

*Richard L. Lewis*  
*Oil & Gas Properties*

P O BOX 18YY9, DENVER, COLORADO 80218, PHONE (303) 832-9022

October 3, 1989

Mr. Roger Lichty  
MOBIL EXPLORATION & PRODUCING U.S., Inc.  
P.O. Box 5444  
Denver, CO 80217-5444

RE: **NOTIFICATION OF OWNERS**  
West Puerto Chiquito Mancos Pooled Area  
Rio Arriba County, New Mexico

Dear Mr. Lichty:

With regard to the above, the address list submitted to you was determined as to the following acreage in the below manner:

1) **ACREAGE CHECKED:**

**T23N, R1W -**

**Sections:** 1, 2, 3, 4, 5, 6, 9, 10,  
11, 14, 15, 16, 21, 22, 23

**T24N, R1W -**

**ALL SECTIONS**

**T23N, R2W -**

**Section:** 1

**T24N, R2W -**

**Sections:** 1, 12, 13, 24, 25, 26

MOBIL EXHIBIT 1

CASE NO. 9789  
NOV. 15, 1989

Mr. Roger Lichty  
October 3, 1989  
Page Two

T25N, R2W -

Sections: 1, 12, 13, 24, 25, 36

T26N, R2W -

Sections: 1, 12, 13, 24, 25, 36

T27N, R2W -

Sections: 1, 12, 13, 24, 25, 26

T28N, R2W -

Section: 36

T28N, R1W -

Sections: 31, 32, 33, 34, 35, 36

T28N, R1E -

Section: 31

T27N, R1W -

E/2 of Sections: 1, 12, 13, 24, 25

T27N, R1E -

W/2 of Sections: 6, 7, 18, 19, 30

Mr. Roger Lichty  
October 3, 1989  
Page Three

T26N, R1E -

Sections: 6, 7, 16, 17, 18, 21, 28

E/2 of Sections: 20, 33

W/2 of Section: 34

T25N, R1E -

Sections: 16, 21, 32

E/2 of Sections: 4, 5, 29

W/2 of Sections: 3, 10, 28

T24N, R1E -

Sections: 5, 28, 32, 32

E/2 of Sections: 8, 17, 20

W/2 of Sections: 9, 16, 21

2) GENERAL PROCEDURES -

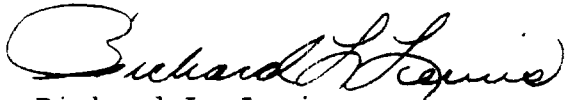
Names of Operators were determined first by spotting the producing wells on maps supplied by the Petroleum Information Company, and then by confirming these names on computerized compilations of wells and operators supplied through Dwight's Well History Reports, a private oil and gas reporting service. Names were then checked against a listing of Oil and Gas company mergers and name changes, and the New Mexico Oil and Gas Commission was contacted by telephone for clarification and any further addresses. The Jicarilla Apache Tribe, the Bureau of Indian Affairs and the Bureau of Land Management were added to the list, and a general review of the leasehold ownership within the West Puerto Chiquito Mancos Pooled Area and a one (1) mile surrounding buffer zone was made using Petroleum Information Company plats

Mr. Roger Lichty  
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Page Four

along with other current leasehold plats in our possession to determine any open "fee" mineral owners and/or other possible Operators to notify.

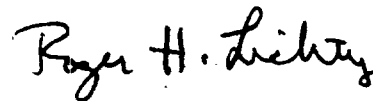
We believe the above was a comprehensive ownership analysis for the purposes of the Badland Hills #15-1 Well Spacing hearing to be held before the New Mexico Oil Conservation Commission on November 1, 1989.

Very Truly Yours,



Richard L. Lewis  
RLLvm  
Lichty.doc

Concur -



November 15, 1989

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF SANTA FE )


CERTIFICATE OF SERVICE

I hereby certify that on September 28, 1989, I caused notice of the hearing of Case No. 9789 to be mailed to the individuals whose names and addresses are shown on Exhibit "A" attached hereto.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By

  
W. Perry Pearce  
Post Office Box 2307  
Santa Fe, New Mexico 87504-2307  
(505) 982-3873

WPP/153

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
Mobil	EXHIBIT NO. 2
CASE NO.	9789

EXHIBIT "A"

Nassau Resources, Inc.  
650 South Cherry Street, Suite 1225  
Denver, Colorado 80222

Kindermac Partners  
650 South Cherry Street, Suite 1225  
Denver, Colorado 80222

Jerome P. McHugh & Associates  
650 South Cherry Street, Suite 1225  
Denver, Colorado 80222

Mr. Lawrence C. Harris  
Post Office Box 1714  
Roswell, New Mexico 88201

Benson Montin Greer Drilling Corp.  
221 Petroleum Center Building  
Farmington, New Mexico 87401

Hixon Development Company  
Post Office Box 2810  
Farmington, New Mexico 87401

J. M. Huber Company  
2000 W. Loop S.  
Houston, Texas 77027

Mr. Robert B. Bunn  
Box 939  
Honolulu, Hawaii 96808

Dalport Oil Corporation  
3471 Interfirst One  
Dallas, Texas 75202

Mr. Curtis Evans  
Box 704  
Truth or Consequences, New Mexico 87901

Ms. Hazel Evans  
Box 704  
Truth or Consequences, New Mexico 87901

Mr. James Marshall Greathouse  
2032 28th Avenue, Apt. #2  
Greeley, Colorado 80631

Ms. Lucile P. Greathouse  
2032 28th Avenue, Apt. #2  
Greeley, Colorado 80631

Ms. Patsy Nelson  
Lindrith, New Mexico 87029

Mr. Ludwig Schultz  
Regina, New Mexico 87046

Ms. Erie Schultz  
Regina, New Mexico 87046

Ms. Billie E. Dytzel  
8013 Hendrix, N.E., #509  
Albuquerque, New Mexico 87019

Ms. Cherry L. Malcolm  
2401 South Baylor  
Roswell, New Mexico 88201

Ms. E. Frances Schultz  
Lindrith, New Mexico 87029

Ms. Ruth J. Greathouse  
529 1st Street  
Alamosa, Colorado 81101

The Carol Sutton Trust  
Box 38  
Ardmore, Oklahoma 73402

Estate of Herman E. Schultz  
c/o E. Frances Schultz  
Lindrith, New Mexico 87029

Ms. Beaulah J. Schultz Cottrell  
Post Office Box 1224  
Snowflake, Arizona 85937

Mr. and Mrs. Robert J. Neal  
2001 South 13th  
Temple, Texas 76501

Ms. Helen F. Snelson  
3910 Sierra Blanco  
Temple, Texas 76501

Ms. Alice B. Schwab  
Lincoln Highway, Box 8118  
Frankfort, Illinois 60423

Ms. Bessie Penka  
Box 397  
Regina, New Mexico 87046

Ms. Robbie W. Howell  
288 County Road #203, Space 38  
Durango, Colorado 81301

Mr. and Mrs. Robert W. Neal  
626 Yale Drive  
Lancaster, Texas 75134

Ms. Janice L. Wood  
6610 Highgate Lane  
Dallas, Texas 75214

Ms. Virginia F. Zobeck  
Box 3745  
Big Springs, Texas 79721

Duff-Leach Family Trust  
4025 Altamonte, N.E.  
Albuquerque, New Mexico 87110

Ted Duff & Kim Duff Trust  
5106 Green Tree Blvd.  
Midland, Texas 79707

Patricia Louise Dorsett Trust  
400 N. Belt East, Suite 1200  
Houston, Texas 77060

Mr. Larry L. Parish  
400 N. Belt East, Suite 1200  
Houston, Texas 77060

Ms. Sally T. Parish  
400 N. Belt East, Suite 1200  
Houston, Texas 77060

Ms. Marilyn F. Menasco  
2905 Meadow Avenue  
Stockton, California 95207

Mr. Michael T. Holland  
21607 E. Powers Circle S.  
Aurora, Colorado 80015



H.B.A. Oil Company  
11130 Avenida de los Lobos  
San Diego, California 92128

McAllen National Bank, Trustee  
Post Office Box 5555  
McAllen, Texas 78502

Mr. John W. Nichols  
1400 Mid America Tower  
Oklahoma City, Oklahoma 73102

Ms. Frances F. Malone  
Post Office Box 52907  
Houston, Texas 77052

Ms. Elizabeth F. Oven  
Post Office Box 1466  
Enid, Oklahoma 73702

Buttram Energies, Inc.  
6303 Waterford Blvd., Suite 220  
Oklahoma City, Oklahoma 73118

Merrick, Inc.  
Post Office Box 998  
Ardmore, Oklahoma 73402

Merco of Oklahoma, Inc.  
Post Office Box 18607  
Oklahoma City, Oklahoma 73154

Heirs of Jo Claire Bryan  
305 E. Magnolia  
Fort Collins, Colorado 80524

Ms. Sherry V. Washburne  
24387 Patterson Pass  
Tracy, California 95376

Meridian Oil Company  
5613 DTC Parkway  
Englewood, Colorado 80111

Daube Partnership  
Post Office Box 38  
Ardmore, Oklahoma 73402

Amoco Production Company  
Post Office Box 800  
Denver, Colorado 80201

Meridian Oil, Inc.  
3535 East 30th Street  
Farmington, New Mexico 87401

Christian Youth Center  
Post Office Box 454  
Joliet, Illinois 60434

Mallon Oil Company  
1099 18th Street, Suite 2750  
Denver, Colorado 80202-1927

San Juan Gas Corporation  
Box 997  
Farmington, New Mexico 87401

A. G. Hill  
5000 Thanksgiving Tower  
Dallas, Texas 75201

E. L. Fundingsland  
7400 E. Orchard Road  
Englewood, Colorado 80111

W. M. Gallaway  
3005 Northridge Drive, Suite I  
Farmington, New Mexico 87401

Oxy USA, Inc.  
Post Office Box 300  
Tulsa, Oklahoma 74102

Dugan Production Corporation  
Post Office Box 208  
Farmington, New Mexico 87499

Hixon Development  
Post Office Box 2810  
Farmington, New Mexico 87401

Mr. Robert Bayless  
Post Office Box 168  
Farmington, New Mexico 87499

Shell Western E & P, Inc.  
Post Office Box 576  
Houston, Texas 77001

Kenneth Hand & Marvin Sanders  
Box 255  
Deming, New Mexico 88031

Busrx, Inc.  
Post Office Box 35938  
Tucson, Arizona 85740

Roze Oil  
Post Office Box 2678  
Farmington, New Mexico 87499

Bureau of Indian Affairs  
Jicarilla Agency  
Dulce, New Mexico 87528

Jicarilla Energy Corporation  
Post Office Box 507  
Dulce, New Mexico 87528

Lemm-Maiatico  
806 Connecticut Avenue, N.W.  
Washington, DC

Southern Union Exploration Company  
1201 Elm Street, Suite 1800  
Dallas, Texas 75270-2090

Shar-Alan Oil Company  
216 16th Street, Suite 800  
Denver, Colorado 80202

Texaco, Inc.  
Post Office Box 2100  
Denver, Colorado 80201

Mr. J. Glenn Turner  
Post Office Box 728  
Farmington, New Mexico 87499

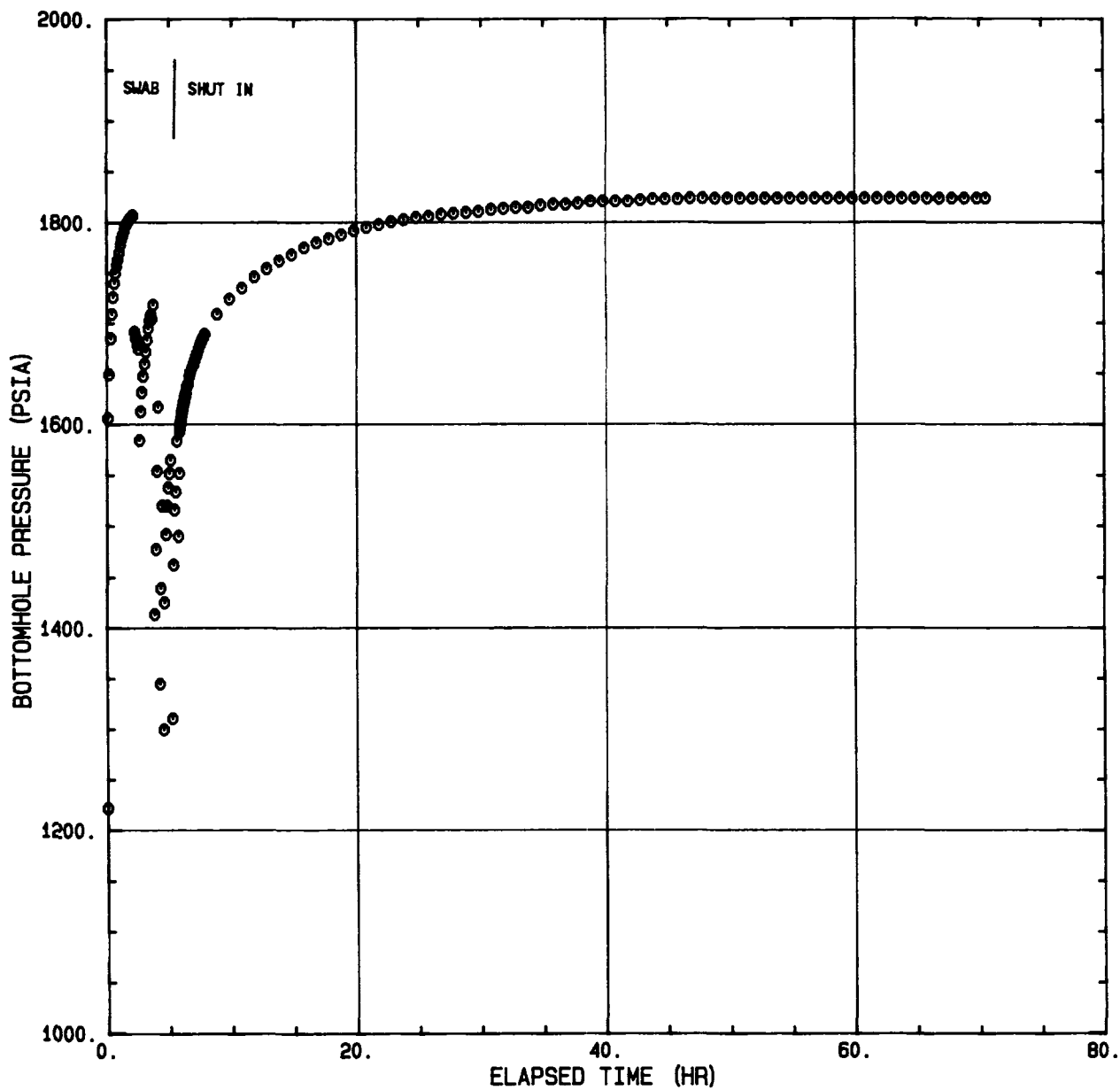
Merrion Oil & Gas Corporation  
Post Office Box 840  
Farmington, New Mexico 87499

Mesa Grande Resources  
1200 Philtower Bldg.  
Tulsa, Oklahoma 74103

Kenai Oil & Gas  
621 17th Street, Suite 1710  
Denver, Colorado 80293

Bureau of Land Management  
1235 La Plata Highway  
Farmington, New Mexico 87401

Apache Corporation  
1700 Lincoln, Suite 1900  
Denver, Colorado 80203-4519

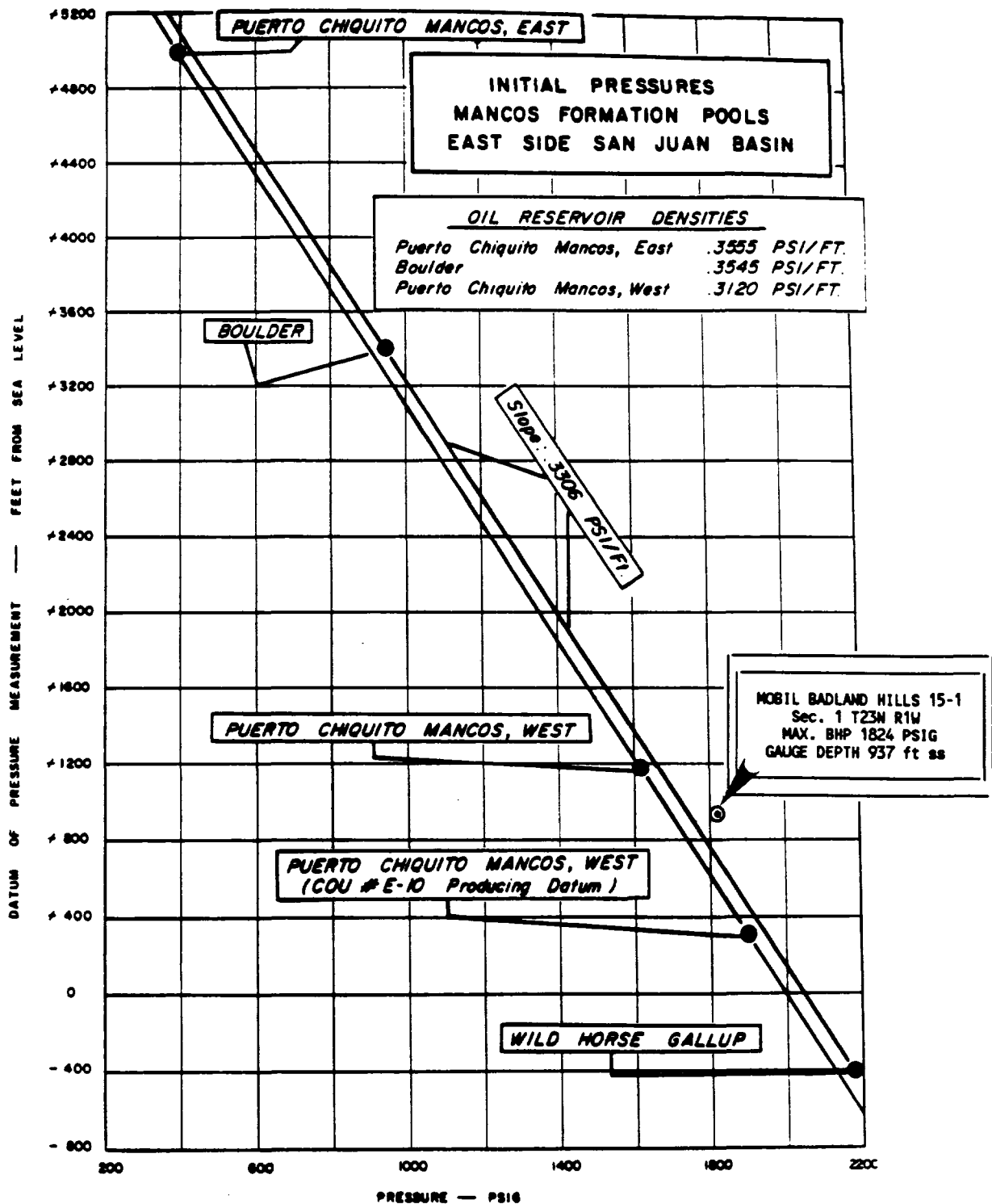


BEFORE EXAMINATION BY CANADIAN  
OIL COMPANY REPRESENTATION  
MOBIL WELL LOG NO. 3  
WELL NO. 9789

## MOBIL-BADLANDS

BADLAND HILLS #15-1  
10/28/89 DST  
BOTTOMHOLE PRESSURE LOG

FILE: 1-DST.GRF	DATE: 10-NOV-89
SOURCE: MOBIL DST	TIME: 15:09

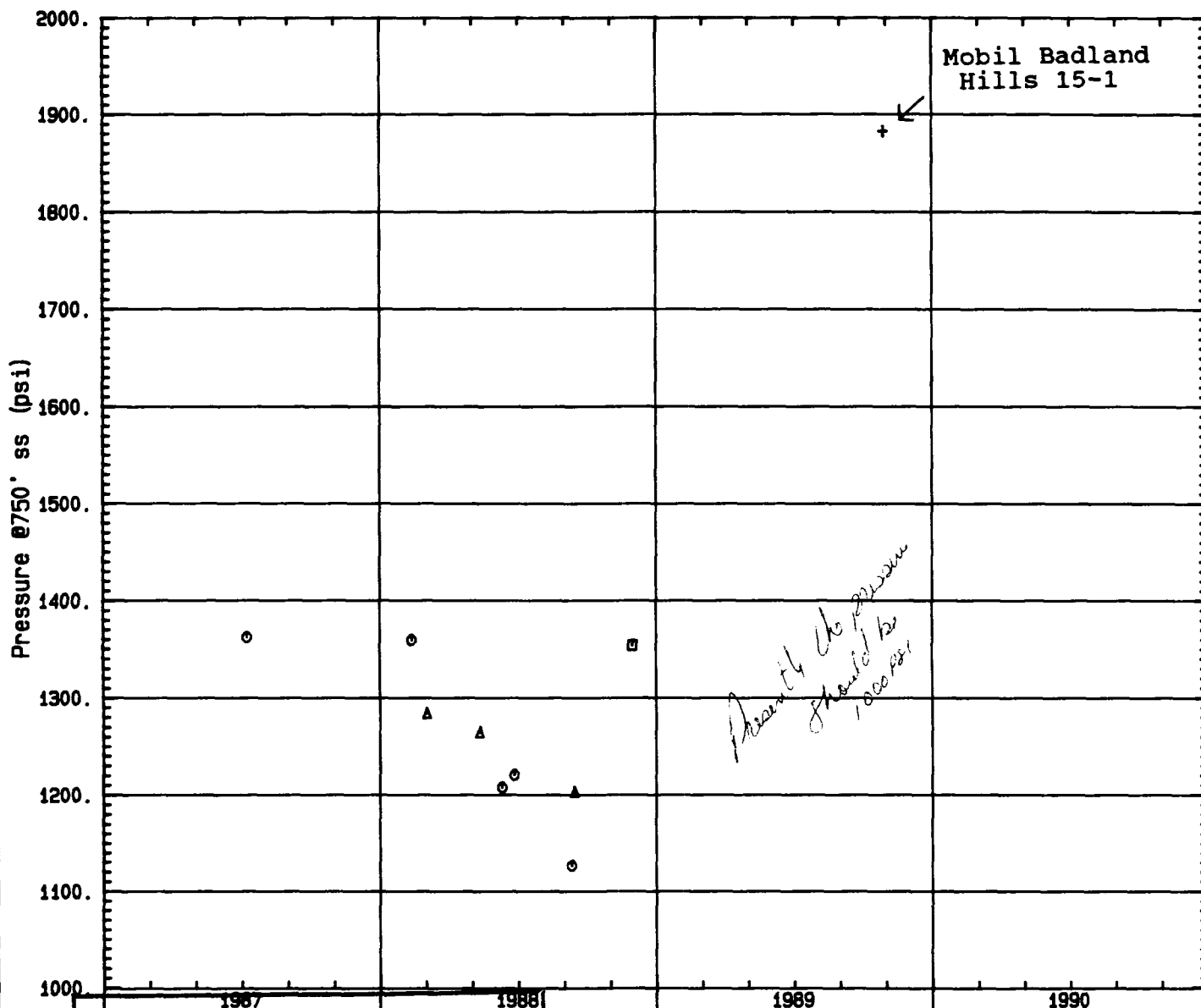


Mobil Badland Hills 15-1 w/  
Reference: GREER Exhibit,

BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION

MOBIL EXHIBIT NO. 4

CASE NO. 9789



BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

MOBIL EXHIBIT NO. 5

CASE NO. 9789

- Badland Flats Fed #1
- Amoco State CC #1
- ▲ Wishing Well 35-7

## MOBIL-BADLANDS

Plot of Pressure vs. Time  
Schmitz Anticline Wells  
& Badland Hills 15-1

FILE: 4-PTCUM.GRF

DATE: 13-NOV-89

SOURCE: JRBA

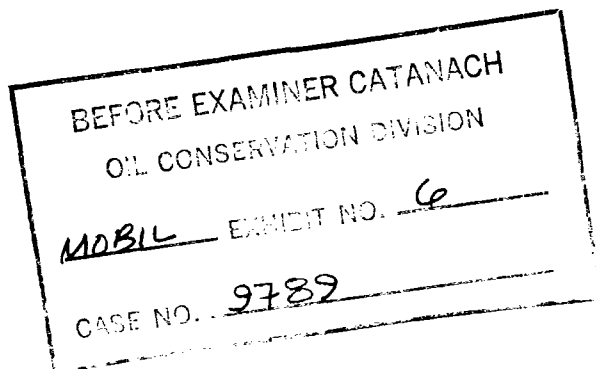
TIME: 17:54

Jerry R. Bergeson & Associates, Inc.

**Schmitz Anticline Area**

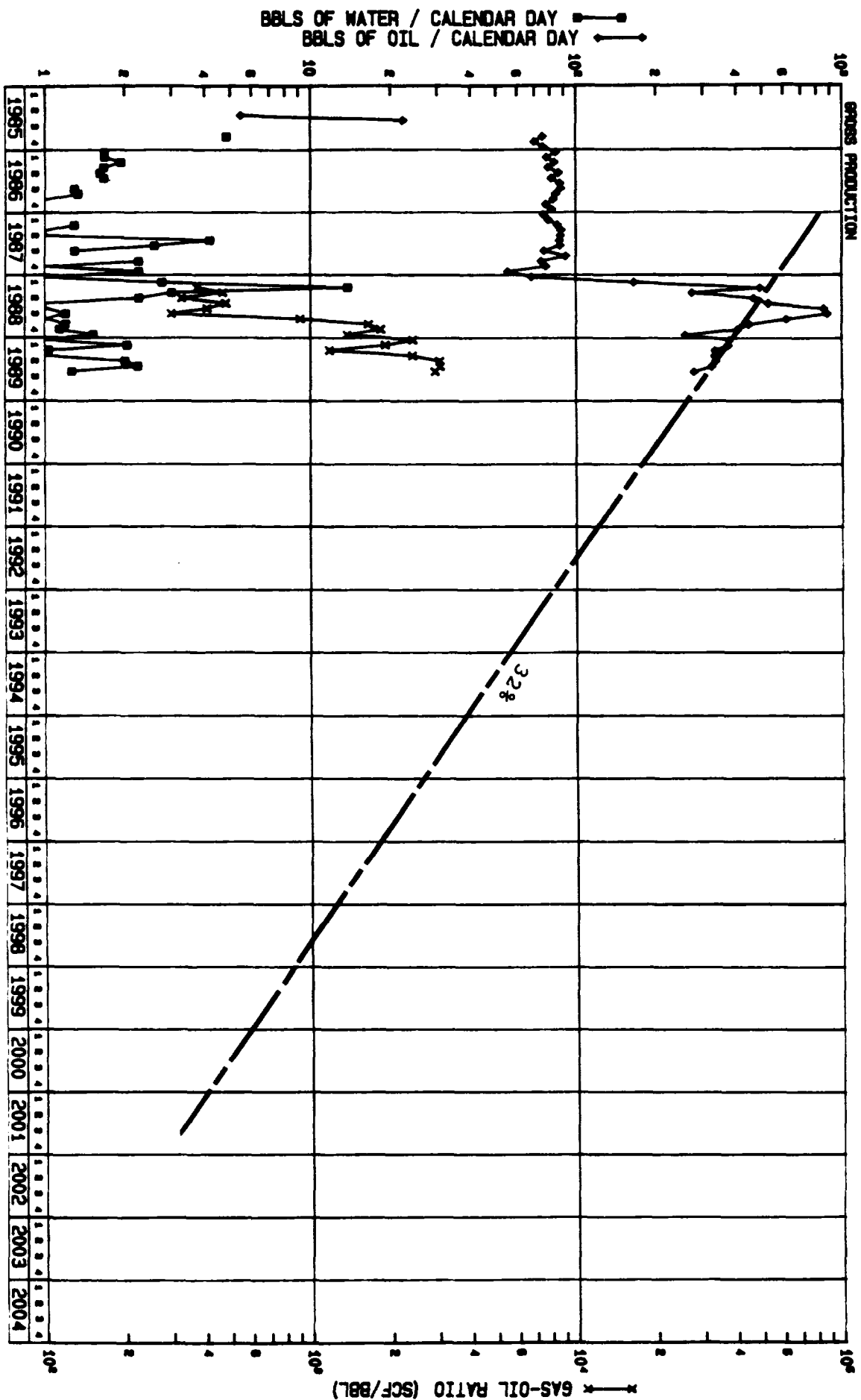
**Wells Included in Summary  
Production Plot and Tabulation**

<u>Well Name</u>	<u>Location</u>
Laguna Colorado 2-6	Sec. 2 T23N R1W
Badland Flats Federal 1	Sec. 3 T23N R1W
Schmitz Anticline Federal	Sec. 25 T24N R1W
State CC 1	Sec. 26 T24N R1W
Wishing Well 35-7	Sec. 35 T24N R1W





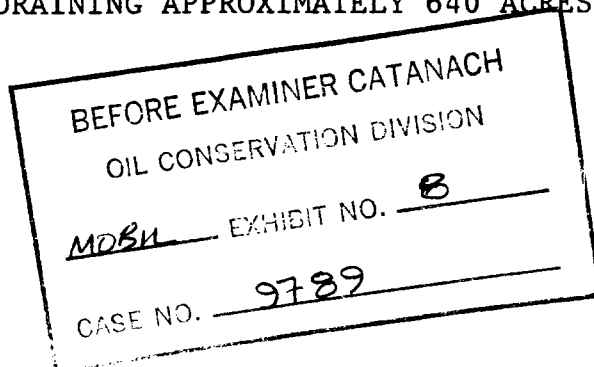
# SCHMITZ ANTICLINE WELLS

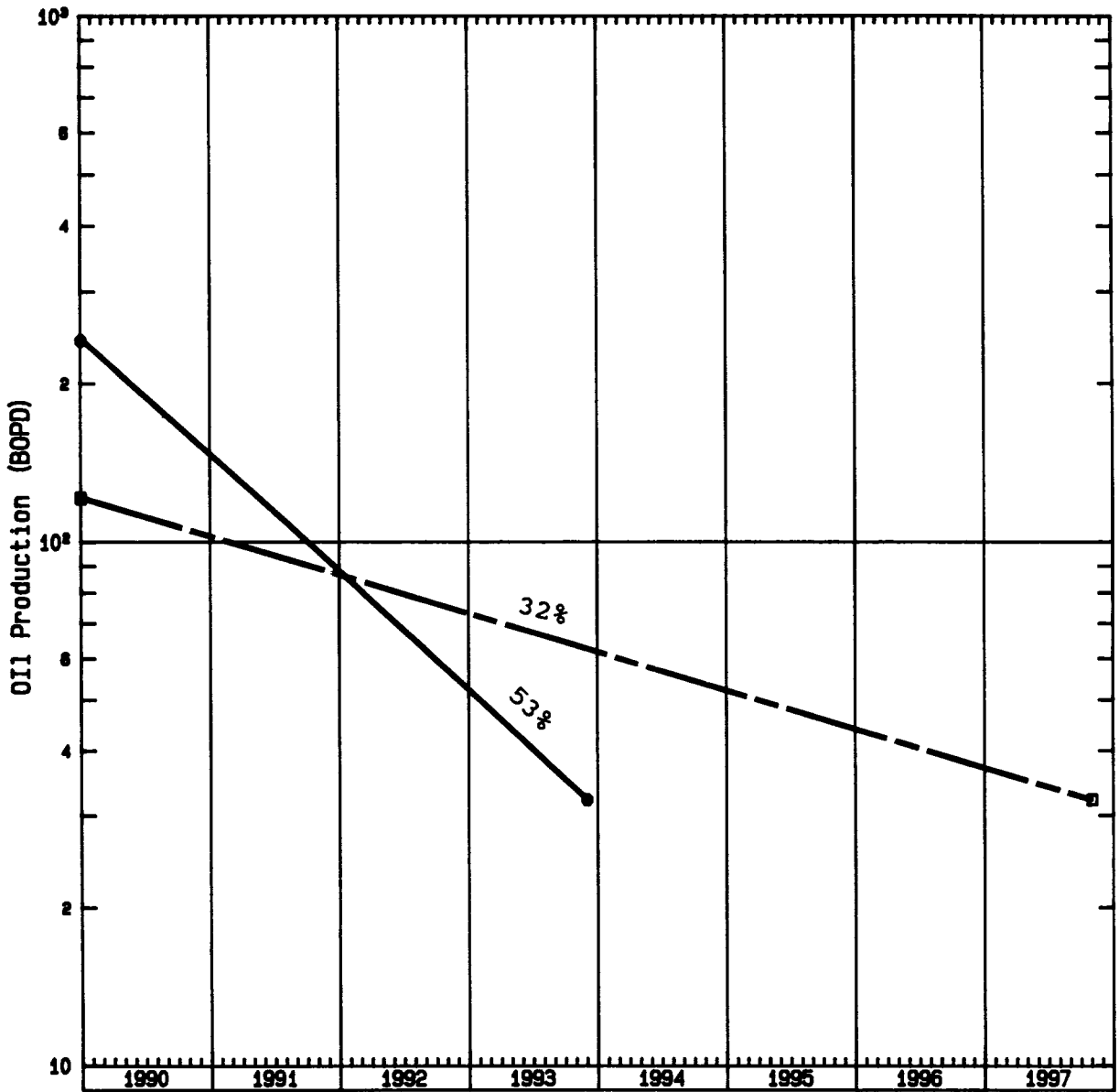


ESTIMATES OF SCHMITZ ANTICLINE  
AREAL EXTENT

ESTIMATED 5 WELL RECOVERY BY PRODUCTION EXTRAPOLATION (MBBLS)	558
RANGE OF ESTIMATED ULTIMATE RECOVERIES PER ACRE (BBL/ACRE)	199 - 161
RANGE OF ESTIMATED AREAL EXTENT (ACRES)	2800 - 3500
RANGE OF ESTIMATED AREAL EXTENT (SECTIONS)	4.4 - 5.4

ESTIMATED AREAL EXTENT INDICATES THAT THESE WELLS ARE  
DRAINING APPROXIMATELY 640 ACRES PER WELL





--- 1 Well, 640 Acre

— 2 Wells, 320 Acre

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

CASE NO. 9789

EXHIBIT NO. 2

MOBIL-BADLANDS

Example Well Projection  
for Economic Analysis  
of 640 vs 320 Acre Spacing

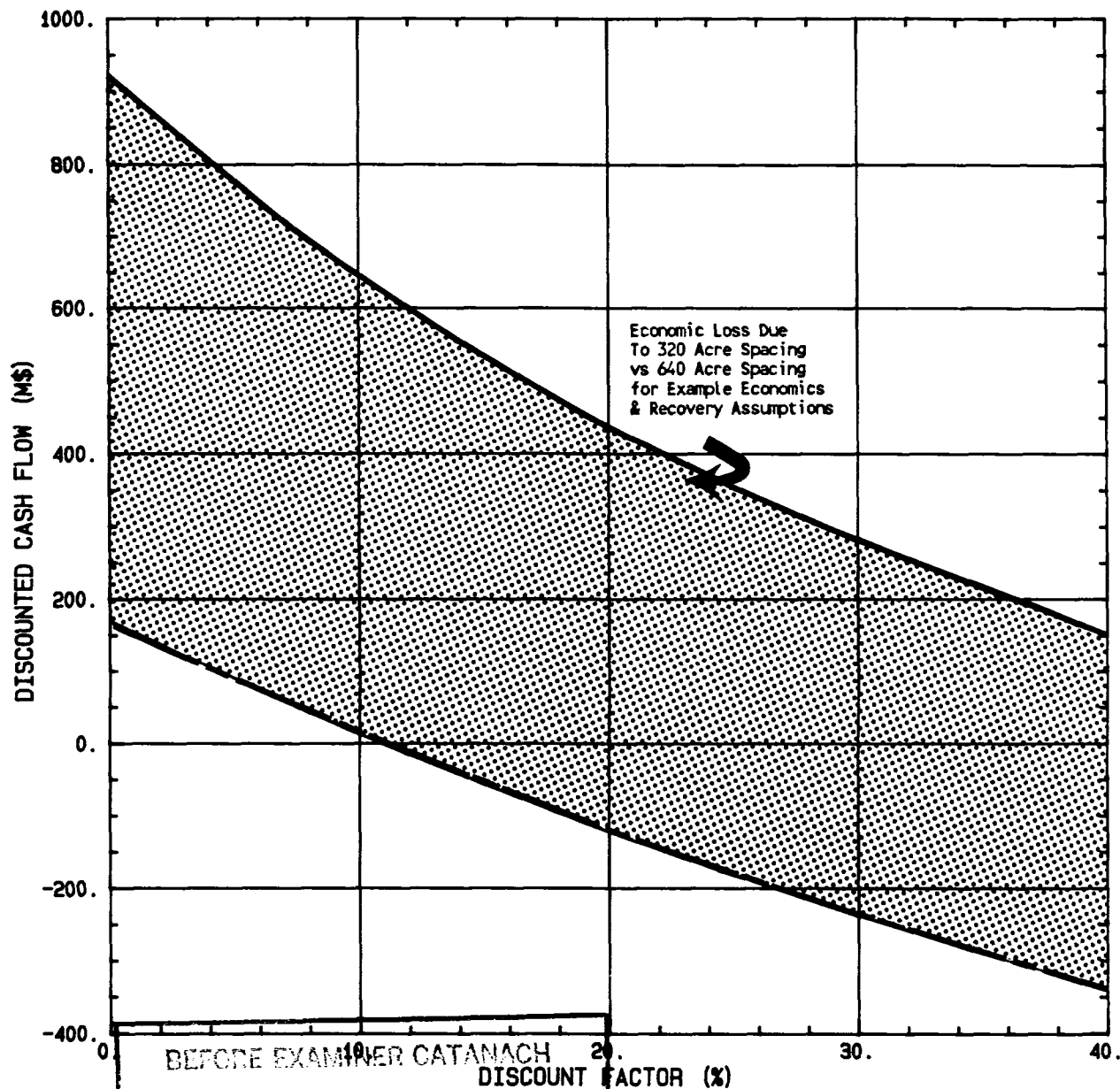
FILE: 1-ECON.GRF

DATE: 13-NOV-89

SOURCE: JRBA

TIME: 16:05

Jerry R. Bergeson & Associates, Inc.



BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

MOBIL EXHIBIT NO. 10

CASE NO. 9789

— 640 Acre Spacing      - - - 320 Acre Spacing

## MOBIL-BADLANDS

Example Economics  
Plot of Discounted Cash  
Flow vs % Discount Factor  
640 & 320 Acre Spacing

FILE: 2-ECON.GRF

DATE: 13-NOV-89

SOURCE: JFBA

TIME: 16:59

Jerry R. Bergeson & Associates, Inc.

Setup File: BAD  
 Proj File: BAD2  
 Proj Numb: 1.  
 640 ACRE CASE

# FORECASTED RESERVES AND ECONOMICS

Date: 11/13/89  
 Time: 14:10:23

MOBIL-BADLANDS 15-1  
 EXAMPLE ECONOMICS  
 EFFECTIVE JANUARY 1, 1990

MOBIL BADLANDS 15-1  
 640 ACRE SPACING CASE  
 EXAMPLE ECONOMICS

-END- MO-YR	Total Months Produced	Gross Producing Wells	Average Liquid Prod Rate --STBPD--	Gross Liquid Production ---MSTB---	Work Int Liquid Production ---MSTB---	Net Int Liquid Production ---MSTB---	Average Gas Prod Rate --MSCFPD--	Gross Gas Production ---MMSCF---	Work Int Gas Production ---MMSCF---	Net Int Gas Production ---MMSCF---
12-90	12.	1.	101.0	36.870	36.870	30.418	303.0	110.610	110.610	91.253
12-91	12.	1.	69.6	25.401	25.401	20.955	208.8	76.202	76.202	62.866
12-92	12.	1.	47.9	17.499	17.499	14.437	143.8	52.497	52.497	43.310
12-93	12.	1.	33.0	12.055	12.055	9.946	99.1	36.166	36.166	29.837
12-94	12.	1.	22.8	8.305	8.305	6.852	68.3	24.916	24.916	20.556
12-95	12.	1.	15.7	5.722	5.722	4.720	47.0	17.165	17.165	14.161
12-96	12.	1.	10.8	3.942	3.942	3.252	32.4	11.825	11.825	9.756
12-97	10.	1.	7.3	2.206	2.206	1.820	21.8	6.619	6.619	5.461
12-98										
12-99										
12 0										
12 -1										
SUB T	94.	0.	.0	112.000	112.000	92.400	.0	336.000	336.000	277.200
AFTER	0.	0.	.0	.000	.000	.000	.0	.000	.000	.000
TOTAL	94.	0.	.0	112.000	112.000	92.400	.0	336.000	336.000	277.200

-END- MO-YR	Average Working Interest -Fraction-	Average Net Rev Interest -Fraction-	Average Liquid Price --\$/STB--	Average Gas Price --\$/MSCF--	Gross Liquid Revenue ---M\$---	Gross Gas Revenue ---M\$---	Gross Total Revenue ---M\$---	Net Liquid Revenue ---M\$---	Net Gas Revenue ---M\$---	Net Total Revenue ---M\$---
12-90	1.00000	.82500	18.00	1.80	663.658	199.097	862.756	547.518	164.255	711.773
12-91	1.00000	.82500	18.00	1.80	457.209	137.163	594.372	377.198	113.159	490.357
12-92	1.00000	.82500	18.00	1.80	314.982	94.495	409.476	259.860	77.958	337.818
12-93	1.00000	.82500	18.00	1.80	216.998	65.099	282.097	179.023	53.707	232.730
12-94	1.00000	.82500	18.00	1.80	149.495	44.848	194.343	123.333	37.000	160.333
12-95	1.00000	.82500	18.00	1.80	102.990	30.897	133.888	84.967	25.490	110.457
12-96	1.00000	.82500	18.00	1.80	70.952	21.286	92.238	58.536	17.561	76.096
12-97	1.00000	.82500	18.00	1.80	39.715	11.914	51.629	32.765	9.829	42.594
12-98										
12-99										
12 0										
12 -1										
SUB T	1.00000	.82500	.00	.00	2016.000	604.800	2620.799	1663.200	498.960	2162.160
AFTER	.00000	.00000	.00	.00	.000	.000	.000	.000	.000	.000
TOTAL	1.00000	.82500	.00	.00	2016.000	604.800	2620.799	1663.200	498.960	2162.160

-END- MO-YR	Net Severance Tax ---M\$---	Net Windfall Prof Tax ---M\$---	Net Total Rev Less Sev & WPTX ---M\$---	Net Advalorem Tax ---M\$---	Net Operating Cost ---M\$---	Net Total Income ---M\$---	Net Total Investment ---M\$---	Net Cash Flow BFIT ---M\$---	Cum Net Cash Flow BFIT ---M\$---	Disc NCF BFIT ---M\$---
12-90	47.089	.000	664.685	6.647	42.000	616.038	750.000	-133.962	-133.962	-163.756
12-91	32.440	.000	457.916	4.579	42.000	411.337	.000	411.337	277.375	354.202
12-92	22.349	.000	315.469	3.155	42.000	270.314	.000	270.314	547.689	210.622
12-93	15.397	.000	217.334	2.173	42.000	173.160	.000	173.160	720.849	122.085
12-94	10.607	.000	149.726	1.497	42.000	106.229	.000	106.229	827.078	67.770
12-95	7.308	.000	103.150	1.031	42.000	60.118	.000	60.118	887.196	34.704
12-96	5.034	.000	71.062	.711	42.000	28.352	.000	28.352	915.548	14.809
12-97	2.818	.000	39.776	.398	35.000	4.379	.000	4.379	919.926	2.087
12-98										
12-99										
12 0										
12 -1										
SUB T	143.042	.000	2019.118	20.191	329.000	1669.926	750.000	919.926	919.926	642.523
AFTER	.000	.000	.000	.000	.000	.000	.000	.000	919.926	.000
TOTAL	143.042	.000	2019.118	20.191	329.000	1669.926	750.000	919.926	919.926	642.523

Report Date  
 Life of Project After Report Date (Years)  
 Time to First Reversion (Years)

1st of 1/90  
 7.833  
 .000

Cum Liquid Prod at Report Date (MSTB)  
 Est Liquid Prod after Report Date (MSTB)  
 Est Ultimate Liquid Prod (MSTB)

.000  
 112.000  
 112.000

Cum Gas Prod at Report Date (MMCF)  
 Est Gas Prod after Report Date (MMCF)  
 Est Ultimate Gas Prod (MMCF)

.000  
 336.000  
 336.000

Present Worth (PW) Date

1st of 1/90  
 PW of NCF BFIT Disc @ .0% (M\$) 919.926  
 PW of NCF BFIT Disc @ 8.0% (M\$) 691.361  
 PW of NCF BFIT Disc @ 10.0% (M\$) 642.523  
 PW of NCF BFIT Disc @ 12.0% (M\$) 596.381  
 PW of NCF BFIT Disc @ 15.0% (M\$) 532.066  
 PW of NCF BFIT Disc @ 18.0% (M\$) 472.873  
 PW of NCF BFIT Disc @ 20.0% (M\$) 436.115  
 PW of NCF BFIT Disc @ 25.0% (M\$) 352.161  
 PW of NCF BFIT Disc @ 30.0% (M\$) 278.384  
 PW of NCF BFIT Disc @ 35.0% (M\$) 213.114

Setup File: BAD  
 Proj File: BAD2  
 Proj Numb: 2.  
 320 ACRE CASE

# FORECASTED RESERVES AND ECONOMICS

Date: 11/13/89  
 Time: 14:10:43

MOBIL-BADLANDS 15-1  
 EXAMPLE ECONOMICS  
 EFFECTIVE JANUARY 1, 1990

MOBIL BADLANDS 15-1  
 320 ACRE SPACING CASE  
 EXAMPLE ECONOMICS

-END- MO-YR	Total Months Produced	Gross Producing Wells	Average Liquid Prod Rate --STBPD--	Gross Liquid Production --MSTB--	Work Int Liquid Production --MSTB--	Net Int Liquid Production --MSTB--	Average Gas Prod Rate --MSCFPD--	Gross Gas Production --MMSCF--	Work Int Gas Production --MMSCF--	Net Int Gas Production --MMSCF--
12-90	12.	2.	170.5	62.246	62.246	51.353	511.6	186.739	186.739	154.059
12-91	12.	2.	80.9	29.517	29.517	24.351	242.6	88.550	88.550	73.053
12-92	12.	2.	38.3	13.996	13.996	11.547	115.0	41.989	41.989	34.641
12-93	11.	2.	18.7	6.241	6.241	5.149	56.0	18.722	18.722	15.446
12-94										
12-95										
12-96										
12-97										
12-98										
12-99										
12 0										
12 -1										
SUB T	47.	0.	.0	112.000	112.000	92.400	.0	336.000	336.000	277.200
AFTER	0.	0.	.0	.000	.000	.000	.0	.000	.000	.000
TOTAL	47.	0.	.0	112.000	112.000	92.400	.0	336.000	336.000	277.200

-END- MO-YR	Average Working Interest -Fraction-	Average Net Rev Interest -Fraction-	Average Liquid Price --\$/STB--	Average Gas Price --\$/MSCF--	Gross Liquid Revenue --M\$--	Gross Gas Revenue --M\$--	Gross Total Revenue --M\$--	Net Liquid Revenue --M\$--	Net Gas Revenue --M\$--	Net Total Revenue --M\$--
12-90	1.00000	.82500	18.00	1.80	1120.432	336.130	1456.562	924.357	277.307	1201.663
12-91	1.00000	.82500	18.00	1.80	531.298	159.389	690.687	438.321	131.496	569.817
12-92	1.00000	.82500	18.00	1.80	251.936	75.581	327.517	207.847	62.354	270.202
12-93	1.00000	.82500	18.00	1.80	112.334	33.700	146.034	92.675	27.803	120.478
12-94										
12-95										
12-96										
12-97										
12-98										
12-99										
12 0										
12 -1										
SUB T	1.00000	.82500	.00	.00	2016.000	604.800	2620.800	1663.200	498.960	2162.160
AFTER	.00000	.00000	.00	.00	.000	.000	.000	.000	.000	.000
TOTAL	1.00000	.82500	.00	.00	2016.000	604.800	2620.800	1663.200	498.960	2162.160

-END- MO-YR	Net Severance Tax --M\$--	Net Windfall Prof Tax --M\$--	Net Total Rev Less Sev & WPTX --M\$--	Net Advalorem Tax --M\$--	Net Operating Cost --M\$--	Net Total Income --M\$--	Net Total Investment --M\$--	Net Cash Flow BFIT --M\$--	Cum Net Cash Flow BFIT --M\$--	Disc NCF BFIT --M\$--
12-90	79.498	.000	1122.165	11.222	84.000	1026.943	1500.000	-473.056	-473.056	-522.722
12-91	37.697	.000	532.120	5.321	84.000	442.798	.000	442.798	-30.258	381.293
12-92	17.876	.000	252.326	2.523	84.000	165.803	.000	165.803	135.544	129.189
12-93	7.970	.000	112.507	1.125	77.000	34.382	.000	34.382	169.927	24.340
12-94										
12-95										
12-96										
12-97										
12-98										
12-99										
12 0										
12 -1										
SUB T	143.042	.000	2019.118	20.191	329.000	1669.927	1500.000	169.927	169.927	12.100
AFTER	.000	.000	.000	.000	.000	.000	.000	.000	169.927	.000
TOTAL	143.042	.000	2019.118	20.191	329.000	1669.927	1500.000	169.927	169.927	12.100

Report Date  
 Life of Project After Report Date (Years)  
 Time to First Reversion (Years)

1st of 1/90  
 3.917  
 .000

Cum Liquid Prod at Report Date (MSTB)  
 Est Liquid Prod after Report Date (MSTB)  
 Est Ultimate Liquid Prod (MSTB)

.000  
 112.000  
 112.000

Cum Gas Prod at Report Date (MMCF)  
 Est Gas Prod after Report Date (MMCF)  
 Est Ultimate Gas Prod (MMCF)

.000  
 336.000  
 336.000

Present Worth (PW) Date

1st of 1/90  
 PW of NCF BFIT Disc @ .0% (M\$) 169.927  
 PW of NCF BFIT Disc @ 8.0% (M\$) 41.620  
 PW of NCF BFIT Disc @ 10.0% (M\$) 12.100  
 PW of NCF BFIT Disc @ 12.0% (M\$) -16.562  
 PW of NCF BFIT Disc @ 15.0% (M\$) -57.846  
 PW of NCF BFIT Disc @ 18.0% (M\$) -97.315  
 PW of NCF BFIT Disc @ 20.0% (M\$) -122.585  
 PW of NCF BFIT Disc @ 25.0% (M\$) -182.666  
 PW of NCF BFIT Disc @ 30.0% (M\$) -238.427  
 PW of NCF BFIT Disc @ 35.0% (M\$) -290.314

SPECIAL RULES FOR THE BADLAND HILLS GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Badland Hills Gallup Oil Pool or in the Gallup member of the Mancos formation within one mile thereof, and not nearer to or within the limits of any other designated Gallup oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Badland Hills Gallup Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 640-acres which shall comprise a single governmental section, being a legal subdivision of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 632 and 648 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. An exception to the provisions of Rule 2 above may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

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In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the non-standard unit within 30 days after the Director received the application.

**RULE 4.**

(a) Each well completed or recompleted in the Badland Hills Gallup Oil Pool shall be located no nearer than 990 feet to the outer boundary of the proration unit nor closer than 10 feet to any interior quarter - quarter section line, provided, however, that nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

(b) The operator of each well projected to and completed in the Badland Hills Gallup Oil Pool shall conduct deviation tests on such well to determine the deviation from the vertical at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Gas.

(c) If the total deviation, assumed in a constant direction, indicates a horizontal displacement of the lowermost perforation, or the bottom of the hole in the case of an open-hole completion, of more than 330 feet from the surface



location, no allowable shall be approved for the well unless a directional survey approved by the Division Director establishes a horizontal displacement of 330 feet or less, or unless the well has been approved for production, subject to a possible production penalty; after notice and hearing.

**RULE 5.** The Division Director may grant an exception to the surface location requirements of Rule 4 (a) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers of objection from all operators or if no objection is received from any offsetting operator within 20 days after receipt of the application and written waivers have been received from all offset operators whose lands are being "crowded" either directly or diagonally by the proposed unorthodox location.

**RULE 6.**

A standard spacing or proration unit in the Badland Hills Gallup Oil Pool (632 through 648 acres) shall be assigned a top allowable of 800 barrels of oil per day. Any non-standard

spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned an allowable in the same ratio to 800 as the acreage in the proration unit bears to 640.

**RULE 7.** The vertical limits of the Badland Hills Gallup Oil Pool shall be the Gallup member of the Mancos formation.

**RULE 8.** Operators in the Badland Hills Gallup Oil Pool are authorized to drill a second well in any standard spacing unit provided the well is located in a different quarter section than the original well. The top allowable assigned to the spacing unit may be shared by the two wells in any proportion.

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