

## Sirgo Brothers Energy Corp.

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(915) 685-0878 • FAX (915) 682-6224

1512 W. MURRAY DR. • FARMINGTON, NM 87401  
(505) 326-7700 • FAX (505) 325-7400

April 15, 1997

APR 16 1997

STATE OF NEW MEXICO  
Energy, Minerals & Natural Resources Div.  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Attention: Mr. David Catanach

Re: Information on Force Pooling

*Case 11768*

Dear David:

As per our conversation, please find enclosed the following information:

1. Letter notifying Mr. Kennedy of Hearing
2. Affidavit of Robert L. Crabb on his attempts to contact Mr. Kennedy
3. Plat showing Mr. Kennedy's 9 acres in the Moore #1 80-acre unit
4. Estimated cost to return Moore #1 to production
5. Estimated monthly operating cost on Moore #1

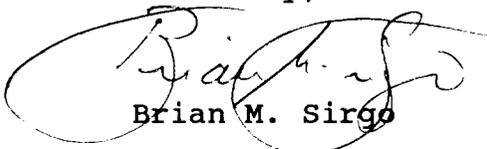
As you can see from the enclosed information, Mr. Kennedy only owns 11.25% of the 80-acre unit. I have calculated that it would take six months, net of monthly operating costs, for Mr. Kennedy to achieve payout status on the proposed work to return the Moore #1 to producing status (assuming gross production of 5 BOPD).

As we have discussed, we are not seeking any "penalty" for Mr. Kennedy not participating in the costs up front. We only wish to recoup our actual costs to return the well to production.

In addition, the other mineral owners who own 88.75% of the minerals under the 80-acre unit are also anxious to return this well to an active situation.

We respectfully request that our Application to force pool the nine-acre tract owned by Mr. Kennedy be granted.

Sincerely,



Brian M. Sirgo

BMS/pr

RECEIVED 4-15-97

OFF: (505) 325-5667



LAB: (505) 325-1556

April 9, 1997

Mr. Walter M. Kennedy  
P.O. Box 527  
Kirtland, NM 87417

Dear Mr. Kennedy:

The purpose of this letter is to inform you that Sirgo Brothers Energy Corporation has applied for Force Pooling of your nine mineral acre interest in the Moore # 1 well, located in the S/2 NW/4, Section 12, Township 29 North, Range 15 West, N.M.P.M., San Juan County, New Mexico. Application for said Force Pooling has been applied for with the New Mexico Oil Conservation Division (NMOCD) pursuant to NMOCD Rules & Regulation NO. 104.M.

A hearing for said application has been set for May 1, 1997, at the NMOCD office located at 2040 Pacheco, Santa FE, New Mexico at 9:00 A.M. You have the right to appear at said hearing. Failure to appear will preclude you from challenging any decision made at that time.

Sincerely,

Robert L. Crabb  
**On Site Technologies, LTD.**  
Agent for Sirgo Brothers Energy Corporation

RLC/rlc

cc: Mr. Thomas J. Hynes, Attorney  
1000 West Apache  
Farmington, New Mexico 87401

Mr. Brian Sirgo  
P.O. Box 3531  
Midland, Texas 79702

poolltr2.doc

Z 175 047 077



**Receipt for Certified Mail**

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

1993

Sent to Tom Hynes

Z 175 047 076



**Receipt for Certified Mail**

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

PS Form 3800, March 1993

Sent to	<u>WALTER M. Kennedy</u>
Street and No.	<u>P.O. Box 527</u>
P.O., State and ZIP Code	<u>KIRTLAND, NM 87417</u>
Postage	<u>\$ .32</u>
Certified Fee	<u>1.10</u>
Special Delivery Fee	
Restricted Delivery Fee	<u>2.75</u>
Return Receipt Showing to Whom & Date Delivered	<u>1.10</u>
Return Receipt Showing to Whom Date and Addressee's Address	
TOTAL Postage & Fees	<u>\$5.27</u>
Postmark or Date	

**AFFIDAVIT**

**STATE OF NEW MEXICO)**  
**) SS**  
**COUNTY OF SAN JUAN )**

Robert L. Crabb, the undersigned, being first duly sworn upon oath, states:

I am a resident of Durango, Colorado over twenty one (21) years of age;

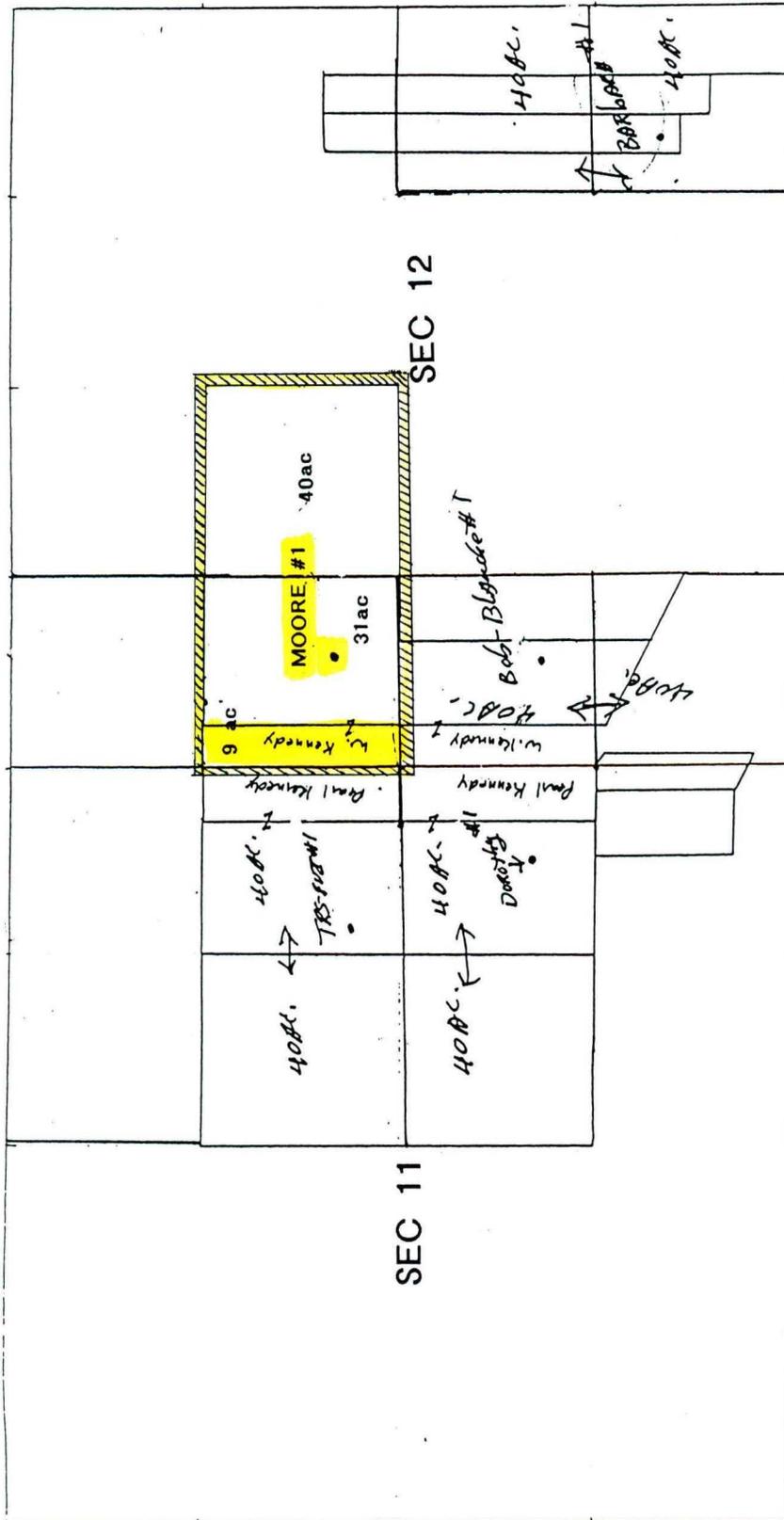
That on the twenty second (22) day of January, 1997, I had the following telephone conversation with Mr. Walter M. Kennedy, wherein I stated that I was contacting him to acquire his signature for and oil and gas lease on behalf of Sirgo Brothers Energy Corporation and explained that Sirgo Brothers Energy Corporation desired to put the Moore and Bob & Blanche wells back into production. Mr. Kennedy then proceeded to detail the history of his involvement and participation in the past, that he had invested \$15,000 in working interest in the past and had not received any payment thus far as a result of his investment in working interest with the prior owners of the wells, S & I Oil Company. I then informed Mr. Kennedy that Sirgo Brothers was a reputable company showing due diligence toward producing said wells. Mr. Kennedy then stated that he wanted to retain his working interest **and** requested the privilege of using gas from the well for his principal place of dwelling. I then stated that I would have to refer these items to Sirgo Brothers Energy Corporation for approval and would get back with him. Mr. Kennedy said that would be fine.

That on the twenty eighth (28) day of January, 1997, I had additional telephone conversation with Mr. Walter M. Kennedy wherein I stated that Sirgo Brothers agreed to his participation in the working interest and providing the gas for his principal place of dwelling. Mr. Kennedy then went into the scenario of the history of the problems he has had with other oil companies in the past again. I then asked Mr. Kennedy if I might meet with him and have him sign the oil and gas lease. He stated that he wanted to talk to his attorney, Mr. Thomas Hynes, about the matter first. I stated that would be fine and that I would contact him later.

That on the fifth (5) day of February, 1997, I had and additional telephone conversation with Mr. Walter M. Kennedy wherein Mr. Kennedy stated that he was not signing anything unless his attorney OK'd it. I said that would be fine and that I would forward the Oil & Gas Lease and information regarding Mr. Kennedy's mineral interest to his attorney, Mr. Thomas Hynes for Mr. Hynes to review.

That on the fourteenth (14) day of February, 1997, I delivered said Oil & Gas Lease and mineral ownership information to Mr. Thomas Hynes at his place of business at 1000 West Apache, Farmington, New Mexico. Mr. Hynes stated he would visit with Mr. Kennedy about the matter and that I should contact him the following week.





MOORE #1 WELL - 80 acres S/2NW/4, Section 12, T29N, R15W  
 San Juan County, New Mexico, Unit letter E, 1980' FNL,  
 660' FWL, API 30-045-24742, Cha Cha Gallup Pool.

MOORE #1 WELL

ESTIMATED COSTS TO RETURN WELL TO PRODUCING STATUS

<u>ITEM</u>	<u>COSTS</u>
ELECTRICITY DEPOSIT	\$ 25.00
ELECTRICIAN HOOK UP	200.00
PUMPING UNIT REPAIRS/SERVICE	500.00
4500' 2-3/8" USED TUBING	5,000.00
4500' 3/4" USED RODS	3,060.00
DOWNHOLE PUMP	800.00
SEATING NIPPLE	50.00
PERFORATED SUB	60.00
WELLHEAD MISC. PARTS	500.00
HOT OIL WELL/TANKS	500.00
DIRT WORK	<u>300.00</u>
TOTAL	\$10,995.00

MR. KENNEDY'S SHARE 11.25% = \$1,236.94

SIRGO BROTHERS ENERGY CORP. 88.75% = \$9,758.06

MOORE #1 WELL

ESTIMATED MONTHLY OPERATING EXPENSES

<u>ITEM</u>	<u>COSTS</u>
ADMINISTRATIVE OVERHEAD	\$300.00
PUMPER	150.00
ELECTRICITY	300.00
CHEMICAL	100.00
SUPPLIES/MISCELLANEOUS	<u>50.00</u>
TOTAL	\$900.00

MR. KENNEDY'S SHARE 11.25% = \$101.25

SIRGO BROTHERS ENERGY CORP. 88.75% = \$798.75