

May 27, 1986

Certified - Return Receipt Requested

**Mountain States Natural Gas Corporation
P. O. Box 35426
Tulsa, Oklahoma 74543**

**Re: AFE A44003
Dewey Bartlett #1 Well
Township 25 North, Range 2 West
Section 4: S/2
Rio Arriba County, New Mexico**

Gentlemen:

Our records indicate that Mountain States Natural Gas Corporation owns a 50% leasehold interest in the SE/4SE/4 of Section 4, Township 25 North, Range 2 West, Rio Arriba County, New Mexico.

Jerome P. McHugh is proposing to drill a Gallup/Dakota well to approximately 8,100' pooling all interests in the South one-half of said Section 4. If you elect to participate in the subject well, then you would have a 6.25% net working interest.

Enclosed for your review is an AFE for total well costs of the Dewey Bartlett #1 well with your net working interest reflected at the bottom. If you agree to participate in the drilling of this well, please return a copy of this AFE to our office in Denver.

In the event you do not wish to participate in the drilling of this well, McHugh requests that Mountain States farm 100% of their right, title and interest to McHugh reserving a proportionate share of a 5% overriding royalty interest. After initial payout of the subject well, we propose that Mountain States have the option to convert its overriding royalty interest to a proportionate share of a 15% working interest. It is the intent and understanding of the parties hereto that Mountain States would be farming an 82.5% net revenue interest before payout and an 87.5% net revenue interest after payout.

**Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
550 South Cherry, Suite 1225
Denver, Colorado 80222**

RECEIVED BY MAIL	
ON 06/01/86	
McHugh	EXHIBIT NO. 2
CASE NO.	9006

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Jerome P. McHugh has operated in the San Juan Basin for nearly 20 years. He operates approximately 150 wells in the Basin and over 25 in the Lindrith-Gavilan area.

Enclosed along with our AFE is a plat of Mountain States subject acreage and location of the proposed well. McHugh would like a response by June 30, 1986 as we are anxious to proceed on this well. Please feel free to contact me if you have any questions concerning this matter.

Thank you very much.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Jerry McHugh Jr.", written in dark ink.

Jerry McHugh Jr.

JM/rm

enclosures

PS Form 3811, July 1982

- **SENDER:** Complete Items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).

☒ Show to whom and date delivered70 \$

☐ Show to whom, date, and address of delivery

2. ☐ **RESTRICTED DELIVERY**
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$.70

3. **ARTICLE ADDRESSED TO:**

Mountain States Natural Gas Corp
P. O. Box 35426
Tulsa, OK 74543

4. **TYPE OF SERVICE:**

☐ REGISTERED

☐ INSURED

☒ CERTIFIED

☐ COD

☐ EXPRESS MAIL

ARTICLE NUMBER

P121 800 558

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE

☐ Addressee

☒ Authorized agent

DATE OF DELIVERY

6. **ADDRESSEE'S ADDRESS** (Only if requested)

7. **UNABLE TO DELIVER BECAUSE:**

7a. **EMPLOYEE'S INITIALS**

RETURN RECEIPT