

BENSON-MONTIN-GREER DRILLING CORP.

221 PETROLEUM CENTER BUILDING, FARMINGTON, NM. 87401 505-325-8874

April 19, 1989

To: WORKING INTEREST OWNERS
EAST HALF SECTION 12, T-25N, R-2W
RIO ARriba COUNTY, NEW MEXICO

Re: VOLUNTARY UNITIZATION:
INCLUSION IN CANADA OJITOS UNIT

We refer to letter to you dated April 11, 1989 from Sun Exploration and Production.

We presume you will be responding to Sun. We would appreciate it if you would also advise our company as operator of the Canada Ojitos Unit if you elect to voluntarily join the proposed expanded unit.

Also this letter confirms Sun's estimate of approximately \$600 per acre capital expenditure to join the unit. Further we advise that the Unit Agreement has a provision for non-consent participants for those who join but who elect not to make cash settlement of the investment adjustment. The cost recovery for non-consent participants is 300%.

The Canada Ojitos Unit is now under New Mexico statutory unitization regulations; and as such any expansion - even though voluntary - must satisfy the statutory regulations. Accordingly, as Unit Operator, we will be filing for expansion of the unit under the statutory unit regulations. Under the timing of the Commission hearings, we anticipate this matter to be heard May 10.

BENSON-MONTIN-GREER DRILLING CORP.

BENSON-MONTIN-GREER	
DRILLING CORP.	
BMG	FILE NO. 2
9671	

BY:


Albert R. Greer, President

ARG/tlp

4/19/89

OWNERSHIP

NW/4 NE/4 SEC. 12, TOWNSHIP 25 NORTH, RANGE 2 WEST

Sun Exploration & Production
P.O. Box 2880
Dallas, TX 75221-2880
Attn: Frank L. McColloch
214-890-5675

Sun Exploration & Production
P.O. Box 1861
Midland, TX 79702
Attn: Linda Guerrero
915-688-0492

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420
505-325-1821

Reading & Bates Oil & Gas Co.
3200 Mid-Continent Tower
Tulsa, OK 74103
918-583-8180

P.C. Ltd. and Ibex Partnership
P.O. Box 911
Breckenridge, TX 76024-0911
817-559-3355

Hooper, Kimball & Williams, Inc.
P.O. Box 520970
Tulsa, OK 74152
918-585-5788

(Carolyn Clark Oatman
(Warren Clark Trust
(Warren Clark Test. Trust
c/o Wayland Oatman
433 Perry Brooks Building
Austin, TX 78701
512-478-7307

Mountain States Natural Gas
P.O. Box 35426
Tulsa, OK 74135
918-299-4152 or
918-299-8531

Ralph (Alice) Gilliland
c/o Ann G. St. Clair
7420 Caruth
Dallas, TX 7525
214-691-1977

Duer Wagner, Jr. and Duer Wagner III
3400 City Center, Tower II
301 Commerce Street
Fort Worth, TX 76201
817-335-2222

.. BENSON-MONTIN-GREER DRILLING CORP

221 PETROLEUM CENTER BUILDING, FARMINGTON, NM. 87401 505-325-8874

May 1, 1989

TO: WORKING INTEREST OWNERS
EAST HALF SECTION 12, T-25N, R-2W
RIO ARRIEA COUNTY, NEW MEXICO

Re: VOLUNTARY UNITIZATION:
INCLUSION IN CANADA OJITOS UNIT

We refer to letter to you dated April 11, 1989 from Sun Exploration and Production and our letter of April 19 regarding the same matter.

This is to advise that we made a mistake in our advice as to the cost recovery percentage for non-consent participants. In our letter of April 19, we said it was 300%. The correct recovery is 150% (100% of cost plus 50% penalty).

BENSON-MONTIN-GREER DRILLING CORP.

BY:


Albert R. Greer, President

ARG/tlp



April 11, 1989

Sun Exploration and
Production Company
Four NorthPark East
5656 Blackwell
P O Box 2880
Dallas TX 75221-2880
214 890 6000

To: Attached Addressee List

Re: E/2 Section 12-T25N-R2W
Rio Arriba County, New Mexico

Gentlemen:

Sun and Dugan Production Corporation are the leasehold owners of the NE/4 of Section 12-25N-2W and you are the leasehold owners of the SE/4 of Section 12-25N-2W. The Sun/Dugan lease will expire under its own terms July 31, 1989, unless some action is taken to perpetuate the lease.

All three leases covering the E/2 of Section 12 are Federal leases. It should be noted that the E/2 of Section 12 is surrounded by producing wells. We believe that it is imperative that this leasehold be placed in a productive status as soon as possible since development or compensatory royalty could become an issue with the BLM. Also, because of the rough terrain in the area, it is anticipated that access to the well and location preparation will add an estimated \$100,000 to the cost of any well drilled in the E/2 of Section 12.

Sun and Dugan are of the opinion that the best course of action to take regarding the E/2 of Section 12 would be to include it in the Canada Ojitos Unit. Our geological data indicates that the E/2 of Section 12 will contribute reserves to the unit. This has already been discussed with the Operator and it was well received.

It is Sun and Dugan's contention that all parties will benefit from the expansion since no additional drilling or compensatory royalty would be required at this time. The anticipated capital expenditure to join the unit will be approximately \$600 per acre. Sun proposes that on behalf of the owners in the E/2 of Section 12 that it coordinate with the Operator of the Canada Ojitos Unit the enlargement of the unit to include the E/2 of Section 12-25N-2W.

For your reference, I have attached a list that Sun believes shows each owner and their interest in the E/2 of Section 12. Please advise if Sun's proposal to request inclusion of the E/2 of Section 12 in the Canada Ojitos Unit is acceptable.

Sincerely,

A handwritten signature in cursive script that reads "Frank L. McColloch".

Frank L. McColloch
Manager, Unitization

FLM:pcg
Attachment

1P7/552 - (1)

ADDRESSEE LIST
E/2 SECTION 12-T25N-R2W
RIO ARriba COUNTY, NEW MEXICO

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420

Reading & Bates Oil & Gas Company
3200 Mid-Continent Tower
Tulsa, Oklahoma 74103

P. C. Ltd. and Ibex Partnership
P. O. Box 911
Breckenridge, Texas 76024-0911

Hooper, Kimball & Williams, Inc.
P. O. Box 520970
Tulsa, Oklahoma 74152

Carolyn Clark Oatman,
Warren Clark Trust, and
Warren Clark Test. Trust
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433 Perry Brooks Building
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Mountain States Natural Gas
P. O. Box 35426
Tulsa, Oklahoma 74135

Ralph (Alice) Gilliland
c/o Ann G. St. Clair
7420 Caruth
Dallas, Texas 75225

Duer Wagner, Jr. and Duer Wagner, III
3400 City Center, Tower II
301 Commerce Street
Fort Worth, Texas 76201

PARTY

INTEREST IN E/2 SECT. 12

Sun	43.75%
Dugan	6.25%
Reading & Bates	12.50%
PC LTD	5.853274%
IBEX Partnership	5.853274%
Hooper, Kimball & Williams	12.5%
Carolyn Clark Oatman	.328062%
Warren Clark Trust	.305175%
Warren Clark Testamentary Trust	.160215%
Mountain States	6.25%
Ralph Gilliland	3.125%
Duer Wagner, Jr.	2.90625%
Duer Wagner, III	.21875%

BENSON-MONTIN-GREER DRILLING CORP.

221 PETROLEUM CENTER BUILDING, FARMINGTON, NM. 87401 505-325-8874

April 19, 1989

To: CANADA OJITOS UNIT
WORKING INTEREST OWNERS

Re: CANADA OJITOS UNIT
RIO ARriba COUNTY, NEW MEXICO:
PROPOSED 4TH EXPANSION TO INCLUDE
E/2 SECTION 12, T-25N, R-2W

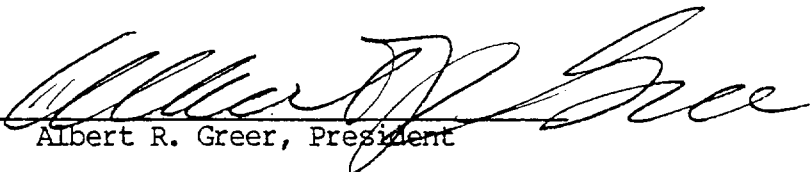
We refer to our letter of April 7 and advise that all ballots received to date approve the inclusion of the captioned tract and we are initiating the process to permit expansion of the unit.


The Canada Ojitos Unit is not only under the federal unit regulations, it is also now under New Mexico statutory unitization regulations; and as such any expansion - even though voluntary - must satisfy the statutory regulations. Accordingly, as Unit Operator, we will be filing for expansion of the unit under the statutory unit regulations. Under the timing of the Commission hearings, we anticipate this matter to be heard May 10 by an Examiner for the New Mexico Oil Conservation Commission.

If the Commission approves the application, all owners will then be polled to determine, formally, their positions respecting admittance of this tract to the unit.

BENSON-MONTIN-GREER DRILLING CORP.

BY:


Albert R. Greer, President


ARG/tlp

BENSON-MONTIN-GREER DRILLING CORP.

221 PETROLEUM CENTER BUILDING, FARMINGTON, NM. 87401 505-325-8874

April 7, 1989

To: CANADA OJITOS UNIT
WORKING INTEREST OWNERS

Re: CANADA OJITOS UNIT
RIO ARriba COUNTY, NEW MEXICO:
PROPOSED 4TH EXPANSION TO INCLUDE
E/2 SECTION 12, T-25N, R-2W
BALLOT ENCLOSED

Owners under the captioned tract have asked that it be included in the Canada Ojitos Unit.

The Unit Operator recommends that we respond affirmatively to the request: the expansion has benefits for the unit.

We have been advised by those requesting admittance to the unit that they have two other options: drill a well on this tract of land; or pool these lands with the other well in the NW/4 of Section 12 resulting in a 640-acre proration unit. Neither of these latter two options is economically feasible: the area is essentially oil depleted; and the remaining gas volume under the tract is not sufficient to pay the cost of a new well, nor will pooling with the existing well provide income to equal the expense.

There is no assurance that if the owners join the unit that their shares of unit cost will guarantee a profit; but if this course is taken, there is a reasonable opportunity that it will.

Benefit to all concerned by bringing this tract into the unit would be the avoidance of drilling an unnecessary well.

Benefit to the unit would be a reduction in reservoir withdrawals adjoining the unit and making less difficult the deterrence of migration of unitized substances from the unit.

The investment adjustment at this time for bringing a new tract of land into the unit approximates \$600.00 per acre; or \$192,000 for a 320-acre tract. The tract will be credited with approximately 0.6% of unit production.

Owners under the new tract will be allowed, individually,
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BENSON-MONTIN-GREER DRILLING CORP.

Canada Ojitos Unit
Working Interest Owners

Page No. 2
April 7, 1989

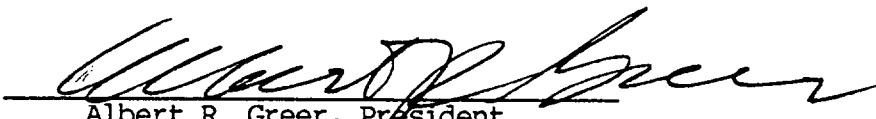
to pay their shares of the investment adjustment or to elect to go "non-consent".

Enclosed is a ballot which we request each owner mark and return to us for our preliminary information with respect to this request. Submittal of this ballot is a non-binding indication of each owner's preliminary position.

If expansion is pursued formally, each owner will later be polled for a binding election of his position.

BENSON-MONTIN-GREER DRILLING CORP.

BY:


Albert R. Greer, President

ARG/tlp

Enclosures

CANADA OJITOS UNIT BALLOT

RE: NON-BINDING VOTE
WITH RESPECT TO
ADMISSION OF E/2 OF SECTION 12
TOWNSHIP 25 NORTH, RANGE 2 WEST TO UNIT AREA

APPROVE ADMISSION _____

DISAPPROVE ADMISSION _____

OWNER:

DATE:

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF BENSON-MONTIN-GREER DRILLING
CORP. FOR AMENDMENT OF ORDER
R-8344 WHICH STATUTORILY UNITIZED
THE CANADA OJITOS UNIT,
RIO ARriba COUNTY, NEW MEXICO.

CASE NO. 9671

STATE OF NEW MEXICO)) ss.
COUNTY OF SANTA FE)

William F. Carr
WILLIAM F. CARR

Frank L. Yenne
Notary Public

August 19, 1991

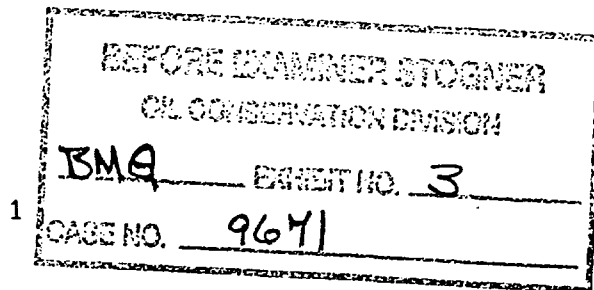


EXHIBIT A

Jack E. Abernathy
Box 14837
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Linda M. Adkins
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Kennewich, WA 99336

Virginia L. Allyn
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Houston, Texas 77210

American Exploration Acquisition Co.
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Houston, Texas 77002

Amoco Production Company
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Tulsa, OK 74101

Annetta B. Andrews
2442 209th Place, NE
Redmond, WA 98053

Jack Anderson
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West Jordan, UT 84084

Sal Lee Anderson
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Albuquerque, New Mexico 87107

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John Andrikopoulos
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Saratoga, WY 82331

Judy K. Andrikopoulos
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Saratoga, WY 82331

John G. Andrikopoulos
and William B. Collister
Joint Tenants
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Alan J. Antweil
Post Office Box 2010
Hobbs, New Mexico 88240

Barry Antweil
Post Office Box 2010
Hobbs, New Mexico 88240

Mark Antweil
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Boca Raton, FL 33486

Cecelia Archuleta
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Española, New Mexico 87532

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La Jara, CO 81140

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Viola (Olie) S. Barnes
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Steve Bavousett, Trustee
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Eunice, New Mexico 88231

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Estate of Sylvia Blair
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Waynesburg, PA 15370

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Robert Boling
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Artesia, New Mexico 88210

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Bayfield, CO 81122

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Frontenas, KS 66762

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Gene E. Burke
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Denver, CO 80265

Burk Royalty
800 Oil & Gas Building
Wichita Falls, TX 76301

Buttram Energies, Inc.
6421 Avondale
Oklahoma City, OK 73116

Jessica K. Cabral
11212 Wales, NE
Albuquerque, New Mexico 87111

Carpenter Corp.
Attn: F. H. Carpenter
Box 608
Sour Lake, TX 77659

F. H. Carpenter
Box 608
Sour Lake, TX 77659

Paul Carr
Post Office Box 306
Regina, NM 87046

Warren E. Carr
Coronado Plaza, Box 156
Bethany, OK 73008

John Craig Cartmill
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Tulsa, OK 74103

Pablo and Helen Casados
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Llaves, New Mexico 87030

Celsius Energy
Post Office Box 11070
Salt Lake City, UT 84147

Thomas D. Chase
Post Office Box 464
Santa Fe, New Mexico 87501

Nora P. Coan
2212 Lester Drive
Albuquerque, New Mexico 87112

Wanda A. Cobb
5918 S. Birmingham Pl.
Tulsa, OK 74105

Vera Hooten Collar
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Regina, New Mexico 87046

College of the SW
Attn: Dr. Robert R. Galvan
Lovington Highway 6610
Hobbs, New Mexico 88240

Smith and Lucille Collins
Post Office Box 2449
Hobbs, New Mexico 88240

Joseph F. Constanza
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Mrs. D. E. Cornell, III
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Donald E. Cooper
1005 Upland
Midland, Texas 79703

Billie Crain
1026 Leggett
Harlingen, TX 78550

IRS
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for Frank N. Critelli
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NY, NY 10036

Mary Jane Damon
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Houston, TX 77212

Daniels Ins., Inc.
Post Office Box 1268
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Daube Partnership Ltd.
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Ardmore, OK 73401

Leon Daube Testamentary Trust
Box 38
Ardmore, OK 73401

Edmond B. Davenport
1110 Mallory
Deming, New Mexico 88030

John M. Davenport
c/o Kathy Bayless
545 23rd Street, NE
Salem, OR 97301

Calvin L. Davis
426 Mullen Rd., NW
Albuquerque, New Mexico 87107

Dora Davis
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Milton and Marveta Davis
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Del-Lea, Inc.
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DenOco Energy Corp.
13131 W. Cedar Drive
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Dinero Operating Co.
Post Office Box 10505
Midland, Texas 79702

Dugan Production Corp.
Attn: Tom Dugan
Post Office Box 420
Farmington, New Mexico 87499

Dugan Production Corp.
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Farmington, New Mexico 87499

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Thomas Fails
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Ted C. Findeiss
c/o Steve Findeiss
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Flag-Redfun Oil Co.
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Tom Fullerton
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Trustee James Gilmore Estate
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Ft. Worth, TX 76112

R. B. Gilmore
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Dallas, TX 75225

F. E. Godfrey (deceased)
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Oklahoma City, OK 73112

Charlotte Golden
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Montrose, CO 81401

Joseph & Twila Gooding
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Celeste Grynberg
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Joseph Rush Jones, Ex
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Palos Verdes Estates, CA 90274

Charles and Lyda Lard Estates
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Rock Island, IL 61201

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Marshall and Mary Maestas
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Henderson, NV 89015

Miguelita Maestas
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Timothy and Jane Maestas
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Houston, TX 77052

Prudence Walker Martin
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Tulsa, OK 74114

McAllen National Bank
Trustee for Jewel M. Lanier
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McAllen, TX 78502

Anna McDaniel
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Farmington, New Mexico 87401

Jerome McHugh
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Denver, CO 80222

Horace F. McKay, Jr.
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Albuquerque, New Mexico 87191

Merco of Oklahoma, Inc.
Post Office Box 18607
Oklahoma City, OK 73154

Meridian Oil Inc.
Attn: Alan Alexander
Post Office Box 4289
Farmington, New Mexico 87499

Merrick, Inc.
Post Office Box 990
Ardmore, OK 73401

Mesa Grande Resources
1200 Philtower Bldg.
Tulsa, OK 74103

H. E. Miller
1604 Victoria
Nacogdoches, TX 55961

Ida Miller Estate
c/o Joan Ganz, Trustee
Post Office Box 65
Farmingdale, NY 11735

Kenneth P. Milliken
575 Walnut St.
Waynesburg, PA 15370

Mobil Oil Corp.
Attn: Crude Oil Account
Post Office Box 9104082
Dallas, Texas 75391

Montin-Harbert-Bolack Ltd.
101 Park Avenue Bldg., #310
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Duer Wagner, Jr.
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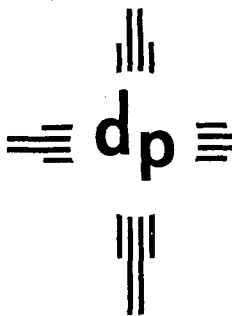
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Shirley Ann Wynn
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Dallas, Texas 75225

W. Forrest (Sleepy) Wynn
8111 Preston Rd., #701
Dallas, Texas 75225

Mesa Grande Exhibit 1
Complete set



dugan production corp.

RECEIVED

MAY 10 1989

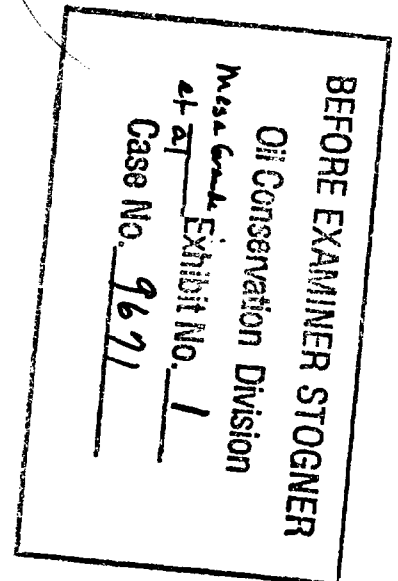
UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Santa Fe, New Mexico 87501

May 2, 1989

Kevin Fitzgerald (Mailed Federal Express)
Mallon Oil Co.
1099 18th St., Suite 2750
Denver, CO 80202

Larry Sweet (Mailed Federal Express)
NM&O Operating Company
1305 Philtower Bldg.
Tulsa, OK 74103

Re: Dugan / Sun Leasehold Interest
NE/4 of Section 12, T25N, R2W, NMPM
Rio Arriba County, NM



Dear Kevin & Larry:

I am writing to reassure you, if at all possible, that Dugan Production and Sun Exploration, jointly, have requested that the E/2 of Section 12, T25N, R2W be included as a participating area in the Cañada Ojitos Unit. This effort was initiated by us, and Mr. Greer's only interest in the subject acreage is to protect the unit from ever being confronted with the need to drill a second unit well in Section 7 (T-25N, R-1W) in order to meet increased productivity should a well ever be drilled in the E/2 of Section 12 at some time in the future. As I have mentioned, our joint leasehold interest expires on July 31, 1989 and our interest in adding this acreage to the unit is simply a matter of economics as it relates to the working interest owners in the E/2 of Section 12.

We have evaluated the option of forming a 640 acre spacing unit comprising all of Section 12 and dedicated to Mallon's Johnson 12-5 well, however, economics do not support this course of action and our leasehold interest would only be held as long as the integrity of the 640 acre spacing unit is maintained. In view of the production performance of wells within Gavilan, we are not optimistic that the formation of a 640 acre spacing unit will result in a long-term solution to our lease being held by production. Mr. Greer has indicated to me that his primary interest in this matter is to accommodate Dugan and Sun, who are both also interest owners in the Cañada Ojitos Unit. Mr. Greer's only other interest in this matter is to

Letter to Mallon Oil & NM&O Operating
May 3, 1989
Page 2

minimize the unit's exposure to drilling additional wells in the boundary area.

As you are probably aware, we are of the opinion that there currently are more than enough wellbores to produce the oil and gas recoverable in the Mancos formation and the drilling of additional wellbores within the Gavilan and/or West Puerto Chiquito Mancos Pools will likely result in noncommercial producers and economic waste.

I understand your concern with regards to a unit expansion into Range 2 West, however, I have been assured by Mr. Greer that there is absolutely no interest on his part of including any developed Gavilan acreage within the unit boundary given the current stage of reservoir depletion in Gavilan, and his efforts to date to establish a producing boundary at the meeting of Ranges 1 and 2 West. Again, with respect to the Cañada Ojitos Unit, this is merely an opportunity to protect against the possible drilling of two unnecessary and likely expensive wellbores.

I would be happy to discuss this matter further at your convenience. We have asked that this case be heard during the May 10, 1989 examiner hearings.

Sincerely,

John D. Roe

John D. Roe
Petroleum Engineer

JDR/cg/mallon.nmo

cc: Al Greer
Bill Carr
Tom Kellahin
Richard Dillon, Sun Exploration, Midland
Kirk Moore, Sun Exploration, Dallas