STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF APACHE CORPORATION FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case No. 14,985

VERIFIED STATEMENT OF MICHELLE HANSON

Michelle Hanson, being duly sworn upon her oath, deposes and states:

- 1. I am a landman for Apache Corporation, and have personal knowledge of the matters stated herein.
- 2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:
 - (a) No opposition to this application is expected because the mineral interest owners being pooled are (i) unlocatable, or (ii) have not responded to lease offers or well proposals.
 - (b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying Lot 3 (the NE/4NW/4) of Section 2, Township 20 South, Range 38 East, NMPM, to form a standard 39.77-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the House-Blinebry Pool, House-Tubb Pool, House-Drinkard Pool, and House-Abo Pool. The unit will be dedicated to the Pinot Well No. 1, to be drilled at an orthodox oil well location in Lot 3 of Section 2. The well will be an oil well.
 - (c) The parties being pooled, their interests in Lot 3 of Section 2, and their last known addresses, are listed on Exhibit B.
 - (d) Copies of the proposal letters sent to the locatable, uncommitted mineral interest owners are attached hereto as Exhibit C.
 - (e) Interest owners who are not locatable are highlighted in yellow on Exhibit B. To attempt to locate these interest owners, Apache Corporation examined the Lea County

Oil Conserv	ation Division
Case No	14985
Exhibit No.	

records, telephone directories, records in the counties of the last known residences of the out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender. Apache Corporation has been trying to locate these persons for several years for the proposed well and other wells operated by Apache in the immediate area.

- (f) Apache Corporation has made a good faith effort to obtain the voluntary joinder of interest owners in the well, or to locate the interest owners.
- (g) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.
- (h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.
- (i) Overhead charges of \$7,500/month for a drilling well, and \$750/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Apache Corporation requests that the rates be adjusted under the COPAS accounting procedure.
- (j) Applicant requests that it be designated operator of the well.

VERIFICATION

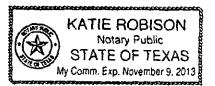
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Michelle Hanson, being duly sworn upon her oath, deposes and states that: She is a landman for Apache Corporation; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge, information, and belief.

Michelle Hanson

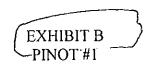
SUBSCRIBED AND SWORN TO before me this 13th day of May, 2013 by Michelle Hanson.

My Commission Expires: 11/4/13



Notary Public

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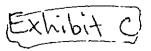


	0.0001000	
Royalty Holding Company*	0.20312500	
3535 NW 58 th Ste 720		
Oklahoma City, OK 73112		
	ļ	
The Salient Zarvona Energy	0.18450000	Elected to participate
1010 Lamar, Ste 500		(verbally). Currently
Houston, TX 77002		waiting for executed
Office: (713) 600-0600		documents in the mail.
Fax: (713) 600-0605		
Overton Energy Investment VI, LLC	0.04050000	
4265 San Felipe, Ste 1040		
Houston, TX 77027		}
Office: (713) 580-7254		·
Burlington Resources Oil & Gas Company, L.P.*	0.03472222	Currently negotiating
c/o ConocoPhillips Company		lease form.
Attn: Ashley Manning-Dyke		Touse Torrin
600 N. Dairy Ashford, 2WL-15060		
Houston, TX 77252-2197		
110dston, 1X 11232-2191		
A&P Family Limited Partnership*	0.03125000	Currently negotiating
P.O. Box 1046	0.03123000	lease form.
		lease form.
Eunice, NM 88231		
Pat Alston Ward*	0.03125000	<u> </u>
207 Porr Drive	0.03123000	1
Ruidoso, NM 88355		
Kuluoso, Mivi 88333		
TLW Investments, L.L.C.	0.02500000	·
1001 Fannin, Suite 2020	0.02300000	
Houston, Texas 77002 Office: (713) 929-1619		
Office. (713) 929-1019		
Muirfield Resources Company*	0.01041667	Elected to participate.
P.O. Box 3166	0.01041007	Received executed
Tulsa, OK 74101-3166		documents via email.
1 1015d, OK 14101-3100		Waiting on originals
		in mail.
The Aller Company's	0.00694444	-
The Allar Company* P.O. Box 1567	0.00094444	Currently negotiating
		lease form.
Graham, TX 76450		
(940) 549-0077		
Cally Donas*	0.00625000	
Sally Rogers*	0.00625000	
152b Arroyo Hondo Road		1
Santa Fe, NM 87508		

"EXHIBIT B PINOT #1

TV II D D I VI A T	0.00200625	C
Wells Fargo Bank, N.A., Trustee*	0.00390625	Currently negotiating lease form.
Oil & Gas Distribution – Armstrong P.O. Box 40909		lease form.
Austin, TX 78704		
Austrii, 17 /6/04		
William J. Meier*	0.00390625	
257 Rutherford		
Shreveport, LA 71104		
Seven Ways Minerals, Ltd.*	0.00130208	Currently negotiating
P.O. Box 6009		lease form.
Midland, TX 79704		
Joseph Nelson*	0.00078125	Cannot locate
Bank of America, N.A., Trustee of the Myrtle L.	0.00062500	Just recently obtained
Davis Trust*		new mailing address.
P.O. Box 830259		Sending well proposal
Dallas, TX 75283-0259		to this address.
Gertrude Soper*	0.00052083	Cannot locate
Bernice Wade*	0.00052083	Cannot locate
C.S. Daley*	0.00039063	Cannot locate
The Hiers of Devisees of J. Kenneth Fasken **	0:00039063	Cannot locate
The Heirs of Devisees of Harry Levy*	0.00039063	Cannot locate
Beverly B. Nelson*	0.00039063	Cannot locate
Libby Linn Underwood Morrish*	0.00039063	She indicated she
1388 Midland Street		would like to lease.
Brighton, CO 80601-1594		Sending Apache's
		lease form to her for
		review.
Audrey M. Baker*	0.00032550	
c/o Michel E. Curry, Trustee		
P.O. Box 1263		
Midland, TX 79702		
Max W. Coll III*	0.00022344	-
7625-2 El Centro Blvd		
Las Cruces, NM 88012		
John:Lutrell*	0:00017361	Cannot locate
The Colorado Corporation*	0.00016276	Cannot-locate
Robert Joe Reichert	0.00004883	Cannot locate
Pati Farris*	0.00004883	Cannot locate
Cheryl Menz*	0:00004883	Cannot locate
Douglas Menz*	0.00004883	Cannot locate

^{*} Unleased Mineral Owner





April 15, 2013

WORKING INTEREST OWNERS

RE:

Re-proposal to Drill Pinot #1 Well

330' FNL & 2310' FWL

Township 20 South, Range 38 East; Section 2: NE/4NW/4 (Lot 3) Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") proposed, via letter dated October 24, 2012, to drill the Pinot #1 well and test the Blinebry, Tubb and Drinkard formations. Since Apache's initial proposal, the subject well has been re-staked at a new location 330 feet from the North line and 2,310 feet from the West line of Section 2, Township 20 South, Range 38 East, Lea County, New Mexico. Further, Apache wishes to test the Abo formation in addition to the previously proposed formations. Therefore, Apache hereby re-proposes the Pinot #1 well to be drilled at the referenced orthodox location to a total depth of ~7,800' and test the Blinebry, Tubb, Drinkard and Abo formations. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Pinot #1 well.

Also enclosed for your review and approval is a mutually acceptable 1989 Form Joint Operating Agreement ("JOA").

Please be advised there are a number of unleased mineral owners that cannot be located and will require compulsory pooling. Apache plans to immediately file its application for compulsory pooling as time is of the essence. Apache wishes to have this location ready to spud on or before June 1, 2013. Please note you will receive formal notice of compulsory pooling in a separate letter from Apache's outside legal counsel, on behalf of Apache. All interest owners will be listed in the pooling application; however, each owner has the right to elect to participate in the drilling of the Pinot #I up until 30 days after an approved Pooling Order is issued by the New Mexico Oil Conservation Division, in accordance with the terms and conditions of said Order.

Lastly, please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE, as well as one (1) original set of all applicable signature and acknowledgement pages to the JOA, and return same, along with your election on Page 2, to the undersigned within thirty (30) days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact the undersigned at (432) 818-1093.

Yours truly.

APACHE CORPORATION

Michelle Hanson

Landman

Fax: (432) 818-1190

michelle.hanson@apachecorp.com

The undersigned elects to PARTICIPATE in the drilling of the Pinot #1 well as proposed above. Please find attached one (1) executed copy of Apache's AFE #PA-12-0702 RI and one (1) original set of all applicable signature and acknowledgment pages to the proposed Joint Operating Agreement, fully executed on behalf of the undersigned.

The undersigned elects NOT to participate in the drilling and completing of the Pinot #1 well as proposed above. The undersigned understands that Apache plans to obtain approval for compulsory pooling of all non-participating interests associated with the Pinot #1 Wellbore and its 40-acre proration unit, insofar and only insofar as to the Blinebry, Tubb, Drinkard and Abo formations.

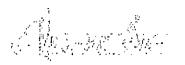
Company:

By:

Name:

Page 2 - Re-proposal to Drill Pinot #1 Blinebry, Tubb, Drinkard and Abo test

Date:



October 24, 2012

WORKING INTEREST OWNERS

RE:

Proposal to Drill Pinot #1 Well

(1650' FNL & 330' FWD

SW/4 NW/4 Section 2, T20S, R38E,

Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the Pinot #1 Well to a total depth of 7,350' to test the Blinebry, Tubb and Drinkard formations. This well is to be located 1650' FNL & 330' FWL in the SW/4 NW/4 Section 2, T20S-R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$572,500 and the total completed well cost is approximately \$1,989,400. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Pinot #1 well.

restated 1/31/13

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned within 30-days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact John Nelson, our Reservoir Engineer at (432) 818-4972, or the undersigned at (432) 818-1097.

Yours truly,

APACHE CORPORATION

Dylan C. Park

Landman

dylan.park@apachecorp.com

Page 2 – Pro October 24,	posal to Drill Pinot #1 2012
	The undersigned elects to PARTICIPATE in the drilling of the Pinot #1 well as proposed above. Attached is an executed copy of Apache's AFE #PA-12-0702. Please forward a mutually acceptable Joint Operating Agreement for my review and execution.
	The undersigned elects NOT to participate in the drilling and completing of the Pinot #1 well as proposed above.
Ву:	
Name:	
Title:	
Date:	

.

October 24, 2012

RE:

MINERAL INTEREST OWNERS

Proposal to Drill Pinot #1 Well (1650' FNL & 330' FWD

restaleed 1/31/13 SW/4 NW/4 Section 2, T20S, R38E,

Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the Pinot #1 Well to a total depth of 7,350' to test the Blinebry, Tubb and Drinkard formations. This well is to be located 1650' FNL & 330' FWL in the SW/4 NW/4 Section 2, T20S-R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$572,500 and the total completed well cost is approximately \$1,989,400. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Pinot #1 well.

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

However, should you elect not to participate, please consider leasing your mineral interest to Apache by contacting the undersigned at (432) 818-1097 or 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705. Should you consider leasing, Apache is offering a bonus of \$250 per net acre or \$50 minimum, whichever is greater, for a 3 year lease, with option to extend for an additional 2 years at \$250 per net acre, delivering 1/4 oil and gas royalty.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned within 30-days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact John Nelson, our Reservoir Engineer at (432) 818-4972, or the undersigned at (432) 818-1097.

Yours truly,

APACHE CORPORATION

Dylan C. Park Landman

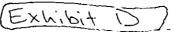
dylan.park@apachecorp.com



Page 2 – Proposal to Drill Pinot #1 October 24, 2012

<u> </u>	The undersigned elects to PARTICIPATE in the drilling of the Pinot #1 well as proposed above. Attached is an executed copy of Apache's AFE #PA-12-0702. Please forward a mutually acceptable Joint Operating Agreement for my review and execution.
	The undersigned elects NOT to participate in the drilling and completing of the Pinot #1 well as proposed above.
	The undersigned agrees to LEASE its mineral interest to Apache pursuant to the terms previously stated on Page 1 of this letter. Please forward a mutually acceptable lease form for my review and execution.
By:	dy Rydger
Title:	.17
Date: 12	/





DRILLING AND COMPLET | AFE ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE



PROPERTY NO.	0	X	EMS 🖃 ſ	rs	AFE NO.	PA-12-0702 R1		
COUNTY/STATE	LEA, NM	DISTRICT	EUN	ICE AREA	DATE	03/20/13		
LEASE NAME	PINOT	WELL NO.	1		FIELD	HOUSE		
PROSPECTALEASE #	HOUSE		LEGAL / ZIP CODE	SEC 02, T	20S-R38E	X ORIGINAL		
OPERATOR APACHE CORPORATION			APACHE WI 45.140000%			SUPPLEMENT		
OBJECTIVE	SJECTIVE BTD - 7,800°			Ni	M4022	- EXPLORATION X DEVELOPMENT		
FOCUS AREA	NEW MEXICO	,	API#		0	- PUD		
ESTIMATED PROJECT	START DATE		ESTIMATED I	ROJECT COMP	LETION DATE			
DESCRIPTION Dr	ill, Complete, and Equip a 7	,350' B-T-C) well.					

INTANGIBLE DEVELOPMENT COSTS TOTAL COMPLETION SUPPLEMENT ACCT DESCRIPTION DRY HOLE WELL COST 70002 AIR TRANSPORTATION BITS, COREHEADS AND REAMERS 21,000 1,000 70003 20,000 700<u>04</u> CASING CREWS 5,000 5,000 0 10,000 n 70005 CATERING AND GROCERIES 0 70.000 70006 CEMENT AND CEMENTING SERVICES 25,000 45,000 0 1,000 70009 COMPANY LABOR 1.000 7,500 70011 COMPANY SUPERVISION 1,500 6,000 COMPANY VEHICLE EXPENSE 1,500 70012 0 500 1,000 Q 184,000 70019 CONTRACT DRILLING - DAYWORK @ \$13,200 Iday + TAX 129,000 55,000 70020 CONTRACT DRILLING - FOOTAGE 70017 CONTRACT LABOR 10,000 30,000 0 40,000 17,000 70021 0 CONTRACT SUPERVISION 15,000 2,000 70022 DIRECTIONAL TOOLS 0 0 70025 0 20,000 DRILLING FLUIDS 20,000 0 65506 DRILLING OVERHEAD 4,500 0 0 4,500 70059 DRY HOLE PLUGGING 0 50,000 50,000 70031 EQUIPMENT RENTAL 74,000 39,000 35,000 70033 FILTRATION 0 70034 FORMATION STIMULATION 0 400,000 400,000 70035 FORMATION TESTING 0 Ð 70037 FUEL AND POWER 27,000 O 0 27,000 70039 GEOLOGICAL AND ENGINEERING ٥ 10,000 10,000 0 70040 GRAVEL PACK SERVICES ٥ 0 ٥ 70045 INSURANCE 0 0 0 70046 LAND AND SITE RECLAMATION 35,000 3,000 38,000 70047 LEGAL AND CURATIVE 3,000 3,000 70049 LOGGING 15,000 60,000 75,000 MARINE TRANSPORTATION 70050 0 70054 OTHER INTANGIBLE 20,000 30,000 0 50,000 70064 RIG MOBILIZATION 25,000 25,000 0 0 70065 ROADS AND SITE PREPARATION 45,000 2,000 47,000 70069 SNUBBING/COIL TUBING UNIT 0 0 0 70073 TAX ON EQUIPMENT 0 0 0 70074 TRUCKING AND HAULING 5,000 25,000 ٥ 30,000 70075 TUBING CONVEY PERFORATING o 70076 TUBULAR INSPECTIONS 3,000 2,000 0 5,000 70077 WATER 40,000 6,500 0 46,500 70078 WELLSITE LOSS AND DAMAGES 10,000 0 10,000 SUB-TOTAL INTANG, DEVELOPMENT COSTS 507,500

759,500

1,267,000



PROPER	RTY: PINOT	1		Α	\FE #:	PA-12-	0702	R1
		TANGIL	BLE MATERIAL	. cc	OSTS			
ACCT	CRIPTION		DRY HOLE		COMPLETION	SUPPLEMEN	7	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT			Ö	120,000		0	120,00
71005	COMPRESSOR STATIONS			0	. 0		0	
71006	CONDUCTOR CSG		6,50	20			0	6,50
71008	DEHYDRATION / AMINE UNITS			0			0	
71012	FLOW LINES TO BATTERY			0	0			
71017	HIGH PRESSURE KNOCK-OUT		 	0	15,000		<u> </u>	15,00
71019	INTERMEDIATE CSG			이	0		0	
71024	LINER HANGERS		 	0	0		0	
71025	LINERS - DRILLING OR PRODUCTI	ON		0			- 0	
71007	ONSHORE PLATFORM		 	0	0		0	
71032	OTHER SUBSURFACE EQUIPMENT			0	5,000		- 0	5,00
71033	OTHER SURFACE EQUIPMENT		 -	0	40,000		0	40,00
71039	PRIME MOVER			9	20,000			20,00
71040	PRODUCTION CASING - 7800' of 5-	1/# L80 L1C	 	0	137,300		- 0	137,30 5,00
71043	PUMPS	·····	 	0	5,000		0	7,50
71045 71046	SALES LINE SEPARATORS	······································	 	0	7,500		- 0	25,00
			 -	0	25,000		0	
71048 71050	SUCKER RODS	EE STC	33,0	-	32,000		- 0	32,00 33,00
	SURFACE CSG 1,611' - 8-5/8" 24# J	33316	33,0	$\overline{}$	305,000			305,00
71051	TANK BATTERY			0			0	20,00
71052	TREATERS		- 	0	20,000			45,00
71053 71056	TUBING 2-7/8" 6.6# J-55 WELLHEAD ASSEMBLY		5.0	_	45,000		- 0	12,50
7 1056	WEDLINGAU ASSEMBLI		5,0		7,500		- 4	12,50
	SUB-TOTAL TANGIBLE MATERIAL	COSTS	44,50	20	784,300		- 0	828,80
	SUB-TOTAL INTANGIBLE COSTS (507,50	_	759,500		0	1,267,00
	BOO TO THE METALOGICA	7,02.7	1 307,00	~	703,550			
	GRAND TOTAL		552,00	00	1,543,800		0	2,095,80
	LESS OUTSIDE INTERESTS		302,827		846,929		-	
	TOTAL NET COSTS		249,1	-	696,871	-	0	946,04
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PREPAREO :	TERRY WEST SEM	West 7	77/13 DATE		ROSS ORIGINAL FE AMOUNT			2,095,80
PREPARED	BY RYAN TAYLOR	1 4	MILS DATE		PACHÉ ORIGINAL IET AFE AMOUNT			946,04
APPROVED.	BOBBY SMITH BOLLY	Smoth 31	/27//3 DATE	C. N	ET ASSET TRANSFER	\$		
APPROVED :	MIKE THORSON	4	DATE		OTAL ORIGINAL NET A LINE B PLUS LINE C)	\FE		946,04
APPROVEO.	BY KEN NEUBERT	9 4	62/3 DATE	E. G	GROSS SUPPLEMENTS			
APPROVED :	BY JOHN CHRISTINING	4/	DATE		PACHE TOTAL NET			946,04
Nonoperator	noperators: Costs shown on this form es's s should not consider these estimates as monies which will be required to perform t	establishing		-	IN BUDGET		NOT	N BUDGET
		WORKING						
	COMPANY	INTEREST			APPROVED 8Y			DATE
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