effect to the proposed merger transaction:

	Teledyne, Inc.	Allegheny Ludlum Steel Corporation	Pro Forma Combined	Pro Forma Equivalent for One Share of Allegheny Ludlum Steel Corporation
Common Stock Data				
Book value per share:				
December 31, 1981	$ 77.11	$ 23.01	$ 32.24	$ 12.19
December 31, 1980	73.46	22.78	31.21	11.80
Net income per share:				
Fiscal year ended 12/31/81	9.57	1.52	2.54	.96
Fiscal year ended 12/31/80	11.68	2.51	3.47	1.31
Fiscal year ended 12/31/79	12.39	3.67	4.36	1.65
Fiscal year ended 12/31/78	11.29	3.74	4.25	1.61
Fiscal year ended 12/31/77	9.74	3.12	3.67	1.39
Fiscal year ended 12/31/76	8.27	2.61	3.12	1.18
Fiscal year ended 12/31/75	6.61	1.61	2.34	.88
Fiscal year ended 12/31/74	6.00	2.61	2.68	1.01
Fiscal year ended 12/31/73	5.61	3.61	3.61	1.36
Fiscal year ended 12/31/72	4.61	2.61	2.61	.99
Fiscal year ended 12/31/71	3.61	1.61	1.61	.61
Cash dividends per share:				
Fiscal year ended 12/31/81	None	$ 1.00	$ .38	$ .14
Fiscal year ended 12/31/80	None	1.00	.38	.14
Fiscal year ended 12/31/79	None	1.00	.38	.14
Fiscal year ended 12/31/78	None	1.00	.38	.14
Fiscal year ended 12/31/77	None	1.00	.38	.14
Book value per share:				
November 20, 1981	$ 77.21	$ 22.24	$ 32.19	$ 12.19

For the two-year period ended September 30, 1981, the Consolidated and December 31, 1981 Pro Forma Combined Teledyne, Inc. high and low range of the bid and asked prices for each quarterly period follows:

	Teledyne, Inc. Common Stock				Allegheny Ludlum Steel Corporation Common Stock			
	Bid		Asked		Bid		Asked	
	High	Low	High	Low	High	Low	High	Low
1981 4th Quarter	$195	$155	$198	$160	$26	$19	$27	$20
3rd Quarter	170	135	175	140	24	19	25	20
2nd Quarter	150	125	155	130	25	20	26	21
1st Quarter	145	125	150	130	25	20	26	21
1980 4th Quarter	135	105	140	110	24	17	25	18
3rd Quarter	125	100	130	105	21	15	22	16
2nd Quarter	105	80	110	85	17	13	18	14
1st Quarter	100	80	105	85	15	12	16	13
1979 4th Quarter	100	80	105	85	15	12	16	13

Consolidated last High and Low asking prices of 195 and 155 respectively were on the Pacific Stock Exchange. The High and Low sales prices of Consolidated common stock on January 16, 1982, were as follows:

High	Low
$195	$155

The common stock of Teledyne has been traded on the over-the-counter market. The range of bid and asked prices for Teledyne common stock on January 15, 1982, was as follows:

Bid		Asked	
High	Low	High	Low
1.50	1.25	1.50	1.25

THE SURVIVING CORPORATION

Pro Forma Summary of Combined Operations

(Not Audited)

The following summary presents pro forma combined results of the two companies for their most recent fiscal years, Consolidated Oil & Gas, Inc.'s years ended November 30, and Tekoil Corporation's years ended March 31. The Tekoil Corporation and Subsidiary Company statements of operations were annualized and combined with Consolidated Oil & Gas, Inc.'s fiscal years ending November 30. In the opinion of management the statement includes all adjustments necessary to a fair statement of the results for the periods. None of the adjustments made were significant in relation to the combined figures.

	Years Ended November 30,					
	1961	*1960*	*1959*	*1958*	*1957*	*1956*
Income:						
Oil and gas sales	$ 2,599,565.85	2,721,600.38	2,704,057.83	2,536,727.43	1,594,863.87	603,526.74
Drilling arrangements and operations reimbursements	1,475,978.33	1,026,562.99	437,833.02	411,979.35	435,198.44	307,749.83
Other	247,480.97	324,646.42	243,957.24	139,944.32	98,549.05	84,266.75
	4,323,424.85	4,072,809.89	3,383,153.09	2,788,651.10	2,128,609.36	1,995,494.09
Costs and expenses:						
Direct costs:	1,197,952.41	1,129,452.73	1,072,165.79	950,598.55	614,058.80	317,548.47
Production costs	67,858.05	31,241.60	13,193.70	1,069.90	—	—
Direct production payment expense					352,591.05	143,704.73
Drilling arrangements and operations reimbursements costs	1,119,957.60	812,720.33	427,549.67	315,889.76	179,993.05	145,585.46
Dry hole costs, abandoned leases and delay rentals	553,890.57	711,366.24	347,189.73	190,525.14	178,559.03	490,729.97
General and administrative expense	503,230.44	989,921.13	894,257.26	692,457.59	605,315.36	444,308.95
Depreciation, depletion and amortization	1,593,876.15	1,765,737.81	1,066,214.47	1,295,817.59	885,313.36	1,435,511.00
	4,991,225.71	5,539,343.93	4,043,000.73	3,425,150.86	2,836,196.63	2,980,518.91
Operating income or (loss)	(373,901.46)	(1,466,535.54)	(657,877.64)	(636,499.76)	(707,587.27)	(985,024.82)
Other (income) expense:						
Interest	433,990.85	442,993.69	372,099.54	387,249.24	183,031.03	96,393.85
Other expense—net—Note B	304,579.78	99,029.74	(14,214.62)	(19,739.57)	(26,448.03)	(10,979.13)
	738,570.63	541,739.43	357,884.92	367,509.67	156,583.00	87,344.24
Net income (loss)	$(1,112,472.09)	(2,008,274.97)	(1,015,762.56)	(1,004,009.43)	(864,170.27)	(1,072,369.06)
	$(1,112,472.09)	(2,008,274.97)	(1,015,429.56)	(1,004,009.43)	(836,740.46)	(447,861.45)
					(27,429.81)	(624,507.61)
	$(1,114,471.89)	(1,999,223.47)	(1,015,429.56)	(1,004,009.43)	(836,740.46)	927,373
Shares outstanding at end of period—Note A	2,521,629	2,917,591	1,871,267	1,847,716	1,065,122	(.43)
Net income (loss) per share of common stock	$ (.45)	(.70)	(.54)	(.54)	(.79)	

Note A. The shares outstanding at the end of each period have been adjusted to give retroactive effect to the proposed merger of Tekoil Corporation into Consolidated Oil & Gas, Inc.

Note B. Includes $180,349.00 special charge for settlement of assets of Petroleum Technology, Inc., wholly owned subsidiary of Tekoil Corporation, during the year ended November 30, 1961.

COMPARATIVE DATA

Set forth below are various financial data relating to Consolidated Oil & Gas, Inc., and Tekoil Corporation, and to the combined companies giving effect to the proposed merger transaction.

EARNINGS PER SHARE:

CONSOLIDATED OIL & GAS, INC.	
Fiscal year ended 11-30-61	$ .14
Fiscal year ended 11-30-60	(.008)
Fiscal year ended 11-30-59	(.13)
Fiscal year ended 11-30-58	(.10)
Fiscal year ended 11-30-57	(.17)
TEKOIL CORPORATION	
Eight months ended 11-30-61	$ (.64)
Fiscal year ended 3-31-61	(.59)
Fiscal year ended 3-31-60	(.70)
Fiscal year ended 3-31-59	(.71)
Fiscal year ended 3-31-58	(.52)
Fiscal year ended 3-31-57	(.39)
CONSOLIDATED OIL & GAS, INC., PRO FORMA	
Fiscal year ended 11-30-61	
Fiscal year ended 11-30-60	$ (.45)
Fiscal year ended 11-30-59	(.50)
Fiscal year ended 11-30-58	(.54)
Fiscal year ended 11-30-57	(.54)
	(.59)

	Consolidated Oil & Gas, Inc.	*Tekoil Corporation*	*Consolidated Oil & Gas, Inc. Pro Forma*
Book value per share November 30, 1961	$1.21	$2.34	$2.15

Market Price Ranges

For the two-year period ended September 30, 1961, for Consolidated and December 31, 1961, for Tekoil, the high and low range of the bid and asked prices for each quarterly period therein of the common stock of Consolidated and the common stock of Tekoil were as follows:

	Consolidated Common Stock				*Tekoil Common Stock*			
	Bid		*Asked*		*Bid*		*Asked*	
	High	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*
1961: 4th Quarter	$3.875	3.375	4.125	3.625	2.125	1.625	2.375	1.75
3rd Quarter	5.00	2.875	5.25	3.00	3.00	1.875	3.25	2.00
2nd Quarter	3.375	2.25	3.50	2.375	4.625	2.75	4.875	3.00
1st Quarter	2.50	2.375	2.75	2.50	4.625	2.125	4.625	2.25
1960: 4th Quarter	2.75	1.75	2.875	2.00	2.8125	2.125	3.00	2.25
3rd Quarter	2.875	1.875	3.00	2.125	3.375	2.8125	3.50	3.00
2nd Quarter	4.25	1.875	5.00	2.125	3.50	2.875	3.625	2.875
1st Quarter	5.00	3.50	5.50	4.25	4.125	3.375	4.25	3.50
1959: 4th Quarter					4.875	4.125	5.00	4.25

Consolidated stock has been traded on the American Stock Exchange since October, 1961. The stock of Consolidated had High and Low closing prices of $6.375 and $3.50 respectively since the beginning of 1962, were as follows:

	High	*Low*
	$5.375	$5.250

The common stock of Tekoil has been traded on the over the counter market. The range of the bid and asked price for Tekoil shares on January 15, 1962, was as follows:

	Bid	*Asked*
High	$1.625	$2.00
Low	$1.625	$1.875

BUSINESS AND PROPERTIES OF CONSOLIDATED OIL & GAS, INC.

Consolidated Oil & Gas, Inc., was organized as Rimrock Drilling Company, Inc., under the laws of the State of Colorado, on December 12, 1952. During various periods of its corporate life, the Company's corporate name has been successively Rimrock Drilling Company, Inc., Rimrock Petroleum Corporation, Consolidated Rimrock Oil Corporation and Consolidated Oil & Gas, Inc. The Company has absorbed Guardian Oil Co., Inc., a Delaware corporation; Western Central Petroleums, Inc., a Delaware corporation; Colorado Western Exploration, Inc., a Colorado corporation; and Midland Oil Company, a Wyoming corporation, by merger. The Company's principal office is at Suite 2112 Tower Building, Denver-U. S. National Centre, Denver, Colorado. The Company's business consists of the acquisition of leasehold and other interests in oil and gas properties including in some instances producing properties, exploration and development thereof, and production and sale of crude oil, condensate and natural gas. As of November 30, 1961, the Company had an interest in 235 producing oil and gas wells (76.4 wells net to the Company's interest) located in New Mexico, Colorado, Nebraska, Texas and Wyoming. As of November 30, 1961, the Company also owned 35,772 net leasehold acres out of 62,342 gross leasehold acres in undeveloped leases. The Company also owns 2,000 net overriding royalty acres under 20,700 gross acres in undeveloped leases. (A royalty acre being defined as an interest equivalent to one-eighth of the production from that lease.) Most of the Company's undeveloped acreage in New Mexico and Colorado, about 19% of the total, is considered to be proven for gas production.

In fiscal 1961, Consolidated participated in the drilling of 39 gas wells in the San Juan Basin, New Mexico. All 39 wells were completed as producers.

The Company's past development pattern and projected plan for future operations is based upon the policy of acquisition by purchase of most of its oil reserves while pursuing the acquisition of gas reserves through exploration and development drilling. All drilling and completion rigs are supplied by outside contractors under routine industry contractual terms. The Company directly operates about half of the wells in which it owns interests. Sunset International Petroleum Corporation operates, on behalf of the Company in the Fulcher Kutz gas field. Producing Properties, Inc., operates one well in Texas in the Vealmoor field. MKM Oil Company and Trigood Oil Company operate in the East Teapot field in Wyoming. Brinkerhoff Drilling Company operates the North Sage Spring Creek wells.

Production and Reserves

Consolidated's net oil and gas production by months and in total for fiscal 1961 as well as in total for fiscal years 1960 and 1959 is shown in the following table:

CONSOLIDATED OIL & GAS, INC.
Summary of Production

Fiscal 1961		*Before Production Payments*	*Applied to Production Payments*	*After Production Payments*
December	Bbls.	8,201	1,427	6,785
	*MMCF	191	114	77
January	Bbls.	6,881	779	6,112
	MMCF	115	59	56
February	Bbls.	9,607	706	8,901
	MMCF	93	54	39
March	Bbls.	13,043	1,113	11,925
	MMCF	154	79	75
April	Bbls.	11,797	635	11,162
	MMCF	97	48	49
May	Bbls.	11,436	505	10,931
	MMCF	95	57	38
June	Bbls.	11,127	479	10,748
	MMCF	115	74	41
July	Bbls.	13,055	1,234	11,821
	MMCF	157	91	66
August	Bbls.	11,291	549	10,742
	MMCF	65	29	36
September	Bbls.	10,067	353	9,714
	MMCF	98	55	43

*Million cubic feet.

Fiscal 1961		*Before Production Payments*	*Applied to Production Payments*	*After Production Payments*
October	Bbls.	13,054	1,054	12,000
	MMCF	192	103	89
November	Bbls.	12,598	760	11,838
(Est.)	MMCF	140	95	45
Total	Bbls.	132,774	10,099	122,675
	MMCF	1,490	800	690
Fiscal 1960	Bbls.	89,909	8,890	81,019
	MMCF	1,091	493	598
Fiscal 1959	Bbls.	73,056	6,793	66,243
	MMCF	756	411	345

*Million cubic feet.

On September 15, 1961, E. A. Pohamhus, Jr. & Associates, Inc., consulting petroleum engineers in Denver, released a report of their comprehensive analyses of Consolidated's proven reserves as they existed on July 1, 1961. The following quotation is extracted from the summary section of this report dealing with reserves:

"A major portion of the value represented in this report is directly attributable to the corporation's interests in gas reserves in the San Juan Basin area of Colorado and New Mexico. Development growth has placed the Basin in national prominence as one of the largest single gas producing areas.

"The Consolidated Oil & Gas, Inc., operations in the San Juan Basin are considered highly efficient as a result of the close integration of active management and competent field personnel. A field inspection by this firm of the Consolidated properties in the San Juan Basin area revealed surface installations to be above average and designed to obtain a high degree of functional efficiency at minimum costs to the operator. The corporation has also made significant progress and improvement in drilling and completion techniques which they have acquired through experience and dedication to the problems involved.

"A development map of the San Juan Basin area showing the areas of operation of Consolidated Oil & Gas, Inc., is presented on page ii." (Note: Map not reproduced for Proxy Statement.)

"A tabulation of gross and net reserves by areas for proved-developed, proved-nondeveloped and total reserves is presented. Pertinent information from this table is summarized as follows:

	Proved-developed	*Proved-nondeveloped*	*Total*
Net Bbls. oil	569,292	—	569,292
Net Mcf gas	61,461,245	74,684,634	136,145,879
Net Bbls. Condensate	893,075	483,060	1,186,135

"After 6,500,000 MCF gas, 10,000 Bbls. oil and 100,000 Bbls. condensate estimated to be required to service production payments outstanding at July 1, 1961. Since July 1, 1961, an additional payment has been sold which will require an additional estimated 3,500,000 MCF gas and 70,000 Bbls. condensate for servicing. Consolidated's engineers estimate that reserves added since July 1, 1961, exceed those required for retiring the new payment.

"Future oil reserves were determined primarily by the extrapolation of existing production trends. The stage of depletion of the oil properties permitted a relatively high degree of reliability in the estimation of future reserves.

"With the exception of the corporation's Oceanic Field production (estimate in two wells) in the Howard and Borden Counties, Texas, oil producing rate for the remaining properties qualify for certain exemptions that forego any production curtailment. The Oceanic properties are currently limited to the Texas allowable days schedule at a determined allowable rate.

"The oil reserves and income accrual estimates, contained in this report are based on anticipated primary recovery only. However, it is recognized that in several areas in which the subject properties are located, secondary recovery operations have been proved successful, and many of the subject properties are considered to have excellent secondary potential.

"Engineering studies of the corporation's East Teapot, Wyoming, properties indicate that the producing horizons should be highly amenable to waterflooding. Operators in the areas are planning instigation of a pilot waterflood early in 1962."

(Special *Note*: The estimated ultimate recovery by primary methods to Consolidated's net interests from the East Teapot and North Sage Spring Creek Fields, respectively, is 600,000 and 610,000 barrels of oil. There have been engineering studies made which indicate these properties should be subject to successful secondary recovery operations. While no reliable estimates of reserves can be made at this time, it is not unusual for the secondary recovery to approach this primary recovery.)

"Future gas reserves are based largely upon volumetric calculations with certain adjustments incorporated to make future reserves reasonably commensurate with life expectancies. It is recognized that such an adjustment somewhat penalizes the recoverable reserves because the necessity for the adjustment is created by a multitude of factors, the two most apparent being a currently static marketing situation and an active development program underway in the areas involved. The increasing reserves from the new development coupled with the static market causes a decline in the per well gas allocations. . . . An abnormally long producing life is necessary to effect recovery of the recoverable reserves." (Present worth of future income is materially reduced by this long producing life.)

"A feeling of area optimism prevails among the operators and marketers in the San Juan Basin area of Colorado and New Mexico in anticipation of improved marketing and price schedules." (There is no assurance that conditions will improve.)

"While it is believed that certain area improvements are manifest, a report of this type must be based upon existing facts and trends in order to minimize the amplification of certain inherent conjectural aspects.

"Nondeveloped gas reserves were estimated commensurate with their proximity to producing wells and indicated porosity trends. All nondeveloped acreage considered in this report is in areas of active development, and has been classified as proved."

Of Consolidated's total proven gas reserves, about 80% are situated in the San Juan Basin of New Mexico and are associated with the Mesaverde and Dakota formations, both of which are subject to proration based upon pipeline companies' monthly nominations. About 19% of these New Mexico reserves are producible from the Mesaverde reservoir. During 1961 each well was granted an allowable equal to approximately 49% of its actual productive capability. The following tabulation illustrates this for Mesaverde wells:

1961	*Gross No. of Well's Connected to Pipeline*	*Avg. Per Well Daily Capability MCFD*	*Avg. Per Well Daily Allowable MCFD*
January	12	555	272
February	13	391	191
March	13	391	158
April	13	391	95
May	13	391	113
June	13	391	115
July	13	391	105
August	13	391	120
September	13	391	122
October	16	391	167
November	16	391	151
December	16	391	165
1962			
January	16	391	156

About 53% of Consolidated's prorated New Mexico gas reserves are contained in the Dakota formation. Production from this formation has been prorated since February, 1961, in the same manner

as the Mesaverde. The allowable from the Dakota reservoir on a per well basis has been equal to 35% to 49% of each well's ability to deliver gas into the line as indicated by the following tabulation for Dakota wells:

1961	*Gross No. of Well's Connected to Pipeline*	*Avg. Per Well Daily Capability MCFD*	*Avg. Per Well Daily Allowable MCFD*
February	29	1,260	658
March	29	1,260	663
April	35	1,455	514
May	35	1,455	294
June	36	1,495	332
July	37	1,445	295
August	37	1,445	290
September	46	1,365	177
October	49	1,365	200
November	41	1,340	354
December	44	1,340	334
1962			
January	47	1,280	490

Consolidated's total net monthly allowable from its interests in Mesaverde and Dakota wells reviewed above was:

1961	*Mesaverde MCF*	*Dakota MCF*
January	49,650	—
February	89,053	156,882
March	83,062	164,652
April	13,151	54,000
May	16,094	77,329
June	23,277	93,630
July	17,914	71,033
August	17,391	51,929
September	21,440	45,295
October	29,240	55,455
November	35,581	91,614
December	31,308	97,839
1962		
January	55,928	143,876

Of the company's proven developed gas reserves, 12 billion cubic feet are attributable to its interests in the 16 Mesaverde wells and 49.5 billion cubic feet are assigned to its interests in the 44 Dakota producers connected to the pipeline in December, 1961. Assuming the these wells continued to produce at a rate providing Consolidated with a monthly allowable equal to that assigned to its interests for December, 1961, as shown above, it would take 32 years to deplete the Mesaverde reserves and 42 years to deplete the remaining Dakota reserves. Assuming that these wells produced at a rate equalling the January 1962 allowable, it would take about 39 years to deplete the reserve of each formation.

As the year ended, Consolidated owned interests in five single zone Dakota completions and four dual zone Dakota-Mesaverde completions which had not yet been connected to the buyers' lines. By existing contractual terms these wells will all be connected so that gas sales will commence in all cases prior to March 1, 1962.

Government Regulation

The production of oil and natural gas is subject to regulation by the appropriate state regulatory agency in the States of Colorado, Nebraska, Texas, New Mexico and Wyoming, being the states in which the Company owns producing oil or gas properties. In general, these regulatory authorities are empowered to make and enforce regulations to prevent waste of oil and gas and to protect correlative rights and opportunities to produce oil and gas as between owners of a common reservoir. Under such authority each of such agencies has authority to fix the allowable production of oil and gas within the limits of maximum efficient rates of production and in the States of Texas and New Mexico with respect to the reasonable market demand for oil and gas. The effect of oil proration is negligible in Consolidated's operations, but that of gas production is significant in that all of the gas wells are subject to either pipeline- or state-imposed market restrictions.

As a result of the production of natural gas by the Company, the Company is classified as an "independent producer", as defined in the Federal Natural Gas Act of 1939, and is subject to the jurisdiction of the Federal Power Commission with respect to sale of gas in interstate commerce and requires the issuance of a certificate of convenience and necessity by the Federal Power Commission prior to the sale of gas to an interstate pipeline. The Company, in compliance with the appropriate regulations of the Federal Power Commission has, to the extent necessary, obtained appropriate certificates of convenience and necessity in connection with the sale of natural gas to interstate pipeline companies. A substantial portion of the gas being produced by the Company, or in which production the Company has an interest, is being sold to an intrastate carrier and is not subject to regulation by the Federal Power Commission.

Competition

The oil and gas industry is highly competitive. Both oil and gas compete with other types of fuel and oil is subject to competition from foreign sources of oil. There is also intense competition for the acquisition of oil and gas leases considered favorable for the accumulation of oil and gas in commercial quantities.

Business and Properties of Tekoil Corporation

Tekoil Corporation was incorporated under the laws of the State of Delaware on March 28, 1955, and is presently engaged in the business of spreading oil and gas properties, including the production and marketing of petroleum products therefrom and in acquiring and developing interests in oil and gas properties primarily for secondary recovery, or waterflood operations. The executive offices of Tekoil, as well as its operations and engineering offices, are located in Oklahoma City, Oklahoma. Tekoil presently owns interests in proved oil and gas leases covering approximately 134,183 acres situated primarily in the States of Illinois, Nebraska, Oklahoma and Texas and also in Colorado, Indiana, Kansas and New Mexico, upon which there are presently situated 2,128 producing oil wells and 150 producing gas wells in which the interest therein net to Tekoil amounts to 316 net oil wells and 10 net gas wells. Tekoil also owns an interest in 455 water and gas injection wells used in its waterflood operations in which the interest therein net to Tekoil amounts to 113.4 net injection wells.

Tekoil's operations were based on the policy of acquisition of oil and gas properties either for cash or by the issuance of its shares of common stock and the development of the properties so acquired for the production of oil and gas primarily by the institution of waterflood operations in which Tekoil has always tended to specialize.

In 1956 St. Anne's Oil Production Company was merged into Tekoil, at which time Tekoil acquired producing oil and gas leases in Texas and New Mexico, upon which there were situated 82 producing

wells. In 1957 Tekoil acquired the oil and gas properties of E. L. Oliver located in the State of Oklahoma and consisting primarily of leases in the Sunflower Field upon which there were then situated 33 producing wells.

In that same year Tekoil acquired the oil and gas properties of Tenolina Oil Company and its President, Kenneth A. Effiam, of Oklahoma, which consisted of oil and gas leases upon which there were situated 38 producing oil wells and 13 gas wells along with certain undeveloped oil and gas leases and royalties. The properties were located in the States of Alabama, Arkansas, Colorado, Mississippi, Kansas and Florida, as well as in Oklahoma and Texas.

Also in 1957 Tekoil acquired substantially all of the producing properties of Mountain Valley Oil Corporation of Denver, Colorado, which consisted of oil and gas leases located in the States of Colorado, Nebraska and Wyoming and upon which there were situated 46 producing wells.

In October of 1957 Tekoil consummated the purchase of the oil and gas properties of C. L. Carlock, Trigg Drilling Co., Inc. and Gerald L. Schlesman. These properties consisted of oil and gas leases situated primarily in the State of Oklahoma and to a minor extent in Kansas upon which there were situated 51 producing oil wells and certain undeveloped leases located in various Southwestern states.

The last major property acquisition of Tekoil occurred in 1960 when it acquired a 12.5% interest in the Jonnell Gas Co. Limited Partnership by the issuance of 35,000 shares of its common stock and the payment of $231,250 in cash and the issuance to Jonnell Gas Co. of options to acquire an additional 30,000 shares of its common stock at prices ranging from $6.00 per share to $6.50 per share and expiring on March 15, 1966. At that time Jonnell Gas Co. owned approximately 55,000 acres of oil and gas leases in Starr and Zapata Counties, Texas, upon which there were situated 12 producing gas wells. Since the date of this acquisition, Jonnell Gas Co. Limited Partnership has been incorporated and Tekoil now holds approximately 10% of the outstanding capital stock of that company.

In fiscal 1958, Tekoil acquired all of the stock of Petroleum Technologists, Inc., a wholly owned subsidiary dealing in oil and gas well core analysis work. The company had laboratories in California, Argentina, Colombia and Texas. It has not made a profit, and all of the laboratories except the one situate in Texas have been disposed of. The Texas laboratory is situate in a leased building and uses leased equipment. Tekoil is in the process of disposing of the Texas laboratory.

Tekoil also owns a 50% net profits interest in whatever concessions W. H. Davison, its former president and a former director, is able to acquire in Argentina from the Argentine government. Over the past several years Tekoil has spent approximately $90,000 in preliminary engineering work and in the maintenance of an office in Buenos Aires, Argentina, in connection with properties in that country upon which it was believed that waterflood operations would be successful. The Company has been attempting to get certain concessions from the Argentine Government including rights to petroleum products produced through secondary recovery operations on certain lands therein. In the spring of 1961, Tekoil became delinquent in its mortgage note payments and the banks, pursuant to the terms of the mortgage, would not permit Tekoil to expend any further sums on the Argentine project. In view of the fact that Tekoil was in danger of losing its investment in Argentina, W. H. Davison, its President and a director, resigned on September 1, 1961, in order to devote his full time and attention to the Argentine project in an attempt to obtain the desired concessions and institute development operations on any oil and gas rights that acquired in Argentina. Thereafter Tekoil assigned to W. H. Davison all of its rights in the Argentine project and entered into an agreement under the terms of which all further costs and expenses of the Argentine project are to be borne by W. H. Davison personally and Tekoil is to receive a 50% net profits interest in whatever interest W. H. Davison is able to acquire in Argentina. Under the terms of Tekoil's net profits interest, it will not be required to expend any monies or bear any of the costs of operation in the Argentine venture. There is no assurance that concessions will be granted by the Argentine Government or that the Company will recover its investment.

Production and Reserves

Tekoil's net oil and gas sales by months and in total for the twelve-month period ending November 1961, as well as in total for the two previous twelve-month periods is shown in the following table.

TEKOIL CORPORATION
Summary of Sales

		Before Production Payments	Applied to Production Payments	After Production Payments
**Fiscal 1961				
December	Bbls.	59,486	9,450	50,016
	*MMCF	182	—	182
January	Bbls.	61,480	9,100	55,380
	MMCF	135	—	135
February	Bbls.	60,787	9,300	51,487
	MMCF	132	—	132
March	Bbls.	66,453	10,300	56,153
	MMCF	132	—	132
April	Bbls.	59,404	9,430	49,984
	MMCF	119	—	119
May	Bbls.	19,389	—	19,389
	MMCF	79	—	79
June	Bbls.	76,787	12,380	67,387
	MMCF	153	—	153
July	Bbls.	63,368	11,430	51,998
	MMCF	129	—	129
August	Bbls.	58,279	9,050	49,329
	MMCF	100	—	100
September	Bbls.	50,968	7,900	43,068
	MMCF	114	—	114
October	Bbls.	51,995	8,370	43,625
	MMCF	128	—	128
November	Bbls.	48,371	7,772	40,599
1961—Est.	MMCF	105	—	105
Total	Bbls.	682,535	104,461	578,373
	MMCF			1,508
**Fiscal 1960	Bbls.	788,259	143,339	643,720
	MMCF			1,909
**Fiscal 1959	Bbls.	827,410	59,135	768,275
	MMCF			2,246

*Million cubic feet.

**For this tabulation the fiscal period was assumed to be the same as Consolidated's.

SPECIAL NOTE: The sales for May, June, July and August were all related closely to actual production because banks suspended further release of funds for Tekoil's account.

Early in 1961, outside consulting petroleum engineers estimated Tekoil's proven-developed reserves as of April 1, 1961, to be approximately 4,300,000 barrels of crude oil and 27 billion cubic feet of gas after an estimated 700,000 barrels of reserves were dedicated to servicing of existing production payments. They estimated that on the same date proven-undeveloped secondary crude oil reserves approximated 500,000 barrels.

Because of Tekoil's inability to gain the financing necessary for adequate maintenance of their existing operations and further development of properties now under only partial waterflood, which the consultants assumed would be done, revised reserve estimates have been adopted. Assuming that Tekoil's properties would continue to be operated without the benefit of desirable additional expenditures for maintenance and various plant expansions, it is now estimated that their proven-developed reserves on July 1, 1961, were 3,350,000 barrels after oil payment servicing and 20.5 billion cubic feet. Similarly, proven-undeveloped reserves have been reduced to 500,000 barrels.

The proven-undeveloped reserves are associated entirely with waterflood projects requiring additional development in West Texas and Illinois. If the merger is consummated Consolidated will budget $205,000 for early expenditure on the particular properties involved in these areas. In addition, Consolidated plans to quickly spend an additional $75,000 on the various other Tekoil properties where it is felt current production rates and ultimate primary and secondary reserves might be significantly improved.

Government Regulation

The production of oil and natural gas by Tekoil is subject to regulation by the appropriate state regulatory agencies in the states in which it owns producing oil and gas properties. Of their current daily production about 15% of their oil and 30% of their gas is subject to state-imposed proration.

Competition

The oil and gas industry is highly competitive. Both oil and gas compete with other types of fuel and oil is subject to competition from foreign sources of oil. There is also intense competition for the acquisition of oil and gas leases considered favorable for the accumulation of oil and gas in commercial quantities.

REFINANCING OF TEKOIL INDEBTEDNESS

As a condition to the Merger Agreement, it was necessary to obtain refinancing commitments from certain of the banks which presently hold mortgages on most of Tekoil's properties, which mortgages are presently in default.

As of November 30, 1961, the aggregate indebtedness of Tekoil, secured by such mortgages, which is in default, was $4,217,552.07.

The banks involved have orally agreed, subject to completion of the Merger, to exchange three (3) notes having a present aggregate balance of approximately $4,150,000.00, secured by certain oil and gas properties owned by Tekoil, for a new note in the approximate principal amount of $4,150,000.00. The new note will be secured by renewal mortgages of the Tekoil properties plus a Mortgage, Deed of Trust and Assignment of Production (subject to an existing oil and gas payment which, as of November 1, 1961, was in the amount of $1,250,000.00) on certain properties owned by Consolidated located in San Juan and Rio Arriba Counties, New Mexico, and Weld County, Colorado. The note will be retired by the payment of sixty (60%) percent of the proceeds from the oil runs from the Tekoil properties with a minimum principal payment each month of $50,000.00 plus interest at the rate of six (6%) percent per annum. The whole note will become due four (4) years after the effective date of the Note Exchange Agreement (which is the effective date of the Merger). Since it is not contemplated that the principal payment will be amortized within four (4) years, the unpaid balance will then become due in the form of a balloon payment if it has not been previously retired. The management of Consolidated believes that the loan could be refinanced at the end of four (4) years if necessary. There is no assurance that the loan will be retired or that refinancing can be obtained at the end of four (4) years.

The banks have further required as a condition to exchanging the old notes for a new note, that Consolidated shall spend a minimum of $250,000.00 on the Tekoil properties which will serve as security for the loan. The required $250,000.00 will be made available through a bank loan obtained by Consolidated through the resetting of an existing loan on its oil properties. A commitment has been received from a bank for this loan.

A Pro Forma balance sheet giving effect to the proposed Merger and to the refinancing arrangements set forth herein is attached to this Proxy Statement. (See page 48.)

INFORMATION WITH RESPECT TO DIRECTORS AND MANAGEMENT OF SURVIVING CORPORATION

Of the nine (9) directors named in the Merger Agreement, eight (8) are now directors of Consolidated and one (1) is the appointee of Tekoil. None of the present or proposed directors of Consolidated

has been a director of Tekoil. Upon the merger becoming effective, said directors will hold office until the next annual meeting of stockholders and until their successors are elected and qualified.

The officers of Consolidated will be officers of the Surviving Corporation in the positions they presently occupy. Doyle K. Dresbach, President and Treasurer of Tekoil, will be a Vice President of the Surviving Corporation. It is not now contemplated that any other present officer or director of Tekoil will be employed by Consolidated.

Under the By-Laws of Consolidated, which will be the By-Laws of the Surviving Corporation, the next annual meeting of the stockholders for the election of directors will be held on August 18, 1962.

OCCUPATIONS AND STOCK OWNERSHIP OF DIRECTORS NAMED IN THE PLAN AND THE MERGER AGREEMENT

Name and Principal Occupation for Last Five (5) Years	*Year First Elected Director Consolidated*	*Shares of Common Stock of Consolidated Owned Beneficially, Directly or Indirectly as of 12-31-61*	*Shares of Common Stock of Tekoil Owned Beneficially, Directly or Indirectly as of 11-15-62*
Harry A. Trueblood, Jr. President, Consolidated	1955	170,962(18)	None
Theodor F. Bittenbring(11) Treasurer, Assistant Secretary, Consolidated	1956	58,650(8)	None
Daniel T. O'Shea(12) Attorney at Law New York City, N. Y.	1959	6,350(8)	None
Carl J. Odegard(13) Retired	1955	8,500	None
John E. Price(14) Retired	1954	11,850(8)	None
Henry A. Wilmerding Personal Investments	1958	50,754(8)	None
James D. Landauer(15) James D. Landauer & Associates, Inc. Real Estate Consultants New York City, N. Y.	1958	24,050(8)	None
Lee J. Spiegelberg Partner St Ratzenberg, Sour & Co. Members of New York Stock Exchange New York City, N. Y.	1961	10,900	None
Lee A. Freeman(9) Attorney at Law Chicago, Illinois	1961	27,550(8)	None
J. M. McCloskey, Jr. (7) Treasurer, El Paso Natural Gas Products Co. El Paso, Texas	—	None	None

(7) Mr. Rittenberg is mainly engaged in business as a private investor.

(12) Mr. O'Shea is also a director of RKO Cable Radio Pictures, Inc; Pacific Airlines, Inc., and a member of the Board of Regents of Loyola University of Los Angeles.

(13) Mr. Odegard is a retired banker and has resigned from the Board, effective on the effective date of the merger to create a vacancy to be filled by Mr. McCloskey, the nominee of Tekoil in the Board of the Surviving Corporation.

(14) Mr. Price is a retired general contractor engaged in civil building and various types of building. He owns extensive land, mining and oil interests.

(15) Mr. Landauer is also Vice President of the American Society of Real Estate Counselors and a governor of the Real Estate Board of New York. He is a director of the International Bank of Washington, D. C. and Chairman of the Consultation Committee of the Real Estate Board of New York and Trustee of the East River Savings Bank.

(18) Includes shares owned by associates of said Parties.

STOCK OWNERSHIP OF OFFICERS, DIRECTORS AND ASSOCIATES OF CONSTITUENT CORPORATIONS

The officers, directors and associates of Consolidated own, in the aggregate, 700,916 shares of common stock of Consolidated. To the knowledge of the management of Consolidated no officer, director or associate of Tekoil owns any common stock of Consolidated.

The officers, directors and associates of Tekoil own, in the aggregate, 329,975 shares of common stock of Tekoil. To the knowledge of the management of Consolidated no officer, director or associate of Consolidated owns any common stock of Tekoil.

The officers, directors and associates of both companies who own stock in either company have indicated that they will vote their shares in favor of the Merger.

REMUNERATION TO AND TRANSACTIONS WITH CERTAIN INDIVIDUALS

Consolidated Oil & Gas, Inc.

No officer or director of Consolidated received remuneration directly or indirectly, exceeding $20,000 per annum during the past fiscal year. It is not contemplated that any officer or director will be paid remuneration, directly or indirectly, in the forthcoming fiscal year exceeding $30,000. The direct remuneration of officers and directors during the past fiscal year as a group was in the amount of $67,224.03. No change is expected in the remuneration to be paid officers and directors during the fiscal year.

Keyman Insurance

Consolidated presently owns keyman insurance in the amount of $50,000 on the life of J. B. Ladd, and in the amount of $300,000 on the life of Harry A. Trueblood, Jr. The Company has entered into an agreement with Harry A. Trueblood, Jr., and contemplates entering into an agreement with J. B. Ladd, both agreements conforming to Section 303 of the Internal Revenue Code pursuant to which the Company will be obligated to redeem at the market value at the time of death, from their respective estates stock owned by their estates sufficient to provide for the payment of all death cash, funeral and administrative expenses, but not to exceed $150,000 in the case of Trueblood, and $25,000 in the case of Ladd. The agreement with Harry A. Trueblood Jr. also provides that in the event the death taxes, funeral and administrative expenses are, in the aggregate, less than $150,000, the Company shall pay to Lunie B. Trueblood, his wife, if living, or to Mr Trueblood's estate if she is deceased, the difference between such lesser amount and $150,000 in sixty (60) equal monthly installments. If the difference is less than $30,000, such sum will be paid at the rate of $500.00 per month. The agreement with Mr. Trueblood is terminable upon dissolution of or cessation of business by the Company or upon termination of Mr. Trueblood's employment by the Company. The Company also provides for death benefits of $5,000 to the designated beneficiaries of the principal executive officers.

The Company has adopted a Restricted Stock Option Plan which gives the Executive Committee of the Board of Directors of the Company the power to grant options to buy in the aggregate 75,000 shares of common stock of the Company. The options may be granted to such full time officers, including those who may be directors, and key employees of the Company who have been employed for a minimum of one year prior to the date the options are granted. The purpose of the Stock Option Plan is to retain qualified and efficient personnel in the Company's employ and to provide both incentive and a proprietary interest.

To date the Company, through the Executive Committee, has granted to the following named officers, directors and employees of the Company restricted stock options to purchase, in the aggregate, 66,500 shares of common stock of the Company at the following prices per share:

	Number of Shares Under Option	Price Per Share
Harry A. Trueblood, Jr., President and Director	15,000	$2.75(1)
J. B. Ladd, Executive Vice President	15,000	2.15(1)
T. F. Rittenberg, Treasurer, Ass't Sec., Director	5,000	2.15(1)
C. J. Cooper, Jr., Secretary	7,500	2.33(1)
Robert B. Tenison, Vice President	7,500	2.15(1)
	5,000	3.01(3)
George E. Farnar, Chief Engineer	7,500	2.15(1)
Leo Carr, Employee	2,000	2.15(1)
Clarence Haws, Employee	2,000	3.02(3)

(1) 110% of the approximate price of the Company's shares on January 17, 1961. On said date the average bid was $2.35 and the average ask was $2.70.

(2) 85% of the approximate price of the Company's shares on January 17, 1961. (See Note (1) for the bid and ask prices.) Every Cooper's shares figured at price on March 1, 1961, and Haws' shares figured at price on November 6, 1961

(3) 85% of the approximate price of the Company's shares on August 17, 1961.

The options are exercisable by each named person at the above prices after January 17, 1961, as follows: After the first full year they may be exercised as to not more than 20% of the total amount granted. After the second full year they may be exercised as to not more than 40% of the total amount granted. After the third full year they may be exercised as to not more than 60% of the total amount granted. After the fourth full year they may be exercised as to not more than 80% of the total amount granted, and after the fifth full year and thereafter until January 17, 1971, they may be exercised at any time, except that the options granted to Mr. Trueblood expire January 17, 1966.

Such options are restricted in conformity with Section 421 of the Internal Revenue Code so that they are exercisable only while in the employ or within three months after leaving the employ of the Company, or in the event of death, within one year of the date of death of such officer, director, or employee. The options are not assignable except in the event of death, in which event they pass by descent or tertary, as the case may be.

Miscellaneous

The Company provides hospitalization insurance for all of its employees, including principal executive officers. The Company presently has no pension or profit-sharing plan established but contemplates establishing a pension and/or profit-sharing plan some time in the future to the extent such plan appears to be justified by the operations of the Company and to the extent it appears necessary in order to attract and/or retain key personnel. In the event such plan or plans are established, some of the present officers may be beneficiaries thereunder. The Company presently has no definite plans of providing for increased salaries to officers and directors or the granting to them of options, bonuses and other incentive plans except as expressly noted.

The Company has not agreed by its Articles, By-Laws or otherwise to indemnify any officer or director against liabilities growing out of their performance of duties as officers and directors.

OTHER TRANSACTIONS WITH DIRECTORS, NOMINEES, OFFICERS AND OTHERS

Consolidated Oil & Gas, Inc.

The Company has anticipated income by the sale of production payments to Production Payment Purchasers, Inc. (hereinafter "PPPI"). Three directors of the Company, Messrs. O'Shea, Wilsonship and Price, presently collectively own 4 of the 25 outstanding shares (10.71%) of PPPI. During the fiscal year 1959, the Company sold a $440,000.00 oil and gas payment to PPPI for $340,000.00, to be repaid out of varying (from 10% to 30%) percentages of the gross proceeds of production from certain oil and gas properties. At the time of sale, the Company's management estimated that it would take approximately 7 years to recover the $440,000.00. The difference between the $440,000.00 oil and gas payment and the $340,000.00 purchase price was in lieu of a fixed percentage growth factor. The $340,000.00 has been considered deferred income and as the gas is actually produced, that amount will be taken into earned income. As of November 30, 1960, there was a deferred income balance on this gas payment of $252,-811.77, and at November 30, 1961, the balance was $238,500.00.

During the fiscal year ended November 30, 1959, the Company sold an oil and gas payment to PPPI for $220,000.00 plus an amount equal to 6¼% per annum on the unpaid balance to be paid out of varying (4.817 to 30%) percentages of the gross proceeds from the sale of gas production from certain oil and gas leases in the San Juan Basin, New Mexico. On October 1, 1960, the Company made an additional sale of $550,000.00 to increase this oil and gas payment to $800,000.00 and on November 1, 1961, the Company made an additional sale to PPPI to increase the oil and gas payment to $1,450,000.00 on that date. The Company's management estimates that it will take approximately 7 years to recover the $1,450,000.00 plus an amount equal to 6¼% per annum on the unpaid balance. The consideration of $1,450,000.00 was received in the form of $1,100,000.00 cash and a secured note in the amount of $250,000.00 due December 31, 1965. As of November 30, 1960, there was a deferred income balance on the $800,000.00 oil and gas payment of $796,754.92 and at November 30,1961, there was a deferred income balance on the $1,450,000.00 of $1,442,000.00. The above notes are secured only by the income from the oil and gas payment that was sold.

The Company from time to time has partially financed the drilling of wells by the sale of fractional undivided leasehold interests. Generally, such financing has involved all or a part of a small group of individuals most of whom have participated with the Company in more than one drilling venture. Harry A. Trueblood, Jr., President of the Company, and directors James D. Landauer, Daniel T. O'Shea, John Price, Lee Spiegelberg and Lee A. Freeman have participated in such drilling ventures with the Company on the same terms and conditions as other participants. Messrs. Landauer, O'Shea and Price each participated with the Company prior to his election as a director.

REMUNERATION TO AND TRANSACTIONS WITH CERTAIN INDIVIDUALS

Tekoil Corporation

The following total shows information about remuneration to directors and officers of Tekoil.

Name of Individual or Identity of Group	Capacities in which Remuneration was Rendered	Aggregate Remuneration During Fiscal Year Ended 7/31/61
W. H. Davison (resigned effective 9-1-61)	President	$32,791.72
All Other Directors and Officers as a Group	Directors and Officers	$77,149.72

The Company presently has no definite plans of granting officers and directors options, bonuses and other incentive plans.

OTHER TRANSACTIONS WITH DIRECTORS, NOMINEES, OFFICERS AND OTHERS

Tekoil Corporation

The Company has entered into an agreement with W. H. Davison, its former President and former Director, whereby Tekoil assigned to W. H. Davison all of its rights in an engineering project with the country of Argentina. All costs and expenses of the Argentine project incurred after the date of the agreement, are to be borne by W. H. Davison personally and Tekoil is to receive a 50% net profits interest in whatever interest W. H. Davison is able to acquire in Argentina. See Caption "BUSINESS AND PROPERTIES OF TEKOIL CORPORATION" for further information regarding this transaction.

OTHER INFORMATION—TAX EFFECTS OF MERGER AND CONSOLIDATION

Consolidated

In the opinion of Messrs. Calkins, Bodden & Kramer, Denver, Colorado, counsel for Consolidated, under existing federal tax laws the merger will not result in the realization of gain or loss by Consolidated or its stockholders.

Tekoil

In the opinion of Messrs. Turner, White, Atwood, Meer and Francis, 1900 Mercantile Dallas Building, Dallas, Texas, counsel for Tekoil, under existing federal tax laws, the merger will not result in the realization of gain or loss by Tekoil or by its stockholders, except that the gain or loss, if any, realized by the holders of Tekoil shares who sell their fractional share interests in the common stock of the Surviving Corporation will be capital gain or loss as the case may be, and subject as such to the applicable provisions of the Revenue Act of 1954 and amendments thereof.

Voting at Meetings

For the adoption of the merger agreement, the favorable vote of ⅔ of all outstanding shares of common stock of Consolidated and ⅔ of all outstanding shares of common stock of Tekoil is required. In the case of each corporation, each of its outstanding shares is entitled to one vote.

Right to Terminate

The Merger Agreement may be terminated and abandoned by a vote of the Board of Directors of either of the corporations at any time prior to the effective date of the merger if:

(a) A material breach shall exist with respect to any of the written representations, warranties and covenants made by the other Constituent Corporation in connection with the merger, including, but not limited to, those set forth in that certain letter agreement between the Constituent Corporations dated December 6, 1961.

(b) The other Constituent Corporation, without prior written consent of such Constituent Corporation, should take any action prohibited by the Merger Agreement, or

(c) The other Constituent Corporation shall not have furnished such certificates, audited financial statements as of November 30, 1961, or later, and legal opinions in connection with the merger and matters incidental thereto, as it shall have agreed to furnish, or

(d) If in the opinion of the Board of Directors of such Constituent Corporation the merger is impracticable or undesirable by reason of the number of objections or demands for payment for stock filed by the shareholders of either Consolidated or Tekoil in accordance with the laws of their respective states of incorporation.

(e) The Merger Agreement and the merger therein provided for shall not have become effective on or before March 31, 1962.

(f) If satisfactory bank refinancing of Tekoil's outstanding notes cannot be negotiated. (In this regard a firm commitment has been received to refinance the notes.)

Expenses of Merger

The Surviving Corporation will pay the expenses of the merger, upon the consummation thereof. If the merger is not approved or if otherwise not completed, all costs and expenses of each corporation shall be paid by the corporation incurring the expense.

Rights of Dissenting Stockholders

Consolidated

Under Colorado law, any objecting stockholder of Consolidated will have rights as set forth in Chapter 31, Article 33, Section 5 of the Colorado Revised Statutes of 1953, as amended. Such stockholder must file a written objection to the merger prior to or at the meeting at which the plan of merger is submitted to a vote, and cannot vote in favor of the plan of merger. He must further make a demand for payment of the fair value of his shares within ten days after the date on which the vote was taken. The demand shall state the number and class of shares owned by him. The fair value of the shares is determined as of the day prior to the date on which the vote was taken. Within ten days after the merger is effected, the Surviving Corporation shall give notice of the merger to each such dissenting shareholder who has made demand. If the dissenting shareholder and the Surviving Corporation cannot agree on the value of the dissenting shareholder's shares within thirty days after the date on which the merger was effected, the dissenting shareholder may file suit within sixty days after the expiration of the thirty day period in the appropriate State Court which will resolve the issue.

Tekoil

Under the general corporation laws of the State of Delaware, any objecting stockholder of Tekoil will have rights as set forth in Section 262 of the General Corporation Law of the State of Delaware. Such shareholder must file written objections with the Corporation before the taking of the vote on the plan of merger, and the shareholder's shares must not be voted in favor of the merger. The Corporation must give notice within ten days after the date on which the agreement of merger has been filed and recorded, to such objecting stockholder that the agreement was filed and recorded. Within twenty days after the date of mailing of the said notice, the objecting stockholder shall demand in writing from the surviving corporation payment for his stock. The surviving corporation shall then pay to the objecting stockholder within thirty days after the expiration of the twenty day period the value of his stock on the date of the recording of the agreement of merger exclusive of any element of value arising from the expectation or accomplishment of such merger. If the Surviving Corporation and objecting stockholder cannot agree on the value of such stock during such thirty day period, either the stockholder or the Surviving Corporation may file a Petition in the Court of Chancery of the State of Delaware, which Court will resolve the issue. The Petition must be filed with the Court within four months after the expiration of the thirty day period.

Financial Statements

Financial statements of Consolidated and Tekoil and subsidiary, together with notes and opinions of independent public accountants with respect thereto, are annexed as Exhibit A.

Miscellaneous

The management of Consolidated does not know of any business other than the proposed merger to be brought before the meeting. If other business is properly presented for consideration at the meeting, it is intended that the proxies will be voted by the persons named therein in accordance with their judgment on such matters.

The cost of preparing and mailing the enclosed material will be borne by Consolidated. In addition to the solicitation of proxies by mail, it is expected that some of the officers, directors and regular employees of Consolidated who will receive no compensation therefor in addition to their regular compensation will solicit proxies on behalf of the management by telephone, telegraph and personal interview, the cost of any such solicitation to be borne by Consolidated.

Tekoil has called a meeting of its stockholders which also will be held on February 14, 1962, to vote on the plan and agreement of merger.

YOUR COOPERATION IN GIVING THIS MATTER YOUR IMMEDIATE ATTENTION AND IN RETURNING YOUR PROXIES PROMPTLY WILL BE APPRECIATED.

BY ORDER OF THE BOARD OF DIRECTORS

C. J. Cowen, Jr.,
Secretary

Suite 2112 Tower Building
1700 Broadway
Denver 2, Colorado

Exhibit A

ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Consolidated Oil & Gas, Inc.
Denver, Colorado

We have examined the balance sheet of Consolidated Oil & Gas, Inc., as of November 30, 1961, and the related statements of income and expense and earned surplus (deficit) and capital surplus for the four years then ended, and the summary of operations for the five year period ended November 30, 1961, including the two years operations of Colorado Western Exploration, Inc., ended prior to date of merger at May 1, 1959. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of income and expense and earned surplus (deficit) and capital surplus present fairly the financial position of Consolidated Oil & Gas, Inc., and the results of operations for the four years then ended, and such summary of operations presents fairly the results of operations for five years ended November 30, 1961, all in conformity with generally accepted accounting principles applied on a consistent basis.

W. L. Chapman

Denver, Colorado
January 16, 1962

CONSOLIDATED OIL & GAS, INC.

Balance Sheet
November 30, 1961

ASSETS

Current assets:			
Cash			$ 380,338.25
Notes receivable—unsecured			11,534.39
Accounts receivable—unassigned—Note 6:			
Oil and gas purchasers		$ 49,918.53	
Interest holders in jointly owned properties		306,779.03	
Other		18,116.98	374,814.54
Work in progress at cost			4,706.72
Inventory of oilfield equipment			46,978.49
Interest receivable			10,388.56
Prepaid expenses			5,314.50
Total current assets			810,337.56
Investments in affiliated companies, not consolidated, at cost—Note 3			9,550.00
Other investments at cost—Note 3			17,304.00
Other assets:			
Long-term notes receivable—secured—Note 1		344,000.00	
Sundry		4,471.82	348,471.82
Property and equipment at cost—Notes 2, 4, 5 and 15:			

	Cost	Depreciation or Depletion	Book Value	
Producing oil and gas properties:				
Leasehold cost	$1,836,037.01	506,357.85	1,619,679.16	
Development cost	1,343,372.56	58,055.85	1,185,316.67	
Equipment cost	1,045,761.36	174,305.97	974,455.39	
Reversing overriding royalty	120,454.10	13,938.06	96,525.04	
Overriding royalties on undeveloped oil and gas leases	5,725.21	983.72	4,741.49	
Undeveloped oil and gas leases	151,075.37	...	151,075.37	
Automotive equipment	46,838.09	19,309.60	27,528.39	
Furniture, fixtures and equipment	27,543.48	7,434.18	20,109.32	
Leasehold improvements—office	5,174.55	5,543.31	2,631.27	
District field house and yard	27,906.40	1,788.64	26,119.76	
	$4,562,891.06	494,402.20	4,068,388.86	4,068,388.86
Deferred charges				42,533.83
				$5,537,190.07

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

Balance Sheet
November 30, 1961

LIABILITIES

Current liabilities:		
Notes payable—portion due within one year—Note 9:		
Banks—secured		$ 183,352.36
Trade—secured		70,000.00
Others—secured		347.86
Trade—unsecured		289,710.02
		543,410.04
Accounts payable—trade		341,080.76
Interest holders in jointly owned properties		14,918.43
Accrued payrolls		7,949.97
Accrued taxes—other than income		10,765.14
Accrued interest		11,360.25
Advances on drilling arrangements—Note 12		150,487.50
Other current liabilities:		
Unclaimed dividends	$ 707.45	
Reserve for Federal and state income taxes—Note 10	—	707.45
Total current liabilities		1,030,907.56
Long term debt:		
Notes payable—less portion due within one year—Note 9:		
Banks—secured	170,825.82	
Others—secured	26,405.20	
Trade—secured	61,499.90	
Others—unsecured	30,000.00	292,730.32
Commitments and contingent liabilities—Note 11		—
Deferred income—Note 1		1,677,773.00
Capital and surplus:		
Preferred stock—authorized 100,000 shares of $10.00 par value—none issued		
Preferred stock convertible—authorized 10,000 shares of $10.00 par value—none issued		
Common stock—authorized 5,000,000 shares of $.25 par value, issued and outstanding 1,240,503 shares—notes 7 and 14	309,100.00	
Capital surplus	2,012,090.19	
Earned surplus (deficit) from December 1, 1950	(154,011.00)	◇ 2,267,214.80
		$5,537,190.07

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

(Combined with Operations of Colorado Western Exploration, Inc., for years prior to Merger, May 1, 1958)

Statement of Capital Surplus
Four Years Ended November 30, 1961

	1961	1960	1959	1958
Balance at beginning of period	$1,410,038.70	1,076,239.54	502,517.37	111,591.00
Add:				
Excess value assigned to producing oil and gas properties over par value of common stock issued—Notes 2 and 3	8,550.00	33,050.00	171,600.00	1,229.45
Excess of value assigned to producing oil and gas properties over the cost of treasury stock exchanged therefor—Note 3	—	—	134,738.25	87,797.45
Excess of face amount of liabilities retired over par value of common stock exchanged therefor, $63,750.00 principal amount for 15,300 shares of stock in fiscal 1961; $4,270.96 principal amount for 1,948 shares of stock in fiscal 1959; $12,955.53 principal amount for 47,225 shares of stock (7,200 shares at today's equivalent) in fiscal 1958	59,550.00	—	3,967.16	3,510.53
Excess of face amount of liabilities retired over cost of treasury stock exchanged therefor, $3,115.51 principal amount for 1,200 shares of treasury stock in fiscal 1961; $1,279.43 principal amount for 523 shares of treasury stock in fiscal 1959; $16,029.47 principal amount for 6,350 shares of treasury stock in fiscal 1958	—	3,113.04	1,573.47	15,377.85
Consideration received over par value of 25,000 shares of common stock sold	—	—	76,250.00	—
Consideration received over cost of 65,535 shares of treasury stock sold	—	—	194,179.85	—
Credit resulting from exchange of stock upon merger of Consolidated Rimrock Oil Corporation, and Colorado Western Exploration, Inc., at May 1, 1958—Note 17	—	—	—	333,335.81
Excess paid for convertible debentures having a face value of $12,500.00	—	—	—	12,500.00
Excess of face amount of $99,200.00 of Colorado Western Exploration, Inc., convertible debentures which were converted into 220,460 shares of Colorado Western Exploration, Inc., stock (155,261 shares of Consolidated Oil & Gas, Inc., equivalent) that had a par value of $11,053.00	—	—	—	88,177.00
Excess of consideration received over par value of 134,784 shares of common stock sold pursuant to common stock offering completed September 6, 1960, to stockholders of record July 8, 1960—Note 7	—	377,395.39	—	—
Excess of consideration received over par value of 270,835 shares of common stock issued, for the property acquired from Midland Oil Company, to certain of the Midland Oil Company stockholders—Note 13	692,966.50	—	—	—
Excess consideration received over par value of 162 shares of common stock issued due to the exercise of 162 common stock purchase warrants—Note 7	595.36	—	—	—
Other	149.97	—	—	—
	2,101,950.53	1,489,797.48	1,064,858.13	653,505.02
Deduct:				
Write off of organization expense by resolution of the Board of Directors and with the approval of the stockholders as of May 1, 1958—Note 13	—	—	—	(145,991.64)
Stock dividends paid out of treasury stock	—	—	(6,605.59)	—
Deferred financing costs which represent the direct costs that were incurred by the Company in connection with the stock registration program completed during fiscal year 1960—Note 8	—	(73,192.30)	—	—
Writeoff of direct merger expense by resolution of the Board of Directors and with approval of the stockholders as of November 30, 1960—Note 13	—	(6,113.73)	—	—
Direct costs of stock offering	—	(442.70)	—	—
Excess of cost of 10,902 shares of the Company's stock held as treasury stock retired by resolution of the Board of Directors—Note 16	(68,965.53)	—	—	—
Consideration paid in excess of par value for fractional shares of Company stock purchased from former Midland Oil Company stockholders	(249.31)	—	—	—
	$2,032,735.69	1,410,038.70	1,058,252.54	507,513.38

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

(Combined with Operations of Colorado Western Exploration, Inc., for Years Prior to Merger, May 1, 1958)

Statement of Income and Expense and Earned Surplus (Deficit) Four Years Ended November 30, 1961

	Years Ended November 30,			
	1961	1960	1959	1958
Income:				
Oil and gas sales—Note 1 and 2	$ 534,138.17	343,843.20	271,097.74	179,782.51
Drilling arrangements and operations reimbursements	1,472,978.33	1,026,932.89	437,833.02	411,979.25
Miscellaneous	96,301.20	121,333.06	120,422.15	60,758.73
	2,107,949.70	1,491,779.15	828,352.91	653,550.59
Costs and expenses:				
Direct costs:				
Production costs—Note 2	293,061.54	136,109.04	134,272.53	110,388.40
Direct production payment expense—Note 1	67,653.05	31,591.90	13,193.70	1,099.90
Drilling arrangements and operations reimbursements costs	1,119,957.69	812,730.33	427,349.67	315,999.78
Dry hole costs	—	82,066.21	95,431.16	37,235.18
Abandonment and surrender of lease	16,219.71	43,905.55	8,468.35	23,917.46
Lease rentals—nonproducing properties	32,200.63	15,334.13	15,152.52	7,343.47
General and administrative	179,305.85	145,547.14	105,447.39	100,979.15
Depreciation, depletion and amortization—Note 1 and 2	191,643.77	120,400.62	116,510.59	93,904.93
	1,701,252.24	1,390,685.22	970,096.91	750,868.25
Operating income or (loss)	315,826.46	101,110.93	(140,744.00)	(98,347.66)
Other income (expense):				
Gain or (loss) on sale of capital assets	1,542.69	(61,745.51)	(453.06)	1,357.25
Interest expense	(58,206.65)	(52,284.28)	(27,021.95)	(20,754.98)
	(56,663.96)	(114,029.79)	(27,474.91)	(19,597.73)
Income or (loss) before provision for Federal and state income taxes	259,144.50	(8,918.86)	(1 7,165.94)	(117,715.39)
Provision for Federal and state income taxes —Note 10	—	—	—	—
Net income or (loss)	259,144.50	(8,918.86)	(177,165.94)	(117,715.39)
Earned surplus (deficit) at beginning of period	(413,156.49)	(404,237.63)	(227,089.69)	(109,353.30)
Earned surplus (deficit) at end of period	$ (154,011.99)	(413,156.49)	(404,255.63)	(227,069.69)

The accompanying notes are an integral part of this statement.

CONSOLIDATED OIL & GAS, INC.

Notes to Financial Statements

Note 1:

During the fiscal year 1958, the Company sold a $445,000.00 oil and gas payment for $340,000.00 to be repaid out of the proceeds of production from certain oil and gas properties. At the time of sale, the Company's management estimated that it would take approximately seven years to recover the $445,000.00. The $315,000.00 has been considered as a deferred income item and is being amortized to income on the unit of production basis. At November 30, 1960, there was a deferred income balance on this par payment of $182,811.71 and at November 30, 1961, the balance was $127,711.01.

During the fiscal year ended November 30, 1957, the Company sold an oil and gas payment for $320,000.00 plus an amount equal to 6⅛% per annum on the unpaid balance to be paid out of production from certain oil and gas properties. On December 31, 1959, the Company made an additional payment of $100,000.00 to increase the oil and gas payment to $920,000.00 and on November 1, 1961, the Company made an additional $560,000.00 oil and gas payment to $1,480,000.00 on that date. The Company management estimates that it will take approximately seven years to recover the $1,480,000.00 plus an amount equal to 6⅛% per annum on the unpaid balance. The remaining balance of $1,430,000.00 is to be repaid out of $1,000,000.00 in two annual payments of $500,000.00 each that will come due on November 31, 1962 and November 30, 1963, the remainder out of production. At November 30, 1960, the oil and gas payment sale of $796,721.93 and at November 30, 1961, there was a deferred income balance on the $1,430,000.00 oil and gas payment sale of $1,450,000.00. The above notes are secured only by the income from the oil and gas payment that was sold.

Note 2:

During the fiscal year 1959, the Company acquired a ¼ carried working interest in certain producing oil and gas leases, undeveloped leases and non-producing royalties. On July 1, 1960, the Company acquired an additional 1/24 carried working interest in the property. The value assigned to the property by the Company management was at its present value, based upon petroleum engineering data. The value assigned to the July 1, 1960, acquisition were as follows:

Producing leasehold cost	$34,666.43
Undeveloped leases	4,094.28
Nonproducing royalties	2,500.00
	$91,250.00

The consideration paid for the July 1, 1960 acquisition was as follows:

Cash	$15,000.00
Notes payable	56,750.00
Company common stock issued, 2,000 shares at $.20 per share par value	1,000.00
Capital surplus created by the excess of the value of the property received over the par value of the stock issued	18,500.00
	$91,250.00

The total remaining amount to be recovered by the carrying Company at the time of the 1960 acquisition was $33,333.33, which is repayable only from 100% of the proceeds to the carried interest of future oil and g.a. if, when and as produced. The $91,250.00 acquisition cost is part of the acquisition cost of the property and recorded as a deferred income on the Company's books. On the balance sheet, this deferred income is deducted from the total cost of the oil and gas properties—leasehold cost. The total amount of such unpaid balance at November 30, 1960, was $77,702.38 and at November 30, 1961, was $54,331.67.

During the fiscal year ended November 30, 1960, the Company recorded the following income and expenses, which were received by the carried interest in the producing interest: $44,691.18 of income which is entered in the Oil and Gas Sales Account. The production costs were $3,194.43, which are included in the Production Cost Account and depletion applicable to the income amounted to $26,896.80, which is reflected in the Depreciation, Depletion and Amortization Account.

During the fiscal year ended November 30, 1961, $30,502.95 of the income was earned by the carried interest, which is reflected in the Oil and Gas Sales Account. The production costs for the period were $3,717.54, which are included in the Production Cost Account. Cost depletion applicable to the income amounted to $18,936.24, which is reflected in the Depreciation, Depletion and Amortization Account. The increase in unpaid balance is due to additional developments on these carried properties.

Note 3:

Company	Percentage Owned	Common Stock Owned: Cost	Common Stock Owned: Market Quotation	Receivable November 30, 1961
Sinclair Oil Co., Inc.	49.7/5	$2,250.00	None Available	$3,525.00
Eldridge Fishing Tool, Inc.	20 /5	100.00	None Available	350.00
		$2,350.00		$3,375.00

Other investments at cost are $12,50 in 12,500 shares of common stock of Florodin Plastics for which no market quotation is available and $9,075.50 in each warrantee value of $50,000 — [illegible] as determined from policies on which loans are $37,731.50. During the fiscal year ended November 30, 1961, the cash surrender value of the life insurance of Sandrock Oil Co., Inc. for $20,000, giving the Company a 44.5% ownership.

Note 4:

The Company policy with respect to accounting for expenditures for oil and gas properties is to capitalize lease acquisitions, intangible development and equipment costs. Lease rentals and to charge delay lease rentals to operations as expended. First year rentals on Government oil and gas leases are capitalized. Lease rentals on the drilling of oil and gas wells are initially capitalized, but are charged to expense when applicable is determined dry.

Provision for depletion of acquisition and development costs of developed oil and gas properties are made through charges to operations based on recoverable oil reserves as estimated periodically by U. A. Fabrichem, IV and Associates, Inc., oil production engineering consultants.

Intangible drilling and development costs were capitalized in the accounts, but expensed for income tax purposes for fiscal year ended November 30, 1960, were $782,916.61, and estimated at $416,180.62 for the fiscal year ended November 30, 1961.

Depreciation is provided on either the unit-of-production or straight-line basis at rates, which are believed to be sufficient to provide for the book value, less estimated salvage, of the depreciable assets over their estimated useful lives.

Rates in effect are as follows:

	Rate
Producing oil and gas lease equipment	Unit of Production
Automotive equipment	33⅓% to 40 %
Furniture, fixtures and equipment	10 % to 33⅓ %
Leasehold improvements	10 % to 33⅓ %
Drilled well tenure and yield	12½ % to 33⅓ %
	3½% to 5 %

Gain or loss is recognized in the accounts upon the retirement or disposal of assets, except where provisions for depreciation are computed on a composite basis. Betterments and renewals are capitalized. Maintenance and repairs are charged to expense.

On May 1, 1956, the Company, Consolidated Mineral Exploration, Inc., was merged with Consolidated Bismuth Oil Corporation to form Consolidated Oil & Gas, Inc., effective November 30, 1956. The Mandator Company, were brought forward at prior book values. No assets of predecessor Companies, acquired by way of merger, were restated or revalued.

Note 5

The Company has exercised certain of its privileges to acquire producing oil and gas properties by exchanging common stock Certificates as reflected in the following table:

	Value Assigned to Property	Par Value of Common Stock Issued	Capital Surplus
Fiscal year 1956	$ 25,476.45	24,000.00	1,476.45
Fiscal year 1959	192,000.00	21,400.00	177,600.00
Fiscal year 1960	35,000.00	2,000.00	33,000.00
Fiscal year 1961	9,100.00	320.00	8,780.00

The value assigned to the property acquired in fiscal year 1956 was comparable to the costs of similar properties acquired through the Company's regular purchase program, for which common stock having a par value of $24,000.00 was issued. The properties acquired in fiscal 1957 [illegible] for which common stock having a par value of 1956 were valued by management at an amount [illegible] and 1956 and the new property acquired in fiscal

The Company has also acquired interest in producing oil and gas properties by exchanging its treasury stock therefor as reflected in the following table:

	Value Assigned to Property	Cost of Treasury Stock Issued	Capital Surplus
Fiscal year 1958	$ 66,487.19	44,142	67,747.8
Fiscal year 1959	134,025.00	140 72	134,724.28

The values assigned to the properties were comparable to the costs of similar properties acquired through cash as the Company, if the Contracts had to pay cash as to the property, the property was valued by the management at its present value at acquisition date based upon petroleum engineering data.

Note 6

All of the notes and accounts receivable are considered current and collectible by the management. The Company uses the direct account method with respect to accounts and income receivable. The amount due from affiliated persons represents one [illegible] and $15,000.00 at November 30, 1961.

Note 7

On July 27, 1960, the Company registered with the Securities and Exchange Commission 187,748 units each unit consisting of one share of common stock and three transferable common stock purchase warrants. The units were

offered to the holders of its common stock who were of record, at the close of business on July 4, 1960, at the ratio of one unit for each ten shares held. On November 30, 1961 [illegible] units, thereby, issuing 450,582 common stock purchase warrants which are in effect. On November 30, 1961 each common stock purchase warrant is exercisable for one share of common stock of the Company at $4.875 per share on or before June 30, 1965. During the fiscal year ended November 30, 1961, [illegible] common stock purchase warrants were exercised.

The common stock purchase warrants are exercisable anytime after December 31, 1960, until termination on June 30, 1965. The warrants contain "anti-dilution" provisions. Warrant holders do not possess any rights as stockholder of the Company.

At November 30, 1960, there were no stock options outstanding giving the holders the right to purchase 6,000 shares of the Company's common stock (par value $.10) at $3.25 per share. The options were granted on June 24, 1958, for such $3,250.00 is paid to the Company by [illegible] who [illegible] money to the Corporation during June, 1958. The underlying shares were reserved at approximately $.13 per ground an option to acquire 1,000 shares of common stock [illegible] at $3.50, and $4.00 ash on June 15, 1961. The options were all exercised on June 24, 1958, the issuance [illegible] 6,000 additional shares of stock outstanding with a par value of $1,250.00 and creating $16,200.00 of Capital Surplus.

During 1961, the Company granted to four officers and three key employees restrict d stock options to purchase, in the aggregate, 60,200 shares of common stock at the [illegible] options that have been granted:

The following table sets out certain information concerning the

Number of Shares Under Option	Option Price Per Share	Fair Value of Stock at Date of Grant	Total Fair Value of Stock Under Option	Date Exercisable
15,000	$3.75	$11,700.00	$ 7,500.00	January 17, 1961
37,500	$3.75	74,550.00	37,500.00	January 17, 1961
2,000	$3.63	4,440.00	2,160.00	January 17, 1962
2,000	$3.63	4,440.00	2,160.00	January 17, 1963
3,000	$3.63	15,750.00	5,400.00	March 1, 1961
			12,800.00	August 17, 1961

Commencing one year after the date thereof the options are exercisable at the rate of 50% per year until the expiration of the first year, after which and until the final [illegible] exercisable [illegible] may be exercised as to the total amount at any time, except that the options granted to Vice-President [illegible] date

Note 9—(Continued):

The notes payable at November 30, 1961, were as follows:

Type	Interest Rate	Due Within One Year	Due From 1 Year to 5 Years Inclusive	Due From 5 Years to 10 Years Inclusive	Due From 10 Years to Maturity
Bank—secured by certain oil and gas production and property	6¼ to 6½%	$181,000.00	167,000.00	17,515.23	—
Bank—secured by real estate	6%	1,353.36	—	—	—
Trade—secured by certain producing oil and gas properties	6 to 7½	70,000.00	49,000.00	13,406.90	—
Others—secured by real estate and insurance	5¼ to 5½	347.66	380.36	386.07	27,653.77*
Trade—unsecured	6%	380,700.01	—	—	—
Other—unsecured	8%	19,850.00	—	—	—
		$653,430.04	$716,380.36	$31,711.19	$27,653.77

*(1) Note is the amount of $15,805.79 is secured by officers' life insurance policies and has no definite due date.
(2) Balance of $12,048.98 due on a 25 year note, secured by real estate, at December 1, 1965.

Note 10:

The Company did not have to pay any Federal and state corporate income taxes for the fiscal year ended November 30, 1960, and will not have to pay any income taxes for the year ended November 30, 1961, due to the election to deduct intangible drilling and development costs for the current year and to claim percentage depletion. The drilling and development costs for the fiscal year ended November 30, 1960, were $33,342.67 and are estimated to be $419,183.00 for the fiscal year ended November 30, 1961.

No Federal and state corporate income tax payments as income accrued. However, due to the election to without drilling and development costs and operating loss carryovers the Company has not been in a taxable position.

Note 11:

The Company occupies its general office space under leases which expire in March and May of 1967; however, the leases may be terminated by the Company at the expiration of the 6th year, which will be in 1965, provided the Company gives at least six months prior written notice and pays $1,700.00 for the cancellation privilege. The total annual rentals are approximately $12,500.00.

Note 12:

The advances on drilling arrangements result from advance billings to interest holders in jointly owned oil and gas properties for wells in process and to be drilled in the near future.

Note 13:

The direct merger costs of $6,112.78 were the result of direct costs incurred when Colorado Western Exploration, Inc., was merged with Consolidated Rimrock Oil Corporation, on May 1, 1958, at which time the Company's name was changed to Consolidated Oil & Gas, Inc. Of the $193,991.63 charged to capital surplus during fiscal 1958, $130,000.00 represents the par value of 650,000 shares of Company common stock that was issued to Colorado Western Exploration, Inc., in July, 1955 for management assistance in reorganization of the Company.

Note 14:

The Company has entered into an agreement conforming to the provisions of Section 303 of the Internal Revenue Code of 1954 with Harry A. Trueblood, Jr., by which the Company will be obligated to redeem at a then agreed upon market price at the time of death from his estate such stock owned by his estate sufficient to cover all Federal and state estate taxes and administrative expenses, but not to exceed $150,000.00. The Company is working on a similar agreement with J. B. Ladd.

The Company presently owns keyman insurance in the amount of $700,000.00 on the life of Harry A. Trueblood, Jr., and $50,000.00 on the life of J. B. Ladd.

Note 15:

On February 18, 1961, the Company acquired the assets of the Midland Oil Company, a Wyoming corporation.

The assets acquired from the Midland Oil Company were as follows:

Current assets	$ 500,203.63
Less current liabilities	25,414.48
	474,789.15
Producing oil and gas properties	478,641.35
Nonproducing oil and gas properties	430,750.45
Undeveloped acreage	7,053.45
Building and office	2,953.45
	$1,173,137.50

Note 15—(Continued):

The consideration was as follows:

Cash	$ 425,000.00
Common stock of the Company—210,455 shares at $.20 per share par value	54,711.00
Capital surplus created by the excess of the value of the properties acquired over the par value of the stock issued	833,966.50
	$1,173,137.50

Producing oil and gas properties acquired from the Midland Oil Company having an adjusted book basis of $355,558.24 were assigned a value of $474,789.15 by the Company management according to their present value at acquisition date based upon current petroleum engineering data. Other assets having an adjusted basis of $134,919.25 were assigned a value of $171,815.75 based on fair market value. The current assets and liabilities from the Midland Oil Company were not materially changed.

Note 16:

On January 17, 1961, the board of directors voted to retire the 10,902 shares of the Company's stock held as treasury stock. The cost of the stock to the Company was $21,176.22 and the total stated par value of the stock was $2,180.40 and thus resulting in a charge to Capital Surplus of $18,995.82.

Note 17:

The effect on the common stock outstanding and the capital surplus that was created on May 1, 1958, when Colorado Western Exploration, Inc., was merged with Consolidated Rimrock Corporation to form Consolidated Oil & Gas, Inc., was as follows:

	Rate of Conversion	Shares Outstanding Prior to Merger	Shares Outstanding After Merger	Capital Surplus Created
Consolidated Rimrock Oil Corporation	1-1	2,740,272	415,130	$465,077.81
Colorado Western Exploration, Inc.	1.01585	977,500	993,863	328,913.69
				$793,991.50

The common stock of Colorado Western Exploration, Inc., had a par value of $.05 before merger while the common stock of Consolidated Rimrock Oil Corporation had a par value of $.20.

Note 18:

The combination of Colorado Western Exploration, Inc., Western Central Petroleum, Inc., and Guardian Oil Co., Inc., with the Company have been treated as a "pooling of interests" for accounting purposes in the financial statements and in the Summary of Operations.

Note 19:

Supplementary Profit and Loss Information

Year	Production Costs	General and Administrative	Total
Year ended November 30, 1958:			
Maintenance and repairs	$41,061.92		41,061.92
Taxes other than income taxes:			
Property and production taxes	6,690.41		6,690.41
Payroll taxes		2,459.89	2,459.89
Payment, annual reports and miscellaneous		927.12	927.12
Rents		9,350.99	9,350.99
	$47,752.33	12,678.01	60,430.34
Year ended November 30, 1959:			
Maintenance and repairs	$54,130.36		54,130.36
Taxes other than income taxes:			
Property and production taxes	7,960.62		7,960.62
Payroll taxes		2,412.85	2,412.85
Payment, annual reports and miscellaneous		1,908.35	1,908.35
Rents		14,804.35	14,804.35
	$62,090.98	19,125.55	81,216.53
Year ended November 30, 1960:			
Maintenance and repairs	$37,338.24	492.97	37,831.21
Taxes other than income taxes:			
Property and production taxes	6,364.42	1,042.25	7,406.67
Payroll taxes		1,191.38	1,191.38
Payment, annual reports and miscellaneous		457.57	457.57
Rents		17,406.12	17,406.12
	$37,338.24	21,090.32	58,731.18
Year ended November 30, 1961:			
Maintenance and repairs	$32,599.83	490.50	33,090.33
Taxes other than income taxes:			
Property and production taxes	18,817.98	594.56	19,377.22
Payroll taxes		1,430.93	1,430.93
Payment, annual reports and miscellaneous		1,021.24	1,021.24
Rents		17,405.14	17,405.14
	$74,527.67	22,442.80	96,774.80

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
TEXAS CORPORATION:

We have examined the consolidated balance sheet of Tekoil Corporation and subsidiary company as of November 30, 1961, and the related statement of operations and deficit and statement of capital surplus for the three years ended March 31, 1961, and the eight months ended November 30, 1961. We have also examined the summary of consolidated losses, insofar as it relates to the four years ended March 31, 1961 and the eight months ended November 30, 1961, appearing under "Tekoil Corporation and Subsidiary Company, Summary of Consolidated Losses" in this proxy statement. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements and summary of consolidated losses referred to above present fairly the financial position of Tekoil Corporation and subsidiary company at November 30, 1961, and the results of their operations for the periods set forth above, in conformity with generally accepted accounting principles applied on a consistent basis.

MAIN AND COMPANY

El Paso, Texas
December 29, 1961

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Consolidated Statement of Capital Surplus
Three Years and Eight Months Ended November 30, 1961

	Eight Months Ended November 30, 1961	Year Ended March 31, 1961	1960	1959
Balance at beginning of period	$6,572,797	6,490,592	6,488,315	6,485,915*
Add:				
Cancellation of indebtedness by creditor	—	—	—	2,400
Excess of proceeds over par value of capital stock sold under the terms of the employees' stock option plan	—	—	2,500	—
Excess of market value over par value of capital stock issued pursuant to purchase of 12½% interest in Jonnell Gas Company, a limited partnership	—	74,375	—	—
Excess of market value over par value of capital stock issued pursuant to purchase of assets of Western Well Logging Company	—	7,500	—	—
Other	—	—	77	—
Balance at end of period	$6,572,797	6,572,797	6,490,892	6,488,315

*Balance at April 1, 1958 consists of the following:

Excess of cash proceeds over par value of capital stock sold	$2,397,342
Excess of amounts assigned to capital stock issued, or to be issued, for properties over par value of such stock	4,085,573
Other	33,000
	$6,485,915

The accompanying notes to financial statements should be read in conjunction with statement of capital surplus.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Consolidated Statement of Operations and Deficit
Three Years and Eight Months Ended November 30, 1961

	Eight Months Ended November 30, 1961	Year Ended March 31, 1961	1960	1959
Revenues:				
Oil and gas, net of production taxes	$ 1,297,035	2,297,501	2,541,499	2,215,969
Laboratory, logging and engineering fees	66,374	237,448	131,753	104,774
	1,363,409	2,534,949	2,673,252	2,320,743
Costs and expenses:				
Lease, laboratory and other operating expenses	553,331	1,039,480	931,160	905,260
General and administrative expenses	209,671	322,496	325,130	327,560
Depreciation, depletion and amortization (Note 3)	509,501	1,215,531	1,264,740	976,101
Amortization of amount assigned undeveloped secondary oil reserves (Note 3)	124,991	189,681	272,426	319,152
Dry hole costs, abandoned leases and delay rentals (Note 1)	151,960	189,752	130,789	154,762
Share of net loss of Jonnell Gas Company, a limited partnership (Note 2)	65,396	29,261	—	—
Share of other partnership net loss	—	15,756	11,149	2,857
	1,615,212	3,196,967	3,135,427	2,905,992
Income (loss) from operations	(549,803)	(661,036)	(462,145)	(585,249)
Other income and expense:				
Interest expense	543,029	397,509	376,190	282,154
Other expense—net	49,250	16,149	(19,829)	(30,993)
	592,279	413,518	356,661	251,061
Net income (loss) before special charge	(1,142,082)	(1,074,554)	(818,806)	(836,310)
Special charge for write-down of assets of Petroleum Technologies, Inc. (Note 1)	140,566	—	—	—
Net income (loss)	(1,002,766)	(1,070,556)	(818,806)	(836,171)
Earned surplus (deficit) at beginning of period	(3,903,194)	(2,823,638)	(2,004,832)	(1,177,661)
Earned surplus (deficit) at end of period	$(4,905,960)	(3,903,194)	(2,823,638)	(2,014,832)

The accompanying notes to financial statements should be read in conjunction with statement of operations and deficit.

TEKOIL CORPORATION AND SUBSIDIARY COMPANY

Notes to Financial Statements

NOTE 1: PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Petroleum Technologists, Inc., a wholly-owned subsidiary, organized May 15, 1959, and exclude the accounts of an inactive wholly-owned subsidiary. Tekoil's equity in the net assets of Petroleum Technologists was less than the investment thereon at November 30, 1961, as a result of net losses incurred by Petroleum Technologists as follows:

	$250,339
Eight months ended November 30, 1961	180,206
Year ended March 31,	
1961	132,976
1960	143,648
1959	117,481

Such difference of $737,451 has been shown in the consolidated balance sheet as an addition to deficit from operations.

Operations of Petroleum Technologists have been curtailed pending possible disposition of its laboratory or appraisal of its assets. Pursuant to the Consolidated Oil & Gas, Inc. Accordingly, Petroleum Technologists has written off its investment in that portion of its equipment which is subject to sale and lease-back agreement and has written down its other assets by a special charge to income of $180,500.

All significant intercompany items have been eliminated

NOTE 2: JANNELL GAS, INCORPORATED

Prior to November 1, 1961, Tekoil was a limited partner in Jannell Gas Company with a 12½% interest as profit and loss. Tekoil's share of the partnership's accumulated net loss to October 31, 1961, was $44,779. Effective November 1, 1961, Jannell Gas Company was incorporated and Tekoil received approximately 19% of the capital stock of the new corporation in exchange for its interest in the partnership.

NOTE 3: PROPERTY AND EQUIPMENT

Substantially all of Tekoil's producing properties are pledged to secure payment of mortgage notes payable, the details of which are set forth in Note 4.

Producing properties of Tekoil were acquired subject to production payments out of various percentages of the oil and gas from such properties. Payments so made during the three years and eight months ended November 30, 1961, totaled approximately $2,370, $37,900, $23,212 and $11,934, respectively. The amounts thus received have been applied to liquidation of these obligations and the related taxes thereon are included from the respective income accounts.

Tekoil has followed the practice of acquiring various producing properties to be ultimately operated under secondary recovery methods. During the fiscal year ended March 31, 1958, Tekoil received $3,371,171, representing a portion of the consideration given for such properties, in the event of certain future secondary recovery developments. The remaining portion of the consideration given for such properties, as the event of certain future secondary recovery developments, is payable out of any secondary reserves, a portion of which has been made by charges to income at a rate of 10% per annum. Allocation of the amount remaining after such transfers has been made by charges to income at a rate of 10% per annum. Accruals of such charges to income and transfers to producing properties are as follows:

	Super Allocation Reserve as of 1957	Year Ended March 31			Eight Months Ended November 30, 1961
		1957	1958	1959	1960
Charged to income as amortization	$121,971	$180,811	272,438	319,152	$180,976
Transferred to producing properties	$ 21,350	$329,399	467,112	179,862	

In addition to the provision for amortization of secondary reserves referred to above, a write off will be made of the secondary reserve at cost proportionate to any part of the reserves for which developmental proved non-commercial

Tekoil provides for depletion and depreciation of producing oil and gas properties by applying to the costs capitalized an amount per unit determined by dividing the estimated net recoverable proved reserves remaining from January 31, 1961, as of November 30, 1961, computed at cost for drilling, equipping and operating wells and estimated proved reserves taken by oil and natural material sold, and charging being based on appraisals made by independent or company engineers.

Other properties and equipment are depreciated on the straight line method over their estimated useful lives as follows:

Automotive	Computed 20%, 25% and 33⅓%
Buildings	5%, 10% and 20%
Furniture and fixtures	10%, and 20%
Logging equipment	10%, and 20%
Laboratory equipment	10%

NOTE 6: CAPITAL STOCK—(Continued)

ber 30, 1961. Also, an option for 14,667 additional shares expired during 1960. Option prices and market prices at the grant and exercisable dates were as follows:

	Per Share	Total
Granted to officers and employees November 11, 1956 under stock option plan—50,000 shares		
Option price	$ 6.00	$300,000
Market (bid) price		
Date of Grant	$ 5.63	$281,500
Exercisable date (July 1, 1957)	$11.13	$556,500
Granted to officer February 18, 1957—14,667 shares		
Option price	$ 5.75	$ 84,330
Market (bid) price		
Date of grant	$ 8.50	$124,670
Exercisable date (February 18, 1957)	$ 8.50	$124,670

Capital stock to be issued represents 1,538 shares remaining to be issued to The Saint Acey's Oil Production Company pursuant to the terms of an agreement under which the companies were merged effective March 15, 1956.

Dividends of Tekoil's capital stock may not be paid so long as the 5½% bank loan referred to in Note 4 remains outstanding, except with the written consent of the bank.

NOTE 7: DELAY RENTALS

Effective April 1, 1960, Tekoil began capitalizing, rather than charging to expense as in the past, the cost of delay rentals paid on undeveloped leases. Expense for the fiscal year ended March 31, 1961, is $5,300 less as a result of this change in accounting method.

NOTE 8: SUPPLEMENTARY PROFIT AND LOSS INFORMATION

The following items are included under the captions indicated in the statement of operations for the three years and eight months ended November 30, 1961:

	Eight Months Ended November 30, 1961	Year Ended March 31, 1961	1960	1959
Charged directly to operations				
Maintenance and repairs	$173,437	300,681	213,978	309,773
Depreciation, depletion and amortization	$933,813	1,403,142	1,357,935	1,256,253
Rents	$ 77,680	33,458	70,587	107,836
Payroll taxes	$ 5,570	13,054	13,968	9,310
Property taxes	$ 13,440	29,657	19,617	33,854
Charged against oil sales				
Production taxes	$ 50,327	91,771	93,745	87,309

Oil and gas royalties accruing to landowners and others are excluded from income. Neither Tekoil nor its subsidiaries has charges for management or service contract fees during the three years and eight months ended November 30, 1961.

NOTE 9: CONTINGENCIES

Tekoil is involved in litigation arising from operations in the ordinary course of business. However, in the opinion of management, losses, if any, from such litigation will not be material in amount.

On December 15, 1961, the Board of Director of Tekoil approved a plan to merge Tekoil into Consolidated Oil & Gas, Inc. Such plan is expected to be submitted for consideration of the stockholders of the respective companies during February, 1962.

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THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961

Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and based upon balance sheets of Consolidated Oil & Gas, Inc., and Tekoil Corporation at November 30, 1961)

ASSETS

Current assets:		
Cash		$ 399,153.25
Special restricted bank deposits		124,190.00
Notes receivable—unsecured		11,134.39
Accounts receivable:		
Oil and gas purchases	$ 195,458.53	
Interest holders in jointly owned properties	306,774.63	
Other—net	100,369.38	602,554.54
Work in progress at cost		4,706.72
Inventory of oilfield equipment and supplies		242,309.49
Interest receivable		10,353.55
Prepaid expenses		33,148.59
Total current assets		1,397,907.56
Investments:		
Affiliated companies	274,825.00	
Other	17,284.00	292,032.03
Other assets:		
Long-term notes receivable—secured	344,000.00	
Sundry	4,471.82	348,471.82
Property and equipment, substantially at cost, cost of which is pledged:		
Producing oil and gas properties:		
Leasehold cost	8,907,127.11	
Development cost	3,466,983.56	
Equipment cost	3,590,773.30	
Undeveloped oil and gas leases	412,489.35	
Land, buildings and equipment	141,533.45	
	16,638,887.06	
Less accumulated depreciation, depletion and amortization	6,615,180.20	13,033,706.86
Deferred charges and other assets		155,284.83
		$14,527,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961

Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and based upon balance sheets of Consolidated Oil & Gas, Inc., and Tekoil Corporation at November 30, 1961)

LIABILITIES

Current liabilities:		
Notes and mortgages payable—portion due within one year:		
Secured		$ 2,774,158.02
Unsecured		269,739.02
		3,043,897.04
Accounts payable—trade		524,352.78
Other accrued liabilities		69,341.74
Advances on drilling arrangements		150,457.50
Total current liabilities		3,788,108.56
Notes and mortgages payable—portion due after one year:		
Secured	$ 2,241,967.32	
Unsecured	20,000.00	2,261,967.32
Deferred income from sale of production payment		2,117,834.09
Capital and surplus:		
Preferred stock—authorized 100,000 shares of $10.00 par value—none issued		
Preferred stock convertible—authorized 10,000 shares of $10.00 par value—none issued		
Common stock—authorized 5,000,000 shares of $.20 par value, issued and outstanding 2,325,408 shares	465,081.60	
Capital surplus	9,750,853.10	
Earned surplus (deficit)	(5,105,973.99)	5,091,792.80
		$14,527,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Notes to Pro Forma Combined Balance Sheet
at November 30, 1961

Note 1:

The pro forma combined balance sheet of the surviving corporation gives effect to the proposed merger of Consolidated Oil & Gas, Inc., and Tekoil Corporation as provided in the Merger Agreement dated December 15, 1961 (see caption, "PRINCIPAL PROVISIONS OF MERGER AGREEMENT" elsewhere herein).

The pro forma balance sheet combines the assets and liabilities of Consolidated Oil & Gas, Inc., and Tekoil Corporation in accordance with the concept of a pooling of interests and gives effect to the following:

The exchange of 1,212,183 outstanding shares and shares to be issued pursuant to a certain merger agreement, (par value $1.00) of Tekoil for 484,900 shares of the surviving corporation (resulting in a reduction of $727,283.00 in Tekoil capital) and the issuance of 1,212,183 shares or $1,212,183.00 in the survivor's common stock and an increase of $1,115,210.00 in Tekoil capital in excess of par value.

It is assumed for this purpose that shareholders of neither merging Company will have effectively dissented from the proposed merger and that no other changes in capital stock of either Company will have taken place other than possible exercise of stock options and common stock purchase warrants. Expense of merger will be charged against capital surplus.

Reference is made to the financial statements of Consolidated Oil & Gas, Inc., and Tekoil Corporation and Subsidiary Company contained herein.

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THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961
Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and also giving effect to the refinancing arrangements, based upon balance sheets of Consolidated Oil & Gas, Inc. and Tekoil Corporation at November 30, 1961)

ASSETS

Current assets:		
Cash, Note 1		$ 919,153.85
Special restricted bank deposits		154,190.00
Notes receivable—unsecured		11,334.39
Accounts receivable:		
Oil and gas purchases	$ 195,436.53	
Interest holders in jointly owned properties	206,779.03	
Other—net, partially pledged	190,368.98	602,584.54
Work in progress at cost		4,706.72
Inventory of oilfield equipment and supplies		242,309.49
Interest receivable		10,262.58
Prepaid expenses		33,548.59
Total current assets		1,647,907.56
Investments:		
Affiliated companies	574,838.00	
Other	17,204.00	592,013.00
Other assets:		
Long-term notes receivable—secured	344,000.00	
Sundry	4,471.82	348,471.82
Property and equipment, substantially at cost, most of which is pledged:		
Producing oil and gas properties:		
Leasehold cost	8,967,137.11	
Development cost	3,456,985.56	
Equipment cost	5,260,773.36	
Undeveloped oil and gas leases	415,480.25	
Land, buildings and equipment	541,551.45	
	18,856,567.06	
Less accumulated depreciation, depletion and amortization	6,625,180.20	12,033,706.86
Deferred charges and other assets		155,304.83
		$14,477,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Pro Forma Combined Balance Sheet at November 30, 1961
Not Audited

(Giving effect to the proposed merger and capital structure upon completion of the merger, and also giving effect to the refinancing arrangements, based upon balance sheets of Consolidated Oil & Gas, Inc. and Tekoil Corporation at November 30, 1961)

LIABILITIES

Current liabilities:		
Notes and mortgages payable—portion due within one year, Note 2:		
Secured		$ 1,073,396.02
Unsecured		580,739.02
		1,343,135.04
Accounts payable—trade		554,363.75
Other accrued liabilities		89,241.54
Advances on drilling arrangements		190,497.50
Total current liabilities		2,087,346.68
Notes and mortgages payable—portion due after one year:		
Secured, Note 1 and 2	$ 4,193,739.32	
Unsecured	20,000.00	4,213,739.32
		3,112,614.09
Deferred income from sale of production payment		
Capital and surplus:		
Preferred stock—authorized 100,000 shares of $10.00 par value—none issued		
Preferred stock convertible—authorized 10,000 shares of $10.00 par value—none issued		
Common stock—authorized 5,000,000 shares of $.50 par value, issued and outstanding 2,535,405 shares	465,051.80	
Capital surplus	9,700,052.19	
Earned surplus (deficit)	(5,100,973.99)	5,064,732.50
		$14,477,503.07

See accompanying notes to pro forma balance sheet.

THE SURVIVING CORPORATION

Notes to Pro Forma Combined Balance Sheet
(which gives effect to the refinancing arrangements)
November 30, 1961

Note 1:

Upon consummation of the merger, the Central Bank & Trust Company of Denver, Colorado, has agreed to loan the surviving corporation $2,100,000.00 to be secured by a mortgage covering certain oil and gas properties. The proceeds of the loan will be used to pay off a loan in the amount of $1,350,000.00 and to reduce a loan down to $250,000.00 at the date of merger. This loan is to have minimum monthly payments due of $10,000.00. The $1,500,000.00 note now in effect has minimum monthly payments due of $11,500.00. On the Pro Forma Balance Sheet, the $250,000.00 has been added to the cash account ($11,500 also added to the notes and mortgages payable—portion due within one year—account) and the $1,350,000.00 has been deducted from the notes and mortgages payable—portion due within one year—account, because of the $1,500.00 reduction in the monthly minimum payments and added to the notes and mortgages payable—portion due after one year—account.

Note 2:

The Company has reached preliminary agreement whereby the $4,217,282.07 as of November 30, 1961, of notes and mortgage notes of the Tekoil Corporation will be combined under one note at 6% interest with a new payment schedule. Of the above amount, $2,592,732.09 was previously reflected as a current liability which after the refinancing will be reduced to $800,000.00.

Management believes that this new note will be reduced to $4,150,000.00 by the time the merger is completed. The new note will have a minimum monthly principal payment schedule of $50,000.00 or 80% of the oil runs applicable to the present Tekoil Corporation oil properties after application of accrued interest due, whichever is the greater. The $4,150,000.00 note will be reflected on the Pro Forma Balance Sheet as $2,150,000.00 notes and mortgages payable—portion due in one year—account and added to the notes and mortgages payable—portion due after one year—account.

Reference is made to the financial statements of Consolidated Oil & Gas, Inc. and Tekoil Corporation and subsidiary company contained herein.

See caption "Refinancing of Tekoil Indebtedness" for additional information.

Exhibit B

MERGER AGREEMENT
BETWEEN
CONSOLIDATED OIL & GAS, INC. AND TEKOIL CORPORATION

THIS AGREEMENT OF MERGER, made this fifteenth day of December, 1961, between CONSOLIDATED OIL & GAS, INC., (herein called "Consolidated"), a Colorado corporation, and TEKOIL CORPORATION, (herein called "Tekoil"), a Delaware corporation.

WITNESSETH:

States of Incorporation

WHEREAS, Consolidated is a corporation organized, existing and in good standing under the laws of the State of Colorado, and Tekoil is a corporation organized, existing and in good standing under the laws of the State of Delaware, and

Capitalization of Consolidated

WHEREAS, the total authorized capitalization of Consolidated is $2,100,000, consisting of:

1. 5,000,000 shares of common stock of the par value of $0.20 per share, of which 1,840,536 shares are issued and outstanding as of the date of this Agreement.

2. 100,000 shares of preferred stock of the par value of $10.00 per share, of which no shares are issued and outstanding as of the date of this Agreement.

3. 10,000 shares of convertible stock of the par value of $10.00 per share, of which no shares are issued and outstanding as of the date of this Agreement.

In addition, Consolidated has outstanding as of the date of this Agreement:

1. 450,157 common stock purchase warrants entitling the holders thereof to purchase one share per warrant of the $0.20 par value common stock of Consolidated at the price of $3.875 per share prior to June 30, 1963, and thereafter until expiration on June 30, 1967, at $4.875 per share.

2. Restricted stock options granted by Consolidated to certain of its management personnel pursuant to the terms of its Restricted Stock Option Plan, dated January 17, 1961, entitling the holders thereof to purchase a total of 69,500 shares of the $0.20 par value common stock of Consolidated, and

Capitalization of Tekoil

WHEREAS, the total authorized capitalization of Tekoil is $2,000,000, consisting of 2,000,000 shares of common stock of the par value of $1.00 per share, of which 1,210,807 shares are issued and outstanding as of the date of this Agreement, and 1,456 shares remain to be issued to The Saint Anne's Oil Production Company pursuant to the terms of an agreement under which the companies were merged effective March 15, 1956. In addition, Tekoil has outstanding as of the date of this Agreement a stock option granted to Jennell Gas Company entitling the holder thereof to purchase a total of 30,000 shares of the $1.00 par value common stock of Tekoil on the terms and conditions therein contained.

Purpose of Merger

WHEREAS, Consolidated and Tekoil have similar general and express powers, objects and purposes, and are in the same cause of endeavor, and the Boards of Directors of both corporations have determined that through a combination and integration of their respective properties and facilities a reduction in costs of operations and an increase in efficiency thereof will be effected. Accordingly, the Boards of Directors of Consolidated and Tekoil, respectively, do deem it desirable and in the best interest of both corporations and their respective shareholders, that Tekoil be merged into Consolidated under and pursuant to the laws of the States of Colorado and Delaware.

Now, Therefore, in consideration of the premises and of the mutual covenants and agreements herein set forth, and for the purpose of prescribing the terms and conditions of such merger, Consolidated and Tekoil agree as follows:

Declaration of Merger

1. Tekoil shall be, and it is hereby, merged with and into Consolidated as a single Surviving Corporation as of the effective date of the merger. Consolidated shall continue its corporate existence and shall remain a Colorado corporation governed by the laws of that State. Upon the effective date of the merger, Tekoil will cease to exist. The single corporation which shall so survive the merger is hereinafter sometimes called the "Surviving Corporation"; Consolidated and Tekoil are hereinafter sometimes called the "Constituent Corporations", and the date and time when the Constituent Corporations shall merge and become the Surviving Corporation are hereinafter referred to as "the effective date of the merger."

Certificate of Incorporation of the Surviving Corporation

2. On the effective date of the merger, the Certificate of Incorporation of Consolidated, as amended to date, shall be the Certificate of Incorporation of the Surviving Corporation until further amended as provided under the laws of the State of Colorado. The Surviving Corporation shall continue to be known as "Consolidated Oil & Gas, Inc."

By-Laws of Surviving Corporation

3. On the effective date of the merger, the By-Laws of Consolidated, as theretofore amended, shall be the By-Laws of the Surviving Corporation until the same shall be altered, amended or repealed, or until new By-Laws shall be adopted in accordance with the provisions thereof.

Directors and Officers of Surviving Corporation

4. The Board of Directors of the Surviving Corporation shall initially consist of nine Directors, each of whom shall hold office until the next Annual Meeting of the Shareholders of the Surviving Corporation to be held in 1960, and until his successor shall have been duly elected and shall be qualified, or until his earlier death, resignation or removal. The respective names and addresses of such Directors are as follows:

Name	Address
John E. Price	P. O. Box 948 Fort Myers, Florida
Harry A. Trueblood, Jr.	3000 Cherryridge Road Englewood, Colorado
James D. Landauer	600 Fifth Avenue New York, New York
Theodor F. Rittenberg	31 Cherry Lane Drive Englewood, Colorado
Daniel T. O'Shea	630 Fifth Avenue New York, New York
Lee A. Freeman	105 South La Salle Street Chicago 3, Illinois
Henry A. Wilmerding	Hitchcock Lane Westbury, Long Island New York
Lee J. Spiegelberg	1070 Park Avenue New York, New York
J. M. McCleskey	P. O. Box 1181 El Paso, Texas

The principal officers of the Surviving Corporation, each of whom shall hold office until his successor shall have been duly elected or appointed and shall be qualified, or until his earlier death, resignation or removal, and their respective offices and names are as follows:

Office	Name
President	Harry A. Trueblood, Jr.
Exec. Vice President	J. B. Ladd
Vice President	Robert B. Tenison
Vice President	Doyle K. Dewbuck
Secretary	C. J. Cooper, Jr.
Treasurer and Assistant Secretary	Theodor F. Rittenberg
Assistant Secretary and Assistant Treasurer	H. C. Garjahr

The Surviving Corporation may have such other officers as shall be provided for in its By-Laws.

If on the effective date of the merger a vacancy shall exist on the Board of Directors of the Surviving Corporation, or in any of the above specified offices, by reason of the inability or failure of any of the above persons to accept a directorship in the Surviving Corporation or the office to which he is designated, as the case may be, such vacancy may thereafter be filled in the manner provided for in the By-Laws of the Surviving Corporation.

Shareholder Vote on Merger

5. The Boards of Directors of Consolidated and Tekoil shall cause special meetings of their respective shareholders to be called and held within 90 days from the date hereof to consider and vote upon the merger of Tekoil into Consolidated according to the terms and conditions set forth in this Agreement. This Agreement of Merger shall become effective upon the approval, adoption and ratification thereof by the affirmative vote of the shareholders of each of the Constituent Corporations owning at least two-thirds of the outstanding stock entitled to vote at such special shareholders meetings held in conformity with By-Law and Statutory requirements. Such facts shall be certified hereon by the Secretaries of each corporation and this Agreement of Merger, if so adopted, shall be signed, acknowledged, filed and recorded in accordance with the laws of the States of Colorado and Delaware, and thereupon the merger of Tekoil with and into Consolidated shall be deemed effective.

Conversion of Securities on Merger

6. The manner of converting issued and outstanding shares, purchase warrants and options of the Constituent Corporations into shares, purchase warrants and options of the Surviving Corporation shall be as follows:

(a) All shares of the common stock, purchase warrants and restricted stock options of Consolidated issued and outstanding on the effective date of the merger shall continue to be issued and outstanding and the rights, privileges, terms and conditions thereof shall remain unchanged.

(b) The holders of common stock of Tekoil issued and outstanding on the effective date of the merger shall be entitled to receive one share of the common stock of the Surviving Corporation for each 2.5 shares of the common stock of Tekoil owned and surrendered for exchange as hereinafter provided. In accordance with and subject to the terms of any options, outstanding as of the effective date of the merger, providing for the purchase of common stock of Tekoil, each such option shall be converted into an option to purchase a number of shares of common stock of the Surviving Corporation determined by dividing the number of shares of common stock of Tekoil which may be purchased under such option by 2.5 (eliminating any resulting

[illegible] of a share), at a price per share determined by multiplying the price per share at which [illegible] of common stock of Tekoil may be purchased pursuant to such option by 2.5.

Exchange of Certificates

7. At any time and from time to time after the effective date of the merger, the holders of the common stock of Tekoil shall be entitled, upon surrender of the certificate therefor, properly endorsed if required, to the Surviving Corporation or an agent appointed by it, to receive in exchange therefor a certificate or certificates representing the number of full shares of common stock of Consolidated to which the shares of Tekoil represented by the certificate or certificates so surrendered shall have been converted pursuant to the provisions hereof. No certificates representing fractional interests in the shares of Consolidated will be issued to holders of Tekoil stock, but in lieu thereof each holder of a fractional interest shall have the election, exercisable at the time of the surrender of said certificate or certificates for exchange, to either buy sufficient additional fractional interests to entitle him to a full share of Consolidated stock, based on a valuation of $5.00 per share for such full share of Consolidated stock, or to sell his fractional interest and to receive the proceeds of such sale based on the same valuation of $5.00 per share. The failure to make an election as provided for herein shall be deemed to be an election to sell the fractional interest at the rate set forth above.

Listing of Shares

8. Consolidated will forthwith make application to the American Stock Exchange for the listing of the shares of its common stock issuable hereunder and will endeavor, in good faith, to have such application granted. In connection with such listing, Consolidated will also take such action as may be required pursuant to the applicable provisions of the Securities Act of 1933 and [illegible] together with any other state or federal law or regulation pertaining thereto.

Effect of Merger

9. Upon the effective date of the merger, all of the rights, privileges, powers and franchises and all properties and assets of every kind and description of Tekoil shall be vested in and held and enjoyed by the Surviving Corporation, without further act or deed; and all the assets and interests of each of the Constituent Corporations, including all debts due to either of them on whatever account, shall be at effectively the property of the Surviving Corporation as they were of the respective Constituent Corporations; and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of this merger, and all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the respective Constituent Corporations shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

Representations and Warranties of Tekoil

10. Tekoil represents and warrants to Consolidated, as of the effective date of the merger, that

(a) All financial statements furnished by Tekoil to Consolidated, including audited financial statements as of November 30, 1961, or later, which shall substantially conform to earlier unaudited statements, fairly represent, in accordance with sound and generally accepted accounting principles, the financial condition and results of the operations of Tekoil as of the dates and for the periods indicated.

(b) Tekoil has good record title, as determined in the opinion of counsel selected by Consolidated, to all of its properties and assets as reflected in its books and records; there are no mortgages liens, charges or encumbrances of any nature whatsoever on any of its properties or assets other than those set forth in its financial statements furnished to Consolidated and as

shown in the lease records of Tekoil, except the liens of property taxes and assessments not yet subject to penalties for nonpayment and except minor encumbrances, restrictions or defects which are immaterial in their effect upon the use of such properties for the purposes now used.

(c) Tekoil is not a party or threatened by any litigation, proceeding or controversy before any court or administrative agency which might result in any change in the business or properties of Tekoil, which change would be substantially adverse, taking into account the entire business and properties of Tekoil, and Tekoil is not in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court or administrative agency.

Representations and Warranties of Consolidated

11. Consolidated represents and warrants to Tekoil, as of the effective date of the merger, that:

(a) All financial statements furnished by Consolidated to Tekoil, including audited financial statements as of November 30, 1961, or later, which shall substantially conform to earlier unaudited statements, fairly represent, in accordance with sound and generally accepted accounting principles, the financial condition and results of the operations of Tekoil as of the dates and for the periods indicated.

(b) Consolidated is not a party to or threatened by any litigation, proceeding or controversy before any court or administrative agency which might result in any change in the business or properties of Consolidated, which change would be substantially adverse, taking into account the entire business and properties of Consolidated.

Further Instruments

12. From time to time, as and when requested by the Surviving Corporation, or by its successors or assigns, Tekoil shall execute and deliver, or cause to be executed and delivered, all such deeds and other instruments, and will take, or cause to be taken, such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of any property of Tekoil acquired or to be acquired by reason of, or as a result of the merger herein provided for, and otherwise to carry out the intent and purposes hereof, and the proper officers and Directors of Tekoil and the proper officers and Directors of the Surviving Corporation are fully authorized in the name of Tekoil, or otherwise, to take any and all such action.

Prohibitive Acts

13. Between the date hereof and the effective date of the merger, neither Consolidated nor Tekoil will, except with the prior written consent of the other:

(a) Issue or sell any stock, bonds, or other corporate securities except that Consolidated may issue and sell such common stock as may be required pursuant to certain common stock purchase warrants heretofore issued and as may be required to be issued pursuant to the terms of the restricted stock options heretofore issued.

(b) Incur any obligation or liability, absolute or contingent, except current liabilities incurred and obligations under contracts entered into in the ordinary course of business.

(c) Discharge or satisfy any lien or encumbrance or pay any obligation or liability, absolute or contingent, other than current liabilities incurred in the ordinary course of business.

(d) Make any dividend or other payment or distribution to its stockholders or purchase or redeem any shares of its capital stock.

(e) Mortgage, pledge or subject to lien or other encumbrance any of its assets, tangible or intangible.

(f) Sell or transfer any of its tangible or intangible assets or cancel or waive any debts, claims or other rights except in each case in the ordinary course of business.

(g) Enter into any transaction other than in the ordinary course of business.

Expense of Merger

14. If this Agreement of Merger is approved by the shareholders of both of the Constituent Corporations, all costs and expenses pertaining to this merger shall be paid and borne by Consolidated. If the merger is not approved, or is otherwise not completed, all costs and expenses of each Constituent Corporation shall be paid by the Corporation incurring the expense.

Abandonment of Merger

15. This Agreement may be terminated and the merger provided for hereby abandoned by vote of the Board of Directors of either of the Constituent Corporations at any time prior to the effective date of the merger, if:

(a) A material breach shall exist with respect to any of the written representations, warranties and covenants made by the other Constituent Corporation in connection with the merger, including, but not limited to, those set forth in that certain letter agreement between the Constituent Corporations dated December 4, 1961.

(b) The other Constituent Corporation, without prior written consent of such Constituent Corporation, should take any action prohibited by this Agreement, or

(c) The other Constituent Corporation shall not have furnished such certificates, audited financial statements as of November 30, 1961, or later, and legal opinions in connection with the merger and matters incidental thereto as it shall have agreed to furnish, or

(d) If in the opinion of the Board of Directors of such Constituent Corporation the merger is impracticable or undesirable by reason of the number of objections or demands for payment for stock filed by the shareholders of either Consolidated or Tekoil in accordance with the laws of their respective states of incorporation.

(e) This Agreement and the merger herein provided for shall not have become effective on or before March 31, 1962.

In the event of such termination and abandonment, this Agreement shall be void and have no effect and there shall be no liability on the part of either of the Constituent Corporations or any Director or officer or shareholder of either of such Constituent Corporations in respect thereof.

Service of Process

16. In the event the merger shall become effective, the Surviving Corporation agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Tekoil, as well as for the enforcement of any obligation of the Surviving Corporation arising from the merger, and does irrevocably appoint the Secretary of State of the State of Delaware as its agent to accept service of process in any action for the enforcement or payment of any such obligation. The address to which a copy of such process shall be mailed is:

Consolidated Oil & Gas, Inc.
Suite 1112 Tower Building
1700 Broadway
Denver 2, Colorado

Execution in Counterparts

17. For the convenience of the parties hereto, and to facilitate the filing and recording of this Agreement of Merger, any number of counterparts thereof may be executed and each such executed

copy of this Agreement of Merger shall be deemed to be [illegible] said instrument, and all together shall constitute one agreement. This Agreement of Merger shall be determined to be and shall be construed as a Colorado contract.

In Witness Whereof, Consolidated Oil & Gas, Inc. and Tekoil Corporation, pursuant to authority duly given by their respective Boards of Directors, have caused this Agreement of Merger to be executed by a majority of their respective Directors and their corporate seals to be hereunto affixed, and attested by their respective Secretaries, as of the day and year first hereinabove written.

CONSOLIDATED OIL & GAS, INC.
Board of Directors

Attest:

Secretary

Roy A. Hubbard, Jr.

Jerome D. Luckhaupt

Carol J. Olegard

Donald T. O'Shea

John E. Price

Theodor F. Rittenberg

Harry A. Wiesenberg

Leo J. Spiegelberg

Lowe A. Freeman

TEKOIL CORPORATION
Board of Directors

Attest:

D. K. Dornbach

Donn P. Gumin

C. L. Perkins

Frank E. Sadler

Fred W. Fatzman

J. E. Trigg

CONSOLIDATED OIL & GAS, INC.
2112 TOWER BUILDING
1700 BROADWAY
DENVER, COLORADO

December 4, 1961

Tekoil Corporation
7101 Carpenter Freeway
Dallas 35, Texas

Gentlemen:

This letter will constitute an offer by Consolidated Oil & Gas, Inc., of Denver, Colorado, a corporation organized and existing under the laws of the State of Colorado, to effect a merger with Tekoil Corporation, of Oklahoma City, a corporation organized and existing under the laws of the State of Delaware, pursuant to the laws of the respective states of incorporation of the two companies, whereby Tekoil will be merged into Consolidated which will be the surviving corporation.

As of the effective date of the merger each stockholder of Tekoil will be entitled to receive one share of the $2.20 par value common stock of Consolidated for each 2.5 shares of the $1 par value common stock of Tekoil delivered to the surviving corporation for exchange. This offer is made in reliance upon the accuracy of the information previously furnished by Tekoil to Consolidated as to the financial condition of Tekoil as shown by a pro forma financial statement dated as of November 30, 1961 and unaudited financial statements taken from its books and records as of October 31, 1961 and the engineering valuations prepared by Norman Clark as of July 1, 1961. Your acceptance of this offer will be in reliance upon the accuracy of information as to the financial condition of Consolidated and engineering evaluations of its properties previously furnished to you.

If accepted, this agreement will be subject to the following conditions:

1. Within thirty days following the date of acceptance of this offer, Consolidated will use its best efforts to obtain refinancing commitments of Tekoil's mortgaged indebtedness at banking institutions of its own choosing on terms that are mutually acceptable to both parties.

2. Each party will have the right to inspect the books and records of the other and to make a physical inspection of the other party's properties at all reasonable times.

3. Each party agrees to proceed with the preparation of audited financial statements as of November 30, 1961.

4. Each party shall receive an opinion of its counsel to the effect that the proposed merger will be tax free to the respective corporations and their stockholders pursuant to the Revenue Act of 1954 and the regulations promulgated thereunder and that the tax loss carry forward of Tekoil may be utilized by the surviving corporation without reduction as a result of the merger.

5. Tekoil agrees to cause its auditors to make certain adjustments in its balance sheet, as recommended by Consolidated, affecting its investment in Petroleum Technologists, Inc., effective November 30, 1961.

6. Tekoil will use its best efforts to obtain a release of presently outstanding options for the purchase of shares of its common stock.

Upon the compliance of the above conditions to the mutual satisfaction of both parties, the parties will enter into a written merger agreement to be approved by its respective Boards of Directors and which will contain among other matters the following terms and conditions:

1. Each party will agree to call a special meeting of its stockholders to vote upon the merger.

2. Upon approval of the agreement of merger by the respective Boards of Directors, neither corporation shall issue any additional shares of stock nor enter into any agreement nor incur any

indebtedness other than in the ordinary course of trade or business, except, however, Consolidated may issue such shares as are required pursuant to the terms of certain common stock purchase warrants and respective stock options now outstanding.

3. One person selected by the Board of Directors of Tekoil shall become a member of the Board of Directors of the surviving corporation.

4. As of the effective date of the merger, all of the assets and properties of Tekoil shall vest in and become the assets and properties of the surviving corporation subject to all of the debts, liens and encumbrances and liabilities of Tekoil which shall be assumed by the surviving corporation as set forth in the audited financial statements of Tekoil as of November 30, 1961, except for any changes thereto incurred in the ordinary course of business.

5. On the effective date of the merger each holder of common stock of Tekoil, upon presentation and surrender of his certificates therefor to the surviving corporation, shall be entitled to one or more certificates representing shares of the common stock of the surviving corporation at the rate of one share of the common stock of the surviving corporation for each 2.5 shares of the common stock of Tekoil. The holders of any fractional interest in the shares of common stock of the surviving corporation will be entitled to receive payment in cash at the price of $5 for one full share of Consolidated for such fractional interest or to purchase an additional fractional interest so as to make one full share on the same basis.

6. Consolidated will prepare and file the necessary application for listing of the additional shares of its common stock on the American Stock Exchange, to be issued to the stockholders of Tekoil pursuant to the terms of the merger.

7. The holders of any outstanding options previously issued by Tekoil for the purchase of shares of Tekoil common stock and not theretofore released will be entitled, upon the exercising of such options, to purchase such number of shares of the surviving corporation as they would have been entitled to receive as a result of the merger had they previously exercised said options prior to the merger.

8. Each party will represent and warrant as of the effective date of the merger that it has no litigation, controversy or dispute pending or threatened against it not otherwise disclosed in said agreement of merger.

9. Tekoil will warrant that it has merchantable title as to all of its properties, both real and personal, as reflected on its books and records, and that the same have no encumbrances other than as set forth in its financial statements to be furnished by Tekoil pursuant hereto.

10. It is understood and agreed that the exchange contemplated by this merger will be in conformity with all state and federal laws and regulations including compliance with the applicable provisions of the Securities Act of 1933.

If this offer is acceptable to you, please indicate your acceptance and approval thereof in the space provided below.

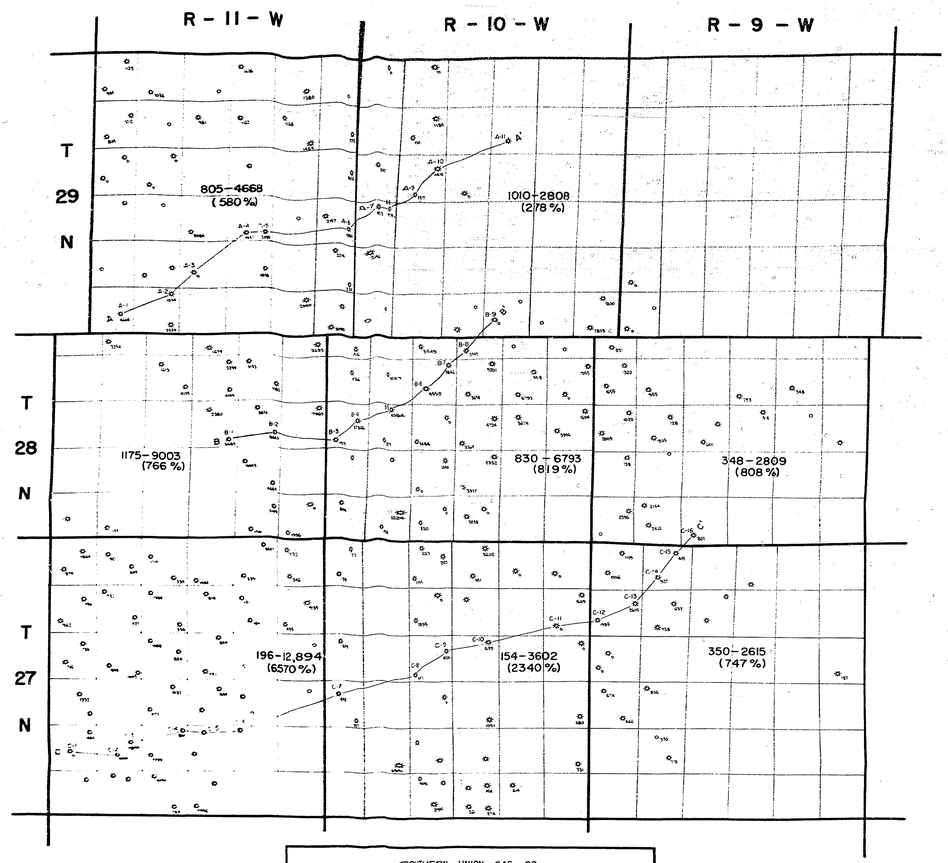
Yours very truly,

CONSOLIDATED OIL & GAS, INC.

By ..... HARRY A. TRUESDALE .....
Harry A. Truesdale, Jr.
President

ACCEPTED AND APPROVED by TEKOIL CORPORATION this 5th day of December, 1961.

By ..... D. K. DREISBACH .....
D. K. Dreisbach
President



SOUTHERN UNION GAS CO.

NEW MEXICO OIL CONSERVATION COMMISSION REGULAR HEARING

CASE 2504

EXHIBIT 2

CENTRAL PORTION OF BASIN DAKOTA POOL

LEGEND

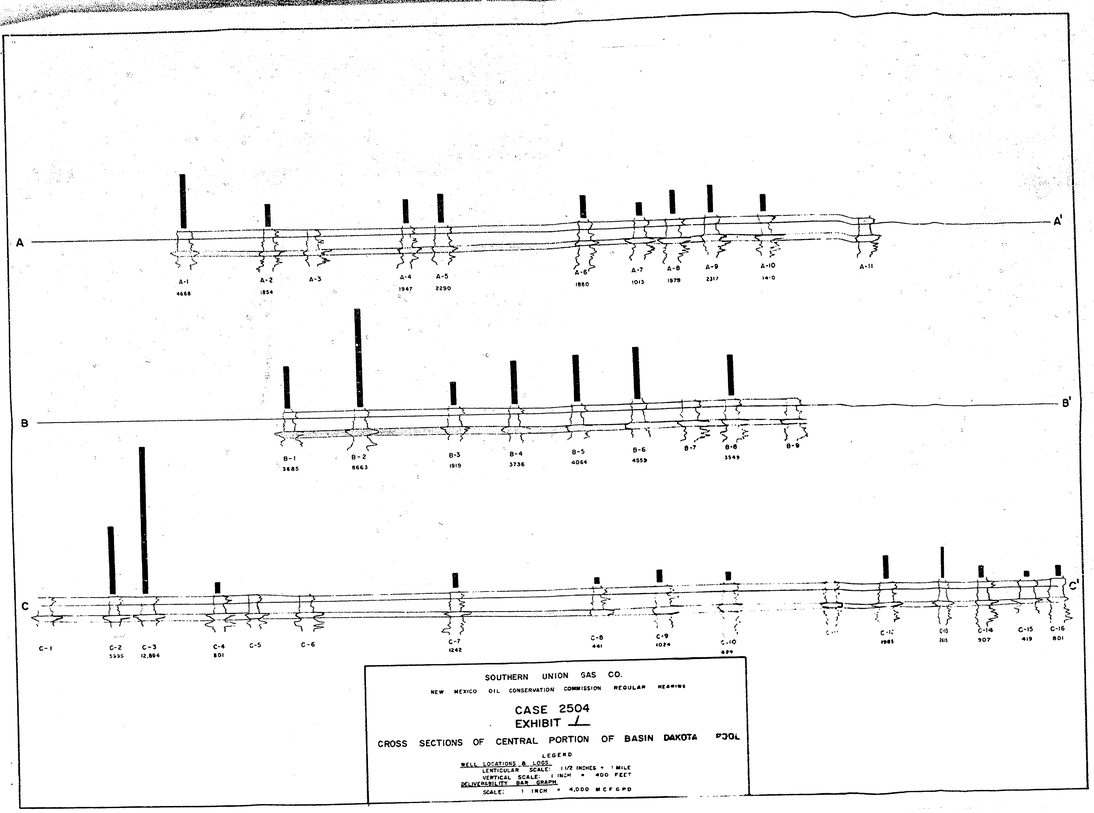
0 — GAS WELL

214 — INITIAL WELLHEAD SHUT-IN PRESSURE

95 - TWO WELLS WITH HIGHEST DELIVERABILITY IN TOWNSHIP

1310 % PERCENTAGE RELATION, HIGHEST TO LOWEST

SCALE 1 INCH = 1 MILE



SOUTHERN UNION GAS CO.

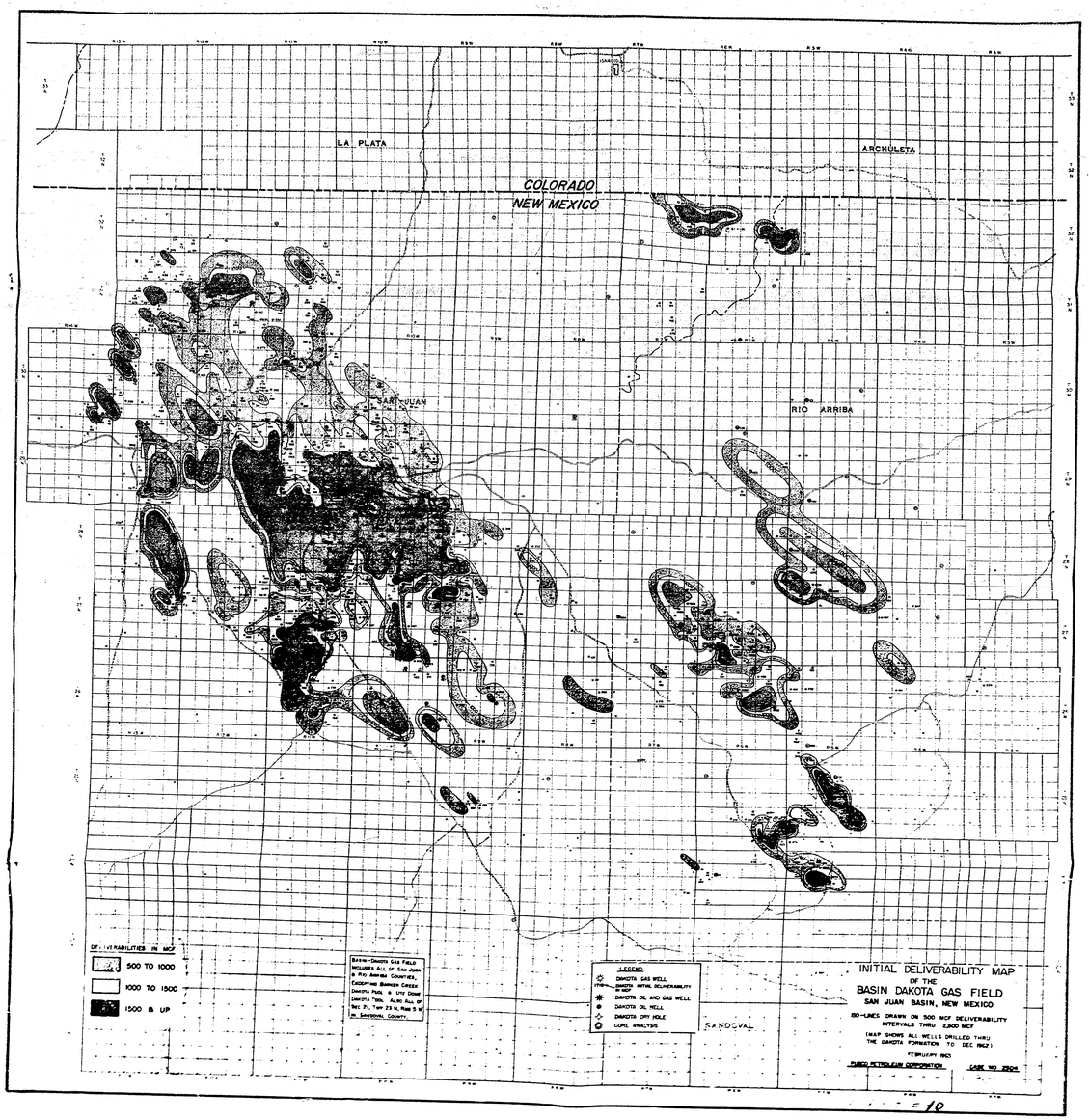
NEW MEXICO OIL CONSERVATION COMMISSION REGULAR HEARING

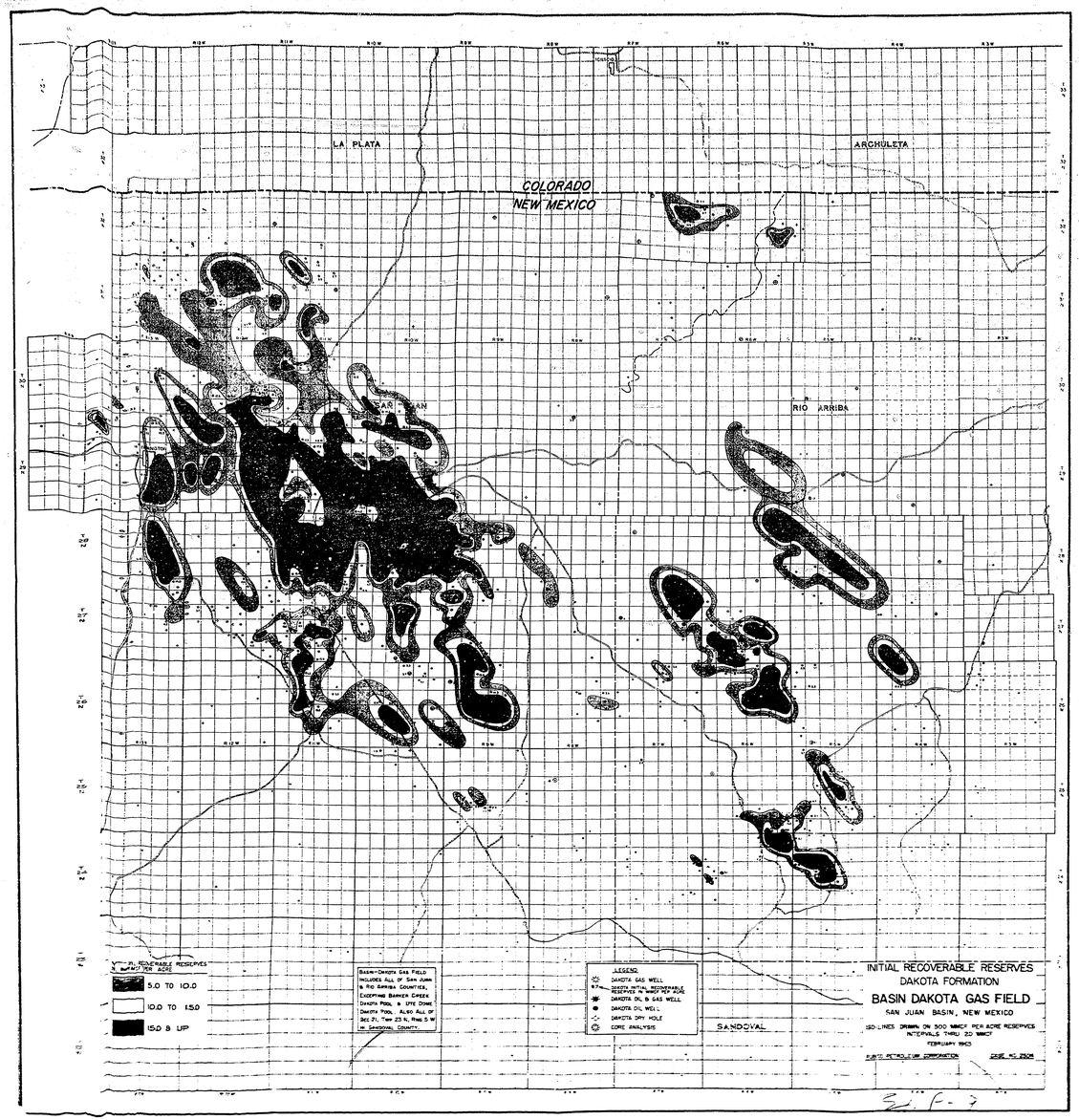
CASE 2504
EXHIBIT 1

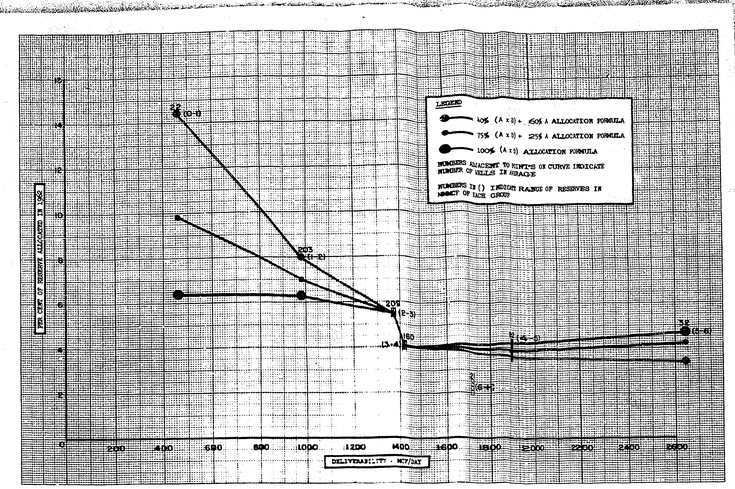
CROSS SECTIONS OF CENTRAL PORTION OF BASIN DAKOTA POOL

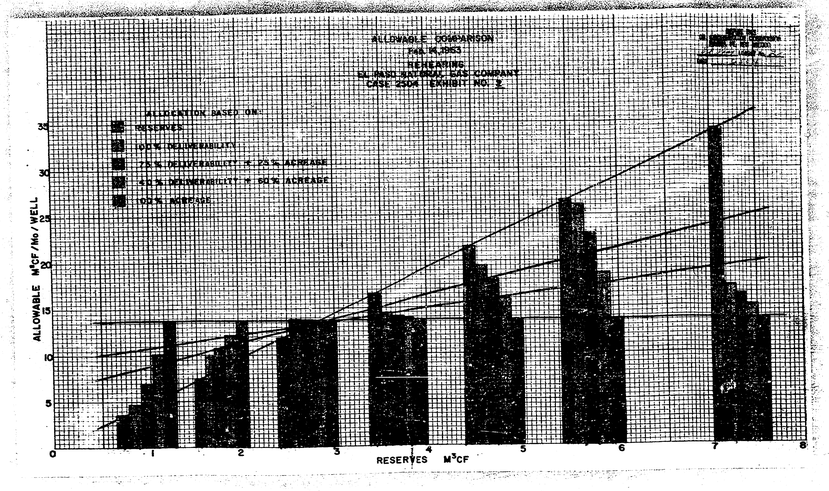
LEGEND

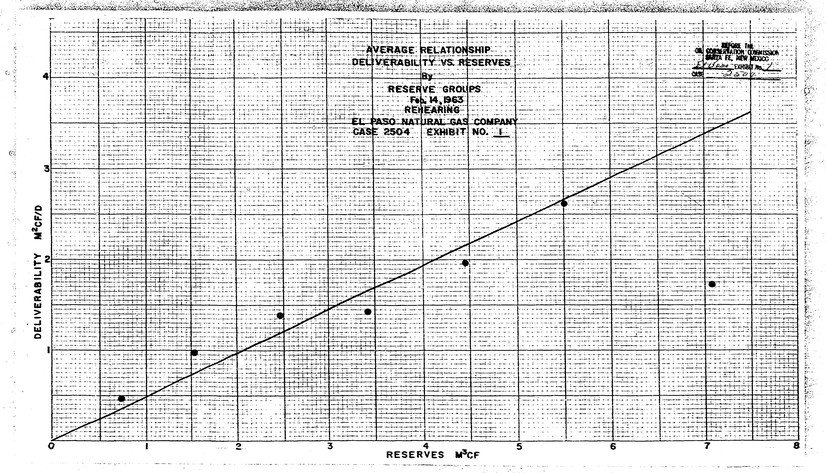
WELL LOCATIONS & LOGS:
LENTICULAR SCALE: 1 1/2 INCHES = 1 MILE
VERTICAL SCALE: 1 INCH = 400 FEET
DELIVERABILITY BAR GRAPH:
SCALE: 1 INCH = 4,000 MCF/DAY


LA PLATA
ARCHULETA
COLORADO
NEW MEXICO
SAN JUAN
RIO ARRIBA
SANDOVAL
DELIVERABILITIES IN MCF
500 TO 1000
1000 TO 1500
1500 & UP
BASIN-DAKOTA GAS FIELD
INCLUDES ALL OF San Juan & Rio Arriba Counties, EXCEPTING Blanco Mesa Dakota Pool & Ute Dome Dakota Pool. ALSO ALL OF Sec. 21, Twp 23 N, Rge 5 W IN Sandoval County.
LEGEND
DAKOTA GAS WELL
DAKOTA INITIAL DELIVERABILITY IN MCF
DAKOTA OIL AND GAS WELL
DAKOTA OIL WELL
DAKOTA DRY HOLE
CORE ANALYSIS
INITIAL DELIVERABILITY MAP
OF THE
BASIN DAKOTA GAS FIELD
SAN JUAN BASIN, NEW MEXICO
50-LINES DRAWN ON 500 MCF DELIVERABILITY INTERVALS THRU 2,500 MCF
(MAP SHOWS ALL WELLS DRILLED THRU THE DAKOTA FORMATION TO DEC 1962)
FEBRUARY 1963
PUBCO PETROLEUM CORPORATION
CASE NO. 2906


LA PLATA
ARCHULETA
COLORADO
NEW MEXICO
RIO ARRIBA
SANDOVAL
AVG. RECOVERABLE RESERVES IN BMCF PER ACRE
5.0 TO 10.0
10.0 TO 15.0
15.0 & UP
BASIN-DAKOTA GAS FIELD
INCLUDES ALL OF SAN JUAN & RIO ARRIBA COUNTIES, EXCEPTING BARKER CREEK DAKOTA POOL & IOTE DOME DAKOTA POOL. ALSO ALL OF SEC. 21, TWP. 23 N., RGE. 5 W. IN SANDOVAL COUNTY.
LEGEND
DAKOTA GAS WELL
DAKOTA INITIAL RECOVERABLE RESERVES IN BMCF PER ACRE
DAKOTA OIL & GAS WELL
DAKOTA OIL WELL
DAKOTA DRY HOLE
CORE ANALYSIS
INITIAL RECOVERABLE RESERVES
DAKOTA FORMATION
BASIN DAKOTA GAS FIELD
SAN JUAN BASIN, NEW MEXICO
ISO-LINES DRAWN ON 500 MMCF PER ACRE RESERVES INTERVALS THRU 20 MMCF
FEBRUARY 1963
AZTEC PETROLEUM CORPORATION
DRWG. NO. 2506

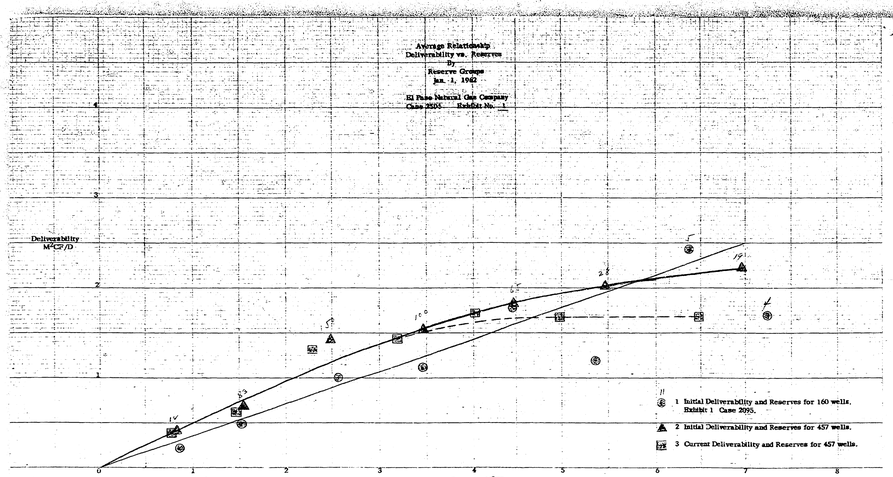

LEGEND
40% (A x I) + 60% A ALLOCATION FORMULA
75% (A x I) + 25% A ALLOCATION FORMULA
100% (A x I) ALLOCATION FORMULA
NUMBERS ADJACENT TO NIPPLE OR CURVE INDICATE NUMBER OF WELLS IN STRINGS
NUMBERS IN () INDICATE PLANNED RESERVES IN MONTH OF DATE GIVEN
PER CENT OF CURRENT ALLOCATED GAS
DELIVERABILITY - MCF/DAY
0
2
4
6
8
10
12
14
16
200
400
600
800
1000
1200
1400
1600
1800
2000
2200
2400
2600
203
(4-2)
209
(2-3)
160
(3-4)
(4-5)
(5-6)
(6-7)

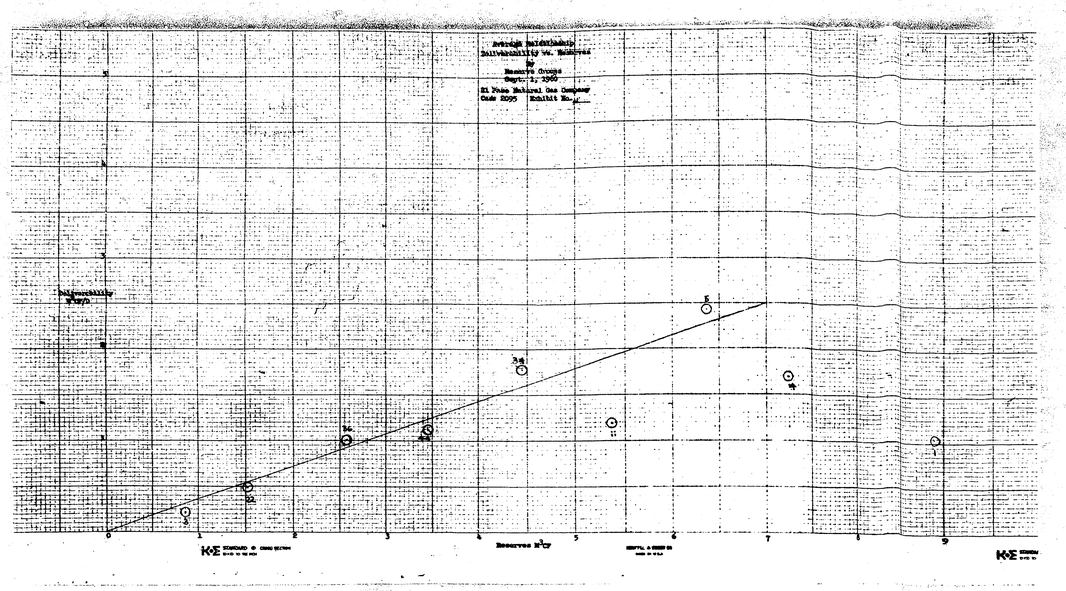

ALLOWABLE COMPARISON
Feb. 14, 1953
REVISED
SOUTH SATURN GAS COMPANY
CASE 2504 EXHIBIT NO. 2
ALLOCATION BASED ON
100% ACRES
100% DELIVERABILITY
75% DELIVERABILITY + 75% ACREAGE
50% DELIVERABILITY + 50% ACREAGE
100% ACREAGE
ALLOWABLE M³CF/No./WELL
RESERVES M³CF
0
5
10
15
20
25
30
35
1
2
3
4
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AVERAGE RELATIONSHIP
DELIVERABILITY VS. RESERVES
By
RESERVE GROUPS
Feb. 14, 1963
REHEARING
EL PASO NATURAL GAS COMPANY
CASE 2504 EXHIBIT NO. 1
BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE NO.
DELIVERABILITY M²CF/D
RESERVES M²CF
0
1
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Average Relationship
Deliverability vs. Reserves
By
Reserve Groups
Jan. 1, 1962

El Paso Natural Gas Company
Case 2095 Exhibit No. 1




Average Relationship
Deliverability Vs. Reserves
in
Hamerly Groups
Sept. 1, 1960
El Paso Natural Gas Company
Case 2025 Exhibit No. 6
Deliverability
MCF/D
Reserves BCF
K+E