

WORKING INTEREST OWNERSHIP
CANADA OJITOS UNIT B-29
SECTION 29, TOWNSHIP 25 NORTH, RANGE 1 WEST
RIO ARriba COUNTY, NEW MEXICO

Canada Ojitos Unit Committed Working Interests: 96.875%
Mountain States Natural Gas 3.125%

SCHULTZ ABSTRACT CO. INC.

Joe B. Schultz
President

Specializing in Rendering Federal, State, and Indian Abstracts of Title
Take-Offs, Oil and Gas Reports

Brent Schutz
Doug Schutz

P.O. BOX 973

PHONE 505-982-0130

SANTA FE, NEW MEXICO 87501

March 6, 1984

NM-03747
1075-8R

Mr. Al Green
Benson-Montin-Green Drilling Corp.
221 Petroleum Center Building
Farmington, New Mexico 87401

Dear Mr. Green;

The records at the Bureau of Land Management reflect the following information that you had requested:

NM-03995 (out of SF-081345)

Lessee: A. G. Hill, 700 Mercantile Building, Dallas, Texas.

Operating Rights: All formations except the Pictured Cliffs: Lessee has all.

Pictured Cliffs Formation: Northwest Pipeline Corp.

Overriding Royalty:

Annie M. White .199997% of 7/8ths
1839 E. 16th Place
Tulsa, Ok.

H. E. Milliken .70% of 8/8ths
355 N. West St.
Waynesburg, Pa.

Charles Lovejoy .17391% of 7/8ths
No address available

Joe Houston 3/40ths of .17391% of 7/8
200 Drew Bldg.
Tulsa, Ok.

John Martin 1/20 of .17391 of 7/8ths
200 Drew Bldg.
Tulsa, Ok.

Gerald Klein 3/40 of .17391% of 7/8
200 Drew Bldg.
Tulsa, Ok.

John Cartmill 3/20 of .17391% of 7/8
2807 E. 27th Pl.
Tulsa, Ok.

E. L. Combest 3/20 of .17391% of 7/8
1016 Biltimore Ave.
Kansas City, Mo.

Ethel Land 3/20 of .17391% of 7/8
5600 Missouri Dr.
Kansas City, Mo.

Milton Oil Corp. .42752 of 7/8
111 Devonshire St.
Boston, Ma.

Eugene Connor .71739% of 7/8ths

NM-01477

Lessees:	Reading and Bates Petroleum Corp.	1/3
	Hooper, Kimball & Williams, Inc.	1/3
	Ibex Partnership	31.21746
	Testamentary Trust under Will of Warren Clark, Mabel Reed, Trustee	2.05074% of 5/24 (0.42724%)
	Carolyn Clark Oatman	4.19921% of 5/24 (0.81380%)
	Warren Clark Trust, Mabel Reed Trustee	0.81380% (3.90625% of 5/24)

Operating Rights: Lessees have all rights covering: Sec. 7: $N\frac{1}{2}SE\frac{1}{4}, SE\frac{1}{4}SE\frac{1}{4}$;
Sec. 18: $SE\frac{1}{4}$; Sec. 19: $S\frac{1}{2}SE\frac{1}{4}, NE\frac{1}{4}SE\frac{1}{4}$.

Covering Sec. 19: Lots 1,2 - lessees have all rights
except the Picture Cliffs Formation.

Picture Cliffs Formation only: Northwest Pipeline Corp.

Overriding Royalty: None of record.

NM-03747

Lessees: Mountain States Natural Gas Corp. 1/2
Ruth G. Hardman, Box 2708, San Antonio, Texas 1/4
Ralph Gilliland, Box 2708, San Antonio, Texas 1/4

Operating Rights: Covering Sec. 20: $SW\frac{1}{4}NE\frac{1}{4}$ and Sec. 29: $NE\frac{1}{4}SE\frac{1}{4}$: Surface to
Picture Cliffs Formation: El Paso Natural Gas Co.

Below Picture Cliffs Formation: Lessees have all.

Covering Sec. 30: $W\frac{1}{2}SE\frac{1}{4}$ - Surface to top of Picture
Cliffs Formation: El Paso Natural Gas Co.

Below Picture Cliffs Formation: Lessees have all.

Picture Cliff Formation only: Northwest Pipeline Corp.

NOTE: Un-approved assignment of record title from
Ruth G. Hardman to Kistler Investment Company,
New York, New York, covering 25% record title held
by Ruth G. Hardman.

Overriding Royalty: None of record.

NM-03808

Lessees: Mountain States Natural Gas Corp. 50%

BENSON-MONTIN-GREER DRILLING CORP.

221 PETROLEUM CENTER BUILDING, FARMINGTON, NM. 87401 505-325-8874

May 14, 1985

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mountain States Natural Gas Corporation
P.O. Box 35426
Tulsa, OK 74135

Attention: Mr. Albert J. Blair, President

Re: CANADA OJITOS UNIT
RIO ARRIBA COUNTY, NEW MEXICO:
UNIT JOINDER AND DRILLING OF WELL
IN SECTION 29, T-25N, R-1W

Gentlemen:

We have, on several occasions, invited you to join the interests you hold in federal leases within the Canada Ojitos Unit area to the Canada Ojitos Unit Agreements; but we have received from you no response. We have attempted to contact you by regular mail, certified mail and telephone without success.

You have also been invited by correspondence sent you to join in various drilling plans and pooling agreements, as well as simply joining the unit. In all instances, we have received no response.

We again invite you to commit your interests within the Canada Ojitos Unit to the Canada Ojitos Unit Agreements; and as we have done in the past, we are sending you, in event you have misplaced them, a new set of agreements which include:

1. Unit Agreement.
2. Unit Operating Agreement.
3. Exhibit C for the Unit Agreement setting out ownership through the twelfth expanded participating area.
4. Exhibit B to the third expansion of the Canada Ojitos Unit.

...

BENSON-MONTIN-GREER DRILLING CORP.

Mountain States Natural Gas Corporation
Attention: Mr. Albert J. Blair, President

Page No. 2
May 14, 1985

5. Exhibit A plat of the entire unit area.
6. Exhibit A plat of that part of the Canada Ojitos Unit which is within the third expansion area.
7. Joinders to the Unit Agreement and Unit Operating Agreement.

We point out to you that at this time the working interest owners of all leases within the Canada Ojitos Unit have committed their interests to the Unit Agreements except Mountain States Natural Gas Corporation and the owner of one small tract whose title has not yet been settled.

Should you elect to join your interest to the Unit Agreements, please execute the enclosed joinders, retaining one copy of each for your files and returning the rest to us for further handling. For your ease of compliance with this request, we are enclosing a self-addressed stamped envelope.

Should you elect not to commit your interest to the Unit Agreements, we ask that you participate in the drilling of a well in the NE/4 of Section 29, Township 25 North, Range 1 West; which well is projected to the Niobrara member of the Mancos formation, the formation now being produced from other wells in the unit area.

Should you elect to participate in the cost of drilling this well, we have enclosed an AFE which we request that you execute and return one copy to us.

Should you elect not to join your interests to the Unit Agreements, we call to your attention that the Department of the Interior has taken the position that the lessee of a federal lease which is in a spacing unit under a well producing from the unit reservoir will be required by the Department of the Interior to commit this interest to the Unit Agreements. Accordingly we believe that unless the well results in a dry hole that your interests will, in time, be committed to the Unit Agreements: either by you voluntarily; or by you involuntarily through the demand of the Department of the Interior.

We point out further that in our view the economic risks and income tax burdens are more advantageous to your position to first join the unit than to go through the other procedures.

We are anxious to get our summer's work program underway;

...

BENSON-MONTIN-GREER DRILLING CORP.

Mountain States Natural Gas Corporation
Attention: Mr. Albert J. Blair, President

Page No. 3
May 14, 1985

and considering all of the procedures which may have to be followed,
we would appreciate your responding to this letter by June 1.

Yours truly,

BENSON-MONTIN-GREER DRILLING CORP.

BY:


Albert R. Greer, President

ARG/tlp

Enclosures

cc (w/encls):

Mr. W. Thomas Kellahin

Statutory Agent for Mountain States Natural Gas Corporation

File 801-B(10.2)

P 498 203 657

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Mountain States Nat. Gas	
Street and No. P.O. Box 35426	
P.O., State and ZIP Code Tulsa, OK 74135	
Postage	\$2.40
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.70
Return Receipt Showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$3.85
Postmark or Date 5/14/85	

PS Form 3800, Feb. 1982

PS Form 3811, Jan. 1978

● SENDER: Completes items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
 Show to whom and date delivered. 70¢
 Show to whom, date and address of delivery.
 RESTRICTED DELIVERY
Show to whom and date delivered.
 RESTRICTED DELIVERY.
Show to whom, date, and address of delivery. \$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Mountain States Natural Gas Corp.
P.O. Box 35426
Tulsa, OK 74135

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
P=498-203-657

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
[Signature]

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMARK
TULSA, OK
MAY 14 1985
CLERK'S INITIALS
STAN

★GPO : 1979-288-848

THE MAIL BOX
8177 SOUTH HARVARD
TULSA OK 74137 30AM



1-0152541150 05/30/85 TWX ESL62547720 ABQA

MAY 31 1985

V BENSON-MONTIN-GREER DRILLING CORP
221 PETROLEUM CENTER BUILDING
FARMINGTON NM 87401

RE: CANADA ONITOS UNIT
RIO ARriba COUNTY, N.M.
UNIT JOINDER & DRILLING OF WELL
IN SECTION 29, T-25N,R-1W

MOUNTAIN STATES NATURAL GAS CORP. ACCEPTS YOUR PROPOSAL IN PRINCIPAL,
SIGNED AGREEMENTS WILL FOLLOW.

RESPECTFULLY
ALBERT J. BLAIR JR. PRES.
MOUNTAIN STATES NATURAL GAS CORP.
P.O. BOX 35426
TULSA, OK. 74153
918 299-8531

CC. WILLIAM F. CARR
TOM KELLAHIN

1431 EST

MGMCOMP MGM

BENSON-MONTIN-GREER DRILLING CORP.

AUTHORITY FOR EXPENDITURE

AFE #1655

DATE May 15, 1985

Prospect Canada Ojitos Unit Well Canada Ojitos Unit #28 (B-29)

Section 29 Township 25N Range 1W County Rio Arriba State New Mexico

Producing Formation or Formations Niobrara Projected Depth 7700'

INTANGIBLE COSTS

Surveying: Road and Location	\$ 2,500
Surveying: Archaeological	1,000
Roads and Location - Construction	8,500
Drilling: Type of Bid (Turnkey)	160,000
Day Work - Completion Rig - Day Work 20 days @ \$1,250/day	25,000
Transportation and Hauling Other Than Rig	7,500
Mud and Water - Included in Turnkey	
Equip. Rentals	2,500
Bits - Included in Turnkey	
Logging	17,500
Cement and Cementing	25,000
Cementing Equipment - Including Stage Collars	6,500
Perforating, Acidizing and Fracing	80,000
Engineering & Supervision	7,500
Labor	10,000
Overhead	3,500
Contingencies	25,000
TOTAL INTANGIBLE COSTS	\$ 382,000

TANGIBLE COSTS

<u>Well Equipment</u>	
Casing and Tubing:	
500' 9-5/8" K-55. 36#	\$ 5,500
7700' 5-1/2" N-80 17#	60,000
7500' 2-3/8" EUE tubing, internally plastic coated	30,000
Gas Lift Subsurface Equipment	1,000
Wellhead and Equipment - Tubinghead, Valves, etc.	10,000
Well Flow Lines	2,500
Noncontrollable Well Equipment	1,500
Installation Costs	3,000
<u>Lease Equipment</u>	
Tank Battery - Single Tank (Surge Tank with Heater)	7,000
Separators and Heaters (Including Part of Gas Lift Equipment)	40,000
Measuring & Monitoring Equipment	2,500
Other Controllable Equipment	5,000
Noncontrollable Equipment	2,500
Installation Costs	6,000
Contingencies	5,000
TOTAL TANGIBLE COSTS	\$ 181,500
TOTAL DRILLING, COMPLETION AND EQUIPMENT COSTS	\$ 563,500

For parties to the 1983 Pooling Agreement, these costs are part of the Initial Development Costs; and will be borne according to ownership as defined under Article 2.2 and Exhibit C, Part IV thereof, for that portion of unit costs allocated to the pooled lands.

For parties whose interests are not committed to the 1983 Pooling Agreement, costs will be as defined by the Unit Operating Agreement.

Approved: _____

Date: _____

March, 1951

COPRS

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1,517.00
 Producing Well Rate \$ 273.00
 Compressor Operating Rate \$273.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(6) An observation well shall be considered an active well.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

CANADA OJITOS UNIT

OVERHEAD RATES EFFECTIVE 4-1-85

	<u>1980</u> <u>Rates</u> (\$/Month)	<u>1985 Rate</u> <u>Effective</u> <u>4-1-85</u> (\$/Month)
Drilling well	1517	2200
Producing well	273	395.90