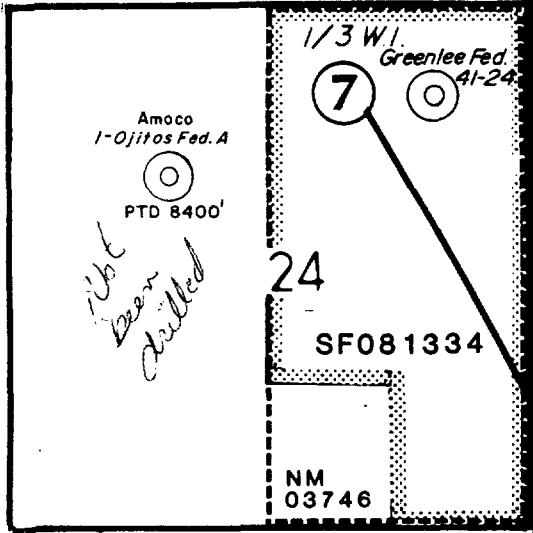


R 3 W



Pool Boundary

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

R+J EXHIBIT NO. 1

CASE NO. 9093

T
25
N

*No offset
prod. well
1 mile*

*1 1/2 miles due south
47 BOPD*

MAP LOCATION #7

<u>SF081334</u>		<u>DSU</u>	
R & B	33.33334	R & B	29.1667*
Hooper	33.33333	Hooper	29.1666
lbex	15.60873	lbex	13.6576
P.C.Ltd.	15.60873	P.C.Ltd.	13.6576
W.C.Tr.	.81380	W.C.Tr.	.7121
Test.Tr.	.42724	Test.Tr.	.3738
Oatman	.87483	Oatman	.7655
	100.00000%	Mtn.States	6.2500
		D.Wagner,Jr.	2.9063
<u>NM03746</u>		D.Wagner,III	.2188
<u>Mtn.States</u>	50.00	R.Gilliland	3.1250
D.Wagner,Jr.	23.25		100.0000%
D.Wagner,III	1.75		
<u>R.Gilliland</u>	25.00		
	100.00%		

* Rded. for convenience

GAVILAN AREA
Rio Arriba Co., New Mexico

LAND MAP

RB**READING & BATES PETROLEUM CO.**3200 Mid-Continent Tower
Tulsa, Oklahoma 74103
918 583-8180

November 12, 1986

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISIONR+B EXHIBIT NO. 2CASE NO. 9093

To All Working Interest Owners

RE: Section 24-25N-3W
Rio Arriba County, New Mexico
Gavilan Prospect

Gentlemen:

Reading & Bates Petroleum Co. is proposing to drill a Dakota test well at a legal location in the NE/4 of Section 24-25N-3W, Rio Arriba County, New Mexico. Enclosed please find an Operating Agreement and an AFE pertaining to this well. Should you desire to participate please execute and return one copy of our AFE and the extra signature page for the Operating Agreement. We are also enclosing three (3) Designation of Operator forms, please execute and return all three original forms to the undersigned for submittal to the Bureau of Land Management.

Should you wish to farmout your interest in this section, Reading & Bates would be willing to negotiate a farmout based on Reading & Bates earning 100% of the spacing unit and an 80% NRI lease subject to a 25% back-in after payout.

If you need further information please do not hesitate to contact the undersigned.

Very truly yours,

READING & BATES PETROLEUM CO.

*Eric Koelling / s.f.*Eric Koelling
Assistant Land ManagerEK/sf
Enclosures

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement by and between Reading & Bates Petroleum Co., as Operator and Hooper, Kimball & Williams, Inc., et al, as Non-Operators dated November 12, 1986.

I. LANDS SUBJECT TO THIS AGREEMENT

Township 25 North - Range 3 West

Section 24: E/2

Containing 320.00 acres, more or less.
Rio Arriba County, New Mexico

II. RESIRICTIONS AS TO DEPTH OR FORMATION

This Agreement shall pertain and apply only to the Gallup (Gavilan Mancos) and Dakota formations.

III. INTERESTS OF THE PARTIES TO THIS AGREEMENT

Mountain States Natural Gas Corporation	6.2500
Duer Wagner, Jr.	2.9063
Duer Wagner, III	.2188
Ralph Gilliland	3.1250
Reading & Bates Petroleum Co.	29.1667
Hooper, Kimball & Williams, Inc.	29.1666
PC, Ltd.	13.6576
Ibex Partnership	13.6576
Warren Clark Trust	
Mabel Reed, Trustee	.7121
Testamentary Trust Under the Will of Warren Clark, Mabel Reed & H. M. Reed	
Co-Trustees	.3738
Carolyn Clark Oatman	.7655

IV. ADDRESSES OF THE PARTIES TO THIS AGREEMENT

Reading & Bates Petroleum Co.
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103

Mountain States Natural Gas Corporation
P. O. Box 1362
Tulsa, Oklahoma 74101

Duer Wagner, Jr.
2906 Texas American Building
Fort Worth, Texas 76102

Duer Wagner, III
2906 Texas American Building
Fort Worth, Texas 76102

Ralph Gilliland
7420 Caruth
Dallas, Texas 75225

Exhibit "A"
E/2 Section 24-26N-2W
Rio Arriba County, New Mexico
Page Two

Hooper, Kimball & Williams, Inc.
125 High Street
Boston, Massachusetts 02110-2721

and

Hooper, Kimball & Williams, Inc.
320 South Boston, Suite 1222
Tulsa, Oklahoma 74103

PC, Ltd.
P. O. Box 911
Breckenridge, Texas 76024

Ibex Partnership
P. O. Box 911
Breckenridge, Texas 76024

Warren Clark Trust
Mabel Reed, Trustee
P. O. Box 1846
Austin, Texas 78767

Testamentary Trust Under the Will of Warren Clark
Mabel Reed & H. M. Reed, Co-Trustees
P. O. Box 1846
Austin, Texas 78767

Carolyn Clark Oatman
P. O. Box 1846
Austin, Texas 78767

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 25, 1987

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

Ralph Gilliland
7420 Caruth
Dallas, Texas 75225

Re: Application of Reading and Bates Petroleum Company
for Compulsory Pooling: Township 25 North, Range
3 West, Section 24, E/2, Rio Arriba County, New
Mexico

Dear Mr. Gilliland:

Enclosed is the application of Reading and Bates Petroleum
Company for compulsory pooling of the lands referenced above.

As you may have an interest in the lands affected, this
notice is being provided to you. This matter is presently set
for hearing before the New Mexico Oil Conservation Division on
March 18, 1987.

Very truly yours,



J. Scott Hall
Attorney for Reading and
Bates Petroleum Company

JSH/ba
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to:
 Ralph Gilliland
 7420 Caruth
 Dallas, Texas 75225

4. Article Number: P-573 873 924
 Type of Service:
 Registered Certified Express Mail
 Insured COD

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee: *X Ralph Gilliland*
 6. Signature - Agent: *X*

7. Date of Delivery: 2-27
 595/12/82

PS Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

P-573 873 924
 RECEIPT FOR CERTIFIED MAIL
 INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

Sender's Name <i>Ralph Gilliland</i>	Street and No. <i>7420 Caruth</i>	P.O. State and ZIP Code <i>Dallas, TX 75225</i>
Postage	Certified Fee	Registered Certified Fee
Insurance Fee	Restr. Del. Fee	Return Receipt Fee
Postage and Fees		

9503-108-01 P.O. D.G.S.N. 3881-108P (Rev. 1-78)

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARE
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. VES
JOHN H. SEMIS

GUADALUPE PLACE
SUITE 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 986-4421
TELECOPIER: (505) 983-6043

February 25, 1987

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

Duer Wagner, III
2609 Texas American Building
Fort Worth, Texas 76102

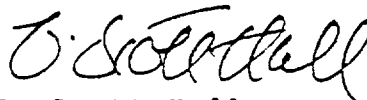
Re: Application of Reading and Bates Petroleum Company
for Compulsory Pooling: Township 25 North, Range
3 West, Section 24, E/2, Rio Arriba County, New
Mexico

Dear Mr. Wagner:

Enclosed is the application of Reading and Bates Petroleum
Company for compulsory pooling of the lands referenced above.

As you may have an interest in the lands affected, this
notice is being provided to you. This matter is presently set
for hearing before the New Mexico Oil Conservation Division on
March 18, 1987.

Very truly yours,



J. Scott Hall
Attorney for Reading and
Bates Petroleum Company

JSH/ba
Enclosure

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1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to:
 Duer Wagner, III
 2609 Texas American Building
 Fort Worth, Texas 76102

4. Article Number
 P-573-873-925

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X

6. Signature Agent
 X *Shaw*

7. Date of Delivery
 FEB 27 1987

PS Form 3811, Feb. 1986 *595/124B* DOMESTIC RETURN RECEIPT

P-573 873 925

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

Sent to <i>Duer Wagner, III</i>	
Street and No. <i>2609 Texas Amer. Bldg.</i>	
City and ZIP Code <i>Fort Worth, TX 76102</i>	
Postage	
Insured Fee	
Registered Delivery Fee	
Restricted Delivery Fee	
<i>2/25/87</i>	

905-CST O'D'S ST
 1-800-333-3333

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. SERGE
J. SCOTT HALL
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JOHN - BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 928-4421
TELECOPIER (505) 923-2043

February 25, 1987

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

Duer Wagner, Jr.
2609 Texas American Building
Fort Worth, Texas 76102

Re: Application of Reading and Bates Petroleum Company
for Compulsory Pooling: Township 25 North, Range
3 West, Section 24, E/2, Rio Arriba County, New
Mexico

Dear Mr. Wagner:

Enclosed is the application of Reading and Bates Petroleum
Company for compulsory pooling of the lands referenced above.

As you may have an interest in the lands affected, this
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for hearing before the New Mexico Oil Conservation Division on
March 18, 1987.

Very truly yours,



J. Scott Hall
Attorney for Reading and
Bates Petroleum Company

JSH/ba
Enclosure

U.S. P.O. 153-506

U.S. MAIL JUN 1985

P-573 873 926

FOR CERTIFIED MAIL
INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to <i>Duer Wagner, Jr.</i>	
Street and No. <i>2609 Texas Amer. Bldg.</i>	
P.O. State and Zip Code <i>Fort Worth, TX 76102</i>	
Postage	
Certified Fee	
Special Delivery Fee	
Insured Delivery Fee	
Date of Delivery <i>2/25/87</i>	

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to:
Duer Wagner, Jr.
2609 Texas American Building
Fort Worth, Texas 76102

4. Article Number
P-573-873-926

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature — Addressee
X

6. Signature of Agent
M. Crowell

7. Date of Delivery
FEB 27 1987

8. Addressee's Address (ONLY if requested, and fee paid)
[Signature]

PS Form 3811, Feb. 1986 595/R, B DOMESTIC RETURN RECEIPT

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. VES
JOHN L. BEHNS

GUADALUPE PLACE
SUITE 111 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 986-4421
TELECOPIER (505) 983-8043

February 25, 1987

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

Mountain States Natural Gas Corporation
Post Office Box 35426
Tulsa, Oklahoma 74135

Re: Application of Reading and Bates Petroleum Company
for Compulsory Pooling: Township 25 North, Range
3 West, Section 24, E/2, Rio Arriba County, New
Mexico

Dear Sir or Madam:

Enclosed is the application of Reading and Bates Petroleum
Company for compulsory pooling of the lands referenced above.

As you may have an interest in the lands affected, this
notice is being provided to you. This matter is presently set
for hearing before the New Mexico Oil Conservation Division on
March 18, 1987.

Very truly yours,



J. Scott Hall
Attorney for Reading and
Bates Petroleum Company

JSH/ba
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and address(es) requested. 2. Restricted Delivery.

3. Article Addressed to: Mountain States Natural Gas Corporation
Post Office Box 35426
Tulsa, Oklahoma 74135

4. Article Number P-573-873-927

Type of Service:
 Registered
 Certified
 Insured
 COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

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

5. Signature — Addressee X	
6. Signature Agent X	
7. Date of Delivery	

PS Form 3811, Feb. 1986 595/24B DOMESTIC RETURN RECEIPT

P-573 873 927

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

Sent to <u>Mountain States Natural Gas Corp.</u>	
P.O. Box and ZIP Code <u>P.O. Box 35426 Tulsa, OK 74135</u>	
Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt (Following Delivery)	
Return Receipt (Following Delivery)	

2/25/87

U.S.G.P.O. 153-506
 FIRST CLASS PERMIT NO. 154 TULSA, OK

AUTHORITY FOR EXPENDITURE

NO. _____

COMPANY Reading & Bates Petroleum Co.

AMOUNT REQUESTED, Company Share Only \$ _____

Requested By T. Bruce Petitt Location NW Division - Tulsa

Lease No. _____ Lease Greenlee Federal Well No. 41-24

Field Gavilan Mancos County Rio Arriba State New Mexico

REASON FOR EXPENDITURE: **To drill and complete an 8350' Gallup well in the NE NE Sec. 24, T25N, R3W, Rio Arriba County, New Mexico.**
(Include basis for payout. Use attachment for supporting data if necessary.)

Estimated Primary Formation & Top Mancos @ 6054' (+1170')
 Estimated Secondary Formation & Top Dakota @ 7963' (-739')

COST ESTIMATE:

	Total	Tangible	Intangible
	\$	\$	\$
Dry Hole Cost	191,440	6,175	185,265
Completion Cost	327,215	165,865	161,350
	\$ 518,655	\$ 172,040	\$ 346,615

BEFORE EXAMINER CATANACH
 OIL CONSERVATION DIVISION
R+B EXHIBIT NO. 4
 CASE NO. 9093

ESTIMATED DATE OF EXPENDITURE:
 Month _____ Year _____

Contingencies _____
 Less Salvage Credit (_____) _____
 Project Total \$ 518,655

Salvage credit to be taken only if equipment is sold from the project.

APPROVED: [Signature]
D. G. CAMPBELL
 SR. VICE PRESIDENT 11/15/86
 DOMESTIC OIL EXPLORATION Date

 Name

 Title Date

Working Interest Participation:

Company	%	Share
<u>Reading & Bates Petr. Co.</u>	<u>29.1667</u>	<u>\$ 151,274</u>

See attachment for additional interests

PARTNERS APPROVAL ACCEPTED:

 Company

 Name

 Title Date

Total 1.00 \$ 518,655

Attachment

<u>Company</u>	<u>%</u>	<u>Share</u>
Hooper, Kimball & Williams, Inc.	29.1666	\$151,274
Ibex Partnership	13.6576	70,836
PC, Ltd.	13.6576	70,836
Warren Clark Trust	.7121	3,693
Testamentary Trust Under the Will of Warren Clark	.3738	1,939
Carolyn Clark Oatman	.7655	3,970
Mountain States Natural Gas Corporation	6.2500	32,416
Duer Wagner, Jr.	2.9063	15,074
Duer Wagner, III	.2188	1,135
Ralph Gilliland	3.1250	16,208

WELL COST ESTIMATE

COMPANY Reading & Bates Petroleum Co.

DATE 2-19-87

WELL Leeson Federal #42-27

LOCATION SE NE Sec 27, T25N, R3W, Rio Arriba County, NM

PROPOSED TD 8200' EST. DRILLING DAYS 16 days to drill;
Commingled Gallup/Dakota 25 days to complete

<u>Tangible Well Costs</u>	<u>Producer</u>	<u>Dry Hole</u>
Well Pipe	\$	\$
<u>800'</u> of 9-5/8, 36# @ \$ <u>13.95</u> /ft.		
<u>5,600'</u> of 5 1/2", 15.5# @ \$ <u>6.35</u> /ft.		
<u>2,600'</u> of 5 1/2", 17# @ \$ <u>6.75</u> /ft.		
<u>7,000'</u> of 2-7/8, J55 @ \$ <u>3.20</u> /ft.	<u>86,670</u>	<u>11,160</u>
Wellhead Assembly	<u>3,900</u>	<u>2,000</u>
Subsurface Equip. - packer, rods, pumps, etc.	<u>19,000</u>	
Separation Facilities, Installed	<u>13,000</u>	
Tanks and Shipping Facilities, Installed	<u>18,000</u>	
Flow Lines, Pipe & Electric Lines, Installed	<u>25,000</u>	
Other Equipment - Pumping Unit, Misc.	<u>40,000</u>	
Total Tangibles	<u>\$ 205,570</u>	<u>\$ 13,160</u>
 <u>Intangible Well Costs</u>		
Permits, Surveys, Foundations	<u>\$ 1,600</u>	<u>\$ 1,600</u>
Location, Roads & Damages	<u>27,500</u>	<u>24,000</u>
Contract Drilling	<u>79,480</u>	<u>79,480</u>
<u>8,200</u> ft. @ \$ <u>8.90</u> /ft.		
<u>2</u> days @ \$ <u>3,250</u> /day		
_____ days @ \$ _____ /day		
Compl. Unit <u>25</u> days @ \$ <u>1,800</u> /day	<u>45,000</u>	
Cement and Cement Service	<u>23,500</u>	<u>3,500</u>
Drilling Fluid Materials	<u>30,000</u>	<u>30,000</u>
Fuel, Water & Power	<u>7,500</u>	<u>5,000</u>
Supplies	<u>5,000</u>	<u>2,500</u>
Drill Stem Testing _____ @ _____		
Coring and Analysis		
Wireline Service		
Logging <u>12,500</u>		
Perforating <u>12,500</u>		
Other <u>CBL 3,500</u>	<u>28,500</u>	<u>12,500</u>
Formation Treating	<u>120,000</u>	
Transportation and Hauling	<u>10,000</u>	<u>5,000</u>
Rentals, Contract Labor, Misc.	<u>17,500</u>	<u>5,000</u>
Engineering Supervision	<u>16,000</u>	<u>6,000</u>
Geological Supervision	<u>12,500</u>	<u>12,500</u>
Overhead	<u>7,500</u>	<u>2,500</u>
Contingencies 7.5%	<u>47,800</u>	<u>15,200</u>
Total Intangibles	<u>\$ 479,380</u>	<u>\$ 204,780</u>
TOTAL	<u>\$ 684,950</u>	<u>\$ 217,940</u>

Prepared By:

T. Bruce Pettitt