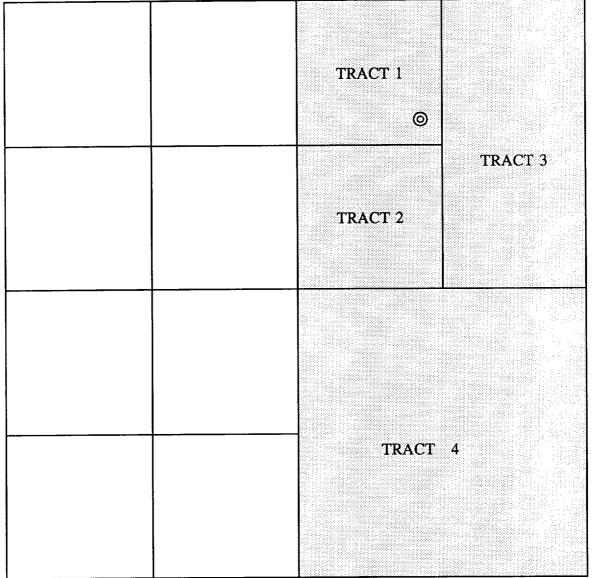
Exhibits 1 through 10 Complete Set

## FLORANCE GAS COM G #1 WELL FRUITLAND COAL FORMATION DRILLING AND SPACING UNIT SECTION 30: E/2 TOWNSHIP 30 NORTH-RANGE 8 WEST 290.69 ACRES SAN JUAN COUNTY, NEW MEXICO

### LOCATION: 1190' FNL AND 1490' FEL



Scale 6" = 1 Mile

Application of SG Interests I, Ltd. for Compulsory Pooling Case No. /0586 Examiner Hearing Docket Dated 10/29/92 Exhibit No.

III\0640.EX

## SG INTERESTS I, LTD., OPERATOR

## FLORANCE GAS COM G #1 WELL

### **UNIT WORKING INTEREST**

* SG Interests I, Ltd.	60.29020%
El Paso Production Company	24.98980%
Meridian Oil Production Inc.	2.67000%
Union Oil Company of California	6.31000%
/Dirk Vanhorn Reemstma	0.57500%
VLance Brewster Reemstma	0.57500%
-David A. Pierce	0.76660%
San Juan Royalty Partners	0.76670%
Susan Leigh Pierce Nelson	0.76670%
Estate of Mary Cecile Forehand	2.29000%
	100.00000%

\* Working Interest obtained through Farmout Agreement.

10-29-92

### SG INTERESTS I, LTD., OPERATOR

10-29-92

## FLORANCE GAS COM G #1 WELL

# LEASEHOLD OWNERSHIP

### <u>Tract 1</u>

40.00 Acres NW/4 of NE/4

### As to a 36/144 Mineral Interest:

Union Oil Company of California	83.333%
Amoco Production Company	8.333%
Conoco, Inc.	<u>8.333%</u>
Subject to Farmout Agreement to SG Interests I, Ltd.	100.000%
As to a 28/144 Mineral Interest:	
Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u> 100.00%
Subject to Farmout Agreement to SG Interests I, Ltd.	100.00%
<u>As to a 9/144 Mineral Interest</u> :	
Union Oil Company of California	100.00%
As to a 71/144 Mineral Interest (Unleased Mineral Ownership):	
Dirk Vanharn Deemstma	8 153 %

8.453%
8.453%
11.268%
11.268%
11.268%
19.716%
16.896%
<u>_12.678%</u>
100.000%

# Tract 2

-

40.00 Acres SW/4 of NE/4

### As to a 72/144 Mineral Interest:

Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u> 100.00%
Subject to Farmout Agreement to SG Interests I, Ltd.	100.00 %
As to a 28/144 Mineral Interest:	
Amoco Production Company	50.00%
Conoco, Inc.	<u>    50.00 %</u> 100.00 %
Subject to Farmout Agreement to SG Interests I, Ltd.	100.00%
<u>As to a 9/144 Mineral Interest:</u>	
Union Oil Company of California	100.00%
As to a 35/144 Mineral Interest (Unleased Mineral Ownership):	
Meridian Oil Production, Inc.	40.00%
Mary Cecile Forehand, deceased	34.28%
Union Oil Company of California	25.72% 100.00%
Tract 3	
72.65 Acres E/2 of NE/4	

El Paso Production Company	100.00%

# Tract 4

-

138.04 Acres SE/4

Amoco Production Company	50.00%
Conoco, Inc.	<u>50.00%</u> 100.00%

Subject to Farmout Agreement to SG Interests I, Ltd.

### FLORANCE GAS COM G #1 WELL

### **DESCRIPTION OF LEASES**

### SECTION 30: E/2 TOWNSHIP 30 NORTH-RANGE 8 WEST SAN JUAN COUNTY, NEW MEXICO

### <u>Tract 1</u>

40.00 Acres NW/4 of NE/4

ORIGINAL LESSOR: ORIGINAL LESSEE: DATE: RECORDING DATA: NET ACRES: DESCRIPTION:	<ul> <li>R. E. Beamon, a single man</li> <li>Delhi-Taylor Oil Corporation</li> <li>July 1, 1956</li> <li>Book 317, Page 65</li> <li>7.78</li> <li>NW/4 NE/4</li> <li>Containing 40 acres, more or less</li> </ul>
ORIGINAL LESSOR: ORIGINAL LESSEE: DATE: RECORDING DATA: NET ACRES: DESCRIPTION:	Martha H. Lynch, Trustee and W. W. Lynch, her husband Texas National Petroleum Company April 4, 1956 Book 300, Page 79 10.00 NW/4 NE/4 Containing 40 acres, more or less
ORIGINAL LESSOR: ORIGINAL LESSEE: DATE: RECORDING DATA: NET ACRES: DESCRIPTION:	Ralph A. Johnston; V. A. Johnston; Mrs. Willie Johnston, a widow; Mrs. Lillie Leona Rogers, a widow; Orville C. Rogers, Mrs. Veve Jean Gibbard and husband, Frank Gibbard; First National Bank of Fort Worth, Texas, Trustee for Eula May Johnston; and Eula May Johnston, a widow Texas National Petroleum Company July 1, 1956 Book 310, Page 153 2.50 NW/4 NE/4 Containing 40 acres, more or less

## Tract 1 - Unleased Mineral Interest:

The Estate of Mary Cecile Forehand	3.332 Net Acres
Union Oil Company of California	2.500 Net Acres
Meridian Oil Production, Inc.	3.888 Net Acres
Dirk Vanhorn Reemstma	1.667 Net Acres
Lance Brewster Reemstma	1.667 Net Acres
San Juan Royalty Partners	2.222 Net Acres
Susan Leigh Pierce Nelson	2.222 Net Acres
David A. Pierce	2.222 Net Acres

## Tract 2

40.00 Acres SW/4 of NE/4

ORIGINAL LESSOR:	R. E. Beamon, a single man
ORIGINAL LESSEE:	Delhi-Taylor Oil Corporation
DATE:	July 1, 1956
RECORDING DATA:	Book 317, Page 66
NET ACRES:	7.78
DESCRIPTION:	SW/4 NE/4
	Containing 40 acres, more or less
ORIGINAL LESSOR:	Ricardo Jaquez (sometimes known as Recardio Jaquez) and wife,
	Marinez Jaquez
ORIGINAL LESSEE:	C. H. Nye
DATE:	August 16, 1947
RECORDING DATA:	Book 130, Page 2
NET ACRES:	20.00
DESCRIPTION:	SW/4 NE/4
	Containing 40 acres, more or less
ORIGINAL LESSOR:	Ralph A. Johnston; V. A. Johnston; Mrs. Willie Johnston, a widow; Mrs. Lillie Leona Rogers, a widow; Orville C. Rogers, Mrs. Veve Jean Gibbard and husband, Frank Gibbard; First
	National Bank of Fort Worth, Texas, Trustee for Eula May
	Johnston; and Eula May Johnston, a widow
ORIGINAL LESSEE:	Texas National Petroleum Company
DATE:	July 1, 1956
RECORDING DATA:	Book 310, Page 153
NET ACRES:	2.50
DESCRIPTION:	SW/4 NE/4
	Containing 40 acres, more or less

# Tract 2 - Unleased Mineral Interest

The Estate of Mary Cecile Forehand	3.332 Net Acres
Union Oil Company of California	2.500 Net Acres
Meridian Oil Production, Inc.	3.888 Net Acres

## Tract 3

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72.65 Acres E/2 of NE/4

SERIAL NO.:	NM-012718 (Formerly Part of SF 079511)
ORIGINAL LESSOR:	United States of America
ORIGINAL LESSEE:	Hazel Bolack
DATE:	September 1, 1949
DESCRIPTION:	E/2 NE/4
	Containing 72.65 acres, more or less

# Tract 4

138.04 Acres SE/4

SERIAL NO.:	SF 079511-A
ORIGINAL LESSOR:	United States of America
ORIGINAL LESSEE:	Hazel Bolack
DATE:	September 1, 1949
RECORDING DATA:	Book 205, Page 111
DESCRIPTION:	SE/4
	Containing 138.04 acres, more or less

III\0643.DOC

#### JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE SUITE #406 DENVER, COLORADO 80202

· . • .

PHONE: 303-534-4502

October 1, 1992

Susan Leigh Pierce Nelson 4901 Crestwood Drive Farmington, New Mexico 87402

CERTIFIED: RETURN RECEIPT REQUESTED

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Dear Ms. Nelson:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that own 2.222 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, your unleased mineral interest would total 0.76670%% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.76670% Working Interest would be \$2,085.50. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do <u>not</u> desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

Application of SG Interests I, Ltd. for

Compulsory Pooling						
Case No.	10586					
Examiner	learing Docket Dated 10/29/92					
Exhibit No	. 2					

#### your 2.222 net mineral acres:

. . .

 SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 2.222 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely,

James B. Fullerton Consulting Landman on behalf of SG Interests I, Ltd.

		SG INTERESTS I, LTI AUTHORITY FOR EXPENDIT		1		
WELL NO. WELL NAME: Florance Gas Com "G"					DATE: 09/10/92	
FIELD: B	lasin Fruitland Coal	COUNTY: San Juan		STATE: New Mexico		
LOCATIO	N: East Half (E/2) of Section	30, Township 30 North – Range 8 West, N.M.P.M	А.	PROPOSED T.D.	2600'	
PURPOS	E OF EXPENDITURE: Drill, Co	ompiete & Equip Coalbed Methane Gas Well	FORMATION:	Fruitian d Coal S	eam i	
AFE			DRILLING	COMPLETION	TOTAL	
CODE 220/101	INTANGIBLE EXF Staking & Permitting	PENSE CONTRACTOR	COST \$3,000	COST	COST \$3,000	
220/102	Location, Roads, Pits & Dam	ages	\$14,500	\$2,500	\$17,000	
220/103 220/104	Mobilization/Demobilization Contract Drilling – Day work	12 Hrø. @ \$175/Hour	\$2,150		\$0 \$2,150	
220/105 220/001	Contract Drilling-Footage Contract Drilling-Turnkoy	2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100	
220/001	Completion Rig		· · · · · · · · · · · · · · · · · · ·	\$7,500	\$0 \$7,500	
840/110	Workover Rig				\$0	
220/106 220/107	Fuel, Power & Lubricants Bits, Reamers & Stabilizers	,			\$0 \$0	
220/108 \	Drilling & Completion Fluids			\$3,200	\$3,200	
220/302 220/109	Casing Crews, Tongs, Hand Misc Labor, Contract Service		\$1,000	\$1,200 \$5,500	\$1,200 \$6,500	
220/110	Cement, Cmt Services, Mech	n Aids & Devices	\$2,500	\$7,100	\$9,600	
220/111 220/303	Conventional Coring & Corin Water & Hauling	g Service	<u></u>	\$3,600	\$0 \$3,600	
220/112	Mud Logging			0,000	\$0,000	
220/113	Logging-Open Hole-SWC		\$4,800	<b>6</b> 5 000	\$4,800	
220/304 220/305	Cased Hole Logs, Perforating	g a Other Wileling Services	\$800	\$5,200 \$1,200	\$5,200 \$2,000	
220/307	Acidization, Fracturing & Stir	nulation		\$40,000	\$40,000	
220/114 220/115	Rentals Tools & Equipment Directional Drilling Services	<u> </u>	\$1,200	\$2,800	\$4,000	
220/117	Communications				\$0	
220/120	Overhead per Operating Agr Supervision	reement	\$1,000 \$1,200	\$3,000 \$4,000	\$4,000 \$5,200	
220/113	Contingencies (10%) & Misc		\$6,730	\$8,680	\$15,410	
	TOTAL INTANGIBLE E	KPENSE	\$73,980	\$95,480	\$169,460	
AFE CODE	· · · · · · · · · · · · · · · · · · ·	LE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST	
230/101 230/102	Conductor Casing Surface Casing	250 F1, 8-5/8" @ \$8.60/F1.	\$2,150		\$0 \$2,150	
230/103	Intermediate Casing				\$0	
230/104 230/301	Drilling Liner Production Liner				\$0 \$0	
230/302	Production Casing	2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390	
230/303 230/304	Tubing Wellhead Equipment, Tree	2550 Fl. 2-3/8" @ \$2.20/Fl.	\$800	\$5,610 \$1,900	\$5,610 \$2,700	
230/305	Artificial Lift Equipment, Pum		•••••	\$1,500	\$0	
230/306 230/307	Separator, Heater Treater, D. Meters & Flowlines	ehydrator		\$11,800	\$11,800	
230/307	Tank Battery & Storage			\$13,500 \$5,500	\$13,500 \$5,500	
230/309	Subsurface Production Equi	pment			\$0	
230/310 230/311	Misc. Well Equipment Installation-Production Faci	lities	<u> </u>	\$2,200 \$5,700	\$2,200 \$5,700	
230/312	Compressor			\$40,000	\$40,000	
	TOTAL TANGIBLE EXP	ENSE	\$2,950	\$99,600	\$102,550	
	TOTAL WELL COST		\$76,930	\$195,080	\$272,010	
	DR APPROVAL September 10, 1992	SG INTERESTS I, LID. Gordy Gas Corporation BY: Russell D. Gordy, Pr	resident	Partner		
JOINT J	INTEREST APPROVAL	Susan Leigh Pierce	Nelson			
DATE:						
WORKING	INTEREST: 0.76670%	APPROVED BY:				
MINERAL	INTEREST:	TITLE:				
308-30E WK3						

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### JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE Suite #406 Denver, Colorado 80202

PHONE: 303-534-4502

October 1, 1992

David A. Pierce <u>CERTIFIED:RETURN RECEIPT REQUESTED</u> First Interstate Bank, as Agent P.O. Box 4140 Farmington, New Mexico 87499

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Gentlemen:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that David A. Pierce owns 2.222 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, his unleased mineral interest would total 0.76660% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.76660% Working Interest would be \$2,085.50. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do <u>not</u> desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

### your 2.222 net mineral acres:

 SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 2.222 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely, SAMO B, &J

James B. Fullerton Consulting Landman on behalf of SG Interests I, Ltd.

WELL NO	, <u>, , , , , , , , , , , , , , , , , , </u>	WELL NAME: Florance Gas Com "G"		DATE: 09/10/92	
<b></b>		··			
FIELD: B	asin Fruitland Coal	COUNTY: San Juan		STATE: New M	exico
LOCATIO	N: East Half (E/2) of Section 3	30, Township 30 North – Range 8 West, N.M.P.I	M	PROPOSED T.D.	2600'
PURPOSE	E OF EXPENDITURE: Drill, Co	omplete & Equip Coalbed Methane Gas Well	FORMATION:	Fruitian d Coal S	eam
AFE			DRILLING	COMPLETION	TOTAL
CODE		ENSE	COST \$3,000	COST	COST \$3,000
220/101 220/102	Staking & Permitting Location, Roads, Pits & Dam	8085	\$14,500	\$2,500	\$17,000
220/103	Mobilization/Demobilization				\$
220/104 220/105	Contract Drilling-Daywork Contract Drilling-Footage	المستجد والمستجد والمستجل بمستجد والمستجد والمستجد والمتحد والمحاد و	\$2,150 \$35,100	<u> </u> }	\$2,15
220/001	Contract Drilling-Turnkoy				\$00,100
220/301	Completion Rig			\$7,500	\$7,500
840/110	Workover Rig			<b> </b>  -	\$
220/106 220/107	Fuel, Power & Lubricants Bits, Reamers & Stabilizers			<u> </u>	S
220/108	Drilling & Completion Fluids			\$3,200	\$3,200
220/302	Casing Crews, Tongs, Handl			\$1,200	\$1,200
220/109 220/110	Misc Labor, Contract Service Coment, Cmt Services, Mech		\$1,000	\$5,500 \$7,100	\$6,500 \$9,600
220/111	Conventional Coring & Corin		42,000	•7,100	\$3,000
220/303	Water & Hauling			\$3,600	\$3,600
220/112	Mud Logging	Diamatan	\$4,800	-	\$4,80
220/304	Logging-Open Hole-SWC Cased Hole Logs, Perforating		\$4,800	\$5,200	\$5,200
220/305	Inspection & Testing		\$800	\$1,200	\$2,000
220/307	Acidization, Fracturing & Stin	nulation		\$40,000	\$40,000
220/114 220/115	Rentals Tools & Equipment		\$1,200	\$2,800	\$4,00
220/115	Directional Drilling Services	<u></u>			\$
220/120	Overhead per Operating Agr	eement	\$1,000	\$3,000	\$4,000
220/119	Supervision		\$1,200	\$4,000	\$5,20
220/121	Contingencies (10%) & Misc	· · · · · · · · · · · · · · · · · · ·	\$6,730	\$8,680	\$15,410
	TOTAL INTANGIBLE EX	(PENSE	\$73,980	\$95,480	\$169,460
AFE CODE		LE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
230/101	Conductor Casing Surface Casing	250 Ft. 8-5/8' @ \$8,60/Ft.	\$2,150	łł	\$2,15
230/103	Intermediate Casing		<u>_</u>		\$
230/104	Drilling Liner			-	\$
230/301 230/302	Production Liner Production Casing	2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$ \$13,39
230/303	Tubing	2550 Ft. 2-3/8' @ \$2.20/Ft.		\$5,610	\$5,61
230/304	Wellhead Equipment, Tree		\$800	\$1,900	\$2,70
230/305	Artificial Lift Equipment, Pum			£11,000	\$11,80
230/306 230/307	Separator, Heater Treater, De Motors & Flowlines	enyorator		\$11,800 \$13,500	\$13,50
230/308	Tank Ballery & Storage			\$5,500	\$5,50
230/309	Subsurface Production Equi	pment			\$
230/310 230/311	Misc. Well Equipment Installation Production Faci	lities		\$2,200 \$5,700	\$2,200 \$5,700
	Compressor			\$40,000	\$40,000
	TOTAL TANGIBLE EXP	ENSE	\$2,950	\$99,600	\$102,550
	TOTAL WELL COST		\$76,930	\$195,080	\$272,010
230/312	Compressor TOTAL TANGIBLE EXP		\$76,930	\$40,000 \$99,600 \$195,080	\$40,9 \$102,5
JOINT 1	INTEREST APPROVAL	David A. Pierce			
	TIMEDECTI	First Interstate Ba	ank, as Age	nt	
WURKING	INTEREST: 0.76660%	APPROVED BY:	<u></u>	<u></u>	

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### **JAMES B. FULLERTON**

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE SUITE #406 DENVER, COLORADO 80202

PHONE: 303-534-4502

October 1, 1992

Dirk Vanhorn Reemstma <u>CERTIFIED:RETURN RECEIPT REQUESTED</u> First Interstate Bank, as Agent P.O. Box 4140 Farmington, New Mexico 87499

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Gentlemen:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that Dirk Vanhorn Reemstma owns 1.667 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, his unleased mineral interest would total 0.57500% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.57500% Working Interest would be \$1,564.00. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do <u>not</u> desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

#### your 1.667 net mineral acres:

 SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 1.667 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely, DAME D. BA

James B. Fullerton Consulting Landman on behalf of SG Interests I, Ltd.

		SG INTERESTS I, LT AUTHORITY FOR EXPENDIT		)	
WELL NO		WELL NAME: Florance Gas Com *G*		DATE: 09/10/92	<u> </u>
FIELD: B	asin Fruitland Coal	COUNTY: San Juan		STATE: New M	lexico
		30, Township 30 North – Range 8 West, N.M.P.I	······	PROPOSED T.D	
			1		
		complete & Equip Coalbed Methane Gas Well	FORMATION:	Fruitland Coal S	
AFE	INTANGIBLE EX	PENSE	COST	COMPLETION	COST
220/101	Staking & Permitting		\$3,000		\$3,000
220/102	Location, Roads, Pits & Dar		\$14,500	\$2,500	\$17,000
220/103	Mobilization/Demobilization Contract Drilling-Daywork		\$2,150	┨━━	\$0 \$2,150
220/105	Contract Drilling-Footage		\$35,100		\$35,100
220/001	Contract Drilling-Turnkoy				\$0
220/301 840/110	Completion Rig Workover Rig	······································		\$7,500	\$7,500
220/106	Fuel, Power & Lubricants	······································	<u> </u>	<u> </u>	\$0
220/107	Bits, Reamers & Stabilizers				\$0
220/108 220/302	Drilling & Completion Fluide			\$3,200	\$3,200
220/302	Casing Crews, Tongs, Hand Misc Labor, Contract Servic		\$1,000	\$1,200 \$5,500	\$1,200 \$6,500
220/110	Cement, Cmt Services, Mec		\$2,500	\$7,100	\$9,600
220/111	Conventional Coring & Cori	ng Service			\$0
220/303 220/112	Water & Hauling Mud Logging			\$3,600	\$3,600
220/112	Logging-Open Hole-SWC	's & Dipmoter	\$4,800	<u>├</u> ───	\$4,800
220/304	Cased Hole Logs, Perforatin			\$5,200	\$5,200
220/305	Inspection & Testing		\$800	\$1,200	\$2,000
220/307 220/114	Acidization, Fracturing & Sti Rentals Tools & Equipment	mulation	\$1,200	\$40,000 \$2,800	\$40,000
220/115	Directional Drilling Services				\$0
220/117	Communications				\$0
220/120	Overhead per Operating Ag	reement	\$1,000	\$3,000	\$4,000 \$5,200
220/119	Supervision Contingencies (10%) & Mise	3	\$6,730	\$8,680	\$15,410
	TOTAL INTANGIBLE E		\$73,980	\$95,480	\$169,460
AFE CODE		BLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
230/101	Conductor Casing Surface Casing	250 Ft. 8-5/8" @ \$8.60/Ft.	\$2,150	+	\$0 \$2,150
230/103	Intermediate Casing				\$0
230/104	Drilling Liner				\$0
230/301	Production Liner Production Casing	2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$0 \$13,390
230/302	Tubing	2550 Fl. 2-3/8" @ \$2.20/Fl.		\$15,530	\$5,610
230/304	Wellhead Equipment, Tree		\$800		\$2,700
230/305	Artificial Lift Equipment, Pur				\$0
230/306	Separator, Heater Treater, [ Meters & Flowlines	Dehydrator		\$11,800 \$13,500	\$11,800 \$13,500
230/308	Tank Battery & Storage			\$5,500	\$5,500
230/309	Subsurface Production Equ	Ipment			\$0
230/310	Misc. Well Equipment Installation – Production Fac	libia		\$2,200 \$5,700	\$2,200 \$5,700
230/311	Compressor		·· [	\$40,000	\$40,000
	TOTAL TANGIBLE EXI	PENSE	\$2,950		\$102,550
	TOTAL WELL COST		\$76,930	\$195,080	\$272,010
	September 10, 1992	SG INTERESTS I, MD. Gordy Sag Corporati BY: Russell D. Gordy, E	ion, ceneral	<u>[</u> _	
JOINT I	NTEREST APPROVAL	Dist Vestare Dest			
DATE:		Dirk Vanhorn Reemst First Interstate Ba		a t	
WORKTNG	INTEREST: 0.57500%	APPROVED BY:	ing as Agel		
_					
MINERAL	INTEREST:	TITLE:			
308 - 30E WK3					

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### JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE SUITE #406 DENVER, COLORADO 80202

PHONE: 303-534-4502

October 1, 1992

Lance Brewster Reemstma <u>CE</u> 575 Edgecroft Road Kensington, California 94707

CERTIFIED: RETURN RECEIPT REQUESTED

Re: Proposed Fruitland (Coal)
Formation Well
Florence Gas Com G #1 Well
SG Interests I, Ltd. - Operator
Township 30 North, Range 8 West
Section 30: East 1/2
San Juan County, New Mexico

Dear Mr. Reemstma:

This correspondence is in regard to a proposed Fruitland (Coal) Formation well to be drilled by SG Interests I, Ltd. in the East 1/2 of Section 30 - Township 30 North, Range 8 West, San Juan County, New Mexico.

SG Interests I, Ltd. has entered into an Agreement with Amoco Production Company involving a large scale drilling program on Amoco owned Leasehold Interests in San Juan County, New Mexico. The title information obtained from Amoco indicates that you own 1.667 net unleased mineral acres under the NW/4NE/4 of Section 30. The drilling and spacing unit assigned to this well is the East 1/2 of Section 30. Thus, your unleased mineral interest would total 0.57500%% of the Working Interest in the proposed well.

I have enclosed an Authority for Expenditure for your review. As outlined, the estimated cost for drilling and completing the subject well is approximately \$272,010. Thus, the estimated cost to your 0.57500% Working Interest would be \$1,564.00. I have also attached a Joint Operating Agreement to cover operations on the proposed well.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your Working Interest in the costs of the well. If you do <u>not</u> desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer the following option to you for an Oil and Gas Lease covering

#### your 1.667 net mineral acres:

 SG would offer to Lease your mineral interest, from the surface to the base of the Fruitland (Coal) Formation only, for a Lease bonus consideration of \$100.00/acre. The Oil and Gas Lease would also provide for a 20.00% Royalty on your 1.667 net mineral acres.

Please review the attached Authority for Expenditure and advise me if you wish to participate for your proportionate Working Interest. If you do not desire to participate for your Working Interest, please advise me if you wish to Lease your mineral interest under the terms as outlined above. In as much as we are proposing to begin drilling operations within the next 30 days, your early attention to this matter would be greatly appreciated.

If you should have any questions or would like to discuss this matter in more detail, please feel free to call me at 303-534-4502.

Sincerely, CAMP BIER

James B. Fullerton Consulting Landman on behalf of SG Interests I, Ltd.

		SG INTERESTS I, LI AUTHORITY FOR EXPENDI			
WELL NO	•	WELL NAME: Florance Gas Com 'G'		DATE: 09/10/92	
FIELD: B	asin Fruitland Coal	COUNTY: San Juan		STATE: New M	exico
LOCATIO	N: East Half (E/2) of Section 3	0, Township 30 North – Range 8 West, N.M.P	Р.М.	PROPOSED T.D.	2600'
PURPOSE	E OF EXPENDITURE: Drill, Co	mplete & Equip Coalbed Methane Gas Wol	FORMATION:	Fruitian d Coal S	eem
AFE CODE		ENSE	DRILLING	COMPLETION	TOTAL COST
220/101	Staking & Permitting		\$3,000		\$3,000
220/102 220/103	Location, Roads, Pits & Dam Mobilization/Demobilization	ages	\$14,500	\$2,500	\$17,000 \$0
220/104	Contract Drilling-Daywork		\$2,150		\$2,150
220/105 220/001	Contract Drilling—Footage Contract Drilling—Turnkoy	2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100 \$0
220/301	Completion Rig			\$7,500	\$7,500
840/110 220/106	Workover Rig Fuel, Power & Lubricants				\$0 \$0
220/107	Bits, Reamers & Stabilizers				\$0
220/108	Drilling & Completion Fluids			\$3,200	\$3,200
220/302 220/109	Casing Crews, Tongs, Handi Misc Labor, Contract Service		\$1,000	\$1,200 \$5,500	\$1,200 \$6,500
220/110	Coment, Cmt Services, Mech	Alds & Devices	\$2,500	\$7,100	\$9,600
220/111 220/303	Conventional Coring & Corin Water & Hauling	g Service		\$3,600	\$0 \$3,600
220/303	Mud Logging			\$3,000	\$3,800
220/113	Logging-Open Hole-SWC		\$4,800		\$4,800
220/304 220/305	Cased Hole Logs, Perforating Inspection & Testing	& Other Wireline Services	\$800	\$5,200 \$1,200	\$5,200 \$2,000
220/303	Acidization, Fracturing & Stin	nulation	\$000	\$40,000	\$40,000
220/114	Rentals Tools & Equipment		\$1,200	\$2,800	\$4,000
220/115 220/117	Directional Drilling Services				\$0 \$0
220/120	Overhead per Operating Agr	ooment	\$1,000	\$3,000	\$4,000
220/119	Supervision		\$1,200	\$4,000	\$5,200
220/121	Contingencies (10%) & Misc TOTAL INTANGIBLE EX	PENSE	\$6,730 \$73,980	\$8,680 \$95,480	\$15,410 \$169,460
AFE CODE		E EXPENSE	DRILLING COST	COMPLETION	TOTAL COST
230/101 230/102	Conductor Casing Surface Casing	250 Ft. 8-5/8° @ \$8.60/Ft.	\$2,150		\$0 \$2,150
230/102	Intermediate Casing	200 11:0-0/0 @ 00:00/11:			\$0
230/104 230/301	Drilling Liner Production Liner				\$0 \$0
230/301		2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390
230/303	Tu bin g	2550 Ft. 2-3/8° @ \$2.20/Ft.		\$5,610	\$5,610
230/304 230/305	Wellhead Equipment, Tree Artificial Lift Equipment, Pum	ning lipit	\$800	\$1,900	\$2,700 \$0
230/306	Separator, Henter Treater, De			\$11,800	\$11,800
230/307	Meters & Flowlines			\$13,500	\$13,500
230/308 230/309	Tank Battery & Storage Subsurface Production Equip	pment		\$5,500	\$5,500 \$0
230/310	Misc. Well Equipment			\$2,200	\$2,200
230/311	Installation-Production Facil	ities		\$5,700	\$5,700
230/312		-	#2.0ED	\$40,000	\$40,000
			\$2,950	\$99,600	\$102,550
	TOTAL WELL COST		\$76,930	\$195,080	\$272,010
	<u>R APPROVAL</u> September 10, 1992	SG INTERESTS I, LTD. Gordy Sag Corporat BY: Russell D. Gordy,	11 Dor	Partner	
JOINT I	INTEREST APPROVAL	Lance Brewster R	eemstma /		
DATE:					
WORKING	INTEREST: 0.57500%	APPROVED BY:			
MINERAL	INTEREST:	TITLE:			
308-30E WK3	<u>.</u>		· · · · ·		·····

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#### LAW OFFICES

#### TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON FARMINGTON, NEW MEXICO 87401 TELEPHONE: (505) 325-1801

October 6, 1992

TELECOPIER: (505) 325-4675

Douglas A. Echols Richard L. Gerding Connie R. Martin Michael T. O'Loughlin James B. Payne Tommy Roberts Haskell D. Rosebrough Robin D. Strother Karen L. Townsend

OF COUNSEL

Charles M. Tansey

Mailing Address: P. O. Box 1020 Farmington, N.M. 87499

#### CERTIFIED MAIL NO. P 081 703 765 RETURN RECEIPT REQUESTED

Susan Leigh Pierce Nelson 4901 Crestwood Drive Farmington, NM 87402

Re: Application for Compulsory Pooling SG Interests I, Ltd. E/2 of Section 30, Township 30 North, Range 8 West San Juan County

Dear Ms. Nelson:

The purpose of this letter is to provide notice to you, in accordance with the rules and regulations of the New Mexico Oil Conservation Division, that SG Interests I, Ltd. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 30, Township 30 North, Range 8 West, N.M.P.M., San Juan County, New Mexico, forming an approved non-standard 290.69 acre coal gas spacing and proration unit for said pool, to be dedicated to its Florance Gas Com G #1 Well to be drilled at a standard coal gas well location 1,190 feet from the north line and 1,490 feet from the east line of said Section 30. SG Interests I, Ltd. has requested that it be designated as the operator of the proposed well and that the order to be issued by the New Mexico Oil Conservation Division provide for the recovery by the joining working interest owners of the cost of drilling, completing, equipping and operating the proposed well, together with a reasonable charge for risk involved in drilling the well. In addition, SG Interests I, Ltd. has requested that the order establish a reasonable charge for the supervision of the well during the drilling and production stages.

> Application of SG Interests I, Ltd. for Compulsory Pooling Case No. <u>10586</u> Examiner Hearing Docket Dated 10/29/92 Exhibit No. <u>3</u>

Susan Leigh Pi ce Nelson Page 2 October 6, 1992

This application has been placed on the October 29th, 1992 docket of the New Mexico Oil Conservation Division. In accordance with the rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

Do not hesitate to contact me should you have any questions regarding this matter.

Sincerely,

John Roberts

Tommy Roberts, Attorney for SG Interests I, Ltd.

TR:tlm

cc: James B. Fullerton, Consulting Landman on behalf of SG Interests I, Ltd. 1645 Court Place, Suite 406 Denver, Colorado 80202

	P 081 703 Receipt fo Certified I	Dr Mail Coverage Provided		a ana ang ang ang ang ang ang ang ang an	
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une 1991	Restricted Delivery Fee Return Receipt Snowing to Whom & Date Delivered Return Receipt Showing to Whom, Date, and Addressee's Address				
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<ul> <li>Complete items 3, and 48 a b.</li> <li>Print-your name and address on the reverse of this form so th return this card to you.</li> <li>Attach this form to the front of the mailpiece, or on the back does not permit.</li> <li>Write "Return Receipt Requested" on the mailpiece below the ar</li> </ul>	if space 1. Addressee's Address	
• The Return Receipt Fee will provide you the signature of the pen- to and the date of delivery. 3. Article Addressed to: Susan Leigh Pierce Nelson 4901 Crestwood Srive	Son delivered       Consult postmaster for fee.         4a. Article Number       3         703       764         4b. Service Type       Insured	
Farmington, NM 87402	Certified COD Express Mail Return Receipt for Merchandise 7. Date of Delivery	
5. Signature (Addressee) MAD Wells 6. Signature (Agent)	8. Addressee's Address (Only if requested and fee is paid)	
PS Form 3811, November 1990 *U.8. GPC: 1991-2	DOMESTIC RETURN RECEIPT	

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#### LAW OFFICES

### TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON FARMINGTON, NEW MEXICO 87401 TELEPHONE: (505) 325-1801

October 6, 1992

TELECOPIER: (505) 325-4675

Douglas A. Echols Richard L. Gerding Connie R. Martin Michael T. O'Loughlin James B. Payne Tommy Roberts Haskell D. Rosebrough Robin D. Strother Karen L. Townsend

1

**OF COUNSEL** 

Charles M. Tansey

Mailing Address: P. O. Box 1020 Farmington, N.M. 87499

### CERTIFIED MAIL NO. P 081 703 765 RETURN RECEIPT REQUESTED

David A. Pierce First Interstate Bank, as Agent P.O. Box 4140 Farmington, NM 87499

Re: Application for Compulsory Pooling SG Interests I, Ltd. E/2 of Section 30, Township 30 North, Range 8 West San Juan County

Dear Mr. Pierce:

The purpose of this letter is to provide notice to you, in accordance with the rules and regulations of the New Mexico Oil Conservation Division, that SG Interests I, Ltd. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 30, Township 30 North, Range 8 West, N.M.P.M., San Juan County, New Mexico, forming an approved non-standard 290.69 acre coal gas spacing and proration unit for said pool, to be dedicated to its Florance Gas Com G #1 Well to be drilled at a standard coal gas well location 1,190 feet from the north line and 1,490 feet from the east line of said Section 30. SG Interests I, Ltd. has requested that it be designated as the operator of the proposed well and that the order to be issued by the New Mexico Oil Conservation Division provide for the recovery by the joining working interest owners of the cost of drilling, completing, equipping and operating the proposed well, together with a reasonable charge for risk involved in drilling the well. In addition, SG Interests I, Ltd. has requested that the order establish a reasonable charge for the supervision of the well during the drilling and production stages.

David A. Pierc Page 2 October 6, 1992

This application has been placed on the October 29th, 1992 docket of the New Mexico Oil Conservation Division. In accordance with the rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

Do not hesitate to contact me should you have any questions regarding this matter.

Sincerely,

Roberts

Tommy Roberts, Attorney for SG Interests I, Ltd.

TR:tlm

cc: James B. Fullerton, Consulting Landman on behalf of SG Interests I, Ltd. 1645 Court Place, Suite 406 Denver, Colorado 80202

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SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.			
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#### LAW OFFICES

#### TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON FARMINGTON, NEW MEXICO 87401 TELEPHONE: (505) 325-1801

October 6, 1992

TELECOPIER: (505) 325-4675

OF COUNSEL Charles M. Tansey

Douglas A. Echols Richard L. Gerding Connie R. Martin Michael T. O'Loughlin James B. Payne Tommy Roberts Haskell D. Rosebrough Robin D. Strother Karen L. Townsend

Mailing Address: P. O. Box 1020 Farmington, N.M. 87499

CERTIFIED MAIL NO. P 081 703 767 RETURN RECEIPT REQUESTED

Lance Brewster Reemstma 575 Edgecroft Road Kensington, CA 94707

Re: Application for Compulsory Pooling SG Interests I, Ltd. E/2 of Section 30, Township 30 North, Range 8 West San Juan County

Dear Mr. Reemstma:

The purpose of this letter is to provide notice to you, in accordance with the rules and regulations of the New Mexico Oil Conservation Division, that SG Interests I, Ltd. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 30, Township 30 North, Range 8 West, N.M.P.M., San Juan County, New Mexico, forming an approved non-standard 290.69 acre coal gas spacing and proration unit for said pool, to be dedicated to its Florance Gas Com G #1 Well to be drilled at a standard coal gas well location 1,190 feet from the north line and 1,490 feet from the east line of said Section 30. SG Interests I, Ltd. has requested that it be designated as the operator of the proposed well and that the order to be issued by the New Mexico Oil Conservation Division provide for the recovery by the joining working interest owners of the cost of drilling, completing, equipping and operating the proposed well, together with a reasonable charge for risk involved in drilling the well. In addition, SG Interests I, Ltd. has requested that the order establish a reasonable charge for the supervision of the well during the drilling and production stages.

Lance Brewster ∋emstma Page 2 October 6, 1992

This application has been placed on the October 29th, 1992 docket of the New Mexico Oil Conservation Division. In accordance with the rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

Do not hesitate to contact me should you have any questions regarding this matter.

Sincerely,

the to

Tommy Roberts, Attorney for SG Interests I, Ltd.

TR:tlm

cc: James B. Fullerton, Consulting Landman on behalf of SG Interests I, Ltd. 1645 Court Place, Suite 406 Denver, Colorado 80202 P 081 703 767

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

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<ul> <li>return this card to you.</li> <li>Attach this form to the front of the mailpiece, or or does not permit.</li> </ul>	the back if space	e 1. 🗆 Addressee's Address
<ul> <li>Write "Return Receipt Requested" on the mailplace be</li> <li>The Return Receipt Fee will provide you the signature to and the date of delivery.</li> </ul>		
3. Article Addressed to:	4a.	Article Number
Lana Brewster Reems	L (	708 703767
575 Edge craft Road		Service Type Registered Insured Certified COD
Kensington, CA 94707	7 (Ö	Express Mail X Return Receipt for Merchandise
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6. Signature (Agent)		
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#### LAW OFFICES

#### TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON FARMINGTON, NEW MEXICO 87401 TELEPHONE: (505) 325-1801

October 6, 1992

TELECOPIER: (505) 325-4675

Douglas A. Echols Richard L. Gerding Connie R. Martin Michael T. O'Loughlin James B. Payne Tommy Roberts Haskell D. Rosebrough Robin D. Strother Karen L. Townsend

OF COUNSEL

Charles M. Tansey

Mailing Address: P. O. Box 1020 Farmington, N.M. 87499

CERTIFIED MAIL NO. P 081 703 766 RETURN RECEIPT REQUESTED

Dirk Vanhorn Reemstma First Interstate Bank, as Agent P.O. Box 4140 Farmington, NM 87499

Re: Application for Compulsory Pooling SG Interests I, Ltd. E/2 of Section 30, Township 30 North, Range 8 West San Juan County

Dear Mr. Reemstma:

The purpose of this letter is to provide notice to you, in accordance with the rules and regulations of the New Mexico Oil Conservation Division, that SG Interests I, Ltd. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 30, Township 30 North, Range 8 West, N.M.P.M., San Juan County, New Mexico, forming an approved non-standard 290.69 acre coal gas spacing and proration unit for said pool, to be dedicated to its Florance Gas Com G #1 Well to be drilled at a standard coal gas well location 1,190 feet from the north line and 1,490 feet from the east line of said Section 30. SG Interests I, Ltd. has requested that it be designated as the operator of the proposed well and that the order to be issued by the New Mexico Oil Conservation Division provide for the recovery by the joining working interest owners of the cost of drilling, completing, equipping and operating the proposed well, together with a reasonable charge for risk involved in drilling the well. In addition, SG Interests I, Ltd. has requested that the order establish a reasonable charge for the supervision of the well during the drilling and production stages.

Dirk Vanhorn F mstma Page 2 October 6, 1992

This application has been placed on the October 29th, 1992 docket of the New Mexico Oil Conservation Division. In accordance with the rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

Do not hesitate to contact me should you have any questions regarding this matter.

Sincerely,

omm

Tommy Roberts, Attorney for SG Interests I, Ltd.

TR:tlm

cc: James B. Fullerton, Consulting Landman on behalf of SG Interests I, Ltd. 1645 Court Place, Suite 406 Denver, Colorado 80202

P DAL 703 766 Receipt for Certified Mail No Insurance Coverage Provided Do not use for International Mail (See Reverse) Sent to Jyc L'Andrich Reemstrad Grst InterStale Bank. As App Step And Stop 4140 P.O. State and ZIP Code Farmington, Nm 87499 Postage \$		<del>.</del>				
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<ul> <li>does not permit.</li> <li>Write "Return Receipt Requested" on the mailplece below the</li> <li>The Return Receipt Fee will provide you the signature of the provide the date of delivery.</li> </ul>						
3. Article Addressed to: Jork Varhoin Reenstma	4a. Art	icle Number 081 703 766	*			
Dirk Varhoin Reemstma Arst Interstate Bark, As Ager	J 4b. Sei □ Regi	rvice Type stered Insured	4 * *			
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#### JAMES B. FULLERTON

PETROLEUM	LANDMAN
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NATURAL GAS CONSULTANT

1645 COURT PLACE PHONE: 303-534-4502 SUITE #406 Certified Mail, Receipt No. P-805-324-266 DENVER, COLORADO 80202 October 12th, 1992 IN THE NEW COMPANY THE PARTY AND OF CONFERENCES STREEDS Susan Leigh Pierce Nelson 4901 Crestwood Drive Farmington, New Mexico 87402 - EXHIBIT NO. Authority for Expenditure 10586 RE: Florance Gas Com G #1 Well SG Interests I. Ltd. - Operator Township 30 North, Range 08 West Section 30: E/2 San Juan County, New Mexico

Dear Ms. Nelson:

SG Interests I, Ltd., as Operator of the proposed well referenced above, previously corresponded with you regarding our plans to drill the well during the 4th Quarter of 1992. We also provided you with an Authority for Expenditure (AFE) and outlined the costs associated with your Working Interest in the subject well.

Because of the pending expiration of the Section 29 Tax Credit that is effective on Fruitland (Coal) Wells drilled prior to December 31st, 1992, it is imperative that SG promptly undertake operations in order to qualify this well for the Tax Credit. To assure ourselves that operations can be undertaken in a timely manner, SG Interests I, has filed an Application for Compulsory Pooling with Ltd. the New Mexico Oil Conservation Division covering the Leases and Lands within spacing unit for the referenced well. drilling and Our the application is scheduled to be considered by the NMOCD on October 29th, 1992.

In order to expedite the process called for in our Compulsory Pooling Application, we are submitting to you, for review, an additional Authority for Expenditure that would be required under a Compulsory Pooling Order that may be entered into with respect to our Application. This AFE is identical to the AFE previously furnished to you.

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Susan Leigh Pierce Nelson October 12th, 1992

In as much as our Application for Compulsory Pooling is scheduled to be heard on October 29th, 1992, your early attention to this matter would be greatly appreciated. Should you have any questions or concerns, please feel free to call me at 303/534-4502.

Sincerely,

R.EW GARIEL

James B. Fullerton Consulting Landman on behalf of SG Interests, I, Ltd.

JBF/sj enclosure

		SG INTERESTS 1, LT AUTHORITY FOR EXPENDIT	D. URE (AFE)			
WELL NO	).	DATE: 09/10/92				
FIELD: B	Basin Fruitland Coal COUNTY: San Juan			STATE: Now N	lexico	
LOCATIO	TION: East Hall (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.			PROPOSED T.D. 2600'		
		complete & Equip Coalbed Methane Gas Well	FORMATION:	Fruitian d Coal Seam		
AFE		and the second	DRILLING	COMPLETION	TOTAL	
CODE	INTANGIBLE EX	PENSE	COST	COST	COST	
220/101 220/102	Staking & Permitting Location, Roads, Pits & Dar	TATOS	\$3,000	\$2,500	\$3,000	
220/103	Mobilization/Demobilization				\$0	
220/104	Contract Drilling-Daywork Contract Drilling-Footage	12 Hrs. @ \$175/Hour	\$2,150		\$2,150	
220/105	Contract Dräling-Turnkoy	2000 FL @ \$13.50/FOOT	\$35,100		\$35,100 \$0	
220/301	Completion Rig			\$7,500	\$7,500	
840/110 220/106	Workover Rig Fuel, Power & Lubricants			-	\$0 \$0	
220/100	Bits, Reamers & Stabilizers				\$0	
220/108	Drilling & Completion Fluide			\$3,200	\$3,200	
220/302	Casing Crews, Tongs, Hand Misc Labor, Contract Servic		\$1,000	\$1,200 \$5,500	\$1,200 \$6,500	
220/109	Cement, Cmt Services, Mec		\$2,500	\$7,100	\$9,600	
220/111	Conventional Coring & Cori				\$0	
220/303	Water & Hauling Mud Logging		·	\$3,600	\$3,600	
220/112	Logging-Opon Hole-SWC	's & Dipmeter	\$4,800	-	\$4,800	
220/304	Cased Hole Logs, Perforalin	ng & Other Wireline Services		\$5,200	\$5,200	
220/305	Inspection & Testing	insulation	\$800	\$1,200	\$2,000	
220/307	Acidization, Fracturing & Sti Rontals Tools & Equipment		\$1,200	\$40,000	\$40,000 \$4,000	
220/115	<b>Directional Drilling Services</b>				\$0	
220/117	Communications			<b>63 000</b>	\$0	
220/120 220/119	Overhead per Operating Ag Supervision	rooment	\$1,000	\$3,000	\$4,000 \$5,200	
220/121	Contingencies (10%) & Mise	C	\$6,730	\$8,680	\$15,410	
	TOTAL INTANGIULE E	XPENSE	\$73,980	\$95,480	\$169,460	
AFE CODE	· · · · · · · · · · · · · · · · · · ·	BLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST	
230/101	Conductor Casing	250 F1. 8-5/8" @ \$8.60/F1.	\$2,150	<b> </b>  -	\$0 \$2,150	
230/102 230/103	Surface Casing Intermediate Casing	230 11. 0-3/6 10 30.00/11.	\$2,150		\$0	
230/104	Drilling Liner			· · · · · · · · · · · · · · · · · · ·	\$0	
230/301	Production Liner Production Casing			<b>612 200</b>	\$0	
230/302 230/303	Tubing	2600 Ft. 5-1/2" @ \$5.15/Ft. 2550 Ft. 2-3/8" @ \$2.20/Ft.	-	\$13,390 \$5,610	\$13,390 \$5,610	
230/304	Wollhoad Equipment, Tree		\$800	\$1,900	\$2,700	
230/305	Artilicial Lift Equipment, Pur		·		\$0	
230/306	Separator, Heater Treator, E Motors & Flowlines	Dehydrator		\$11,800 \$13,500	\$11,800 \$13,500	
230/308	Tank Battery & Storage			\$5,500	\$5,500	
230/309	Subsurface Production Equ	Ipmont			<u>\$0</u>	
230/310 230/311	Misc. Well Equipment Installation - Production Fac	ilitioe		\$2,200 \$5,700	\$2,200 \$5,700	
230/312	Compressor			\$40,000	\$40,000	
	TOTAL TANGIBLE EXP	PENSE	\$2,950	\$99,600	\$102,550	
	TOTAL WELL COST		\$76,930	\$195,080	\$272,010	
DATE:	DR APPROVAL September 10, 1992	SG INTERESTS I, LID. Gordy Gag Corporati BY: Russell D. Gordy, P	resident	Partnor		
JOINT ]	INTEREST APPROVAL	Susan Leigh Pierce	Nelson			
DATE:	· · · · · · · · · · · · · · · · · · ·					
WORKING	INTEREST: 0.766709	APPROVED BY:				

MINERAL INTEREST:

•

TITLE:

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Jim's

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE SUITE #406 DENVER, COLORADO 80202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-259

October 12th, 1992

David A. Pierce First Interstate Bank, as Agent Post Office Box 4140 Farmington, New Mexico 87499

> RE: Authority for Expenditure Florance Gas Com G #1 Well SG Interests I, Ltd. - Operator <u>Township 30 North, Range 08 West</u> Section 30: E/2 San Juan County, New Mexico

Gentlemen:

SG Interests I, Ltd., as Operator of the proposed well referenced above, previously corresponded with you regarding our plans to drill the well during the 4th Quarter of 1992. We also provided you with an Authority for Expenditure (AFE) and outlined the costs associated with your Working Interest in the subject well.

Because of the pending expiration of the Section 29 Tax Credit that is effective on Fruitland (Coal) Wells drilled prior to December 31st, 1992, it is imperative that SG promptly undertake operations in order to qualify this well for the Tax Credit. To assure ourselves that operations can be undertaken in a timely manner, SG Interests I, Ltd. has filed an Application for Compulsory Pooling with the New Mexico Oil Conservation Division covering the Leases and Lands within the drilling and spacing unit for the referenced well. Our application is scheduled to be considered by the NMOCD on October 29th, 1992.

In order to expedite the process called for in our Compulsory Pooling Application, we are submitting to you, for review, an additional Authority for Expenditure that would be required under a Compulsory Pooling Order that may be entered into with respect to our Application. This AFE is identical to the AFE previously furnished to you.

If you desire to participate for your proportionate Working interest in the costs associated with the subject well, please execute the enclosed Authority for Expenditure and return same to me at the listed above. Your execution of this address Authority for Expenditure shall serve as your election to participate for your portion of the costs associated with operations on the referenced well. As outlined in my previous correspondence to you, if you do not desire to participate for your proportionate Working Interest, SG Interests I, Ltd. would offer to farmout or purchase your interest.

David A. Pierce First Interstate Bank, as Agent October 12th, 1992

In as much as our Application for Compulsory Pooling is scheduled to be heard on October 29th, 1992, your early attention to this matter would be greatly appreciated. Should you have any questions or concerns, please feel free to call me at 303/534-4502.

Sincerely,

Atallers 3 among

James B. Fullerton Consulting Landman on behalf of SG Interests, I, Ltd.

JBF/sj enclosure

		SG INTERESTS I, LTI AUTHORITY FOR EXPENDIT	D. URE (AFE)	1	
WELL NO.		WELL NAME: Florance Gas Com "G"		DATE: 09/10/92	
FIELD: Basin Fruitland Coal		COUNTY: San Juan		STATE: New Moxico	
LOCATION: Ear	DCATION: East Half (E/2) of Section 30, Township 30 North – Range 8 West, N.M.P.M.		M	PROPOSED T.D. 2600'	
· ····		omplete & Equip Coalbed Methane Gas Wol	FORMATION:	Fruitian d Coal Seam	
AFE		anna San Iara an Airte	DRILLING	COMPLETION	TOTAL
CODE	INTANGIBLE EX	PENSE	COST	COST	COST
	ng & Permitting		\$3,000	\$2.500	\$3,000
	ion, Acads, Pits & Dan Ization/Demobilization	nagos	\$14,500	\$2,500	\$17,000 \$0
		12 Hrs. @ \$175/Hour	\$2,150		\$2,150
	act Drilling-Footage act Drilling-Turnkoy	2600 Ft. @ \$13.50/Foot	\$35,100	-	\$35,100 \$0
	sletton Rig			\$7,500	\$7,500
	over Rig				\$0
farman and a second	Power & Lubricants			-	\$0
	Roamers & Stabilizers g & Completion Fluids			\$3,200	\$0
220/302 Casin	g Crews, Tongs, Hanc			\$1,200	\$1,200
	abor, Contract Servic		\$1,000	\$5,500	\$6,500
	nt, Cmt Services, Mec entional Coring & Cori		\$2,500	\$7,100	\$9,600 \$0
	& Hauling			\$3,600	\$3,600
220/112 Mud L	ogging				\$0
	ng-Open Hole-SWC t Hole Loop, Perforatio	's & Dipmeter g & Other Wireline Services	\$4,800	\$5,200	\$4,800
	ction & Testing		\$800	\$1,200	\$2,000
220/307 Acidiz	ation, Fracturing & Sti	mulation		\$40,000	\$40,000
	Is Tools & Equipment		\$1,200	\$2,800	\$4,000
	ional Drilling Services nunications				\$0 \$0
	load per Operating Ag	rooment	\$1,000	\$3,000	\$4,000
	rvislon		\$1,200	\$4,000	\$5,200
220/121 Conti	ngoncios (10%) & Mise	\$	\$6,730	\$8,680	\$15,410
тс	DTAL INTANGIBLE E	XPENSE	\$73,980	\$95,480	\$169,460
AFE CODE		BLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
	uctor Casing ce Casing	250 F1. 8-5/8' @ \$8.60/F1.	\$2,150		\$0 \$2,150
	nediate Casing				\$0
	g Liner			-	\$0 \$0
	iction Liner	2600 Ft. 5-1/2" @ \$5.15/Ft.	-	\$13,390	\$13,390
230/303 Tubin		2550 Ft. 2-3/8' @ \$2.20/Ft.	-	\$5,610	\$5,610
	oad Equipmont, Troe		\$800	\$1,900	\$2,700
	lal Lift Equipment, Pun rator, Heater Treater, D		-	\$11,800	\$0 \$11,800
	s & Flowlines			\$13,500	\$13,500
	Battery & Storage			\$5,500	\$5,500
	urface Production Equ Well Equipment	Ipmont		\$2,200	\$0 \$2,200
	lation - Production Fac	ilitios		\$5,700	\$5,700
	0165801			\$40,000	\$40,000
тс	TAL TANGIBLE EXP	PENSE	\$2,950	\$99,600	\$102,550
тс	OTAL WELL COST		\$76,930	\$195,080	\$272,010
<u>OPERATOR AP</u> DATE: Septe	PROVAL mber 10, 1992 <u>EST APPROVAL</u>	SG INTERESTS I, LTD. Gordy Gan corporati BY: Russell D. Gordy, F David A. Pierce	11Son	Partner	
DATE:	REST: 0.76660%	First Interstate Ba APPROVED BY:	ank, as Age	nt	
DATE: WORKING INTE		First Interstate Ba	ank, as Age	nt	

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PETROLEUM LANDMAN

JAMES B. FULLERTO

NATURAL GAS CONSULTANT

1645 COURT PLACE SUITE #406 DENVER, COLORADO BO202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-258

October 12th, 1992

Lance Brewster Reemstma 575 Edgecroft Road Kensington, California 94707

> RE: Authority for Expenditure Florance Gas Com G #1 Well SG Interests I, Ltd. - Operator <u>Township 30 North, Range 08 West</u> Section 30: E/2 San Juan County, New Mexico

Dear Mr. Reemstma:

SG Interests I, Ltd., as Operator of the proposed well referenced above, previously corresponded with you regarding our plans to drill the well during the 4th Quarter of 1992. We also provided you with an Authority for Expenditure (AFE) and outlined the costs associated with your Working Interest in the subject well.

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Mr. Lance Brewster Reemstma October 12th, 1992

In as much as our Application for Compulsory Pooling is scheduled to be heard on October 29th, 1992, your early attention to this matter would be greatly appreciated. Should you have any questions or concerns, please feel free to call me at 303/534-4502.

Sincerely,

Sintia E. F. W. Sinnig

James B. Fullerton Consulting Landman on behalf of SG Interests, I, Ltd.

JBF/sj enclosure

		SG INTERESTS I, LTD AUTHORITY FOR EXPENDITI	JRE (AFE)		
WELL NO	O. WELL NAME: Florance Gas Com *G*			DATE: 09/10/92	
FIELD: B	FIELD: Basin Fruitland Coal COUNTY: San Juan			STATE: New M	lexico
LOCATIO	OCATION: East Half (E/2) of Section 30, Township 30 North - Range 8 West, N.M.P.M.		PROPOSED T.D. 2600'		
		omplete & Equip Coalbed Methane Gas Woll	FORMATION:	Fruitian d Coal S	
AFE			DRILLING	COMPLETION	TOTAL
CODE	INTANGIBLE EX		COST	COST	COST
220/101 220/102	Staking & Permitting Location, Roads, Pits & Dar		\$3,000	\$2,500	\$3,00 \$17,00
220/102	Mobilization/Demobilization		\$14,500	\$2,500	<u> </u>
220/104	Contract Drilling - Day work		\$2,150		\$2,15
220/105 220/001	Contract Drilling—Footage Contract Drilling—Turnkoy	2600 Ft. @ \$13.50/F66t	\$35,100	-	\$35,10
220/301	Completion Rig			\$7,500	\$7,50
840/110 220/106	Workover Rig Fuel, Power & Lubricants			·	<u> </u>
220/107	Bits, Reamers & Stabilizers				\$
220/108	Drilling & Completion Fluids			\$3,200	\$3,20
220/302 220/109	Casing Crews, Tongs, Hand Misc Labor, Contract Servic		\$1,000	\$1,200 \$5,500	\$1,20 \$6,50
220/110	Coment, Cmt Sorvices, Mec		\$2,500	\$7,100	\$9,60
220/111	Conventional Coring & Cori	ng Service		£3.600	\$
220/303 220/112	Water & Hauling Mud Logging	······		\$3,600	\$3,60
220/113	Logging-Open Hole-SWC	'a & Dipmotor	\$4,800		\$4,80
220/304	Cased Hole Logs, Perforatir	g & Other Wireline Services		\$5,200	\$5,20
<u>220/305</u> 220/307	Inspection & Tosting Acidization, Fracturing & Sti	mulation	\$800	\$1,200	\$2,00 \$40,00
220/114	Rentals Tools & Equipment		\$1,200	\$2,800	\$4,00
220/115	Directional Drilling Services			-	\$ \$
220/117 220/120	Communications Overhead per Operating Ag	rooment	\$1,000	\$3,000	\$4,00
220/119	Supervision		\$1,200	\$4,000	\$5,20
220/121	Contingencies (10%) & Mise	3	\$6,730	\$8,680	\$15,41
	TOTAL INTANGIBLE E	XPENSE	\$73,980	\$95,480	\$169,46
AFE	TANON		DRILLING COST	COMPLETION	TOTAL COST
CODE 230/101	Conductor Casing	BLE EXPENSE			\$
230/102	Surface Casing	250 Ft. 8-5/8" @ \$8.60/Ft.	\$2,150		\$2,15
230/103 230/104	Intermediate Casing Drilling Liner			-	<u> </u>
230/301	Production Liner				\$
230/302	Production Casing	2600 Fl. 5-1/2' @ \$5.15/Ft.		\$13,390	\$13,39
230/303 230/304	Tubing Wollhead Equipment, Tree	2550 Fl. 2-3/8" @ \$2.20/Ft.	\$800	\$5,610 \$1,900	\$5,61 \$2,70
230/304	Artificial Lift Equipment, Pur	nping Unit			\$2,70
230/306	Separator, Henter Treater, D			\$11,800	\$11,80
230/307 230/308	Moters & Flowlines Tank Battery & Storage			\$13,500 \$5,500	\$13,50 \$5,50
230/309	Subsurface Production Equ	pmont			\$
230/310	Misc. Well Equipment			\$2,200	\$2,20
230/311 230/312	Installation Production Fac	lilies	[ 	\$5,700 \$40,000	\$5,70 \$40,00
230/312			\$2,950		\$102,55
	TOTAL TANGIBLE EXP	'ENSE	\$2,950	\$99,600	\$102,33
TOTAL WELL COST		\$76,930	\$195,080	\$272,01	
	DR APPROVAL September 10, 1992	SG INTERESTS I, LAD. Gordy Gan Corporation BY: Russell D. Gordy, Pr	11Son	Partnor	
JOINT	NTEREST APPROVAL	Lance Brewster Ree	emstma		

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

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WORKING INTEREST: 0.57500%

MINERAL INTEREST: 308-302 WK3

APPROVED BY:\_\_\_\_\_

TITLE:

JAMES B. FULLERTON

PETROLEUM LANDMAN

1645 COURT PLACE SUITE #406 DENVER, COLORADO 80202

PHONE: 303-534-4502

Certified Mail, Receipt No. P-805-324-257

Sims

October 12th, 1992

NATURAL GAS CONSUL

Dirk Vanhorn Reemstma First Interstate Bank, as Agent Post Office Box 4140 Farmington, New Mexcio 87499

> RE: Authority for Expenditure Florance Gas Com G #1 Well SG Interests I, Ltd. - Operator <u>Township 30 North, Range 08 West</u> Section 30: E/2 San Juan County, New Mexico

Gentlemen:

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Dirk Vanhorn Reemstma First Interstate Bank, as Agent October 12th, 1992

In as much as our Application for Compulsory Pooling is scheduled to be heard on October 29th, 1992, your early attention to this matter would be greatly appreciated. Should you have any questions or concerns, please feel free to call me at 303/534-4502.

Sincerely,

Jona B. 3M

James B. Fullerton Consulting Landman on behalf of SG Interests, I, Ltd.

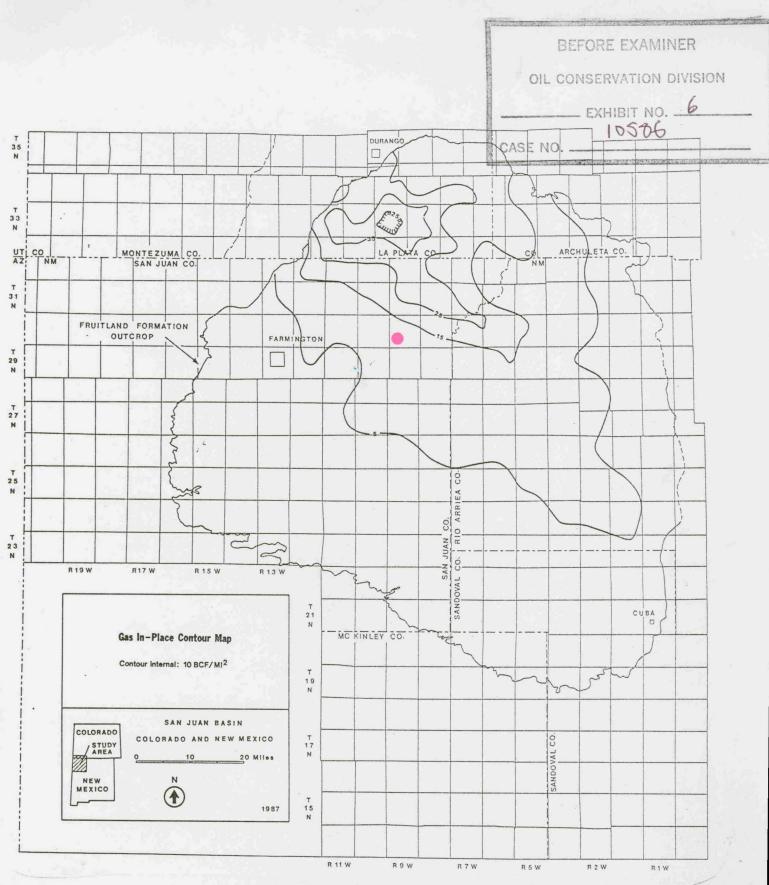
JBF/sj enclosure

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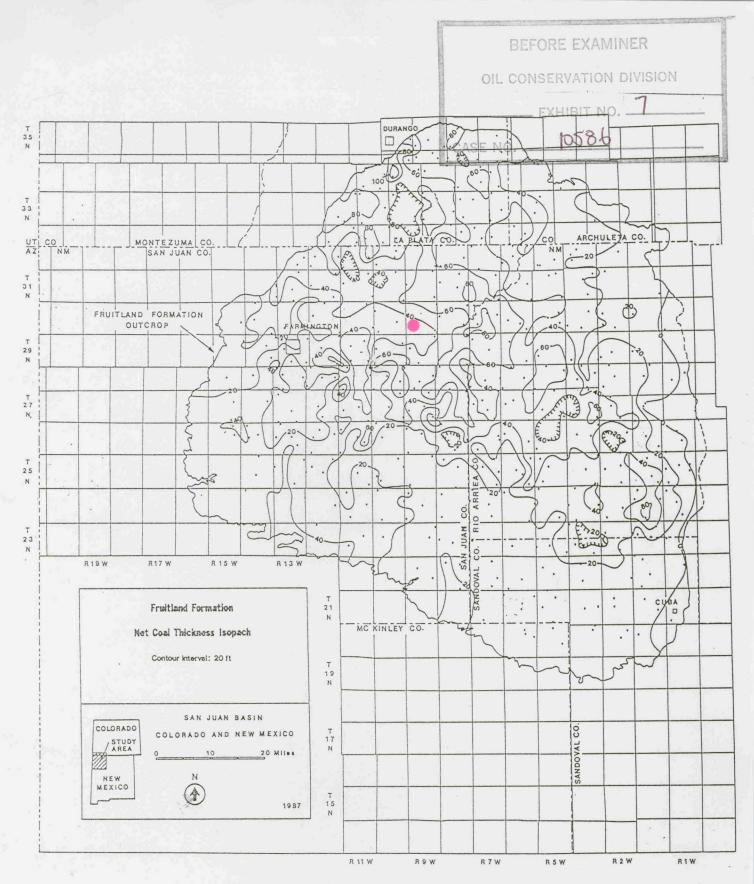
_	÷		-	·.	
		SG INTERESTS I, LTI AUTHORITY FOR EXPENDIT	). URE (AFE)		
WELL NO	L NO. WELL NAME: Florance Gas Com "G"			DATE: 09/10/92	
	IELD: Basin Fruitiand Coal COUNTY: San Juan			STATE: Now Moxico	
LOCATION: East Half (E/2) of Section 30, Township 30 North Range 8 West, N.M.P.M.				PROPOSED T.D. 2600	
······			FORMATION:	Fruilland Coal S	
AFE	E OF EXPENDITORE: Dill, Co	mplote & Equip Coalbod Methane Gas Well			
CODE	INTANGIBLE EXP	ENSE	COST	COMPLETION	TOTAL COST
220/101	Staking & Permitting Location, Roads, Pits & Dam		\$3,000		\$3,000
220/102	Mobilization/Demobilization	ag es	\$14,500	\$2,500	\$17,000 \$0
220/104	Contract Drilling-Daywork		\$2,150		\$2,150
220/105	Contract Drilling-Footage Contract Drilling-Turnkoy	2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100
220/301	Completion Rig			\$7,500	\$7,500
840/110	Workover Rig Fuel, Power & Lubricants				\$0 \$0
220/108	Bits, Reamors & Stabilizers				\$0 \$0
220/108	Drilling & Completion Fluids			\$3,200	\$3,200
220/302 220/109	Casing Crews, Tongs, Handi Misc Labor, Contract Service		\$1,000	\$1,200 \$5,500	\$1,200 \$6,500
220/110	Coment, Cmt Services, Mech	Aids & Devices	\$2,500	\$7,100	\$9,600
220/111	Conventional Coring & Corin	g Service			\$0
220/303 220/112	Water & Hauling Mud Logging	· · · · · · · · · · · · · · · · · · ·		\$3,600	\$3,600 \$0
220/113	Logging-Open Hole-SWC's	a & Diprnoter	\$4,800		\$4,800
220/304	Cased Hole Logs, Perforating	& Other Wiroling Services		\$5,200	\$5,200
220/305 220/307	Inspection & Testing Acidization, Fracturing & Stin	nutation	\$800	\$1,200 \$40,000	\$2,000
220/114	Rentals Tools & Equipment	Riduon	\$1,200	\$2,800	\$4,000
220/115	Directional Drilling Services				\$0
220/117	Communications		\$1,000	\$3,000	\$0
220/120 220/119	Overhead per Operating Agr Supervision		\$1,000	\$4,000	\$5,200
220/121	Contingencles (10%) & Misc		\$6,730	\$8,680	\$15,410
·	TOTAL INTANGIBLE EX	(PENSE	\$73,980	\$95,480	\$169,460
AFE CODE 230/101	TANGIB Conductor Casing	LE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST \$0
230/102		250 F1, 8-5/8" @ \$8.60/F1.	\$2,150		\$2,150
230/103	Intermediate Casing				\$0
230/104 230/301	Drilling Liner Production Liner				\$0 \$0
230/302	· · · · · · · · · · · · · · · · · · ·	2600 Fl. 5-1/2" @ \$5.15/Fl.		\$13,390	\$13,390
230/303	Tubing	2550 Fl. 2-3/8" @ \$2.20/Fl.		\$5,610	\$5,610
230/304 230/305	Wollhoad Equipmont, Tree Artificial Lift Equipment, Pum	ping Unit	\$800	\$1,900	\$2,700
230/306	Separator, Heater Treater, De			\$11,800	\$11,800
230/307	Motors & Flowlines			\$13,500 \$5,500	\$13,500 \$5,500
230/308	Tenk Battery & Storage Subsurface Production Equi	Dueve			\$5,500
230/310	Misc. Well Equipment			\$2,200	\$2,200
230/311 230/312	Installation – Production Faci Compressor	lillos	<u> </u>	\$5,700 \$40,000	\$5,700
230/312	TOTAL TANGIBLE EXP	ENSE	\$2,950	\$99,600	\$102,550
	TOTAL WELL COST		\$76,930	\$195,080	\$272,010
	DR APPROVAL September 10, 1992	SG INTERESTS I, LID. Gordy Gan Corporation BY: Russell D. Gordy, P.	11 Son	Partnor	
JOINT	INTEREST APPROVAL				
DATE:		Dirk Vanhorn Reemstm		• 、	
	TITED CO. 575000	First Interstate Bar	nk, as Ager	it	
{	INTEREST: 0.57500%	APPROVED BY:			
MINERAL	INTEREST:	TITLE:			
308-302 WK3	) 				l

PURPOSE OF EX AFE CODE 220/101 Staking	Half (E/2) of Section	COUNTY: San Juan				
LOCATION: East PURPOSE OF EX AFE CODE 220/101 Staking	Half (E/2) of Section	•		STATE: New Me	exico	
PURPOSE OF EX AFE CODE 220/101 Staking		CATION: East Half (E/2) of Section 30, Township 30 North – Range 8 West, N.M.P.M. RPOSE OF EXPENDITURE: Drill, Complete & Equip Coalbed Methane Gas Well FORMATION		PROPOSED T.D. 2600'		
AFE CODE 220/101 Staking				Fruitlan d Coal Se	am	
CODE 220/101 Staking			DRILLING	COMPLETION	TOTAL	
	INTANGIBLE E	ØENSE	COST	COST	COST	
	∣& Permitting n, Roads, Pits & Da	magas	\$3,000	\$2,500	\$3,000 \$17,000	
	ation/Demobilization		<b>•••</b> ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		\$(	
		12 Hrs. @ \$175/Hour	\$2,150		\$2,150	
	<u>ct Drilling-Footage</u> ct Drilling-Turnkey	2600 Ft. @ \$13.50/Foot	\$35,100		\$35,100 \$(	
	etion Rig	·····		\$7,500	\$7,500	
340/110 Workov					\$(	
	ower & Lubricants	e construction for the term			\$(	
	amers & Stabilizers & Completion Fluid	· · · · · · · · · · · · · · · · · · ·		\$3,200	\$3,200	
X	Crews, Tongs, Han		-	\$1,200	\$1,200	
	bor, Contract Servi		\$1,000	\$5,500	\$6,500	
	t, Cmt Services, Me		\$2,500	\$7,100	\$9,600	
	tional Coring & Co	rin g Service		<b>60.000</b>	\$3.600	
	k Hauling		-	\$3,600	\$3,600	
	g_Open Hole-SW	C's & Dipmeter	\$4,800	<u>+</u> +	\$4,800	
		ng & Other Wireline Services		\$5,200	\$5,200	
220/305 Inspect	ion & Testing		\$800	\$1,200	\$2,000	
	tion, Fracturing & S			\$40,000	\$40,000	
	Tools & Equipmen		\$1,200	\$2,800	\$4,000 \$0	
	unications	5			\$(	
	ad per Operating A	greement	\$1,000	\$3,000	\$4,000	
220/119 Superv			\$1,200	\$4,000	\$5,200	
220/121 Contin	gencies (10%) & Mis	SC	\$6,730	\$8,680	\$15,410	
το		EXPENSE	\$73,980	\$95,480	\$169,460	
AFE			DRILLING	COMPLETION	TOTAL	
CODE	North and the second of the second		COST	COST	COST	
	ctor Casing	250 Ft. 8-5/8" @ \$8.60/Ft.	\$2,150		\$( \$2,150	
	e Casing diate Casing	230 Ft. 0-3/0 @ \$0.80/Ft.			<u> </u>	
230/104 Drilling	Ŧ				\$(	
	tion Liner				\$(	
	tion Casing	2600 Ft. 5-1/2" @ \$5.15/Ft.		\$13,390	\$13,390	
230/303 Tubing 230/304 Wellhe	ad Equipment, Tree	2550 Ft. 2-3/8" @ \$2.20/Ft.	\$800	\$5,610 \$1,900	\$5,610 \$2,700	
	l Lift Equipment, Pu			\$1,000	\$(	
	tor, Heater Treater,			\$11,800	\$11,800	
	& Flowlines			\$13,500	\$13,500	
	attery & Storage	uipmont	+	\$5,500	\$5,500	
	face Production Eq /ell Equipment	urpment	+	\$2,200	\$( \$2,200	
	tion – Production Fa	cilities	1	\$5,700	\$5,700	
230/312 Compr				\$40,000	\$40,000	
το	AL TANGIBLE EX	PENSE	\$2,950	\$99,600	\$102,550	
TO	AL WELL COST		\$76,930		\$272,010	
OPERATOR APP						



Gas-in-place contour map.

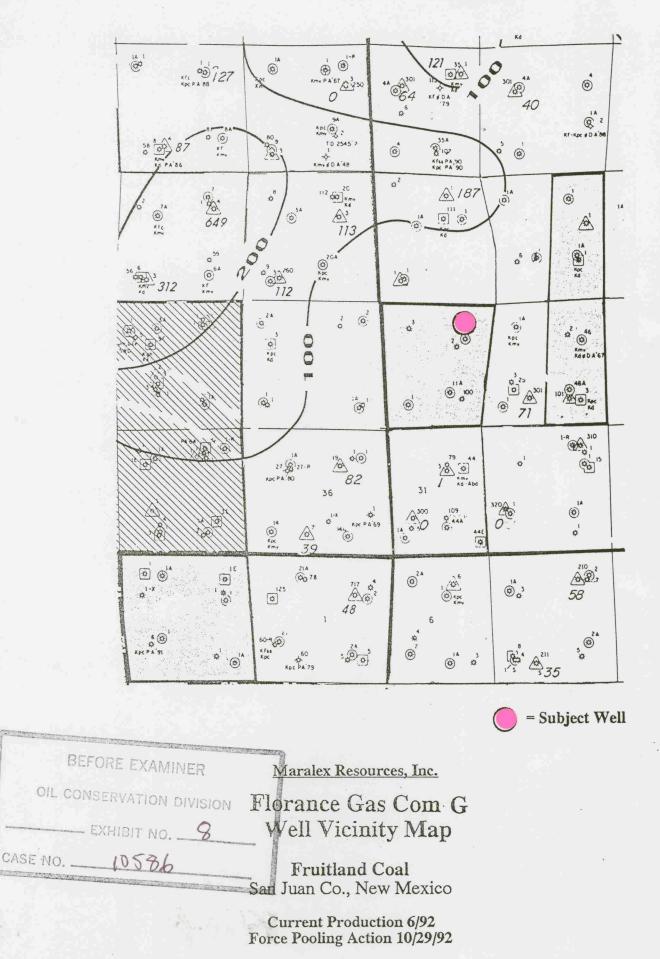
Kelso, Bruce S. and Wicks, Donald E. <u>Geology and Coal-Bed Methane Resources</u> of The Northern San Juan Basin, Colorado and New Mexico 1988



Fruitland Formation net-coal-thickness isopach map.

Kelso, Bruce S. and Wicks, Donald E. <u>Geology and Coal-Bed Methane Resources</u> of the Northern San Juan Basin, Colorado and New Mexico 1988 R-9-W

**R-8-W** 

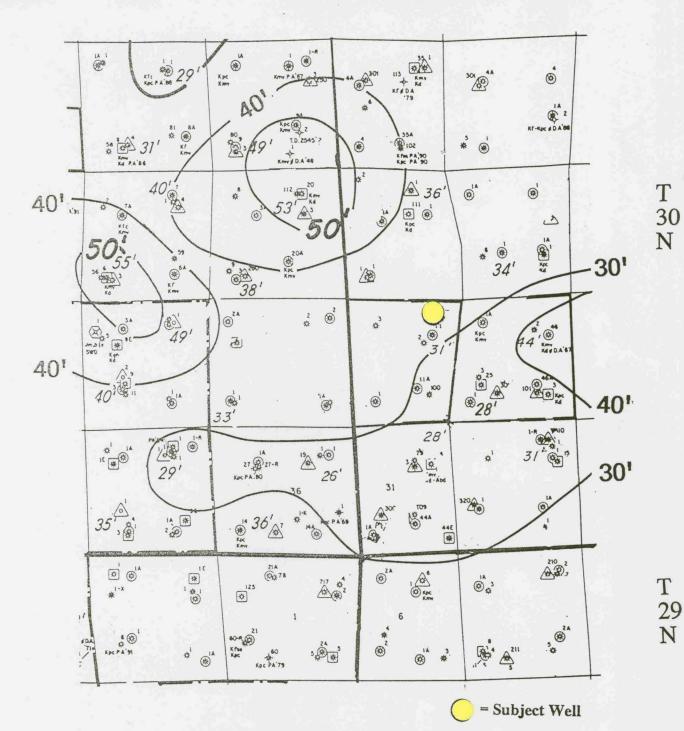


T 30 N

T 29 N

R-9-W

**R-8-W** 



BEFORE EXAMINER OIL CONSERVATION DIVISION EXHIBIT NO. 9 CASE NO. 10586 Maralex Resources, Inc.

Florance Gas Com G Well Vicinity Map

Fruitland Coal Net Pay Isopach San Juan Co., New Mexico

Force Pooling Action 10/29/92

## SG INTERESTS I, LTD. FLORANCE GAS COM G NO. 1 NE SECTION 30, T30N, R8W SAN JUAN COUNTY, NEW MEXICO ECONOMIC SUMMARY

ASSUMPTIONS:	Initial Rate:	125 MCFD
	Decline Rate:	5% per yr.
	Gas Price:	\$1.50/MCF
	Escalation Rate:	4% per yr.
	Operating Costs:	\$1000/mo.
	Cost Escalator:	5% per yr.

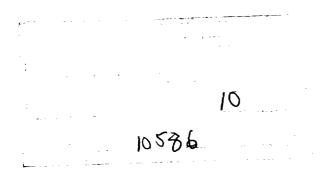
## **RESULTS:**

## WITHOUT TAX CREDITS

Payout:	122.5 months
ROI:	0.32
DROI(15)	-0.26
ROR	6.60
PV(15)	\$-69.7

## WITH TAX CREDITS

Payout: ROI:	69.7 months 0.82
DROI(15)	-0.04 13.6
	\$-11.7



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