

AMERICAN FUEL & OIL CO., NAVAJO "G"  
W/SW Sec 34-T41N-R28E, Apache





DA Y DRILLING REPORT

APACHE COUNTY, ARIZONA

NAVAJO "M" #1 (August 6, 1973) (129 Days) 5832' TD  
SITP 750 psi in 15 Hrs. Bled gas off. 3.4 bbls. of fluid. Started swabbing  
Initial fluid level 4000' FS. Swabbed 35.4 bbls of fluid in 7 Hrs. Cut 10 to  
50% oil. Recovered 11.2 bbls of oil in 7 Hrs. Last hour swabbed 5 bbls at  
cut 50% oil. Now coming out of the hole. Prep to squeeze off perms, 5268' to 81

NAVAJO "C" #1 (August 6, 1973) (104 Days) 6534' TD  
11:30 a.m. - FTP 80 psi. Flow rate 292 MCFPD on 24/64" Choke. Recovered  
38.4 bbls of water, 1.2 bbls of oil in 21 Hrs. Opened well to flow on 32/64"  
Choke. Left flowing overnight.

NAVAJO "AC" #1 (August 7, 1973) (37 Days) 6163' TD  
Waiting on Rotary Rig to move off.

NAVAJO "G" #1 (August 7, 1973) (Estimated TD 7800' Devonian)  
Waiting for Rotary Rig to move in and rig up.

RECEIVED

AUG 10 1973

O & G CONS. COMM.

6-7-73

A field trip to the northeastern part of the State has recently been completed. This trip was primarily routine with the exception of American Fuels Corporation's drilling and completion operations. This is a newly organized company and we knew nothing of their methods of operation. On this trip I found that this company was conducting their operations in a workman-like manner and they are building a very favorable reputation to the service industry. American Fuels' reports to the Commission have been very complete and prompt. It is indeed a pleasure to work with a company that has exhibited the type of cooperation they have shown this Commission.

Since the last report, American Fuels have been issued permits for the drilling of three additional wells, all in Apache County.

The locations are:

Navajo "E" No. 1	Navajo "O" No. 1
SE/SW Section 31-T41N-R28E	NE/NW Section 3-T36N-R25E
7200' test to Mississippian	4000' test to Mississippian
Navajo "G" No. 1	
SW/SW Section 34-T41N-R28E	
7500' test to Devonian	

8-73

American Fuels Corporation is moving a rig onto their Navajo "G" No. 1, located in the SW/SW Section 34-T41N-R28E. This will be their seventh well in Arizona. Their first well, Navajo "B" No. 1, SE/SW Section 9-T40N-R29E, has officially been put on production. This is a very small producer from the Pennsylvanian. The July production from this well was 133 barrels of oil, 150 barrels of water and 2926 MCF gas. Initial test from some of the other wells do not indicate any prolific production of either oil or gas.

WPK

# American Fuels Corporation

TELEPHONES  
(505) 345-3507  
(505) 345-5518

SUITE 200  
2921 CARLISLE BOULEVARD, N. E.  
ALBUQUERQUE, NEW MEXICO 87110

September 6, 1973

ARIZONA OIL & GAS COMMISSION  
State of Arizona  
4515 North 7th Avenue  
Phoenix, Arizona 85013

ATTENTION: Bill Allen

RE: Navajo "G" #1  
0-C-14-20-2256  
Permit No. 614

Navajo "O" #1  
N00-14-20-0603-2167  
Permit No. 612

Dear Mr. Allen:

In reference to our telecon this date, I would like to request a ninety (90) day extension on our permit no. 614 for the Navajo "G" #1. It is hoped that within this time we will be able to drill, in which case, we will notify you with the appropriate forms.

Also, per your request, I am enclosing the proper forms for the Navajo "O" #1.

Thank you for bringing these items to my attention.

Yours very truly,

*Nita I. Macaw*  
Nita I. Macaw  
Agent

APPROVED

By W.E. Allen

Date 9-7-73

Enclosures

*Permit expires 11-21-73*

RECEIVED

SEP 07 1973

O & G CONS. COMM.

OIL WELL OFFSETS AMBUSH DISCOVERY IN COLORADO

Koch Exploration has completed the southwest offset to the Ambush field discovery in Adams County, Colorado flowing 75 bbls of 40 gravity oil per day from J sand between 8061 and 8120 ft. The well is 2 Box Elder-G, ne sw 24-2s-65w, second in the field to produce oil. Total depth is 8200 ft. D sand was logged at 8004 ft and J sand at 8060 ft. Koch completed the field discovery, 1 Box Elder-G, sw ne 24-2s-65w, as a J sand oil well. A half mile east of the field, Amoco Production completed the first productive offset, 1 Champ-lin 75 Amoco-C, sw nw 19-2s-64w, flowing 2,306,000 cu ft of gas, 140 bbls of 58 gravity condensate and 10 bbls of load water per day from J sand 8006-26 ft. Total depth is 8150 ft. The field area is two and a half miles east of Doherty field.

PIPE SET AT WILDCAT IN BANNER COUNTY NEBRASKA

Termo Co of Texas and Gear Drilling set pipe and are waiting on completion tools at 1 Snyder, nw nw 27-18n-55w, Banner County, Nebraska. Total depth is approximately 6300 ft. Plans called for a test of J sand at about that depth. The prospect is a mile west of Indian Springs field and 19 miles north of the town of Kimball.

UNION OIL TESTING AT DE BACA COUNTY NEW MEXICO VENTURE

Union Oil of California recovered 84 bbls of sulfur water in seven hours on swab tests of perforations 1099-1104 ft at 1 Agudo, se nw 16-2n-25e, De Baca County, New Mexico. Total depth is 1650 ft with pipe set at 1317 ft. The operator has plugged back to 1050 ft and is preparing to perforate. The remote venture is approximately five miles southwest of the town of Fort Sumner and about a mile northeast of a 6174 ft dry hole. Another test in this area, Union's 1 Brahan, se nw 16-3n-24e, is coring at 1410 ft. It is 10 miles west of the town of Fort Sumner and about four miles south of a 5553 ft dry hole.

AMERICAN FUELS SCHEDULES TWO TESTS IN APACHE COUNTY ARIZONA

American Fuels Corp has staked locations for two more tests in Arizona's Apache County. The 1 Navajo G, sw sw 34-4ln-28e, is scheduled to 7800 ft in Devonian and is about two miles northwest of Dry Mesa field and two miles south of a 6259 ft dry hole. The other new test is 1 Navajo E, se sw 31-4ln-28e, projected to 7200 ft in Mississippian. It is a little less than a mile northeast of an Akah (Pennsylvanian) oil discovery completed in 1962 flowing 50 bbls of oil and 28 bbls of salt water per day from perforations 6422-6467 ft. This well, Pan American Petroleum's 1 Navajo Tribe-F, nw sw 6-40n-28e, bottomed at 7359 ft. Shows were reported on several drillstem tests. Log tops include Hermosa at 5286 ft, Ismay 6100, Desert Creek 6234, Akah 6321, Molas 6910, Mississippian 6999, Ouray 7256 and Elbert 7295 ft.

MONAHAN TO TEST D SAND AT WORKOVER IN LOGAN COUNTY COLORADO

Rex Monahan will test D sand at 1 Lutin, nw nw 9-9n-5lw, Logan County, Colorado. The wildcat is a workover five miles northeast of Ford field and six miles east of Padroni field. The town of Liff is about three quarters of a mile to the south. The well was originally drilled to a total depth of 4593 ft by National Associated Petroleum and Lee Swedlund in 1954. Gas flowed at the rate of 500,000 cu ft per day on a drillstem test 4376-88 ft. Recovery included 150 ft of muddy water. Log tops include D sand at 4355 ft and J sand at 4465 ft.

REMOTE EMERY COUNTY UTAH WILDCAT ABANDONED

Jake L. Hamon has abandoned a remote wildcat, 18-1 USA, ne se 18-18s-10e, Emery County, Utah. Total depth is 4530 ft. Plans called for a test to Kaibab at 5000 ft. The failure is 17 miles south of Miller Creek field and 18 miles northeast of Ferron field.

COMPLETIONS

NORTHERN NEW MEXICO: San Juan County - El Paso Natural Gas, 11 Riddle F, sw nw 20-28n-8w, 2216 TD, flowed 1,278,000 cu ft of gas per day. Eastern Petroleum, 202 Navajo, ne ne 2-29n-19w, 790 TD, pumped 15 bbls of oil per day. Eastern Petroleum, 209 Navajo, sw ne 2-29n-19w, 841 TD, D&A. Eastern Petroleum, 213 Navajo, sw sw 12-29n-19w, 809 TD, D&A.

WESTERN COLORADO: Rio Blanco County - Superior Oil, 20 Rio Blanco-Govt, se ne 22-1n-97w, 2404 TD, D&A.

**APPLICATION FOR PERMIT TO DRILL OR RE-ENTER**

APPLICATION TO DRILL

RE-ENTER OLD WELL

**NAME OF COMPANY OR OPERATOR**

**AMERICAN FUELS CORPORATION**  
 2921 Carlisle Blvd., NE, suite 200      Albuquerque      New Mexico 87110

Address

City

State

**Mesa Drillers**

**Drilling Contractor**

1617 Camino Place      Farmington, Nm 87401

Address

**DESCRIPTION OF WELL AND LEASE**

<b>Federal, State or Indian Lease Number, or if fee lease, name of lessor</b> Navajo 0-C-14-20-2256	<b>Well number</b> Navajo "G" #1	<b>Elevation (ground)</b> 5600' GR
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<b>Nearest distance from proposed location to property or lease line:</b> 540 ft. from West Line 630 ft. from South Line Sec. 34 <sup>feet</sup>	<b>Distance from proposed location to nearest drilling, completed or applied--for well on the same lease:</b> NA      feet
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<b>Number of acres in lease:</b> 1920 ac.	<b>Number of wells on lease, including this well, completed in or drilling to this reservoir:</b> NA
----------------------------------------------	---------------------------------------------------------------------------------------------------------

<b>If lease, purchased with one or more wells drilled, from whom purchased:</b> NA	<b>Name</b>	<b>Address</b>
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<b>Well location (give footage from section lines)</b> 630' from South Line, 540' from West Line	<b>Section--township--range or block and survey</b> Section 34, T41N, R28E	<b>Dedication (Comply with Rule 105)</b> S½ SW 80 ac.
-----------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------	----------------------------------------------------------

<b>Field and reservoir (if wildcat, so state)</b> Wildcat	<b>County</b> Apache
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**Distance, in miles, and direction from nearest town or post office**  
13 Miles west of Tees Nos Pos

<b>Proposed depth:</b> 7800' Dev.	<b>Rotary or cable tools</b> Rotary	<b>Approx. date work will start</b> May 28, 1973
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<b>Bond Status</b> Amount	<b>Organization Report</b> On file <input checked="" type="checkbox"/> Or attached	<b>Filing Fee of \$25.00</b> Attached <input checked="" type="checkbox"/>
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**REMARKS:**  
A 7800' Devonian test is proposed. All zones indicating potential will be tested. Colorado Plateau Well Logging Service will maintain a mud logging unit on well from 2500' to total depth. Gamma Ray, Side-wall neutron, caliper, dual induction and acoustic logs will be run from TD to 2500'.

**CERTIFICATE:** I, the undersigned, under the penalty of perjury, state that I am the Agent of the American Fuels Corporation (company), and that I am authorized by said company to make this report; and that this report was prepared under my supervision and direction and that the facts stated therein are true, correct and complete to the best of my knowledge.

**RECEIVED**

MAY 11 1973

O & G CONS. COMM.

Signature

Date

5-7-73

Permit Number: 51A  
 Approval Date: 5-21-73  
 Approved By: [Signature]

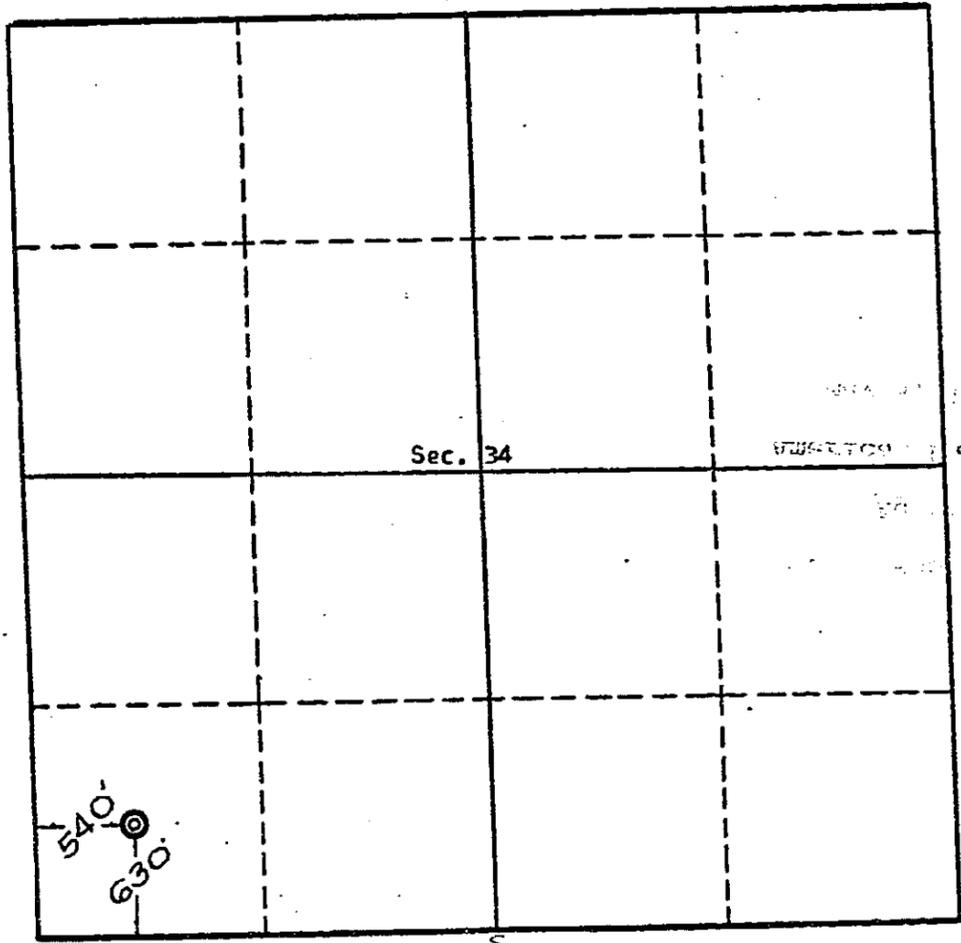
**Notice:** Before sending in this form be sure that you have given all information requested. Much unnecessary correspondence will thus be avoided.

**STATE OF ARIZONA**  
**OIL & GAS CONSERVATION COMMISSION**  
 Application to Drill or Re-enter  
 File Two Copies

Form No. 3



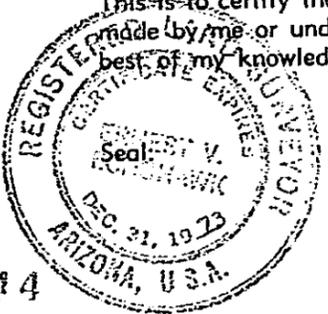
Company American Fuels Corporation  
 Well Name & No. NAVAJO "G" #1  
 Location 630 feet from the South line and 540 feet from the West line.  
 Sec. 34, T. 41 N., R. 28 E., G. & S. R. M., County Apache, Arizona  
 Ground Elevation 5600



Scale, 1 inch = 1,000 feet

Surveyed May 7, 19 73

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.



**RECEIVED**  
**MAY 11 1973**  
 O & G CONS. COMM.

E. V. Echohawk  
 Ernest V. Echohawk  
 Registered Land Surveyor  
 Arizona Registration No. 2311

614

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING CHECK

AMERICAN FUELS CORPORATION, ALBUQUERQUE, NEW MEXICO

DATE	INVOICE NO.	DESCRIPTION	AMOUNT	DISCOUNT OR DEDUCTION	NET AMOUNT
5/10/73	614	Fee for Permit to Drill Navajo "G" #1			\$25.00

AMERICAN FUELS CORPORATION, ALBUQUERQUE, NEW MEXICO

EMPLOYEE'S NAME		HOURS	RATE	GROSS EARNINGS	DEDUCTIONS			NET EARNINGS PAID
PAY PERIOD ENDING	F.I.C.A.				FEDERAL WITH. TAX	STATE WITH. TAX		
		REG. TIME OVER TIME						

EMPLOYEE: THIS IS A STATEMENT OF YOUR EARNINGS AND DEDUCTIONS FOR THE PERIOD INDICATED. KEEP THIS FOR YOUR PERMANENT RECORD



# PERMIT TO DRILL

This constitutes the permission and authority from the  
OIL AND GAS CONSERVATION COMMISSION,  
STATE OF ARIZONA,

To: AMERICAN FUELS CORPORATION  
(OPERATOR)

to drill a well to be known as  
AMERICAN FUELS CORPORATION NAAJO "G" #1  
(WELL NAME)

located 630 FSL - 540 FWL

Section 34 Township 41N Range 28E, Apache County, Arizona.

The S/2 of SW/4, 80 acres of said  
Section, Township and Range is dedicated to this well.

Said well is to be drilled substantially as outlined in the attached Application and must be drilled  
in full compliance with all applicable laws, statutes, rules and regulations of the State of Arizona.

Issued this 21st day of May, 19 73.

OIL AND GAS CONSERVATION COMMISSION

By W.B. [Signature]  
EXECUTIVE SECRETARY

PERMIT N<sup>o</sup> 614

RECEIPT NO. 2954  
API NO. 02-001-20187

State of Arizona  
Oil & Gas Conservation Commission  
Permit to Drill

FORM NO. 27

SAMPLES ARE REQUIRED

November 21, 1973

Mr. Daroyl Curry  
Curry Engineering  
P. O. Box 5596  
Midland, Texas 79701

Re: Navajo "G" #1  
SW/SW Sec 34-T41N-R28E  
Apache County  
Permit No. 614

Dear Mr. Curry:

This letter is to advise you that the Permit to Drill the above referenced well expires on this date.

Should you in the future decide to drill this well, it will be necessary that you file a new Form 3, Application to Drill, with this Commission. With the proper filing of a new Application, we will then issue another Permit.

Very truly yours,

W. E. Allen, Director  
Enforcement Section

WEA/r1b

1cc - Carl Robinson  
American Fuels



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

October 25, 1973

Mr. Darrel Curry  
Curry Engineering  
P. O. Box 5596  
Midland, Texas 79701

Re: Am. Fuels Navajo AC-1 NE/NE Sec 17-T40N-R29E Apache County Permit No. 615	Am. Fuels Navajo E-1 SE/SW Sec 31-T41N-R2SE Apache County Permit No. 613	Am. Fuels Navajo C-1 SW/SW Sec 6-T40N-R29E Apache County Permit No. 610
Am. Fuels Navajo B-1 SE/SW Sec 9-T40N-R29E Apache County Permit No. 605	Am. Fuels Navajo O-1 NE/NW Sec 3-T36N-R2SE Apache County Permit No. 612	Am. Fuels Navajo M-1 SE/SW Sec 16-T41N-R30E Apache County Permit No. 609

Dear Mr. Curry:

Thanks for the logs you have recently sent us on three of the above referenced wells. We believe that you have run cased hole or correlation logs on these wells. The only cased hole logs that have been submitted to this Commission has been on the Navajo C-1. We need copies of all logs on all wells including lithologic logs.

Your request to leave the Navajo E, O, M wells in a temporarily abandoned status will be granted, however, this Commission must have a completion report on these three wells and also on your Navajo C & AC wells. The request for these completion reports is made fully understanding that further completion attempts may be made in the future.

Needed also are the complete results of the Drill Stem Test on the Navajo B and the same information on DST No. 1 and No. 3 on your Navajo M.

As quickly as the completion reports on the above referenced wells - except the Navajo B - are received, we will authorize these wells to be classified

Permit 614 G

October 25, 1973  
Mr. Darrel Curry  
Page 2

temporarily abandoned for a six month period.

The above requested information should be submitted as quickly as possible.

Very truly yours,



W. E. Allen, Director  
Enforcement Section

WEA/rlb

cc - Carl Robinson

Encs.



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

July 23, 1973

Mr. C. R. Robinson  
American Fuels Corporation  
2917 Carlisle Blvd., N.E.  
Albuquerque, New Mexico 87110

Dear Mr. Robinson:

Some time ago we gave Mr. Curry permission to sell oil from your "B" lease to the Permian Corporation. This was a one time or temporary authority to move the oil. It will be necessary for your company to file a Certificate of Compliance (Form 8) with this Commission and also we will require Monthly Producers Reports (Form 16) for the month of June and each month thereafter so long as this well is being produced.

The Certificate of Compliance and Production Reports will be required for each lease as they are brought into production and the products are disposed of.

Some of the wells you have drilled in Arizona are permitted as an oil location. If any of these wells should prove to be a gas well, that is with GOR higher than 50,000 to 1, they will be declared gas wells by this Commission and a hearing will be required prior to producing these wells.

Very truly yours,

W. E. Allen, Director  
Enforcement Section

WEA/r1b

Encs.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

July 17, 1973

Mr. C. R. Robinson  
American Fuels Corporation  
2917 Carlisle Blvd., N.E.  
Albuquerque, New Mexico 87110

Dear Mr. Robinson:

Our Geological Staff is presently in the process of making various studies of the general area in which you are operating. It would be very helpful to them if the formation tops of the wells you have drilled were made available to them.

If you will furnish this Commission with these tops, be assured that this information will be kept in complete confidence during the confidential period of your wells.

This information will be appreciated.

Very truly yours,

W. E. Allen, Director  
Enforcement Section

WEA/rlb

# American Fuels Corporation

TELEPHONES  
(505) 348-3507  
(505) 345-5518

SUITE 200  
2921 CARLISLE BOULEVARD, N. E.  
ALBUQUERQUE, NEW MEXICO 87110

June 3, 1973

Mr. John Bannister  
Arizona Oil & Gas Commission  
State of Arizona  
4515 North 7th Avenue  
Phoenix, Arizona 85013

Dear Mr. Bannister:

Our auditors, Hopkins & Hinkle, are making an examination of our financial statements and, in this connection, request you to confirm directly to them deposits held by you.

According to our records at May 31, 1973, you are holding oil and gas lease bond deposits amounting to \$25,000.

Please compare the above information with your records and advise Hopkins & Hinkle, in the space provided below, whether the above is correct noting any differences thereon. We have enclosed a self-addressed envelope for your convenience.

Sincerely,

*Jack H. Evans*

Jack H. Evans  
Secretary-Treasurer

RECEIVED

JUN 06 1973

O & G CONS. COMM.

Hopkins & Hinkle:  
223 Citizens Bank Bldg.  
2500 Louisiana Blvd., N.E.  
Albuquerque, New Mexico 87110

The above information is correct as of May 31, 1973,  
~~except as follows:~~ W&C

Date: 6-6-73 Signature *W.E. Allen*  
*for J.B.*

RECEIVED

JUN 06 1973

O & G CONS. COMM.



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

May 21, 1973

Mrs. Jo Ratcliff  
Four Corners Sample Cut Association  
P. O. Box 899  
Farmington, New Mexico 87401

Dear Mrs. Ratcliff:

The following permits were issued since May 4, 1973.

American Fuels Corp.  
Navajo "G" #1  
SW/SW Sec 34-T41N-R28E  
Apache County  
Permit No. 614

American Fuels Corp.  
Navajo "E" #1  
SE/SW Sec 31-T41N-R28E  
Apache County  
Permit No. 613

American Fuels Corp.  
Navajo "O" #1  
NE/NW Sec 3-T36N-R28E  
Apache County  
Permit No. 612

Very truly yours,

W. E. Allen, Director  
Enforcement Section

/rlb



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

May 21, 1973

Mr. Frank Getscher  
P. O. Box 98  
Scottsdale, Arizona 85252

Dear Mr. Getscher:

The following permits were issued on May 21, 1973.

American Fuels Corp.  
Navajo "C" #1  
SW/SW Sec 34-T41N-R28E  
Apache County  
Proposed T.D. 7800' and Elevation 5600  
Permit No. 614

American Fuels Corp.  
Navajo "E" #1  
SE/SW Sec 31-T41N-R28E  
Apache Co.  
Proposed T.D. 7200 and Elevation 6857  
Permit No. 613

American Fuels Corp.  
Navajo "O" #1  
NE/NW Sec 3-T36N-R28E  
Apache Co.  
Proposed T.D. 4000 and Elevation 6312  
Permit No. 612

Very truly yours,

W. E. Allen, Director  
Enforcement Section

/rlb



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

May 21, 1973

Mr. C. R. Robinson  
American Fuels Corporation  
2917 Carlisle Blvd. N.E.  
Albuquerque, New Mexico 87110

Re: Navajo "E" #1	Navajo "G" #1	Navajo "O" #1
SE/SW Sec 31-T41N-R28E	SW/SW Sec 34-T41N-R28E	NE/NW Sec 3-T36N-R28E
Apache County	Apache County	Apache Co.
Permit No. 613	Permit No. 614	Permit No. 612 (will be)

Dear Mr. Robinson:

Enclosed please find Receipt Nos. 2953 and 2954, covering the \$25 filing fee, a copy of your approved Applications for Permit to Drill and Permit to Drill Nos. 613 and 614.

You will notice that we have not issued the permit for the above referenced Navajo "O" #1. There has been no bond posted for this well. We are withholding the issuance of this permit until such time as we have received approval from you signifying your willingness to apply the \$25,000 cash deposit as a blanket bond covering all your operations. As soon as this approval is received, the permit for the drilling of Navajo "O" #1 will be issued.

Your Application to Drill your Navajo "E" #1 well dedicates the W/2 of the SW/4 to this well, since the actual location of the well is the E/2 of the SW/4, we assume that is the acreage you wish to dedicate to this well and we have issued the permit indicating the dedication to be the E/2 of the SW/4.

Very truly yours,

W. E. Allen, Director  
Enforcement Section

WEA/ilb

Enc.



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85013  
PHONE: (602) 271-5161

May 21, 1973

Mr. C. R. Robinson  
American Fuels Corporation  
2917 Carlisle N.E.  
Albuquerque, New Mexico 87110

Re: Blanket Bond

Dear Mr. Robinson:

You now have on deposit with the Arizona Oil and Gas Conservation Commission the sum of \$25,000 to cover the bonding obligation of various wells that your Company has drilled or is in the process of drilling within the State of Arizona. This sum of money is equivalent to the amount of security required for a blanket bond, however, every time that you have submitted your check to cover the bonding obligations, the check and accompanying letter covered a specific well or wells.

In order for the \$25,000 cash deposit to serve as a blanket bond, it will be necessary for you to notify the Commission in writing (and all signatures notarized) that the subject sum is for the purpose of fulfilling all requirements of the Arizona Revised Statutes 27-516 providing for the proper drilling, casing, and plugging of all wells and for the filing with the Oil and Gas Conservation Commission all notices and records required by the Commission.

You realize, of course, that if the money that you have on deposit with the Commission is to be considered a blanket bond, it will remain on deposit with the Commission as long as your Company has any operations with the State of Arizona.

You may at any time reclaim the cash deposit by furnishing the Commission an approved bond in the amount required.

Should you have any questions regarding any of this, please do not hesitate to notify us.

Very truly yours,

W. E. Allen, Director  
Enforcement Section

WEA/rlb