

November 4, 1985

To: All Working Interest Owners

Re: Continental Divide #1  
E/2 Section 12 - T25N-R2W  
Rio Arriba County, NM

Gentlemen:

Jerome P. McHugh is the record title owner as to 87.5% of the NE/4 of Section 12, Township 25 North, Range 2 West and is hereby proposing to drill an approximate 8,200' Dakota test in the NW/4NE/4 of said Section 12 with the E/2 of Section 12 being designated as the drilling/proration unit.

We are the most active operator in the "Lindrith" area as we call it as having participated in over 28 wells and having operated over 20 wells in the past three years.

Enclosed for your review are the following:

1. Two originals of our AFE #0410010 covering the estimated costs of our drilling/completion.
2. One complete Operating Agreement dated November 1, 1985 and twelve (12) additional signature pages.
3. One complete Communitization Agreement dated November 1, 1985 and four (4) additional signature pages for the Communitization Agreement as well as Ratification by Lessee of Record instruments.

In the event you elect to join in the drilling of our proposed test, please execute and return one copy of the AFE along with all the additional signature pages for the Operating and Communitization Agreements. A complete set of signature pages will be furnished to you on the Operating Agreement upon receipt of same by all parties. Upon receipt of all signature pages and Ratification by Lessee of Record pages by all parties, we will file the Communitization Agreeeme

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION
<i>Mc Hugh</i> EXHIBIT NO. <u>3</u>
CASE NO. <u>8788</u>