

<p>of Pruitt) 1112 p 3 "Tucker" Energy Corp 1112 02 4500 Tucker U.S. Swell Tr</p>	<p>Mtm. Energy Corp 1112 p 3 "Tucker" (Taylor Pruitt) 1112 2A U.S. 0 Monument Tucker 1st Nat'l Bnk. Roswell, Tr.</p>	<p>H. J. Kyle 3-A Exhibits 1 through 4 Complete Set 0392502 Mtm. Energy Corp "Fed" 02A</p>	<p>37.09</p>
<p>ruitt) WI 16 Energy Corp 4600 KON. DIR) 053377 3 ble-Fed." U.S.</p>	<p>(Pruitt) 07 08 Mtm. Energy Corp 10600 (EXXON. DIR) 20533777 1 "Humble-Fed" U.S.</p>	<p>(Champlin) 04 05 (Taylor Pruitt) Monument Energy Corp. 03 06</p>	<p>37.80 FL 2 p 0467</p>
<p>of Pruitt) KON. Monument Energy Corp. 456 G C 3-2-37</p>	<p>(Taylor Pruitt) 03 02 1 02 01 Mtm. Energy Corp 6 50 "Humblo. Tucker" 1st Nat'l Bnk. Roswell, Tr</p>	<p>Tucker-Hall" 04 01 01 08</p>	<p>37.60 FLR 9 p W E A</p>
<p>apid Ca Sun! pin"</p>	<p>Silver 05 07 Mtm. Energy Corp 1x Monument Energy Corp.</p>	<p>(Taylor Pruitt) 00 09 K-3998 Monument Energy Corp.</p>	<p>37.30 p 3 Mito</p>
<p>noco OS 103 800 & Pet. Sun) 02</p>	<p>(Taylor Pruitt) 04 0 06 1017 KMS</p>	<p>BEFORE EXAMINER STOGNET OIL CONSERVATION DIVISION EXHIBIT NO. 1 CASE NO. 8497</p>	<p>37.50 p 2</p>
<p>Core Power Telecon: 9 P 22 P210 - 0 Portin in Corp et al</p>	<p>(Taylor Pruitt) 06 0 K 3995 Mtm. Energy Corp Mtm. Energy Corp 94 Corp. CWS 3 1 2 And-Sy 05 tote</p>	<p>(Taylor Pruitt) 02 02 Mtm. Energy Corp Andersen Energy Corp. 1017 KMS 0 1 0 1</p>	<p>39.26 1-A Chover</p>

AUTHORITY FOR EXPENDITURES

WELL NAME/NO. HUMBLE FEDERAL NO. 9 AFE NO. _____

FIELD CHAVEROO COUNTY/PARIAH ROOSEVELT STATE NM

DEPTH 4,500' TYPE COMPLETION _____

LOCATION 1310' from North Line and 1310' from West Line, Section 25, T 7 S - R 32 E

INTANGIBLE COSTS	Estimated			Actual
	Dry Hole	Producer	Total	
Rig Mobilization, Demobilization	-	-		
Footage _____ Ft. @ \$ _____ /ft. Turnkey	94,000	-		
Daywork <u>1</u> days @ \$ <u>4,000</u> /day	4,000	-		
Completion Daywork <u>5</u> days @ \$ <u>1,200</u> /day	-	6,000		
Location Preparation <u>IN TURNKEY</u>	-	-		
Mud & Chemicals <u>IN TURNKEY</u>	-	-		
Fuel & Water <u>IN TURNKEY</u>	-	800		
Bits & Coreheads <u>IN TURNKEY</u>	-	-		
Tool & Equipment Rental <u>MISC. & ISOLATION PACKER</u>	1,000	2,500		
Drill Pipe Rentals	-	-		
Casing Crews & Equipment	-	-		
Cementing	5,800	3,500		
Wireline Logging, Evaluation & Perforation	9,200	4,500		
Stimulation	-	50,000		
Coring, Core Analysis, Paleo	-	-		
Evaluation Test (Excludes Wireline Work)	-	-		
Transportation	500	1,100		
Barge & Boat Expense	-	-		
Supervision & Geologist <u>15 days @ \$250/day</u>	2,300	1,500		
Directional Cost	-	-		
Insurance: Well Control)	1,700	-		
Pollution)	-	-		
Production Facilities Hookup	-	8,000		
Miscellaneous <u>FORK LIFT & CONTINGENCIES</u>	4,000	2,000		
Sales Tax on Tangibles	-	2,400		
TOTAL INTANGIBLES	122,500	82,300		

TANGIBLE COSTS

EQUIPMENT QUANTITY			TANGIBLE EQUIPMENT DESCRIPTION				
Estimated		Actual					
Dry Hole	Producer						
100'		13 5/8	Csg. CONDUCTOR - TURNKEY	-	-		
800'		8 5/8	Csg. SURFACE - TURNKEY	-	-		
500'		4 1/2	Csg. 10.50#/ft J-S5	-	14,900		
			Csg.	-	-		
400'		2 3/8	Tubing	-	7,700		
			Packers	-	-		
			Csg. Head	-	-		
			Tubing Hd.	-	2,300		
			Xmas Tree	-	-		
		*	Prod. Equip. Battery Valves & Flowline	-	13,500		
			Pumping Unit D-120	-	4,200		
			Rods	-	1,500		
			Pump & Accessories	-	3,000		
			existing Tank Battery	-	-		
TOTAL TANGIBLES				-	47,100		
TOTAL ESTIMATED COST				122,500	129,400	251,900	

APPROVED:

Company or Owner

BEFORE EXAMINER SIGNATURE
OIL CONSERVATION DIVISION

Chaveroo EXHIBIT NO. 2

CASE NO. 8492

Operating Interest:

Estimated	Actual
Spud Date	
Comp. Date	
Prepared By	
Date	

CHAVEROO OPERATING CO., INC.

4800 SAN FELIPE, SUITE 620
HOUSTON, TEXAS 77056
713-627-2875

November 16, 1984

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

Chaveroo EXHIBIT NO. 3

CASE NO. 8497

Verna Drilling Company
P. O. Box 1000
Levelland, Texas 79336

Re: Proposed Development Well
Quarter Quarter Section
Humble Federal No. 9
Section 25, T 7 S - R 32 E,
Roosevelt County, New Mexico

Gentlemen:

Chaveroo Operating Co., Inc. is serving as Operator for G & P Exploration, Inc. and Chaveroo II, Ltd., a New Mexico Partnership, which purchased all of Monument Resources, Inc.'s interest in properties in Sections 23, 24, 25, 26 and 36 of T 7 S - R 32 E, Roosevelt County, New Mexico. Attached please find Exhibit "A", a plat reflecting the location of a proposed well to be drilled in the NW/4 of the NW/4 of Section 25, on a 20 acre spacing pattern. Also attached is Exhibit "B", an AFE for the estimated cost for drilling the well. Your pro rata share of the cost is shown on Exhibit "C".

The State of New Mexico will not allow drilling at the intersection point of the four quarter intersection but requires a 10 foot offset from the quarter section corner. For all purposes however, we will consider the well as situated at the intersection of the NW/4 and NE/4 of the NW/4 of Section 25. Your estimated costs, as shown, are based on your working interest in the Humble Federal, sharing in the cost of the well and in all production therefrom. The production would be commingled in the existing installation, based on well tests conducted quarterly or more often if necessary. We need to commingle to save the cost of additional battery equipment and to enable us to immediately begin producing the well when completed. Well test data will be supplied to Donna Holler of Oil Reports and Gas Services in Hobbs, New Mexico and she will make all allocations of production.

We do not believe that the 40 acre spacing is properly draining the reserves and are therefore recommending this well to more efficiently drain the reservoir. The share of drilling and production costs on the 160 acre participation would be as follows:

G & P EXPLORATION, INC.	95.625%
VERNA DRILLING COMPANY	4.375%

Since this is a new well, we have attached an Operating Agreement, that we will be using for these properties and would request that you approve its use for operations on this new well.

Development Well
Page two

The properties have been neglected the last several years and we are attempting to restore the property to a properly operating status. We have had three different engineering firms review this area and all agree that the 40 acre spacing pattern has not and will not enable us to recover the available reserves. The various studies estimate that between 85% to 92% of the oil in place has not been drained. We calculate that a new well could recover 30,000 to 35,000 bbls of oil. Jim Patterson of Patterson and Powers performed a study on the development potential of new wells. Attached as Exhibit "D" are copies of pages 6 (Paragrah B) and 7 of this report prepared in July 1984.

We are currently proceeding to permit the subject well which will be designated Humble Federal No. 9. We would like your agreement to participate in the proposed well or your assignment to Chaveroo of all your rights, title and interest and the production allocated to this irregular spaced well. Your timely reponse would be appreciated as we would like to drill this well in 1984.

If you desire to participate, please sign in the space provided below which states you will participate in the well and agree with the Operating Agreement attached hereto. Upon agreeing to participate you should remit 5% of your total estimated cost (Exhibit "C") to cover staking, permitting and damages for the well. You will be billed for the remaining estimated cost approximately 15 days prior to the anticipated spud date. Actual cost details will be supplied after the well is completed and if the cost exceeds the estimate you will receive an additional billing. If the well cost is less than estimated, you will receive the difference 15 days after final completion billing is received.

If you prefer to abstain from participation, please note in the space provided and we will forward an assignment to you for your signature.

Sincerely,

CHAVEROO OPERATING CO., INC.



William W. Pickett
Vice President

ACCEPTED AND AGREED TO THIS
____ DAY OF NOVEMBER, 1984.

I DO NOT ACCEPT AND AGREE TO
THIS ____ DAY OF NOVEMBER, 1984

WJG:jp
Enclosures

EXHIBIT "C"

WORKING INTEREST OWNERS - HUMBLE FEDERAL NO. 9

ESTIMATED SHARES OF COSTS

<u>HUMBLE FEDERAL</u>	<u>W.I. PARTICIPATION</u>	<u>TOTAL COST</u>
G & P Exploration, Inc.	95.62500%	\$240,879.37
Vernon Drilling Company	4.37500%	11,020.63
		<hr/>
		\$251,900.00

EXHIBIT "D"

RESERVES AND ECONOMICS

~~The definitions of reserves used herein are given in the appendix. The~~
"as-of" date for the reserves and economics is April 1, 1984. The cash flow projections are made on a "before federal income tax" basis. In Exhibits III through XXI, which present results of economics analyses, the various economic indicators such as "rate-of-return" and "return on investment" are not meaningful in this evaluation because the purchase price has not been included, hence the total investment is unknown. Of course, the investment costs associated with new wells and workovers were included to properly impact cash flow.

A. Proved Developed Producing Reserves

The composite "proved developed producing" reserves and cash flow projection is presented as Exhibit III, which indicates the remaining reserves as of April 1, 1984 to be:

	<u>Gross</u>	<u>Net</u>
Oil (bbl)	224,865	160,854
Gas (Mcf)	332,226	233,850

The associated undiscounted cumulative cash flow is \$2,988,108 and the present value discounted at 12 percent is \$1,702,669.

Individual projections for the separate leases are presented individually as Exhibits VII through XV. The summation of cash flows of the individual cases will not equal the corresponding cash flow in the composite case because the individual cases do not include the associated overhead expenses. The individual cases can be readily compared to each other in Exhibit I.

The LSA lease represents about 47 percent of the value of the proved developed producing reserves. It has been on production for about 19 years and has produced clean oil with no water production at a well-established and regular decline rate of about four percent per year. There is no evidence to suggest that this trend will not continue into the foreseeable future. This well is completed in the Abo detrital zone which is located in the lower part of the Abo formation, and has produced about 182,000 barrels through 1983. It is projected to have at least 115,000 barrels of additional reserves, bringing the ultimate reserves of this well to 297,000 barrels. Although there are not many Abo producers in the nearby vicinity with long-term histories to use as a comparative base, the Sun Exploration & Production N.M. "X" State No. 1, which is located about a mile and a half to the northeast and is identified as a "lower Abo" producer, had produced more than 440,000 barrels through 1982 and is still producing. Rough volumetric calculations indicate that reserves on the order of 297,000 barrels are reasonable if good drainage is achieved. Consequently, we ~~consider the projected reserves for this well to be a reasonable estimate.~~

B. Proved Undeveloped Reserves

The "proved undeveloped" reserves in this evaluation consist of the reserves postulated to be associated with fifteen infill wells. The reserves and

cash flow projection are given in Exhibit XVI, which indicates these proved undeveloped reserves to be:

	<u>Gross</u>	<u>Net</u>
Oil (bbl)	519,407	373,973
Gas (Mcf)	519,407	373,973

The associated undiscounted cash flow is \$7,941,719 and the present value discounted at 12 percent is \$5,301,791.

The proved developed producing reserves are combined with the proved undeveloped reserves and presented as Exhibit IV which includes the overhead expenses. These reserves are also included in the summary given as Exhibit I. The combined remaining proved reserves at April 1, 1984 are:

	<u>Gross</u>	<u>Net</u>
Oil (bbl)	744,272	534,828
Gas (Mcf)	851,633	607,823

The combined undiscounted cumulative cash flow is \$10,929,827 and the present value discounted at 12 percent is \$7,004,460.

C. Probable Reserve

The probable reserves are presumed to be gained from fifteen workovers on existing wells. For this evaluation, a certain distribution of workovers among the various leases was assumed and the production schedules of the Anderson, Humble-Federal, KMS and Tucker-Hall leases were revised. It was also assumed that the Tucker lease would be returned to production as a result of the workover program. The actual selection of wells to be worked over will not necessarily be the same as that assumed in this evaluation, but that is not critical to the overall result.

The cash flow projections for the five leases involved in the assumed workover program are given in Exhibits XVII through XXI. These probable results are combined with the proved developed producing reserves in the composite presented as Exhibit V, which includes the general operation overhead expenses. This composite case indicates the following reserves from existing wells, including beneficial effects of workovers to be :

	<u>Gross</u>	<u>Net</u>
Oil (bbl)	368,798	258,696
Gas (Mcf)	489,975	340,909

The associated undiscounted cash flow for this composite is \$4,950,177 and the corresponding present value discounted at 12 percent is \$2,919,440. Therefore,

CHAVEROO OPERATING CO., INC.

4800 SAN FELIPE, SUITE 620
HOUSTON, TEXAS 77056
713-627-2875

December 27, 1984

Mr. William C. Hooper, Jr.
President
Verna Corporation
Suite 300
1800 Bering Drive
Houston, Texas 77057

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION	
CHAVEROO	EXHIBIT NO. 4
CASE NO.	8497

Re: Humble Federal Lease
Sections 25 and 26
T 7 S - R 32 E
Roosevelt County, NM

Dear Mr. Hooper:

Thank you for executing the Designation of Operator forms on subject lease.

Our initial offer for your 4.375% working interest was a sincere and serious attempt to commence negotiations. As with all producing properties, opinions concerning the value can vary substantially. We are inviting a counter offer to ascertain if there is a basis for negotiation.

If you value your interest in the lease substantially higher than the offer, we are puzzled why you would not participate in drilling Humble Federal No. 9. However, since you have declined to join, will you assign us your working interest in the 40 acres surrounding the proposed well? Your assignment would cover your interest in the SE/4 of the NW/4 of the NW/4, the SW/4 of the NE/4 of the NW/4, the NW/4 of the SE/4 of the NW/4 and the NE/4 of the SW/4 of the NW/4, all in Section 25, T 7 S - R 32 E, Roosevelt County, New Mexico.

A map showing the well location and a copy of the Location and Dedication Plat Form (New Mexico Form C-102) is enclosed for your information and reference.

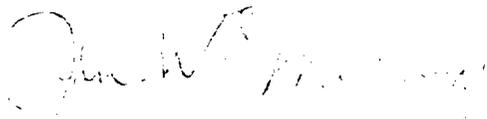
It is possible that we will be contemplating drilling additional in-fill wells on the Humble Federal lease later on. If so, we will advise you sufficiently in advance to enable you to join in the well or assign your interest to G & P, as you prefer.

Humble Federal Lease
Verna Corporation
Page two

Should you have any questions, please do not hesitate to call either
W. J. Graham or me at your earliest convenience.

Very truly yours,

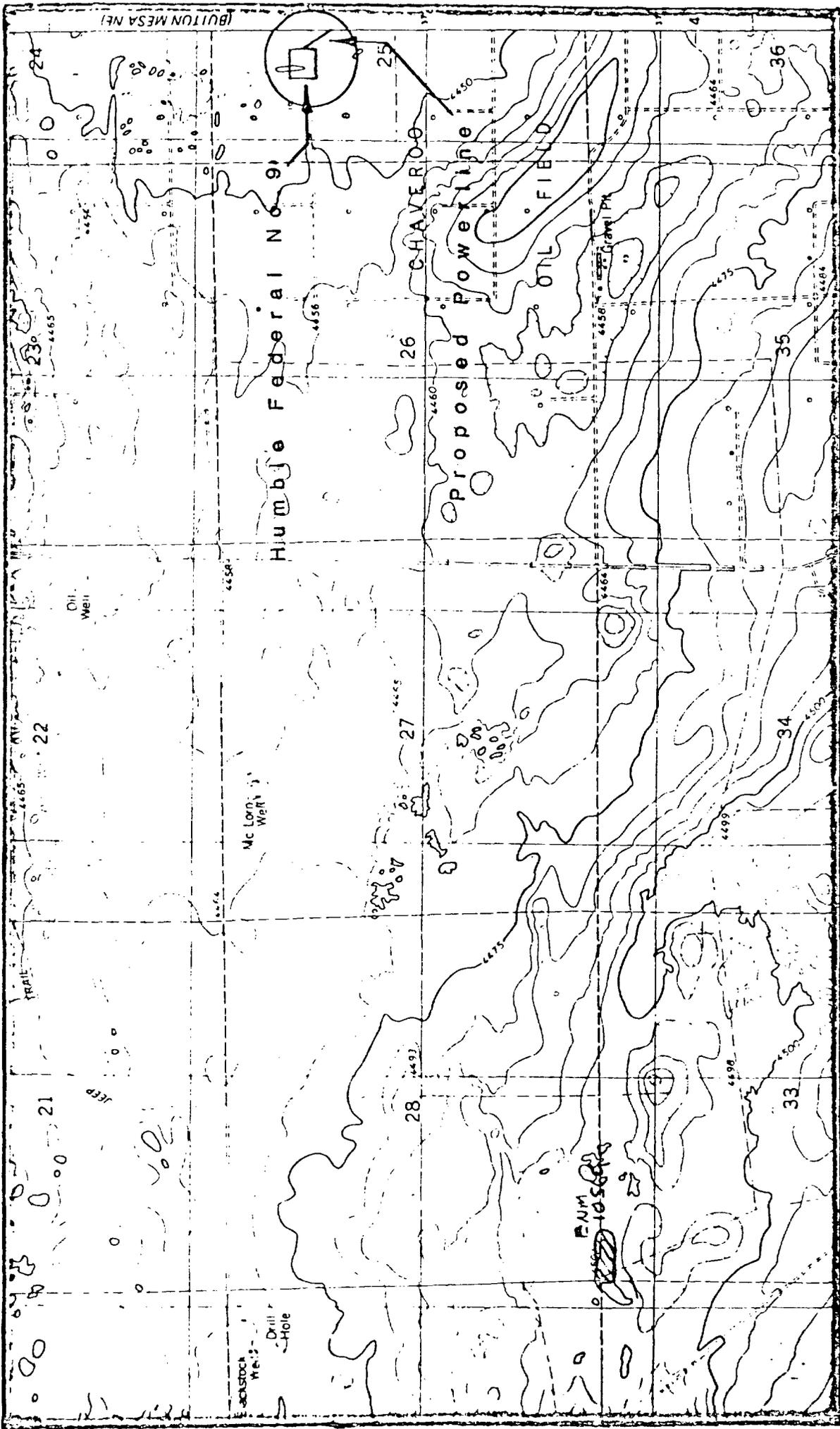
CHAVEROO OPERATING CO., INC.

A handwritten signature in dark ink, appearing to read "John W. T. Medairy". The signature is written in a cursive style with a large initial "J" and "M".

John W. T. Medairy
Land Manager

JWTM:jp

Enclosures



7.5 MINUTE SERIES

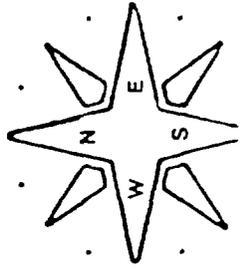


Figure 2. Location of Chaveroo's proposed Humble Federal No. 9 well and associate powerline in Section 25, T7S, R32E, NMPM, Roosevelt County, New Mexico.

Map: USGS Button Mesa North, N. Mex. Quadrangle, 1978

SCALE 1:24,000

WELL LOCATION AND ACREAGE DEDICATION PLAT

Supersedes C-178
Effective 1-1-83

All distances must be from the outer boundaries of the Section.

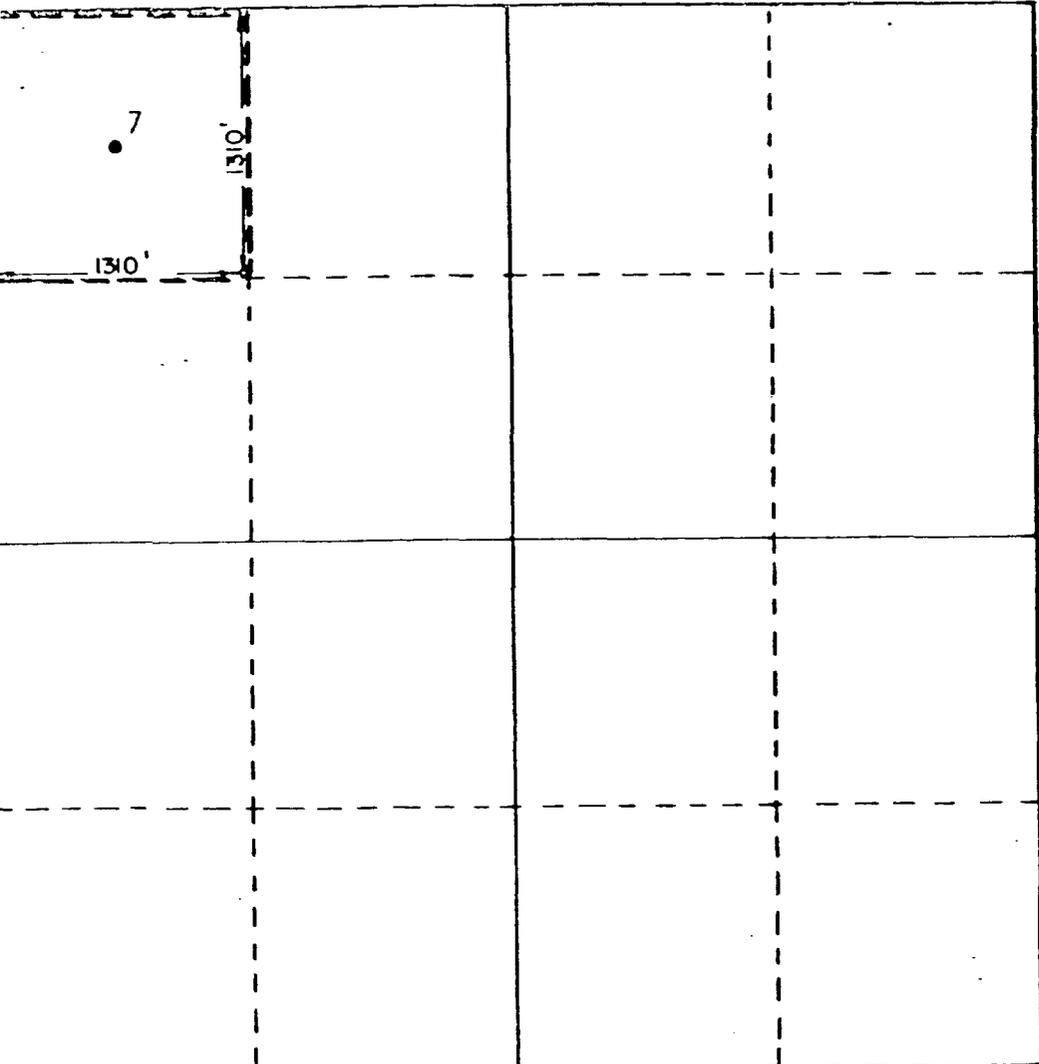
Operator CHAVEROO OPERATING CO.		Lease HUMBLE FEDERAL		Well No. 9
Section Letter D	Section 25	Township 7S	Range 32E	County ROOSEVELT
Well Location of Well: 1310 feet from the NORTH line and 1310 feet from the WEST line				
Well Level Elev. 4451.6	Producing Formation SAN ANDRES	Pool CHAVEROO SAN ANDRES	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Name	<i>Arthur R. Brown</i> Arthur R. Brown
Position	Agent
Company	CHAVEROO OPERATING CO., INC.
Date	NOVEMBER 19, 1984
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
Date Surveyed	10/25/84
Registered Professional Engineer and/or Land Surveyor	
<i>John W. West</i>	
Certificate No.	JOHN W. WEST, 676 RONALD J. EIDSON, 3239