

Chronology of Discussions
with Anadarko in
reference to Kitty Hawk No. 1

March, 2003	Discussion w/Pat Smith indicated would prefer sale of interest
May thru July, 2003	Numerous discussions w/Pat Smith as to status of project indicated it was moving forward
August, 2003	Found out Pat Smith was laid off
September, 2003	Started discussions with Kirk Ary
October, 2003	Numerous discussions with Kirk Ary discussing various options
October 29, 2003	Travel to Houston to meet with Kirk and others
November, 2003	Kirk Ary informed us Anadarko had decided to take no action on project
December, 2003	Lynx moved forward on force-pool of Anadarko

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13198 Exhibit No. 3
Submitted By:
Lynx Petroleum Consultants
Hearing Date: January 8, 2004

Lynx Petroleum Consultants, Inc.

P.O. Box 1708
3325 Enterprise Drive
Hobbs, New Mexico 88241

505 392-6950

Fax: 505 392-7886

April 8, 2003

Pat Smith
Anadarko Petroleum
P.O. Box 1330
Houston, TX 77251-1330

Re: Kitty Hawk No. 1, E/2 Section 1, E/2 Section 12,
T-19S, R-31E, Eddy County, New Mexico

Dear Mr. Smith:

As per our recent phone conversation, Lynx Petroleum plans to drill the Kitty Hawk this summer as a Strawn/Morrow test in Section 1. Attached is land take-off information showing Union Pacific (now Anadarko) with Strawn rights in the referenced acreage. As discussed, Lynx would be interested in a long-term Assignment or purchase of your interest.

Please call with any questions or let us know how we can help facilitate this trade. I appreciate your help in this matter.

Sincerely,

LYNX PETROLEUM CONSULTANTS, INC.

Gary W. Fonay

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enc

Lynx Petroleum Consultants, Inc.

P.O. Box 1708
3325 Enterprise Drive
Hobbs, New Mexico 88241

505 392-6950 Fax: 505 392-7886
October 22, 2003

Kirk Ary
Anadarko Petroleum
P.O. Box 1330
Houston, TX 77251-1330

Re: Kitty Hawk No. 1, E/2 Section 1,
T-19S, R-31E, Eddy County, NM

Dear Mr. Ary:

As per our phone conversation of yesterday, Lynx plans to spud the referenced well in early to mid-November. Title work shows Anadarko with 11.67 net acres in the Strawn formation only. To allow the drilling of this well, Lynx offers the following three options:

- 1) Anadarko could sell their acreage position to Lynx for \$250/net acre (\$2918).
- 2) Anadarko could term assign their interest to Lynx on a three-month basis delivering a 75 percent net revenue interest.
- 3) Anadarko could participate in the well with all rights pooled below 4000' in the referenced tract. Other interest owners have agreed to a 2/3 interest for rights other than Strawn and a 1/3 interest for Strawn. This would make Anadarko's interest 1.2156 percent in the well. An Authority for Expenditure is attached.

As discussed, we would appreciate a response as soon as possible or the well will have to be postponed for a possible force-pool hearing. We appreciate your help in this matter. As mentioned, it would also be possible for me to meet with you on Wednesday, October 29th, if that would help. We thank you for your consideration.

Sincerely,

LYNX PETROLEUM CONSULTANTS, INC.

Gary W. Fonay

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**DETAILED WELL COST ESTIMATE
AND
AUTHORITY FOR EXPENDITURE**

Well Name : Kittyhawk No. 1 Loc. Section 1, T-19S, R-31E Co. Eddy St. NM
 Estimated T.D. _____ Field or Prospect North Lusk Formation Morrow

		Estimated Cost	
		Dry Hole (\$)	Producer (\$)
Intangible Costs:			
Location:	Damages & R.O.W.	1,500	1,500
	Roads & Location	23,500	23,500
Drilling:	Footage _____ ft. @ _____ /ft.	0	0
	Daywork Drilling <u>32</u> days @ <u>\$8,000</u> /day	256,000	256,000
	Completing <u>6</u> days @ <u>\$1,850</u> /day		11,100
	Mud Materials	36,000	36,000
	Fuel	35,000	35,000
	Water	37,500	40,000
	Transportation	17,000	19,000
	Cement, Cementing & Accessories	38,000	70,000
	Logging Open Hole	27,000	27,000
	Drill Stem Testing	10,500	10,500
	Perforating		9,500
	Stimulation		5,000
	Supervision	12,800	15,200
	Special Services & Bits	67,500	67,500
	Tool Rental	40,000	40,000
	Miscellaneous	80,000	100,000
	TOTAL INTANGIBLE COSTS	682,300	766,800
Tangible Well Costs:			
	Wellhead	7,500	19,000
	Casing <u>800</u> ft. <u>13 7/8"</u>	15,200	15,200
	<u>4,500</u> ft. <u>8 5/8"</u>	54,000	54,000
	<u>12,800</u> ft. <u>5 1/2"</u>		97,750
	_____ ft. _____		
	Tubing <u>12,700</u> ft. <u>2 3/8"</u>		39,370
	Rods		
	Artificial Lift Equipment		
	Miscellaneous Well Equipment		2,500
	TOTAL TANGIBLE WELL COSTS	76,700	227,820
Tangible Lease Costs:			
	Tankage		11,000
	Separating & Treating		9,000
	Flowlines		1,000
	Special Equipment		
	Miscellaneous Valves & Fittings		3,500
	Transportation, Installation & Labor		6,000
	TOTAL TANGIBLE LEASE COSTS	0	30,500
	TOTAL WELL COSTS	\$759,000	\$1,025,120