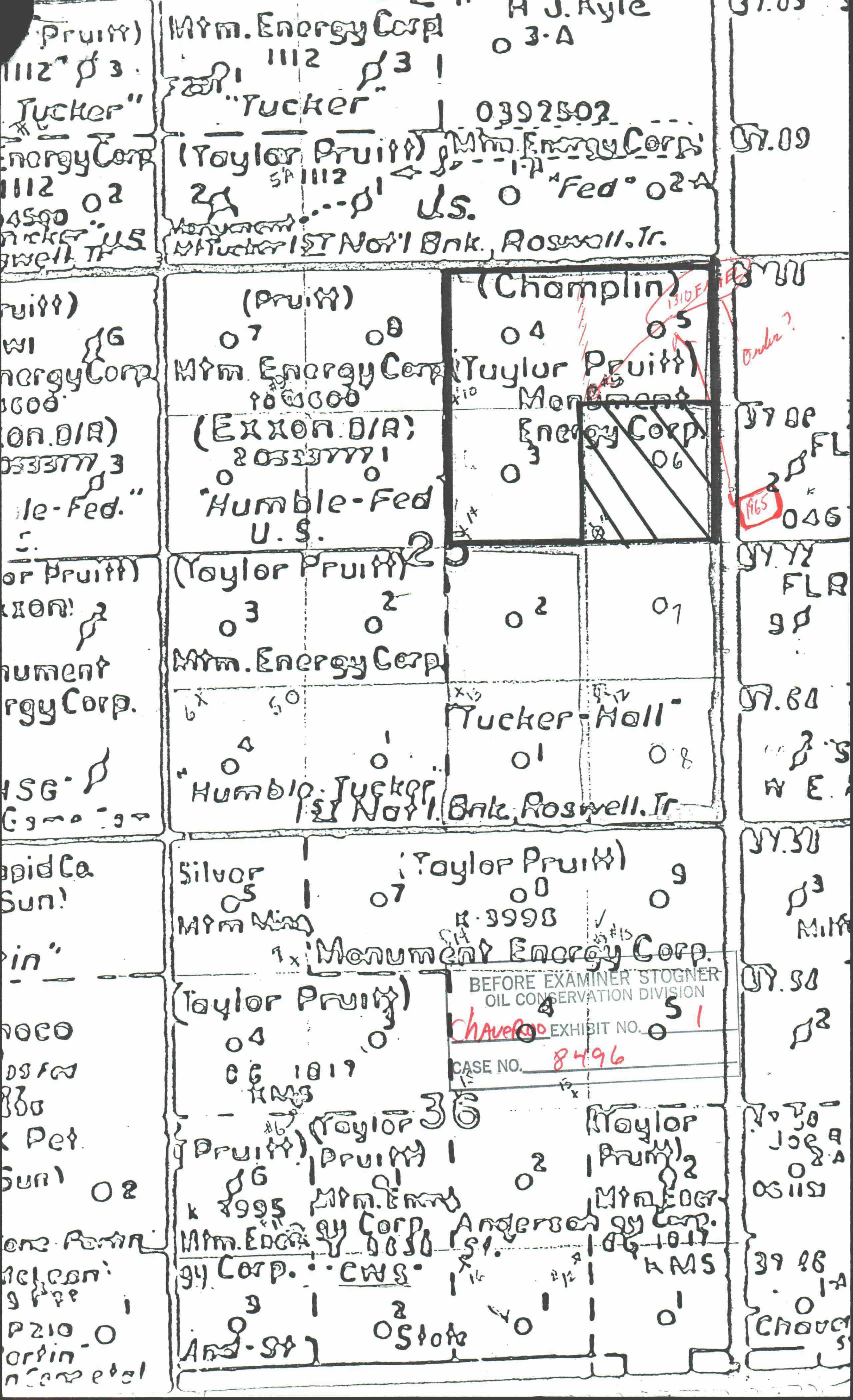

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Chaveroo EXHIBIT NO. 1
CASE NO. 8496

AUTHORITY FOR EXPENDITURES

WELL NAME/NO. TUCKER-HALL NO. 9 AFE NO.

FIELD CHAVEROO COUNTY/PARISH ROOSEVELT STATE NM

DEPTH 4,500' TYPE COMPLETION

LOCATION 1310' from North Line and 1310' from East Line, Section 25, T 7 S - R 32 E

INTANGIBLE COSTS	Estimated Dry Hole	Estimated Producer	Total	Actual
Rig Mobilization, Demobilization	-	-		
Footage Ft. @ $ /ft. Turnkey	94,000	-		
Daywork 1 days @ $ 4,000 /day	4,000	-		
Completion Daywork 5 days @ $ 1,200 /day	-	6,000		
Location Preparation IN TURNKEY	-	-		
Mud & Chemicals IN TURNKEY	-	-		
Fuel & Water IN TURNKEY	-	800		
Bits & Coreheads IN TURNKEY	-	-		
Tool & Equipment Rental MISC. & ISOLATION PACKER	1,000	2,500		
Drill Pipe Rentals	-	-		
Casing Crews & Equipment	-	-		
Cementing	5,800	3,500		
Wireline Logging, Evaluation & Perforation	9,200	4,500		
Stimulation	-	50,000		
Coring, Core Analysis, Paleo	-	-		
Evaluation Test (Excludes Wireline Work)	-	-		
Transportation	500	1,100		
Barge & Boat Expense	-	-		
Supervision & Geologist 10 days @ $230/day	2,300	1,500		
Directional Cost	-	-		
Insurance: Well Control	1,700	-		
Pollution	-	-		
Production Facilities Hookup	-	8,000		
Miscellaneous FORK LIFT & CONTINGENCIES	4,000	2,000		
Sales Tax on Tangibles	-	2,400		
TOTAL INTANGIBLES	122,500	82,300		

TANGIBLE COSTS

Equipment Quantity Estimated Dry Hole	Estimated Producer	Actual	Tangible Equipment Description	Dry Hole	Producer	Total	Actual
100'		13 5/8	Csg. CONDUCTOR - TURNKEY	-	-		
800'		8 5/8	Csg. SURFACE - TURNKEY	-	-		
500'		4 1/2	Csg. 10.50#/ft J-S5	-	14,900		
			Csg.	-	-		
400'		2 3/8	Tubing	-	7,700		
			Packers	-	-		
			Csg. Head	-			
			Tubing Hd.	-	2,300		
			Xmas Tree	-			
		*	Prod. Equip. Battery Valves & Flowline	-	13,500		
			Pumping Unit D-120	-	4,200		
			Rods	-	1,500		
			Pump & Accessories	-	3,000		
			TOTAL TANGIBLES	-	47,100		
			TOTAL ESTIMATED COST	122,500	129,400	251,900	

e existing Tank Battery

ROVED:

Company or Owner

:

ing Interest:

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
CHAVEROO EXHIBIT NO. 2
CASE NO. 8496

	Estimated	A
Spud Date		
Comp. Date		

Prepared By

Date

CHAVEROO OPERATING CO., INC.

4800 SAN FELIPE, SUITE 620
HOUSTON, TEXAS 77056
713-627-2875

November 29, 1984

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Chaveroo EXHIBIT NO. 3
CASE NO. 8496

Mr. Leonard Buckner
1360 South Ocean Blvd.
Pompano Beach, Fl. 33060

responded by phone

Re: Development Well
Quarter Quarter Section
Tucker Hall No. 9
Section 25, T 7 S - R 32 E,
Roosevelt County, New Mexico

Dear Mr. Buckner:

Chaveroo Operating Co., Inc. is serving as Operator for G & P Exploration, Inc. and Chaveroo II, Ltd., a New Mexico Partnership, which purchased all of Monument Resources, Inc.'s interest in properties in Sections 23, 24, 25, 26 and 36 of T 7 S - R 32 E, Roosevelt County, New Mexico. Attached please find Exhibit "A", a plat reflecting the location of a proposed well to be drilled in the NE/4 of the NE/4 of Section 25, on a 20 acre spacing pattern. Also attached is Exhibit "B", an AFE for the estimated cost for drilling the well. Your pro rata share of the cost is shown on Exhibit "C".

The State of New Mexico will not allow drilling at the intersection point of the four quarter/quarter intersections but requires a 10 foot offset from the quarter/quarter section corner. For all purposes however, we will consider the well as situated at the intersection of the SW/4, NW/4, NE/4 and SE/4 of the NE/4 of Section 25. Your estimated costs, as shown, are based on the four quarter sections surrounding the well comprising 160 acres, more or less, sharing equally in the cost of the well and in all production therefrom. The production would be commingled in the Tucker Hall Battery, based on well tests conducted quarterly or more often if necessary. The Tucker Hall Battery is the closest and most economical hook up. We need to commingle to save the cost of additional battery equipment and to enable us to immediately begin producing the well when completed. Well test data will be supplied to Donna Holler of Oil Reports and Gas Services in Hobbs, New Mexico and she will make all allocations of production.

We do not believe that the 40 acre spacing is properly draining the reserves and are therefore recommending this well to more efficiently drain the reservoir. The share of drilling and production costs of the Working Interest Owners on the 160 acre participation would be as follows:

G & P Exploration, Inc.	(SW/4 of NE/4,	72.65625%
Leonard Buckner	NW/4 of NE/4,	2.25000%
Allan E. Levinsohn	NE/4 of NE/4)	.09375%
		75.00000%
G & P Exploration, Inc.	SE/4 of NE/4	25.00000%
		100.00000%

Since this is a new well, we have attached an Operating Agreement, that we will be using for these properties and would request that you approve its use for operations on this new well.

The properties have been neglected the last several years and we are attempting to restore the property to a properly operating status. We have had three different engineering firms review this area and all agree that the 40 acre spacing pattern has not and will not enable us to recover the available reserves. The various studies estimate that between 85% to 92% of the oil in place has not been drained. We calculate that a new well could recover 30,000 to 35,000 bbls of oil. Jim Patterson of Patterson and Powers performed a study on the development potential of new wells. Attached as Exhibit "D" are copies of pages 6 (Paragraph B) and 7 of this report prepared in July 1984.

We are currently proceeding to permit the subject well which will be designated Tucker Hall No. 9. We would like your agreement to participate in the proposed well or your assignment to Chaveroo of all your rights, title and interest and the production allocated to this irregular spaced well. Your timely reponse would be appreciated as we would like to drill this well in 1984.

If you desire to participate, please sign in the space provided below which states you will participate in the well and agree with the Operating Agreement attached hereto. Upon agreeing to participate you should remit 5% of your total estimated cost (Exhibit "C") to cover staking, permitting and damages for the well. You will be billed for the remaining estimated cost approximately 15 days prior to the anticipated spud date. Actual cost details will be supplied after the well is completed and if the cost exceeds the estimate you will receive an additional billing. If the well cost is less than estimated, you will receive the difference 15 days after final completion billing is received.

If you prefer to abstain from participation, please note in the space provided and we will forward an assignment to you for your signature.

Sincerely,

CHAVEROO OPERATING CO., INC.

William J. Graham
President

ACCEPTED AND AGREED TO THIS
_____ DAY OF NOVEMBER, 1984.

I DO NOT ACCEPT AND AGREE TO
THIS ____DAY OF __________, 1984

____

____

WJG:ec
Enclosures

EXHIBIT "C"

ESTIMATED SHARES OF COSTS

TUCKER HALL NO. 9

NE/4 NE/4 SECTION 25 T 7 S R 32 E

W. I. OWNERS	W.I. PERCENTAGE	TOTAL COST ($251,900.)
G & P Exploration, Inc.	97.65625%	$245,996.09
Leonard Buckner	2.25000%	5,667.75
Allan E. Levinsohn	.09375%	236.16
	100.00000%	$251,900.00

G & P EXPLORATION, INC.
4800 SAN FELIPE
SUITE 620
HOUSTON, TEXAS 77056
TELEPHONE (713) 627-2875

December 10, 1984

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Chavervo EXHIBIT NO. 4
CASE NO. 8497

Mr. Leonard Buckner
1360 South Ocean Blvd.
Pompano Beach, FL 33062

Re: Tucker Hall No. 9
Proposed Well
NE/4 Sec 25 - T 7 S - R 32 E
Roosevelt County, New Mexico

Dear Mr. Buckner:

Reference your Mailgram of December 2, 1984.

Please pardon my oversight in failing to enclose either Exhibit "D" or the Operating Agreement. You are certainly entitled to a copy of each document and I appreciate your bringing this omission to my attention.

Please refer to the enclosed Division of Interest from Navajo Refining Company. You will note that this Division of Interest lists five (5) Royalty Owners and three (3) Working Interest Owners. Champlin Petroleum and Warren American, the actual lessees now hold a total overriding royalty interest of 11.25%. Champlin and Warren agreed to pay the lessors, (Florence Moore Hall, Florence Thelma Hall Estate and the Tucker Trust), an 18.75% royalty. Thus the leasehold estate is burdened with a total royalty interest of 30%.

There are three working interest owners, you, G & P Exploration, Inc. and Allan Levinsohn. The owner of the working interest has the exclusive right to exploit the minerals on the land, as you know. The working interest (sometimes called the operating interest) is defined as the mineral interest minus the royalty interest. The working (or operating) interest is the interest that is burdened with the cost of development and operations of the property.

Under the present arrangement, the working interest owners pay 100% of the costs and expenses of exploration and development, and receive 70% of the production therefrom. The share received by the working interest owners is sometimes called the net revenue interest and is that portion remaining after all royalties and overriding royalties have been deducted from the proceeds of production. Royalty interests are not subject to any costs of production.

You, G & P, Allan Levinsohn, as the working interest owners of the present leasehold, pay 100% of the costs and receive 70% of the revenues of productions in these proportions.

W.I. OWNER	PAY	RECEIVE
Leonard Buckner	.03000 (3%)	.021000 (2.1%)
G & P Exploration, Inc.	.96875 (96.875%)	.678125 (67.8125%)
Allan Levinsohn	.00125 (.125%)	.000875 (.0875%)
	1.00000 (100%)	.700000 (70%)

You are receiving 2.1% of the revenues (3% of 70% = 2.1%) in return for paying 3% of all expenses (3% of 100%). G & P and Mr. Levinsohn are also receiving revenues and sharing expenses in the same proportions. The percentages shown on the Division of Interest are percentages of revenues <u>not</u> percentages of expenses.

Put another way, 3% of the royalty burdens (30%) is .9%. 3% - .9% = 2.1%, your share of production proceeds. For G & P, 96.875% of 30% = 29.0625%. 96.875% - 29.0625% = 67.8125%. For Allan Levinsohn, .125% of 30% = .0375%. .125% - .0375% = .0875%.

I hope the above explanations and calculations clarify our letter and answer all of your questions. Should you have any other questions, please don't hesitate to contact me at your earliest convenience.

Very truly yours,

G & P EXPLORATION, INC.

John W T Medairy

John W. T. Medairy
Land Manager

JWTM:jp

Enclosures

EXHIBIT "D"

RESERVES AND ECONOMICS

The definitions ~~of reserves used herein are given in the appendix. The~~ "as-of" date for the reserves and economics is April 1, 1984. The cash flow projections are made on a "before federal income tax" basis. In Exhibits III through XXI, which present results of economics analyses, the various economic indicators such as "rate-of-return" and "return on investment" are not meaningful in this evaluation because the purchase price has not been included, hence the total investment is unknown. Of course, the investment costs associated with new wells and workovers were included to properly impact cash flow.

A. Proved Developed Producing Reserves

The composite "proved developed producing" reserves and cash flow projection is presented as Exhibit III, which indicates the remaining reserves as of April 1, 1984 to be:

	Gross	Net
Oil (bbl)	224,865	160,854
Gas (Mcf)	332,226	233,850

The associated undiscounted cumulative cash flow is $2,988,108 and the present value discounted at 12 percent is $1,702,669.

Individual projections for the separate leases are presented individually as Exhibits VII through XV. The summation of cash flows of the individual cases will not equal the corresponding cash flow in the composite case because the individual cases do not include the associated overhead expenses. The individual cases can be readily compared to each other in Exhibit I.

The LSA lease represents about 47 percent of the value of the proved developed producing reserves. It has been on production for about 19 years and has produced clean oil with no water production at a well-established and regular decline rate of about four percent per year. There is no evidence to suggest that this trend will not continue into the forseeable future. This well is completed in the Abo detrital zone which is located in the lower part of the Abo formation, and had produced about 182,000 barrels through 1983. It is projected to have at least 115,000 barrels of additional reserves, bringing the ultimate reserves of this well to 297,000 barrels. Although there are not many Abo producers in the nearby vicinity with long-term histories to use as a comparative base, the Sun Exploration & Production N.M. "X" State No. 1, which is located about a mile and a half to the northeast and is identified as a "lower Abo" producer, had produced more than 440,000 barrels through 1982 and is still producing. Rough volumetric calculations indicate that reserves on the order of 297,000 barrels are reasonable if good drainage is achieved. Consequently, we ~~consider the projected reserves for this well to be a reasonable estimate.~~

B. Proved Undeveloped Reserves

The "proved undeveloped" reserves in this evaluation consist of the reserves postulated to be associated with fifteen infill wells. The reserves and cash flow projection are given in Exhibit XVI, which indicates these proved undeveloped reserves to be:

	Gross	Net
Oil (bbl)	519,407	373,973
Gas (Mcf)	519,407	373,973

The associated undiscounted cash flow is $7,941,719 and the present value discounted at 12 percent is $5,301,791.

The proved developed producing reserves are combined with the proved undeveloped reserves and presented as Exhibit IV which includes the overhead expenses. These reserves are also included in the summary given as Exhibit I. The combined remaining proved reserves at April 1, 1984 are:

	Gross	Net
Oil (bbl)	744,272	534,828
Gas (Mcf)	851,633	607,823

The combined undiscounted cumulative cash flow is $10,929,827 and the present value discounted at 12 percent is $7,004,460.

C. Probable Reserve

The probable reserves are presumed to be gained from fifteen workovers on existing wells. For this evaluation, a certain distribution of workovers among the various leases was assumed and the production schedules of the Anderson, Humble-Federal, KMS and Tucker-Hall leases were revised. It was also assumed that the Tucker lease would be returned to production as a result of the workover program. The actual selection of wells to be worked over will not necessarily be the same as that assumed in this evaluation, but that is not critical to the overall result.

The cash flow projections for the five leases involved in the assumed workover program are given in Exhibits XVII through XXI. These probable results are combined with the proved developed producing reserves in the composite presented as Exhibit V, which includes the general operation overhead expenses. This composite case indicates the following reserves from existing wells, including beneficial effects of workovers to be :

	Gross	Net
Oil (bbl)	368,798	258,696
Gas (Mcf)	489,975	340,909

The associated undiscounted cash flow for this composite is $4,950,177 and the corresponding present value discounted at 12 percent is $2,919,440. Therefore,

:HAVEROO
)PERATING CO., INC.

.00 SAN FELIPE, SUITE 620
)USTON, TEXAS 77056
3-627-2875

January 29, 1985

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Chaveroo EXHIBIT NO. 5
CASE NO. 8496

Mr. Leonard Buckner
1360 South Ocean Blvd.
Pompano Beach, Florida 33060

Re: Tucker Hall No. 9 Well
Sec. 25, T 7 S - R 32 E
Roosevelt County, NM

Dear Mr. Buckner:

Reference our telephone conversation of Friday, January 25th.

I have asked Brannon H. Miley, our Chief Financial Officer, to call you and answer any questions concerning overhead allocations, charges, etc. Mr. Miley will also look at the April and October, 1984 charges to determine why you might have been charged the same for three (3) wells as for five (5) when you only own a working interest in three (3) wells.

Your offer to sell all of your interest has been taken under advisement by Mr. Graham. Due to the uncertainty of crude prices and various operating problems caused by the extended neglect of Wells 1-5 in addition to other wells in the area, I do not believe that he will increase the purchase offer by very much, if at all, but I will advise you as soon as I hear.

Regarding your participating, going non-consent or doing nothing and compelling us to use the price pooling procedure for Tucker Hall No. 9. Chaveroo plans to drill the Tucker Hall No. 9 in an effort to better drain the reservoir. The plan is to eventually go to a twenty (20) acre spacing pattern to more efficiently develop the reservoir. You will recall Mr. Graham's letter of November 29, 1984. contained a portion of an engineering study that supports the twenty (20) acre spacing pattern to enable us to recover more of the oil in place. (Exhibit "D") The forty (40) acre pattern can drain only 8% to 15% of the oil in place.

We have received approval from the New Mexico Department of Conservation to drill the No. 9 under the twenty (20) acre engineering hypothesis. No one, including the State, believes the No. 9 well will impact, affect or drain any of the production reserves presently being drained by Tucker Hall 3, 4 or 5. Our Engineers have assured us and the State that No. 9 well will not infringe upon any production from wells 3, 4 or 5. The State concurs and has confirmed this opinion by granting us permission to drill No. 9. Mr. Graham has authorized me to state that to the very best of our knowledge and assurance, No. 9 will not cause any loss of or affect any production from Wells 3, 4 or 5 either when No. 9 or any subsequent well is drilled and completed.

It is our intention to save money and operate the properties in the most economical and efficient mannor possible by producing No. 9 into the same tank battery as wells Nos. 1, 2, 3, 4 and 5. Any other wells drilled in the E/2 of Section 25 will also be commingled into the Tucker Hall Tank Battery.

As you recall, you earlier consented our our commingling production from Tucker Hall No. 9 with the other producing Tucker Hall leases based on a test of each well conducted quarterly. The well tests will determine each well's allocated share of the total production. The well tests will be done by Mrs. Donna Holler, an independent contractor acting in conjunction with Navajo Refining. Thus the tests will be performed by a third party with no interest in any of the properties and the allocation and distrubution based on her tabulations. Mrs. Holler's company is Oil and Gas Services, 1008 W. Broadway, Hobbs, New Mexico. It has been in business there for about 25 years and is recognized by the New Mexico's Commissioner of Public Lands and other State authorities.

If you are satisfied, Mr. Buckner, please sign the enclosed letter electing to go non-consent, have it notarized and return one copy to me as soon as possible.

A self addressed stamped envelope is enclosed for your convenience in replying.

Very truly yours,

CHAVEROO OPERATING CO., INC.,

John W T Medairy

John W. T. Medairy
Land Manager

JWTM:jp

Enclosures

xc: Brannon H. Miley