



READING & BATES PETROLEUM CO.

3200 Mid-Continent Tower
Tulsa, Oklahoma 74103
918 583-8180

October 9, 1985

Mountain States Natural Gas
Corporation
P. O. Box 35426
Tulsa, Oklahoma 74101

Re: Gavilan Prospect
E/2 Section 15-25N-2W
Rio Arriba County, New Mexico

Gentlemen:

Enclosed please find the following:

1. Operating Agreement plus an extra signature page and acknowledgment page. Please have same executed by the appropriate individual, have his signature acknowledged before a notary public and return the extra pages to this office. When available, we will furnish you with copies of all executed signature pages.
2. Title opinion and status reports for the subject acreage.
3. Reading & Bates' invoice No. CAC-1781 for the estimated dry hole costs on the Federal 44-15 well.
4. Two copies of the AFE and Well Cost Estimate for the Federal 44-15 well. Please sign in the appropriate space and return one copy to this office.

Should you have any questions, please advise.

BEFORE EXAMINER STOGNER
Oil Conservation Division
_____ Exhibit No. <u>3</u>
Case No. <u>8766</u>

Very truly yours,

READING & BATES PETROLEUM CO.


Bud Scott
Landman

BS:lfe

Enclosures

RB READING & BATES PETROLEUM CO.

3200 MID-CONTINENT TOWER, TULSA, OKLAHOMA 74103, PHONE 918 583-8180

TO

DATE 10-8-85

INVOICE NO. CAC-1781

Terms: Due before October 18, 1985

To invoice the estimated dry hole costs on the Federal #44-15.
Well Location: SE SE Sec 15, T25N, R2W, Rio Arriba County, NM.

Estimated Dry Hole Costs \$267,040.00

Distribution of Estimated Dry Hole Costs

<u>Owner Name</u>	<u>Working Interest</u>	<u>Share of Estimated Costs</u>
Hooper, Kimball & Williams	.08333	\$ 22,252.44
Mountain States Natural Gas	.06250	16,690.00
Ralph Gilliland	.03125	8,345.00
Duer Wagner, Jr.	.02906	7,760.18
Duer Wagner, III	.00219	584.82
P. C. Ltd.	.03902	10,419.90
Ibex Partnership	.03902	10,419.90
Warren Malcolm Clark	.00204	544.76
Carolyn Clark Oatman	.00219	584.82
Testamentary Trust Under the Will of Warren Clark	.00107	285.73
Reading & Bates Petroleum Co.	<u>.70833</u>	<u>189,152.45</u>
	1.00000	<u>\$267,040.00</u>

Please send payment for this invoice to:

Reading & Bates Petroleum Co.
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103
Attn: John Sweatt

AUTHORITY FOR EXPENDITURE

NO. _____

COMPANY Reading & Bates Petroleum Co.

AMOUNT REQUESTED, Company Share Only \$ _____

Requested By R. B. Shindhelm Location NW Division - Denver

Lease No. _____ Lease Federal Well No. #44-15

Field Wildcat (Gavilan Prospect) County Rio Arriba State New Mexico

REASON FOR EXPENDITURE:

(Include basis for payout. Use attachment for supporting data if necessary.)

To drill and equip a 8,050' Dakota well in SE SE Sec. 15, T25N, R2W, Rio Arriba County, NM

Estimated Primary Formation & Top _____ @ _____ ()
 Estimated Secondary Formation & Top _____ @ _____ ()

COST ESTIMATE:

	<u>Total</u>	<u>Tangible</u>	<u>Intangible</u>
	\$	\$	\$
Dry Hole Cost	267,040	9,140	257,900
Case & Test Cost	242,075	153,225	88,850
Production Equipment Cost	170,550	36,000	134,550
	\$ 679,665	\$ 198,365	\$ 481,300

ESTIMATED DATE OF EXPENDITURE:

Month June Year 1985

Less Salvage Credit

(_____)

Project Total

\$ 679,665

Salvage credit to be taken only if equipment is sold from the project.

APPROVED:

 Name
 D. G. Campbell, Sr. Vice Pres.
Domestic Exploration
 Title Date

 Name
 Charles E. Seery, Jr.
 Vice Pres., Domestic Operations
 Title Date

PARTNERS APPROVAL ACCEPTED:

 Company

 Name

 Title Date

Working Interest Participation:

<u>Company</u>	<u>% Interest</u>	<u>Share</u>
Reading & Bates	70.833	\$481,429
Hooper, Kimball & Wlms	8.333	\$ 56,639
Mountain States Nat. Gas	6.250	\$ 42,479
Ralph Gilliland	3.125	\$ 21,240
Duer Wagner, Jr.	2.906	\$ 19,751
Duer Wagner III	0.219	\$ 1,488
P.C. Ltd.	3.902	\$ 26,522
Ibex Partnership	3.902	\$ 26,522
Warren Clark Trust	0.204	\$ 1,383
Carolyn Clark Trust	0.219	\$ 1,486
Testamentary Trust of Warren Clark	0.107	\$ 726
	100.00%	\$679,665

WELL COST ESTIMATE

COMPANY Reading & Bates Petroleum Co.

DATE 5/21/85

WELL Federal #44-15

LOCATION SE SE (660 FSL & 660 FEL), Sec. 15-25N-2W, Rio Arriba Co., N.M.

PROPOSED TD 8050' EST. DRILLING DAYS 16

Tangible Well Costs

Well Pipe

<u>500'</u>	of	<u>9-5/8</u>	@ \$	<u>12.00</u>	/ft.
<u>8050'</u>	of	<u>5-1/2</u>	@ \$	<u>10.50</u>	/ft.
<u>8000'</u>	of	<u>2-7/8</u>	@ \$	<u>6.50</u>	/ft.
_____	of	_____	@ \$	_____	/ft.

Wellhead Assembly

Subsurface Equip. - packer, rods, pumps, etc.

Separation Facilities, Installed

Tanks and Shipping Facilities, Installed

Flow Lines, Pipe & Electric Lines, Installed

Other Equipment - Pumping Unit, Misc.

Total Tangibles

<u>Producer</u>	<u>Dry Hole</u>
\$ _____	\$ _____
<u>142,525</u>	<u>6,000</u>
<u>4,000</u>	<u>2,500</u>
<u>4,500</u>	<u>9,500</u>
<u>9,500</u>	<u>12,000</u>
<u>12,000</u>	<u>8,000</u>
<u>8,000</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>
<u>\$ 180,525</u>	<u>\$ 8,500</u>

Intangible Well Costs

Permits, Surveys, Foundations

Location, Roads & Damages

Contract Drilling

8050' ft. @ \$ 15.00 /ft.

2 days @ \$ 5000 /day

5 days @ \$ 2000 /day

Compl. Unit 15 days @ \$ 2000 /day.

Cement and Cement Service

Drilling Fluid Materials

Fuel, Water & Power

Supplies

Drill Stem Testing 1 @ \$ 5000

Coring and Analysis

Wireline Service

Logging \$21,000

Perforating 3,500

Other Mud Logging - \$3000

Formation Treating

Transportation and Hauling

Rentals, Contract Labor, Misc.

Engineering Supervision

Geological Supervision

Overhead

Contingencies

Total Intangibles

TOTAL

\$ <u>3,500</u>	\$ <u>3,500</u>
<u>17,500</u>	<u>13,500</u>
<u>170,750</u>	<u>120,750</u>
<u>26,500</u>	<u>8,500</u>
<u>25,000</u>	<u>20,000</u>
<u>15,000</u>	<u>10,000</u>
<u>4,000</u>	<u>_____</u>
<u>5,000</u>	<u>5,000</u>
<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>
<u>27,500</u>	<u>20,500</u>
<u>73,000</u>	<u>_____</u>
<u>6,000</u>	<u>2,000</u>
<u>25,500</u>	<u>8,000</u>
<u>14,250</u>	<u>7,500</u>
<u>2,000</u>	<u>2,000</u>
<u>7,000</u>	<u>3,000</u>
<u>76,640</u>	<u>34,290</u>
<u>\$ 499,140</u>	<u>\$ 258,540</u>
<u>\$ 679,665</u>	<u>\$ 267,040</u>

Prepared By:

T. Bruce Petitt