

MESA GRANDE RESOURCES, INC.

**1200 PHILTOWER BUILDING
TULSA, OKLAHOMA 74103
(918) 587-8494**

July 14, 1986

To All Working Interest Owners
(See Attached List)

Re: Phantom #1 Well
W/2, Section 16-25N-2W
Rio Arriba County, New Mexico

Gentlemen:

Please find enclosed a revised Authority for Expenditure (AFE) for the above referenced well.

This revised AFE more accurately reflects the current costs within the well area and also is the result of changes in our planned completions.

If you have already signed our previously submitted AFE, you need not sign this one; please retain it for your records. If you have not approved our initial AFE, we respectfully request that you return one executed copy of the enclosed as soon as possible so as to avoid unnecessary delays and pooling action.

We appreciate your prompt response.

Very truly yours,

Christopher L. Phillips

Christopher L. Phillips
Manager of Field Operations

CLP:dw
Enclosures

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico Case No. <i>8963</i> Exhibit No. <i>3</i> Submitted by <i>Mesa Grande Resources</i> Hearing Date <i>August 6, 1986</i>

PHANTOM #1 WELL
W/2, Section 16-25N-2W
Rio Arriba County, New Mexico

WORKING INTEREST OWNERS

Mesa Grande, Ltd.
1305 Philtower Building
Tulsa, Oklahoma 74103
Attention: L. Sweet

Arriba Company, Ltd.
Post Office Box 35304
Tulsa, Oklahoma 74153
Attention: G. L. Morris

Mountair States Natural Gas Corp.
Post Office Box 35426
Tulsa, Oklahoma 74153
Attention: Albert J. Blair, Jr.

Ralph Gilliland
7420 Caruth
Dallas, Texas 75225

Duer Wagner, Jr.
Post Office Drawer 980239
Fort Worth, Texas 76198

Duer Wagner, III
1420 Continental Plaza
777 Main Street
Fort Worth, Texas 76102

Reading & Bates Petroleum Co.
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103
Attention: Eric Koelling

Hooper, Kimball and Williams, Inc.
Post Office Box 520970
Tulsa, Oklahoma 74152
Attention: Greg D. Owens

P C, Ltd.
Post Office Box 911
Breckenridge, Texas 76024-0911
Attention: Ronald A. Holloway

Ibex Partnership
Post Office Box 911
Breckenridge, Texas 76024-0911
Attention: Ronald A. Holloway

Clark & Oatman
Post Office Box 1846
Austin, Texas 78767
Attention: David Oatman

MESA GRANDE RESOURCES, INC.

1200 PHILTOWER BUILDING
TULSA, OKLAHOMA 74103
(918) 581-8494

June 17, 1986

To All Working Interest Owners
(See Attached List)

Re: Phantom #1 Well
Township 25 North, Range 2 West
Section 16: West Half
Rio Arriba County, New Mexico

Gentlemen:

Mesa Grande Resources, Inc. proposes the drilling of a Gallup-Dakota well to be located in the SW/4 SW/4 of Section 16, Township 25 North, Range 2 West, with the W/2 of the section designated as the 320 acre drilling block.

Our records indicate that you are the owner of a working interest within this drilling block. Accordingly, we enclose herewith two (2) copies of our Authority for Expenditure (AFE) along with a proposed Operating Agreement.

After reviewing these materials, if you wish to participate in the drilling of the Phantom #1 Well, please so indicate by signing the AFE and returning one executed copy to this office. An Exhibit "A" and signature pages for the Operating Agreement will be furnished to you at a later time.

If you do not wish to participate in the drilling of this well, Mesa Grande Resources, Inc. is interested in acquiring a farmout on your acreage on the following basis:

Mesa Grande Resources, Inc. would earn 100% of your leasehold interest subject to reservation by you of a proportionate 5% overriding royalty convertible to a proportionate 30% working interest in the assigned acreage after payout.

It is our intention to spud the Phantom #1 Well in mid-August. Therefore, we would appreciate your early review of and response to our proposals.

Very truly yours,



Kathy Michael
Landman

KM:dw
Enclosures

Note to File: Mountain States Natural Gas Corporation
by Certified Mail P 259-367-017

P 259 367 017

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to	
Mountain States Natural Gas Corp.	
Street and No.	
Post Office Box 35426	
City, State and Zip	
Tulsa, Oklahoma 74153	
Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt Date and Address of Sender	
TOTAL POSTAGE AND FEES PAID	

June 1986
U.S.G.P.O. 1985-480-794

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4. Put your address in the RETURN TO space on reverse side. Failure to do this will prevent this mailing returned to you. The return receipt fee will be the name of the person delivered to and the delivery. For additional fees the following are available. Consult postmaster for fees and check for service(s) requested.

1. Show to whom, date and address of delivery

2. Restricted Delivery

3. Article Addressed to Mountain States Natural Gas Post Office Box 35426 Tulsa, Oklahoma 74153 Attention: Albert J. Blain

4. Type of Service: Registered Insured Certified COD Express Mail Article Number: P 259-367

5. Signature of Addressee

6. Signature of Sender

7. Date of Delivery

8. Addressee's Address (ONLY if requested and enclosed)

Always obtain signature of addressee of article at DATE DELIVERED.

DOMESTIC RETURN RECEIPT

PHANTOM #1 WELL
W/2, Section 16-25N-2W
Rio Arriba County, New Mexico

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