

WORKING INTEREST OWNERSHIP
CANADA OJITOS UNIT F-30
SECTION 30, TOWNSHIP 25 NORTH, RANGE 1 WEST
RIO ARriba COUNTY, NEW MEXICO

Canada Ojitos Unit Committed Working Interests:	93.75%
Mountain States Natural Gas	6.25%

SCHUTZ ABSTRACT CO. INC.

Joe B. Schutz
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

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

NM-03747
1075-8R

Dear Mr. Greer;

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 $\frac{1}{2}$ 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, N.M. 87401 505-325-8874

September 13, 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:
COMPULSORY POOLING OF INTERESTS
FOR DRILLING A WELL IN SECTION 30,
TOWNSHIP 25 NORTH, RANGE 1 WEST

Gentlemen:

Benson-Montin-Greer Drilling Corp. proposes the drilling of a well in Section 30, Township 25 North, Range 1 West projected to the Mancos formation. The 640 acre proration unit under this well lies within the Canada Ojitos Unit which is within the West Puerto Chiquito Mancos oil pool.

All interests under the well have been unitized except those of Mountain States. We understand Mountain States owns a 50% working interest under the W/2 SW/4 of this section.

The proposed location is 1755' from the north line and 2418' from the west line of Section 30.

As discussed with your representative, Mark Pearson, we understand that you are considering commitment of your interest to the unit agreements; however to date we have received no confirmation from you in this respect.

We can delay no longer in making plans for the drilling of this well so we are asking for a compulsory pooling of the interests so that we may proceed. For your information we are sending you an AFE covering costs of the well and connections to our pipeline systems. Your share of the cost of this well and connecting pipelines is 6-1/4%.

BENSON-MONTIN-GREER DRILLING CORP.

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

Page No. 2
September 13, 1985

We anticipate that the Department of the Interior will take the same position on this well as it did with respect to unit well B-29 in that if it is a producer you will be required to commit your interests to the unit agreements.

Again we call your attention to the fact that we think your income tax burdens can be minimized by following the proper procedures in committing your interests to the unit agreements, and as before I request that you phone me, or in the alternative, respond to my calls.

Yours truly,

BENSON-MONTIN-GREER DRILLING CORP.

BY:



Albert R. Greer, President

ARG/tlp

Enclosures

File 801-B(10.5)

cc (w/encls):

Mr. W. Thomas Kellahin

Statutory Agent for Mountain States Natural Gas Corporation

P 017 191 214

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1984-448-014

PS Form 3800, Feb. 1982

Sent to Mountain States Natural Gas	
Street and No. P.O. Box 35426	
P.O., State and ZIP Code Tulsa, OK 74135	
Postage	\$.39
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	\$ 1.84
Postmark or Date 9/13/85	

PS Form 3811, July 1983

● **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.

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

3. Article Addressed to:
Mountain States Natural Gas
P.O. Box 35426
Tulsa, OK 74135

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured <input type="checkbox"/> COD P-017-191-214

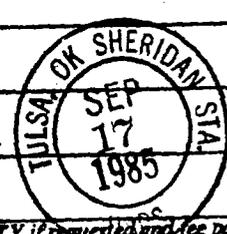
Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
X

6. Signature - Agent
X *[Signature]*

7. Date of Delivery
SEP 17 1985

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



DOMESTIC RETURN RECEIPT

BENSON-MONTIN-GREER DRILLING CORP.

AUTHORITY FOR EXPENDITURE

AFE #1825

DATE September 13, 1985

Prospect Canada Ojitos Unit Well Canada Ojitos Unit #30 (F-30)

Section 30 Township 25N Range 1W County Rio Arriba State New Mexico

Producing Formation or Formations Niobrara Projected Depth 7850'

INTANGIBLE COSTS

Surveying: Road and Location	\$ 1,000
Surveying: Archaeological	1,000
Roads and Location - Construction	5,000
Drilling: Type of Bid (Turnkey)	180,000
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	125,000
Engineering & Supervision	15,000
Labor	10,000
Overhead	3,500
Contingencies	25,000
TOTAL INTANGIBLE COSTS:	\$ 449,500

TANGIBLE COSTS

Well Equipment	
Casing and Tubing:	
500' 9-5/8" K-55 36#	\$ 3,500
7700' 5-1/2" N-80 17#	60,000
7500' 2-3/8" EUE tubing, internally plastic coated	30,000
Gas Lift Subsurface Equipment	1,500
Wellhead and Equipment - Tubinghead, Valves, etc.	10,000
Well Flow Lines	2,500
Noncontrollable Well Equipment	1,500
Installation Costs	3,000
Lease Equipment	
Tank Battery - Single Tank (Surge Tank with Heater)	7,000
Separators and Heaters (Including Part of Gas Lift Equipment)	50,000
Measuring & Monitoring Equipment	2,500
Other Controllable Equipment	5,000
Noncontrollable Equipment	2,500
Installation Costs	6,000
Contingencies	5,000
TOTAL TANGIBLE COSTS	\$ 192,000
TOTAL DRILLING, COMPLETION AND EQUIPMENT COSTS	\$ 641,500

For parties to the 1983 Pooling Agreement, these costs are in excess of the Initial Development Costs as defined under Article 2.2 thereof; and will be borne on the basis of expense interests as defined under Article 1.7.2A and Exhibit C, Part II of the Pooling Agreement for that portion of the 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:

BENSON-MONTIN-GREER DRILLING CORP.

AUTHORITY FOR EXPENDITURE

AFE #1825-P

DATE September 13, 1985

Prospect Canada Ojitos Unit Well Pipeline Connection to Canada Ojitos Unit #30 (F-30)

Section 30 Township 25N Range 1W County Rio Arriba State New Mexico

Producing Formation or Formations Niobrara Projected Depth -

Work Program Extension of oil and gas gathering and gas lift pipelines from existing lines
to Canada Ojitos Unit #30 (F-30)

Oil Gathering

5,500' 4-1/2" .156" wall X-42 coated and welded	\$ 38,500	
Less anticipated contribution through oil purchaser's pipeline at \$15M/mile	<u>15,000</u>	\$ 23,500

Gas Gathering

3,000' 4-1/2" .156" wall X-42 coated and welded		22,500
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Gas Lift Gas

5,500' 2-3/8" .156" wall X-42 coated and welded		22,000
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Surveying, clear right of way, ditch, backfill, cleanup right of way and reseed		<u>10,000</u>
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TOTAL COST	\$	78,000
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For parties to the 1983 Pooling Agreement, these costs are in excess of the Initial Development costs as defined under Article 2.2 thereof; and will be borne on the basis of expense interests as defined under Article 1.7.2A and Exhibit C, Part II of the Pooling Agreement for that portion of the 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:

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 QUITOS 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

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

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

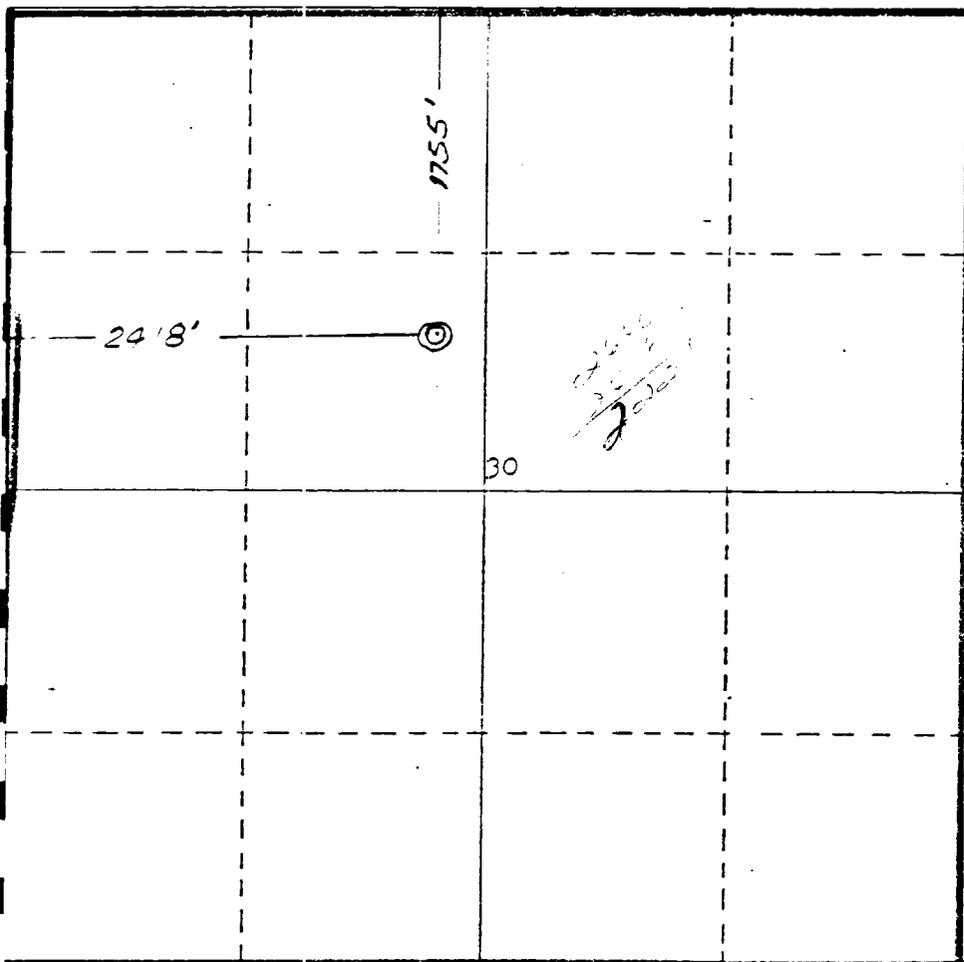
Operator BENSON MONTIN GREER DRILLING CORP.		Lease Canada Ojitos Unit		Well No. #30 (F-30)
Well Letter F	Section 30	Township 25 NORTH	Range 1 WEST	County RIO ARRIBA
Actual Footage Location of Well:				
1755 feet from the NORTH line and		2418 feet from the WEST line		
Ground Level Elev. 7671	Producing Formation Niobrara	Pool West Puerto Chiquito Mancos	Dedicated Acreage: 640 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). Unitization Agreement
- 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 Unitization

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
Virgil L. Stoabs
Position
Vice President
Company
Benson-Montin-Greer Drilling Corp.
Date
October 2, 1985

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.

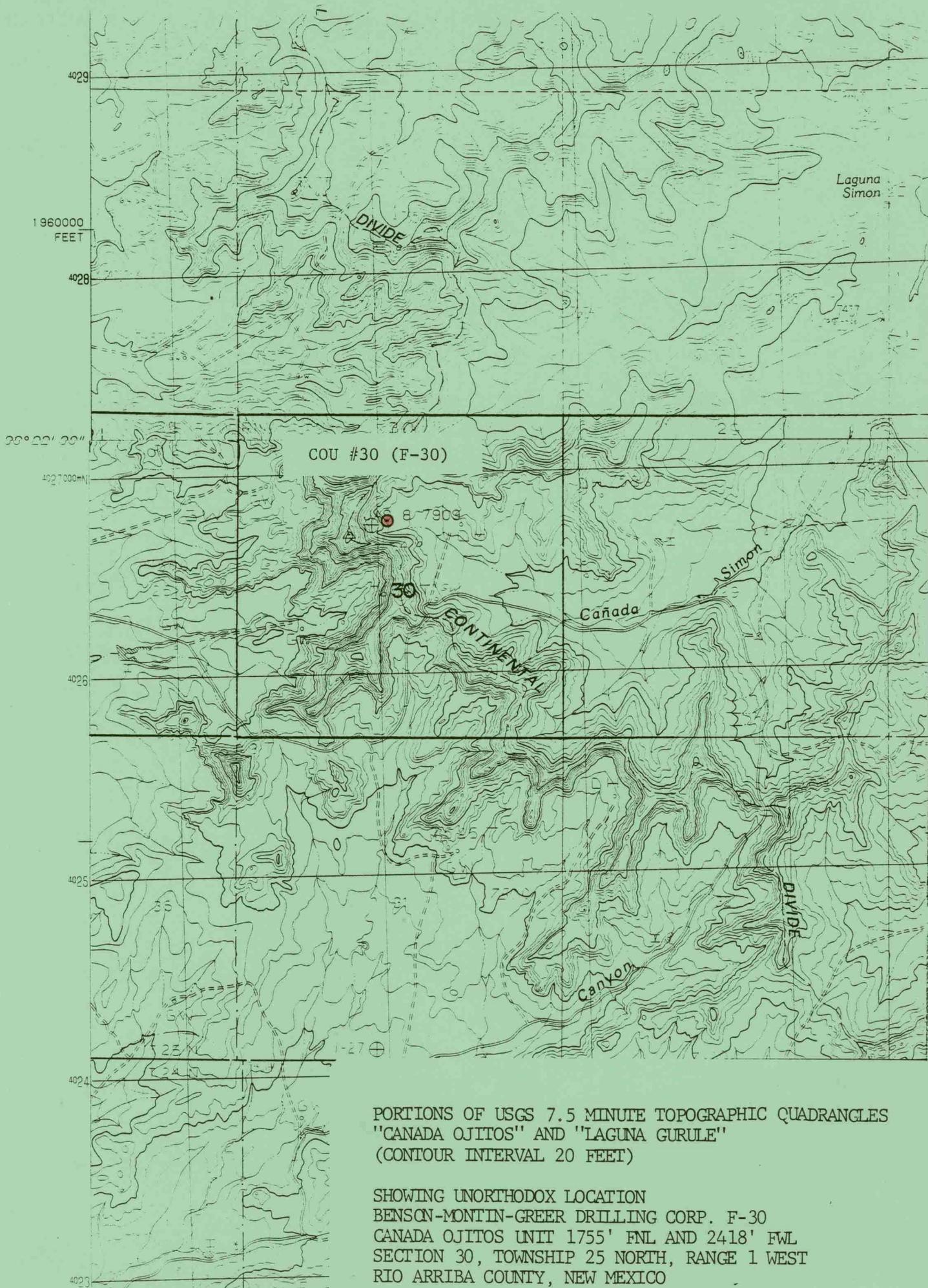
Date Surveyed
30 August 1985

Registered Professional Engineer and/or Land Surveyor

James P. Lease
James P. Lease

Certificate No. **1463**





PORTIONS OF USGS 7.5 MINUTE TOPOGRAPHIC QUADRANGLES
"CANADA OJITOS" AND "LAGUNA GURULE"
(CONTOUR INTERVAL 20 FEET)

SHOWING UNORTHODOX LOCATION
BENSON-MONTIN-GREER DRILLING CORP. F-30
CANADA OJITOS UNIT 1755' FNL AND 2418' FWL
SECTION 30, TOWNSHIP 25 NORTH, RANGE 1 WEST
RIO ARRIBA COUNTY, NEW MEXICO