

**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 LATIGO PETROLEUM, INC.
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 13,551

VERIFIED STATEMENT OF WILLIAM F. CHATHAM

William F. Chatham, being duly sworn upon his oath, deposes and states:

1. I am a landman for Latigo Petroleum, Inc., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the only working interest owner being pooled has been contacted repeatedly regarding the proposed well, and has simply not yet decided whether to join in the well or farm out its interest.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Atoka formation underlying the E½ of Section 13, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated South Culebra Bluff-Atoka Gas Pool or Undesignated Laguna Salado-Atoka Gas Pool.

The unit is to be designated to the North Bank 13 Fed. Well No. 1, to be located at an orthodox gas well location in the SW¼SE¼ of Section 13.

(c) The party being pooled, its interest in the well unit, and its address, are as follows:

Occidental Permian Ltd. 75%
Suite 6000
6 Desta Drive
Midland, Texas 79705

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 1

(d) Copies of the proposal letter sent to the uncommitted working interest owner, together with follow-up correspondence, are attached hereto as Exhibit B.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. 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 Eddy County.

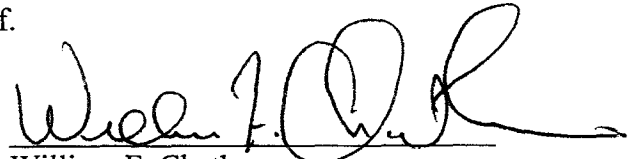
(g) Overhead charges of \$6975/month for a drilling well, and \$730/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth.

(h) Applicant requests that it be designated operator of the well.

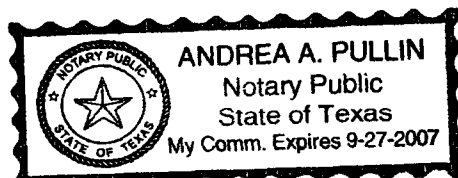
VERIFICATION

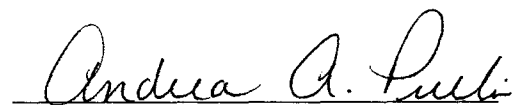
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

William F. Chatham, being duly sworn upon his oath, deposes and states that: He is a landman for Latigo Petroleum, Inc.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.


William F. Chatham

SUBSCRIBED AND SWORN TO before me this 6TH day of September, 2005 by William F. Chatham.




Notary Public

My Commission Expires:
9/27/2007

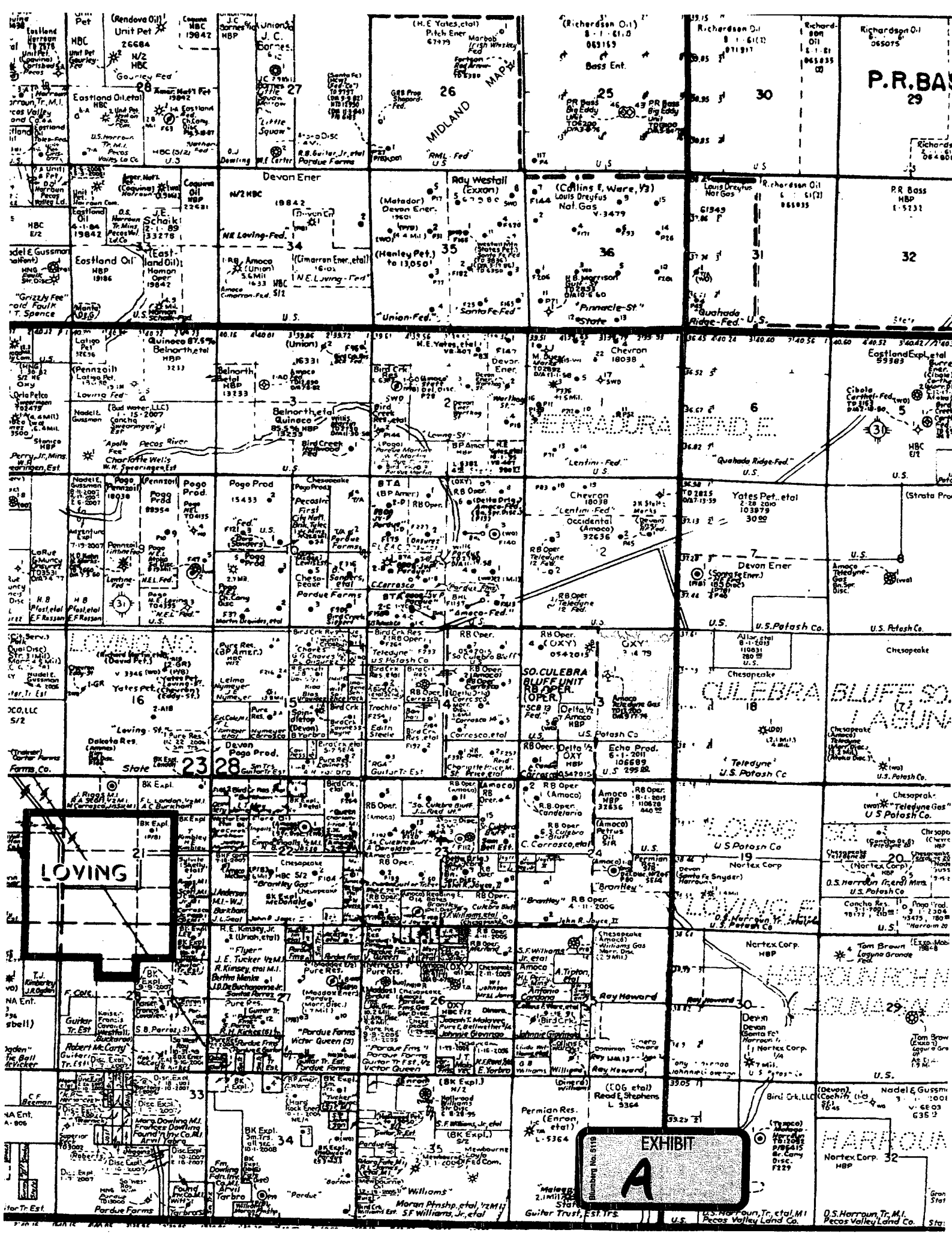
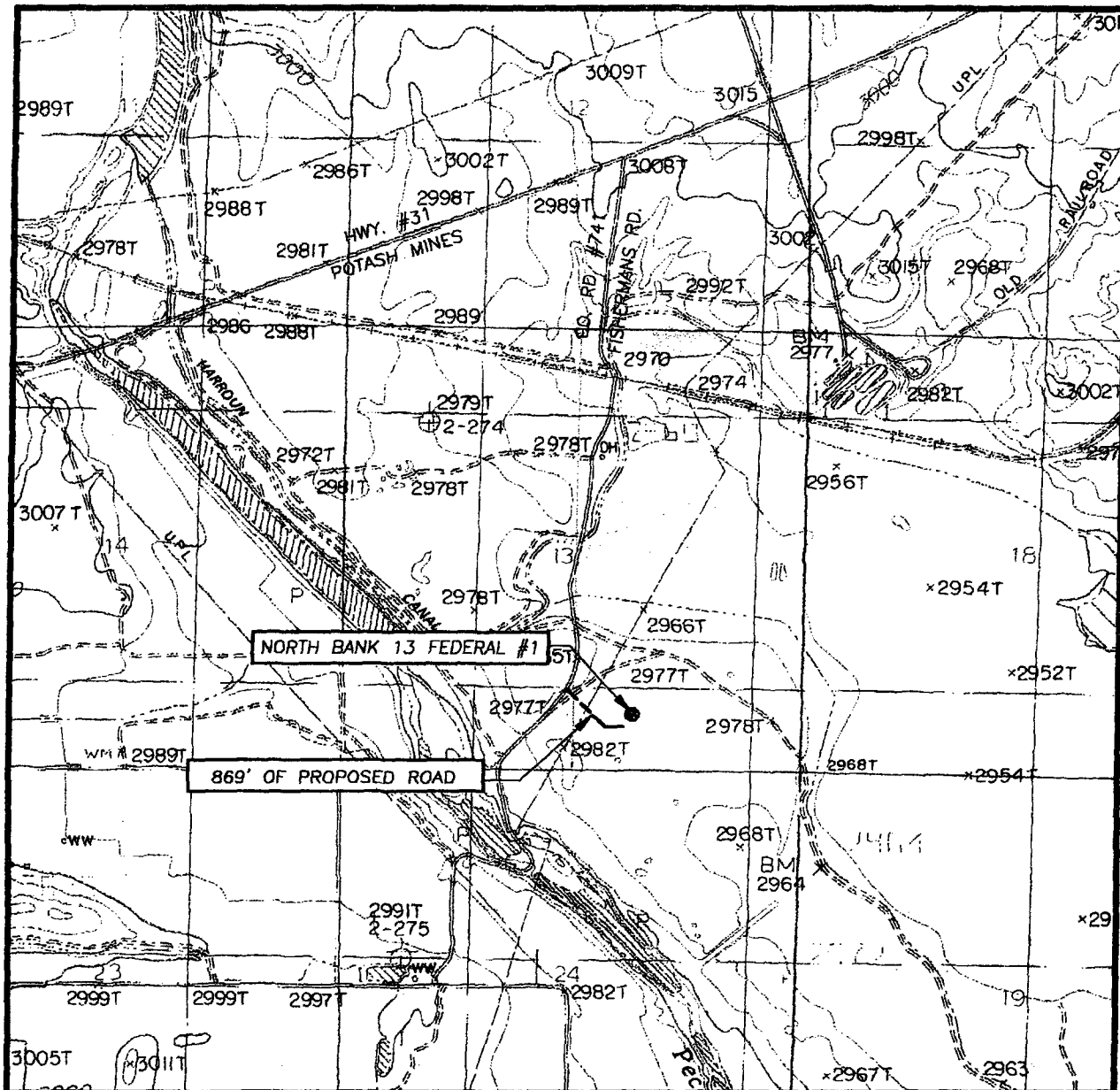


EXHIBIT
A

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
LOVING, N.M. - 10'

SEC. 13 TWP. 23-S RGE. 28-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FSL & 1980' FEL

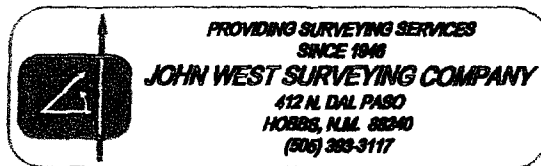
ELEVATION 2976'

OPERATOR LATIGO PETROLEUM, INC.

LEASE NORTH BANK 13 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

LOVING, N.M.



LATIGO

Petroleum, Inc.

Fasken Center Tower II • 550 W. Texas, Suite 700 • Midland, Texas 79701 • 432-684-4293 • 432-684-0829 FAX

Via Fax and Certified Mail/Return Receipt Requested

July 13, 2005

The Allar Company
P. O. Box 1567
Graham, Texas 76450

OXY USA Inc.
Attn: Doug Hurlbut
P. O. Box 50250
Midland, Texas 79710-1810

RE: PROPOSAL TO DRILL
North Bank 13 Federal #1
660' FSL & 1980' FEL
Section 13, T23S-R28E
Eddy County, New Mexico

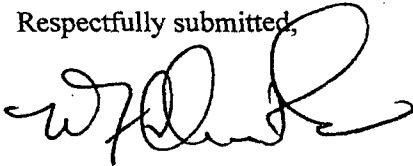
Dear Working Interest Owner:

Latigo Petroleum, Inc. ("Latigo") proposes to drill the North Bank 13 Federal #1 well located 660' FSL & 1980' FEL Section 13, T-23-S, R-28-E, Eddy County, New Mexico and form an E/2 320 acre unit. The proposal is to drill to a depth of 12,000' or to a depth sufficient to test the Atoka formation.

Please find attached an AFE for \$2,614,000 for the operation. If you consent to the operation, please sign and return one original copy of the AFE along with your reporting requirements to me at the letterhead address. Upon receipt of your consent, Latigo will forward to you an Operating Agreement for your approval and execution. In the event you do not wish to participate, please give me a call to discuss farmout terms.

If you have questions, please do not hesitate to give me a call at (432) 684-4293 or email me at bchatham@latigopetro.com.

Respectfully submitted,



William F. Chatham, CPL
Sr. Staff Landman

Attachment: AFE (2)



Bill Chatham

From: Bill Chatham
Sent: Monday, July 11, 2005 10:45 AM
To: Pat Sparks (patrick_sparks@oxy.com)
Subject: E/2 13-23S-28E, Eddy County, NM

Pat,

Please call me to discuss the above described lands. Thanks

William F. (Bill) Chatham
(432) 684-4293 Office
(432) 770-8568 Cell

LATIGO
Petroleum, Inc.

8/24/2005

Bill Chatham

From: Bill Chatham
Sent: Thursday, July 14, 2005 4:30 PM
To: douglas_hurlbut@oxy.com
Subject: North Bank

Doug,
Thanks for calling me about the North Bank Well. Attached is a pdf file with Title Opinion.

William F. (Bill) Chatham
(432) 684-4293 Office
(432) 770-8568 Cell



Bill Chatham

From: Bill Chatham
Sent: Thursday, August 11, 2005 4:29 PM
To: Pat Sparks (patrick_sparks@oxy.com)
Subject: North Bank 13 Federal #1

Re: Latigo's Proposal to Drill dated July 13, 2005
North Bank 13 Federal #1
660' FSL & 1980' FEL
Section 13, T23S-R28E
Eddy County, New Mexico

Pat,

I had sent the referenced proposal to Doug Hurlbut and I understand that Doug is no longer with OXY. Please follow up and let us know where Oxy is in this process and if we can work out something to drill this well.

Thanks for your help.

William F. (Bill) Chatham
(432) 684-4293 Office
(432) 770-8568 Cell

LATIGO
Petroleum, Inc.

8/24/2005

Bill Chatham

From: Bill Chatham
Sent: Monday, August 15, 2005 2:51 PM
To: David Evans (david_evans@oxy.com)
Subject: North Bank 13 Federal #1,

Re: North Bank 13 Federal #1
1980' FEL & 660' FSL
Section 13, T23S-R28E
Eddy County, NM

David,

Latigo sent a proposal on 7/13/05 to drill the above captioned well. David I have attached a pdf file and we will fax you a copy of the letter also. If you help us to resolution on this matter we would appreciate the help. If OXY doesn't want to drill the well, let's visit about Farmout terms. Thanks.

William F. (Bill) Chatham
(432) 684-4293 Office
(432) 770-8568 Cell

LATIGO
Petroleum, Inc.

8/24/2005

Bill Chatham

From: Bill Chatham
Sent: Monday, August 22, 2005 12:09 PM
To: David Evans (david_evans@oxy.com)
Subject: North Bank Federal 13 #1, E/2 13-T23S-R28E, Eddy County, NM

David,

Any news on this proposal?

Thanks

William F. (Bill) Chatham
(432) 684-4293 Office
(432) 770-8568 Cell

LATIGO
Petroleum, Inc.

8/24/2005



AUTHORITY FOR EXPENDITURE

PROSPECT: North Bank WELL: North Bank 13 Federal #1
 LOCATION: 660' FSL & 1980' FEL, Sec. 13 - T23S - R28E COUNTY: Eddy DATE: 5/23/2005
 WI: NRI: STATE: NM
 PURPOSE: Drill and complete a 12,000' Atoka Test AFE NO: 5362

ACCTG CODE	INTANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
201	Acreage Acquisition	0	0	0
202	Licenses/Survey/Stake	5,000	0	5,000
203 / 303	Dirtwork / Fill Pit / Clean Location	30,000	15,000	45,000
204	Surface Damages	5,000	0	5,000
205	Set and Cement Conductor	16,000	0	16,000
206	Mobilization	80,000	0	80,000
207 / 307	Drilling Rig - Daywork 41 days @ \$13,000 / day	532,000	42,000	574,000
208	Drilling Rig - Footage 0 feet @ \$0 / foot	0	0	0
209	Turnkey Operations	0	0	0
210 / 310	Drilling Fluids	100,000	5,000	105,000
211 / 311	Mud Haul Off & Disposal	5,000	2,000	7,000
212 / 312	Fuel & Water	147,000	20,000	167,000
213 / 313	Casing Crews & Equipment	6,000	2,000	8,000
214 / 314	Rental Equipment	192,000	20,000	212,000
215 / 315	Bits	80,000	5,000	85,000
216	Directional Drilling & Surveys \$6,500 / day	0	0	0
217 / 317	Fishing Tools and Services	0	0	0
218 / 318	Technical Services	0	0	0
219	Mud Logging 40 days @ \$750 / day	30,000	0	30,000
220	Open Hole Logs	35,000	0	35,000
221 / 321	Supervision	45,600	9,500	55,100
222	Drill Stem Test, Core etc.	10,000	0	10,000
223 / 323	Trucking	25,000	5,000	30,000
224 / 324	Welding	5,000	2,000	7,000
225 / 325	Labor	10,000	20,000	30,000
226 / 326	Equipment Inspection & Testing	0	0	0
227 / 327	Communications	0	0	0
332	Frac Oil	0	0	0
228	Cement - Surface	10,000	0	10,000
229	Cement - Intermediate	15,000	0	15,000
330	Cement - Production	25,000	25,000	50,000
333	Well Testing	0	0	0
334	Cased Hole Logs	0	9,000	9,000
335	Perforating	0	6,000	6,000
337	Completion Rig 10 days @ \$2,200 / day	0	22,000	22,000
336	Wireline	0	0	0
338	Coiled Tubing Unit & Equip	0	0	0
339	Acid Stimulation	0	5,000	5,000
340	Frac Stimulation	0	45,000	45,000
242 / 342	Legal Services	0	0	0
241 / 341	Overhead	4,800	1,000	5,800
243 / 343	Insurance	25,000	0	25,000
244 / 344	Miscellaneous 10%	144,000	26,000	170,000
245 / 344	Contingency 5%	72,000	13,000	85,000
TOTAL INTANGIBLES:		1,654,400	299,500	1,953,900

ACCTG CODE	TANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
450	Water Casing 40'	1,480	0	1,480
451	Surface Casing 500'	13,950	0	13,950
452	Intermediate Casing 2640'	71,280	0	71,280
554	Production Casing 10800'	237,600	0	237,600
554	Production Casing 1800'	0	22,500	22,500
453 / 555	Casing Head / Tubing Head & Valves	20,000	10,000	30,000
556	Packers, Anchors, Hangers	15,000	25,000	40,000
557	Tubing 12100'	0	47,200	47,200
463 / 563	Miscellaneous Equipment	20,000	42,000	62,000
558	Production Equipment	0	9,500	9,500
559	Stock Tanks	0	20,000	20,000
560	Flow Lines & Connections	0	5,000	5,000
463 / 563	Miscellaneous / Contingency 10% 5%	56,990	27,800	84,590
TOTAL TANGIBLES:		436,300	208,800	645,100
SUBTOTAL ESTIMATED COSTS:		2,090,700	508,300	2,599,000
231	Cement - Plugging	15,000		
TOTAL ESTIMATED WELL COST:		2,105,700	508,300	2,614,000

Prepared by: _____
 Approvals: Oper _____ Engr _____ Geol _____ Land _____ Acct _____

This AFE is only an estimate. By returning one signed copy the undersigned hereby agrees to pay its share of all actual dryhole costs and all actual completion costs hereof.

BY: _____ DATE: _____

