

NEW MEXICO OIL CONSERVATION DIVISION
CASE 9324
MARCH 16, 1988

HILL TRUST FEDERAL COM. WELL NO. 1
ESTIMATED WELL COST

LOCATION	\$ 30,000
RIG COSTS	\$120,000
MUD	\$ 35,000
LOG & PERF	\$ 40,000
LABOR	\$ 45,000
TANGIBLES (CSG, TBG, EQUIP)	\$110,000
CEMENT	\$ 25,000
STIMULATION	<u>\$120,000</u>
TOTAL ESTIMATED COST	\$525,000

*Estimated
Costs*

ESTIMATED OPERATING COST - \$1,800/MONTH

EXHIBIT A
(to Communitization agmt.)

Plat of Communitized Area covering Lots 3 & 4, S/2NW/4, SW/4 of Section 5,
and Lots 1,2,3 & 4 of Section 6, Township 25 North, Range 2 West, N.M.P.M.,
Gallup Formation, Rio Arriba County, New Mexico.

(Comprising 505.20 acres, more or less)

<p>Lot 1 46.24</p> <p>TRACT NO. 1 NM-58854 AMOCO - 100% 46.24 Acres</p>	<p>6</p> <p>Lot 4 40.00</p> <p>TRACT NO. 6 MOUNTAIN STATES NAT. GAS - 50% R. G. HARDMAN - 25% ALICE GILLILAND 25%</p>	<p>Lot 3 40.04</p> <p>TRACT NO. 4 NM-04073</p>
<p>Lot 2 46.27</p>	<p>TRACT NO. 2 AMOCO - 100% 178.92 Acres</p>	<p>TRACT NO. 5 NM-04073A ALBERT HILL TRUST - 100% 80.00 Acres</p> <p>●</p>
<p>Lot 3 46.31</p>	<p>TRACT NO. 4 NM-04073 MARGARET HILL - 100% 120.04 Acres</p>	<p>5</p>
<p>Lot 4 46.34</p>		<p>TRACT NO. 3 NM-43749 MESA GRANDE, LTD. - 95% ARRIBA CO., LTD. - 5% 40.00 Acres</p>

● - Hill Trust Federal Com No. 1 Well

HILL TRUST FEDERAL COM WELL NO. 1
 SE/4 NW/4 - Section 5-T25N-R1W-NMPP
 Rio Arriba County, New Mexico

WORKING INTERESTS: *

<u>Company</u>	<u>Before Payout</u>	<u>After Payout</u>	<u>After 300% Cost Recovery</u>
Amoco Production Company	88.12353%	72.28505%	68.32622%
Mesa Grande, Ltd.	7.52177	7.52177	7.52177
Alice H. Gilliland	1.97491	1.97491	1.97491
Ruth G. Hardman	1.97491	1.97491	1.97491
Arriba Company, Ltd.	.39588	.39588	.39588
Margaret Hunt Hill	-	9.50435	9.50435
Albert Hill Trust	-	6.33413	6.33413
Mountain States Natural Gas Co.	-	-	3.95883

*Includes farmin by Amoco on the Hill interests of 39.5962% on a 60/40 basis (Contract No. 119,363) and assumes force pooling by Amoco of Mountain States' interest allowing cost recovery plus a 200% penalty (equates to a 300% nonconsent election).

MEC/ljp
 020588
 TAB633

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 12, 1988

Mountain States Natural Gas Co.
c/o Albert J. Blair, Jr.
6333 South Richmond
Tulsa, Oklahoma 74135

Mountain States Natural Gas Co.
c/o T. W. Kellahin, Statutory Agent
P.O.Box 2265
Santa Fe, New Mexico 87504

Hill Trust Federal Com. Well No. 1
T25N, R2W, N.M.P.M.
Section 25: SE/4 NW/4
Rio Arriba County, New Mexico

Gentlemen:

By letter dated August 27, 1987, received by you on August 29, 1987, Amoco Production Company invited you to join in the drilling of the referenced well, an 8,400' Gallup test. At that time you were provided with an Authority for Expenditure (AFE) and an Operating Agreement, copies enclosed herewith, and requested to execute and return same. As of this date, Amoco has received no response from you concerning this matter. We now respectfully request your immediate execution and return to Amoco of the AFE and extra three (3) signature pages to the Operating Agreement or Amoco shall pursue the forced pooling of your interest pursuant to the regulations and authority of the Oil Conservation Division of the State of New Mexico. We encourage and would greatly appreciate your cooperation in this matter.

Please contact the undersigned at (303) 830-4230 should have have any questions.

Very truly yours,

Micheal E. Cuba

MEC:mw

Enclosures

SENDER: Complete items 1, 2, 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 service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Mountain States Nat. Gas Co.
 c/o T. W. Kellahin, Statutory Agent
 P.O. Box 2265
 Santa Fe, New Mexico 87504

4. Type of Service: Article Number
 Registered Insured P-492 866 469
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X

6. Signature - Agent
 [Signature]

7. Date of Delivery
 1/19/88

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

SENDER: Complete items 1, 2, 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 service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Mountain States Nat. Gas Co.
 c/o Albert J. Blair, Jr.
 5333 S. Richmond
 Tulsa, OK 74136

4. Type of Service: Article Number
 Registered Insured P-492 866 470
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X

6. Signature - Agent
 X R. A. Blair

7. Date of Delivery
 1-15-88

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

August 27, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mesa Grande, Ltd.
1305 Philtower Building
Tulsa, OK 74103
Attn: Larry Sweet

W. L. Kistler III — 212/751-8720
Kistler Investment Company
10 East 53rd Street
New York, NY 10022
Attn: Martin Barr

Mountain States Natural Gas Co.
C/O Albert Blair
6333 South Richmond
Tulsa, OK 74136

Arriba Company, Ltd.
P.O. Box 35304
Tulsa, OK 74153
Attn: G. L. Morris

Alice H. Gilliland
7420 Caruth
Dallas, TX 75225

Hill Trust Federal Com. Well No. 1
T25N-R2W, N.M.P.M.
Section 5: 1660' FNL X 1680' FWL
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Amoco Production Company intends to commence the drilling of the captioned well on or before November 1, 1987. Our records indicate you are the owner of an oil and gas interest in the 505.20 acre spacing unit, which covers the W/2 of Section 5 and all of fractional Section 6, Township 25 North, Range 2 West, Rio Arriba County, New Mexico. Our acreage calculations for the spacing unit and percent working interest and estimated dry hole and producer costs for the well are attached.

Enclosed please find an Authority for Expenditure ("AFE") for the well along with Amoco's modified 1982 AAPL Operating Agreement. Please execute the AFE and signature page to the Operating Agreement and return them to my attention at your earliest convenience. Copies of all executed signature pages will be distributed as soon as available.

A Communitization Agreement covering crude oil and associated natural gas producible from the Gallup formation will be forwarded for execution under separate cover.

August 27, 1987
Page 2

If you have any questions, please call me at (303) 830-4899. Thank you for your consideration.

Very truly yours,

Douglas Broadfoot
Landman

Enclosures

cc: A. G. Hill
5000 Thanksgiving Tower
Dallas, TX 75201

DEB26:nmh

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent 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: Alice H. Gilliland 7420 Caruth Dallas, TX 75225	4. Article Number P-492 865-716
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee <i>X [Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery AUG 23 1987	

PS Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

● 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: Arriba Company, Ltd P.O. Box 35304 Tulsa OK 74153 Attn: G. L. Morris	4. Article Number P-492 865-714
	Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X [Signature]</i>	
7. Date of Delivery	

PS Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

● 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 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: W. L. Kistler III Kistler Investment Company 10 East 53rd Street New York, NY 10022	4. Article Number P-492 865-715
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee <i>X [Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X [Signature]</i>	
7. Date of Delivery 8/1/87	

PS Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

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 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: Mesa Grande, Ltd. 1305 Philtower Building Tulsa, OK 74103 Attn: Larry Sweet	4. Article Number P 492-865-718
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Laura Shum</i>	
7. Date of Delivery 9-2-87	

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

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 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: Mountain States Natural Gas Co. C/O Albert Blair 6333 South Richmond Tulsa, OK 74136	4. Article Number P-492-865 717
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>A. Blair</i>	
7. Date of Delivery	

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

CALCULATIONS FOR HILL TRUST FEDERAL #1 WELL
IN RIO ARRIBA CO, NM

<u>NAME</u>	<u>LEASES</u>	<u>TOTAL ACS.</u>	<u>PERCENT WI</u>	<u>COST (PRODUCER)</u>	<u>COST (DRY HOLE)</u>
AMOCO	DAVIS, NM-04073,04073-A, 58854	425.200	84.16469	\$462,905.78	\$441,864.61
MESA GRANDE RESOURCES, LTD.	NM-43749	38.000	7.52177	\$41,369.75	\$39,489.31
MOUNTAIN STATES	F. DAVIS ETUX	20.000	3.95883	\$21,773.56	\$20,783.85
HEIRS OF J. W. GILLILAND	F. DAVIS ETUX	10.000	1.97941	\$10,886.78	\$10,391.92
HEIRS OF RALPH GILLILAND	F. DAVIS ETUX	10.000	1.97941	\$10,886.78	\$10,391.92
ARRIBA COMPANY, LTD.	NM-43749	2.000	0.39588	\$2,177.36	\$2,078.38
<u>TOTALS</u>		505.200	100.00000	\$550,000.00	\$525,000.00

NEW MEXICO OIL CONSERVATION DIVISION - Case 9324

Hill Trust Federal Com Well No. 1 - Terms of Operating Agreement

Date: August 25, 1987

Lands: Township 25 North, Range 2 West, N.M.P.M.
Section 5: W/2
Section 6: All (Fractional)
Rio Arriba County, New Mexico

Operator: Amoco Production Company

Formations: From the base of the Pictured Cliffs Formation
down to the base of the Dakota Formation.

Non-Consent Penalties: 100% of newly acquired equipment beyond the
wellhead, plus 100% of each such Non-Consenting
Party's share of the cost of operation of this
well.....

300% of the costs and expenses of drilling,
testing and completing and 300% of the cost
of newly acquired equipment in the well.

Overhead: Drilling Well Rate - \$3,222.00 per month
Producing Well Rate - \$ 401.00 per month

M. E. Cuba

AMOCO HILL TRUST FED. COM. #1
NMOCD CASE #9324
MARCH 16, 1988
EXHIBIT # 8

<u>SEC. - T - R</u>	<u>OPERATOR</u>	<u>WELL NAME</u>	<u>I.P. (BOPD/MCFD)</u>
3-25N-2W	Mallon	Davis Fed. Com. 3-15	7/140(G)
4-25N-2W	McHugh	Dewey Bartlett #1	56/48(G)
5-25N-2W	Mesa Grande	Fed. Prowler #2	16/71(G)
5-25N-2W	Amoco	Hill Trust Fed. Com. #1	Tstg.
8-25N-2W	McHugh	High Adventure #1	239/522(G)
8-25N-2W	Mesa Grande	Marauder #1	82/92(G)
9-25N-2W	McHugh	High Adventure #2	120/285(G)
15-25N-2W	Reading & Bates	Howard-Fed. #43-15	152/2007(G-D)
16-25N-2W	Reading & Bates	43-16 Ingram-Fed. 34	60/560(G)
17-25N-2W	McHugh	Beeks Babbit #1	400/510(G)
17-25N-2W	Mesa Grande	Brown #1	178/28(G)
1-25N-3W	Minel	NZ #2	200/425(G)
1-25N-3W	Minel	NZ #1	153/40(G-D)
1-25N-3W	C. Little	Hurt Fed. #1	21/70(G)
1-25N-3W	McElvain	FD #1	60/50(G-D)
1-25N-3W	Union Texas	Fred Davis #1	20/38(G-D)
2-25N-3W	Union Texas	McCroden C-1	35/39(G-D)
12-25N-3W	Union Texas	McCroden #7	65/82(G-D)
13-25N-3W	ARCO	Gardner 13-1	95/200(G)
14-25N-3W	Dugan	Hurt #5	120/154(G-D)
30-26N-2W	Merrion	Megabyte #1	25/101(G)
31-26N-2W	Merrion	Bootstrap Com. #1	18/472(G)
25-26N-3W	Amoco	Jicarilla 118 #24	Tstg.
25-26N-3W	Amoco	Jicarilla 118 #15	130/595(G-D)
26-26N-3W	Amoco	Jicarilla 118 #16	304/206(G)
26-26N-3W	Amoco	Jicarilla 118 #17	149/88(G)
35-26N-3W	Amoco	Jicarilla 118 #10	334/766(G-D)
35-26N-3W	Amoco	Jicarilla 118 #13	36/30(G-D)
35-26N-3W	Amoco	Jicarilla 118 #9	28/150(G-D)
35-26N-3W	Amoco	Jicarilla 118 #8	63/156(G-D)
36-26N-3W	Amoco	Jicarilla 118 #14	454/442(G)
36-26N-3W	Amoco	Jicarilla 118 #11	233/351(G-D)
36-26N-3W	Amoco	Jicarilla 118 #19	310/713(G)

G = Gallup Test

G-D = Commingled Gallup and Dakota Test