

DAVID LE COUNT EVANS

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RENO, NEVADA 89503

March 22, 1978

Mr. William W. Charles,
Consulting Geologist,
2208 Juniper Road, N.W.,
Calgary 42, Alberta, Canada.

Re: Dixie Valley proposed
oil/gas exploration,
Churchill County, Nevada.

Dear Bill:

The attached fourteen pages of geological analysis, accompanied by five interpretive plates, are submitted in support of the captioned proposed program. Our purpose has been to confine the preceding strictly to geology. Other equally important factors are considered in this letter of transmittal.

Leases and Acreage:

Leases have been and are being negotiated through Interior's Bureau of Land Management. Purposes have been to avoid the center of the valley and test the west and east flanks. The exact center has been taken from R. C. Speed's contours, estimated by geophysics, (1976, MC4, Geological Society of America).

Total acres amount to 10,065, of which 6,385 have been granted, with starting date of February 1, 1978.

The 3,680 acres applied for appear to be a matter of time for processing, since no claims are shown in conflict on the B.L.M. master maps.

Acreage totals are summarized as follows: (refer to Plate C)

<u>Block</u>	<u>Lessee</u>	<u>Granted</u>	<u>Applied</u>	<u>Total</u>	<u>Comments</u>
Charles B	Benj.C.Charles	2,560		2,560	East flank
Charles C	Benj.C.Charles	2,560		2,560	East flank (to Rysh)
Charles A	Robert Rysh		2,560	2,560	West flank (to Charles)
	P. Witt		320	320	Adjoins Block A
	R. Sommerfeld		160	160	Adjoins Block A
Rysh	Robert Rysh	640		640	West flank
Wightman	Theo Wightman	625		625	West flank
Rysh	Robert Rysh		640	640	$\frac{1}{4}$ sections along west side Charles B Block.
	Totals	6,385	3,680	10,065	

Lessees are:

<u>Lessee</u>	<u>Acres</u>	<u>Address</u>
Mr. Benj. C. Charles	5,120	33871 Mercator Isles, Laguna Niguel, California 92667.
Mr. Robert Rysh	3,840	2204 Lone Tree Road, Fallon, Nv. 89406
Mrs. Theo Wightman	625	2200 Lone Tree Road, Fallon, Nv. 89406
Mr. P. Witt	320	New Unionville, Ohio.
Mr. R. Sommerfeld	160	Parma, Ohio.
	10,065	

Obvious is the fact that oil and gas leases cover a very small percentage of the valley floor. Block can be extended by BLM leasing at a reasonable lease cost. To date, no other interest has been evident for the Dixie Valley basin, except for geothermal possibilities, for which the valley is heavily blocked.

Lease Terms and Stipulations:

Reference is made to Exhibits A, B and C, attached to this letter.

Indicated Costs:

Great distances from drilling-servicing centers and expenditures to meet Federal stipulations, assure costs above the national average. Mud programs, cementing services, drill stem testing, et cetera, must rely on Bakersfield or other distantly-based contractors, with the consequent cost of rig or "down" time.

On the basis of current Trap Spring operations, a completed 5000 foot oil well is costing \$450,000; this according to Mr. Kenneth Stracke of Northwest Pipeline, testifying before Nevada's Division of Mineral Resources (September 14, 1977). High servicing costs and costly Federal requirements represent about 25% of the total.

The cost of a dry hole, however, is reportedly set at \$190,000, this according to Mr. William Pennington, President of Western Oil Lands.

Conclusion:

With references to our "Leases and Acreage", Benj. C. Charles controls 51% and Rysh and Wightman 44% of the leases. Acreage is not unitized. Each believes in the area's potential and each is interested in seeing a sound and reputable group explore the possibilities.

Each group must negotiate its own deal. The writer is in no position to propose but would suggest that agreements be tied to the more or less standard approach of

- (1) repayment to lease holders of lease costs;
- (2) a reasonable 'finder's' or production payment;

(3) a basic Overriding Royalty Interest
(ORI) of 1/16 of the 7/8, after discovery
and confirmatory completion, on all prod-
uction.

Trusting that the above, and enclosures, may be of interest
and with best regards, I am,

Yours very truly,

A handwritten signature in dark ink, appearing to read 'D. LeCount Evans', with a stylized, cursive script.

David LeCount Evans

Consulting Geologist,
Reno, Nevada.

March 22, 1978

R56E

R57E

B

PANCAKE
RANGE50% SLOPES
TO VALLEY
FLATPINEHOLE
OUTCROPRAILROAD
VALLEY

GRANT

TION

TON

T8N

T1N

T5N

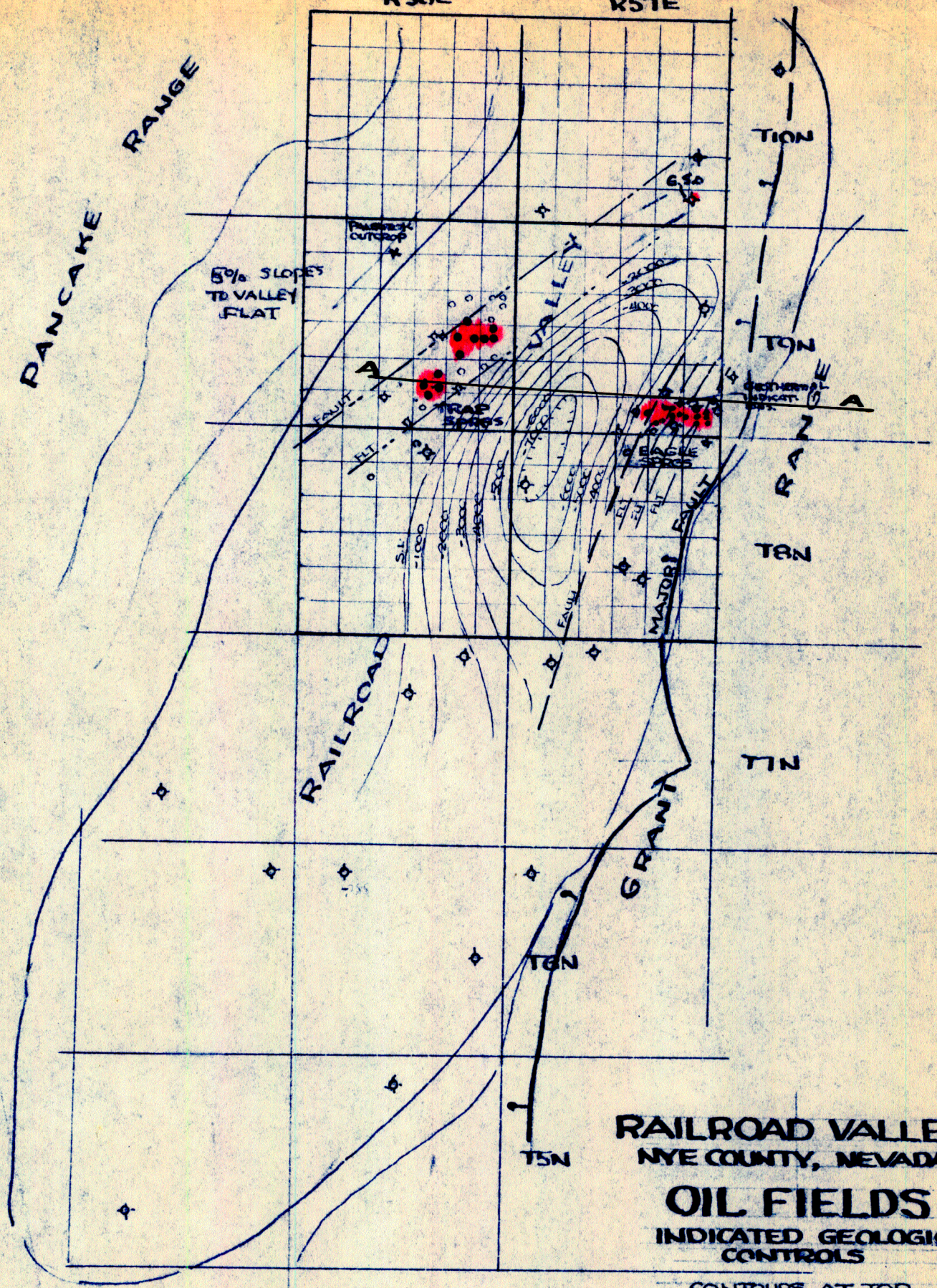
RAILROAD VALLEY NYE COUNTY, NEVADA OIL FIELDS INDICATED GEOLOGIC CONTROLS

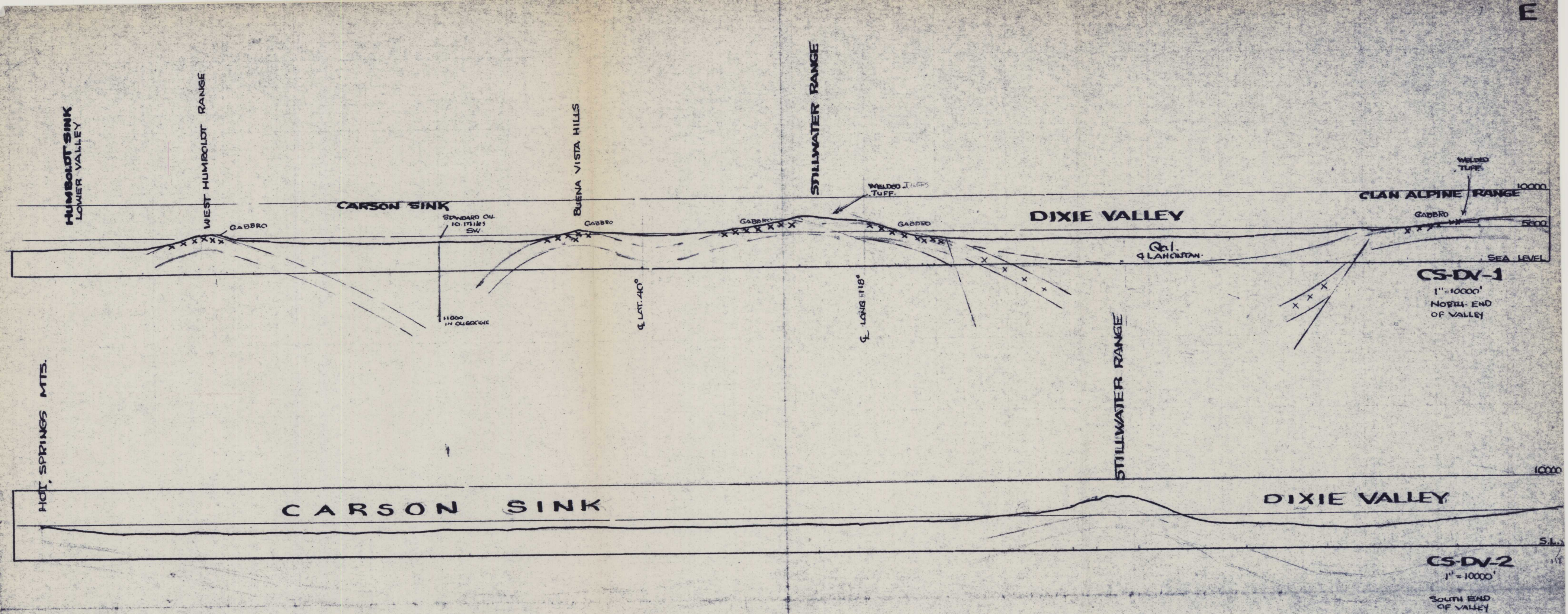
CONTOURS AT TOP
OF SILICIFIED VOLCANICS

1 IN = 4 MI

DAVID LECOUNT EVANS
CONS. GEOLOGIST

RENO, NEVADA
JANUARY 1978





NEVADA OIL STUDIES
PROFILES
 CARSON SINK - DIXIE VALLEY
 CHURCHILL COUNTY

DAVID LeCOURT EVANS
 CONS. GEOLOGIST

RENO, NEVADA
 FEBRUARY 1915

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