

FASKEN OIL AND RANCH, LTD.  
303 West Wall, Suite 1800  
Midland, Texas 79701  
(432) 687-1777 phone  
(432) 687-0669 fax

RECEIVED

AUG 21 2003

OIL CONSERVATION  
DIVISION

*MS.*

*Case 13106  
Stogner*

August 18, 2003

**Certified Mail Return Receipt** 7002 0460 0002 0070 4680  
ExxonMobil Production Company  
P. O. Box 4697  
Houston, TX 77210-4697

Attention: Paul L. Keffer, Staff Land Representative

RE: NOTIFICATION OF ELECTION  
Compulsory Pooling  
Dirt Devil "23" State Well No. 1  
NW/4 of Section 23, T17S, R34E, NMPM  
Lea County, New Mexico  
EM Lease # 3010289

Gentlemen:

On August 8, 2003, the New Mexico Oil Conservation Division issued Order R-12001 which is a compulsory pooling order which involuntarily committed your interest in a 320-acre spacing unit to be dedicated to the referenced well.

On behalf of Fasken Oil and Ranch, Ltd. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-12001, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

Fasken Oil and Ranch, Ltd.'s records indicate that at the time the application in this case was filed on June 26, 2003, you held fifty percent (50%) working interest ownership in this 320-acre spacing unit for depths below the base of the formation unitized in the North Vacuum Abo Unit down to the base of the Morrow formation in this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Fasken Oil and Ranch, Ltd. must receive a cashier's check in the amount of \$607,700.00 being your percentage of the completed well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well which is the same AFE introduced at the hearing.

If you decide not to participate then you need do nothing further. In that event, Fasken Oil and Ranch, Ltd. and the other Working Interest Owners will pay your share of the costs of the well

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and will recover your share out of production plus an additional 200 percent. Thereafter, you will commence to receive your working interest share of production.

In the event you do not desire to have your interest subject to this compulsory pooling order, Fasken Oil and Ranch, Ltd. desires to offer you the following options:

- (a) farmout your interest delivering a 75% net revenue interest with a 25% back in after payout, or
- (b) grant a Term Assignment for \$350 net leasehold acre, delivering of a 75% net revenue interest and a two year term.

Should you have any question, please feel free to call.

Very truly yours,



Sally M. Kvasnicka  
Land Manager

SMK:me  
enclosures

cc: Director NMOCD-Santa Fe ✓  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

# FASKEN OIL AND RANCH, LTD.

## COST ESTIMATE

OPERATOR: Fasken Oil and Ranch, Ltd.  
 LEASE NAME: Dirt Devil "23" State  
 FIELD: North Vacuum (Atoka-Morrow)  
 660' FSL & 1310' FWL  
 Sec. 23, T17S, R34E

DATE: May 5, 2003  
 WELL NO.: 1  
 COUNTY: Lea

AFE NO: 687  
 STATE: New Mexico

### TANGIBLES

TUBULAR GOODS	SIZE [IN]	FOOTAGE [FT]	PRICE [\$/FT]			
				SUB	TOTAL	DRY HOLE
Conductor Pipe	20.000	0	\$25.00	\$0		\$0
Surface Casing	13.375	500	\$17.00	\$8,500		\$8,500
Inter. Casing	9.625	5,000	\$13.00	\$65,000		\$65,000
Oil string	5.500	12,000	\$6.88	\$82,600		\$0
Tubing	2.375	11,700	\$3.00	\$35,100	\$191,200	\$0
<b>WELLHEAD EQUIPMENT</b>						
Starting Head				\$2,000		\$500
Inter. Head				\$9,500		\$3,000
Tubing Head				\$7,500		\$0
Christmas Tree				\$12,000	\$31,000	\$0
<b>SUB SURFACE PRODUCTION EQUIPMENT</b>						
Tubing Anchor and/or Packer				\$8,000		\$0
Sucker Rods, Pump, BHA, etc.				\$0	\$8,000	\$0
<b>SURFACE PRODUCTION EQUIPMENT</b>						
Pumping Unit c/w Prime Mover				\$0		\$0
Production Unit				\$20,000		\$0
Tanks, Treaters, Seperators, Circ. Pump				\$54,500		\$0
Labor				\$13,500	\$88,000	\$0
<b>TOTAL TANGIBLES</b>				<b>\$318,200</b>	<b>\$318,200</b>	<b>\$77,000</b>

### INTANGIBLES

<b>CONTRACTOR DRILLING COST</b>						
	FOOTAGE	RATE		SUB	TOTAL	DRY HOLE
Drilling Cost	12,000	\$0.00		\$0		\$0
Day Work	43	\$8,000		\$344,000		\$344,000
Pulling Unit for Completion	84	\$150		\$12,600		\$0
Reverse Drilling Equipment				\$4,000	\$360,600	\$0
<b>CEMENTING SERVICES &amp; EQUIPMENT</b>						
Surface				\$7,300		\$7,300
Intermediates				\$15,500		\$15,500
Oil String				\$30,400		\$0
Other				\$0	\$53,200	\$4,000
<b>FORMATION TREATMENT</b>						
Acidizing Services & Material				\$20,000		\$0
Fracturing Services & Material				\$0		\$0
Tank Rental & Hauling				\$0	\$20,000	\$0
<b>SPECIAL SERVICES</b>						
Perforating & Wireline Services				\$7,500		\$0
Mud Logging	25	\$700		\$17,500		\$17,500
Open Hole Logging				\$28,000		\$28,000
Cores, DST's, etc.				\$15,000		\$15,000
Packer & BP Rental				\$3,000	\$71,000	\$0
<b>DRILLING FLUIDS</b>						
Mud & Chemicals				\$65,000		\$65,000
Fresh & Brine Water				\$35,000		\$35,000
Oil for Drilling Mud				\$0	\$100,000	\$0
<b>MATERIALS &amp; SERVICES OTHER</b>						
Bits & Reamers				\$50,000		\$50,000
Fuel				\$25,000		\$25,000
Hauling - Trucking, Transport, & Pmp Truck				\$23,500		\$19,500
Tubular Inspection & Testing				\$3,000		\$1,000
Casing Expense (Run Csg., PU/LD Machine)				\$12,000		\$0
Valves, Piping, & Connections				\$500		\$500
Pit Liners				\$3,500		\$3,500
Rental Equipment				\$28,200		\$26,700
Welding & Roustabout Labor				\$1,300		\$1,300
Cattleguard & Fencing				\$500		\$500
Misc. Services & Supplies				\$12,000	\$159,500	\$11,000
<b>LOCATION ACCESS &amp; CLEAN UP</b>						
Surveying				\$1,000		\$1,000
ROAD, LOCATION, PITS, & CLEAN UP				\$28,000	\$29,000	\$28,000
<b>SUPERVISION &amp; LEGAL, ETC.</b>						
Geological, Engr. & Supervisory Expense				\$24,600	\$24,600	\$24,600
CONTINGENCIES	10%			\$79,300	\$79,300	\$69,900
<b>TOTAL INTANGIBLES</b>				<b>\$897,200</b>	<b>\$897,200</b>	<b>\$793,800</b>
<b>TOTAL COST</b>				<b>\$1,215,400</b>	<b>\$1,215,400</b>	<b>\$870,800</b>