



10883

State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

(505) 827-5760
FAX (505) 827-5766

SANTA FE, NEW MEXICO 87504-1148

January 5, 1994

UnitSource Incorporated
705 Prudential Plaza
1050 17th Street
Denver, Colorado 80265

Attention: Mr. Paul S. Connor

Re: Preliminary Approval
Proposed Hatch Lake Unit Area
Sandoval County, New Mexico

Dear Mr. Connor:

This office has reviewed the unexecuted copy of unit agreement, which you have submitted on behalf of PG & E Resources Company for the proposed Hatch Lake Unit Area, Sandoval County, New Mexico. This agreement meets the general requirements of the Commissioner of Public lands and has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledge by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

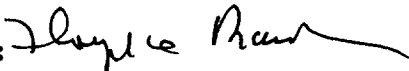
UnitSource Incorporated
Page 2
January 5, 1994

4. Certificate of Determination from the Bureau of Land Management. Our Approval will be subject to like approval by the Bureau of Land Management.
5. Two copies of the Unit Agreement including Exhibits "A" and "B". One copy must contain original signatures.
6. A \$20,000 Multi-lease Surface Improvement Damage Bond from PG & E Resources Company. A copy of our Bond Requirements are enclosed.
7. The filing fee for a unit agreement is \$30.00 for every section or partial section thereof. Please submit a filing fee in the amount of \$1,170.00 dollars.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY B. POWELL, M.S., D.V.M
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
RBP/FOP/pm

cc: Reader File
BLM - Michael Ford, Albuquerque
OCD



State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

February 1, 1994

PG&E Resources Company
C/O Unit Source Incorporated
1050 17th Street, Suite 704
Denver, Colorado 80265

Attn: Mr. Paul S. Conner

Re: Proposed Hatch Lake Unit Area
Sandoval County, New Mexico

Dear Mr. Conner:

The Bureau of Land Management has advised this office that the Hatch Lake Unit Agreement, Sandoval County, New Mexico was approved effective January 12, 1994.

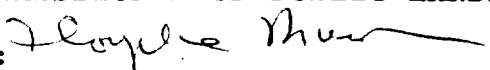
In our preliminary approval letter of January 5, 1994, we included a list of the requirements needed in order for this office to grant final approval to your proposed unit agreement. As of this date we have neither received the required information nor an application for final approval of the Hatch Lake Unit Agreement.

Since final approval has not been granted by this office, please be advised that State Tracts Nos. 27 and 28 containing 84.07 acres are not committed to the unit agreement and the terms of Lease Nos. VA-233-2 and VA-931 will not be extended by this unit.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY B. POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
RBP/FOP/pm

cc: Reader File
BLM-Albuquerque Attn: Mr. Hector A. Villalobos
OCD-Santa Fe
TRD-Santa Fe

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Hatch Lake Unit Area, County of Sandoval, State of New Mexico, dated _____, 1993, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement, which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this _____ day of _____, 1993.

x Eloy Maestas
 Address: 6207 Edith NE
Albuquerque, N.M.
87107

TRACT(S): 151

COMPANY ACKNOWLEDGMENT

STATE OF _____)
) ss.
 COUNTY OF _____)

On this ___ day of _____, 1993, before me appeared _____, to me personally known, who, being by me duly sworn, did say that _____ is the _____ of _____, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal.

My Commission Expires:

 Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss.
 COUNTY OF BERNALILLO)

On this 13 day of DEC, 1993, before me personally appeared ELOY MAESTAS, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

 Notary Public

3-13-94

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Hatch Lake Unit Area, County of Sandoval, State of New Mexico, dated _____, 1993, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement, which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this _____ day of _____, 1993.

x Eloy Maestas
 Address: 6207 Edith NE.
Albuquerque, N.M.
87107

TRACT(S): 151

COMPANY ACKNOWLEDGMENT

STATE OF _____)
) ss.
 COUNTY OF _____)

On this ___ day of _____, 1993, before me appeared _____, to me personally known, who, being by me duly sworn, did say that _____ is the _____ of _____, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal.
 My Commission Expires:

 Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss.
 COUNTY OF BERNALILLO)

On this 13 day of DEC, 1993, before me personally appeared ELOY MAESTAS, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.
 My Commission Expires:

 Notary Public
Barbara Lewson
 Notary Public
 3-13-94



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

January 4, 1994

KELLAHIN AND KELLAHIN
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 10883
ORDER NO. R-10045

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM - Farmington
OCD - Aztec

SETH HERNDON, JR.
P.O. Box 702158
TULSA, OK. 74170-2158
(918) 744-4072

OIL CONSERVATION DIVISION
RECEIVED
1993 DE 8 AM 9 25

December 2, 1993

10883 MFC

Director
Oil Conservation Division
P. O. Box 2080
Santa Fe, NM 87504

Re: Application for Hearing in the Matter of
Unitization of the Hatch Lake Unit Area
Sandoval County, New Mexico

Dear Sir:

I am the owner of 65 mineral acres under the proposed unit. I am 56 years old, have a degree in Petroleum Engineering from the University of Tulsa and have been active in oil and gas exploration and production for all of my adult life.

I am in opposition to this unit for several reasons. There is no valid reason to form a 25,000 acre unit to drill a 5,000 foot well. In many cases an operator can establish a small amount of production and withhold thousands of acres. The acres should be open for all of the industry to complete for and develop reserves at a reasonable pace. By the same token mineral owners will have their acreage tied up for years with only a pittance of income because of the size of the unit.

Sincerely,



Seth Herndon, Jr.

SHJr:skh