JAMES T. JENNINGS A. D. "DIRK" JONES

August 23, 1995

Mr. David Catanach, Hearing Examiner Oil Conservation Division 2040 South Pacheco Santa Fe, New Mexico 87504

Re: NMOCD Case 11364 Ross Ranch Well #8 Nearburg Application to Force Pool

Dear Mr. Catanach:

Enclosed you will find a copy of Nearburg Producing Company's AFE in the above well which I have executed and mailed as evidenced by the enclosed copy of my letter and the executed AFE. I am not aware of any OCD rule or regulation requiring the approval of Nearburg's Operating Agreement. If there is such a requirement, please so advise me.

Sincerely,

James T. Jennings

JTJ:ks Enclosure

TELEPHONE (505) 622-8432 FAX (505) 622-8433

August 23, 1995

VIA FAX 915-686-7806

Mr. Bob Shelton, Land Manager Nearburg Exploration Company 3300 North "A" Street Building 2, Suite 120 Midland, Texas 79705

Re: Ross Ranch #8 Well; 990' FSL and 660' FWL of Section 22, <u>T-19-S, R-25-E, Eddy County, New Mexico</u> Ross Ranch Prospect

Dear Bob:

I have your letter of August 18th which was mailed on August 21st and received today. In accordance with your request, I have executed the AFE and it is returned herewith. I am still awaiting a copy of the Operating Agreement executed by Yates. I note that the Nearburg statement is also necessary for me to approve the Operating Agreement if I do not desire to be forced pooled. I reviewed our statutes and I can't find any requirement that a party executed your Operating Agreement. If you have any authority for this, please let me know.

Yours very truly,

James P. Jennings

JTJ:ks Enclosure

Nearburg Producing Company

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Exploration and Production Dellas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Ross Ranch WELL NUMBER: 8 PROPOSED TOTAL DEPTH: 8,100' LOCATION: 990' FSL, 660'FWL, Section 22, T19S, R25E, Eddy County, New Mexico FIELD:Dagger Draw Upper Penn North PROSPECT:Dagger Draw EXPLORATORY, DEVELOPMENT, WORKOVER: E DESCRIPTION OF WORK: Drill and complete as a pumping Cisco Canyon oil producer.

DATE PREPARED: 7/18/95 ACCOUNTING WELL NUMBER: COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage - 8,100' @ \$16. /Ft	1814.101	129,600	NA		129,600
Drilling Daywork - 4/2 Days @ \$4400 /Day	1814,105	17,600	1515 105	8,800	26,400
Drilling Turnkey	1014.110		1516.110		0
Rig Mobilization and Demobilization	1814 110		1818.110		0
Road & Location Expense	1514.120	12,000	1518,123	2,000	14,000
Damages	1514.125	5,000	1515,125	· · · · ·	5,000
Directional Drilling - Tools and Service	1614 130		1515 130		0
Drilling Fluids	1814.135	10,000	NA		10,000
Fuel, Power, and Water	1514,140	10,000	1515.140	1,000	11,000
Supplies - Bits	1514.145		1518.145	750	750
Supplies - Casing Equipment	1814.150	1,000	1615.150	7,000	8,000
Supplies - Liner Equipment	1514.165		1010.100		. 0
Supplies - Miscellaneous	1514.100		1518 100		0
Cement and Cmt. Services - Surface Csg	1514.185	10,000	MA		10,000
Cement and Cmt. Services - Int. Csg	1814.170		MA		0
Cement and Cmt. Services - Prod. Csg	NA		1513.172	15,000	15,000
Cement and Cmt. Services - Other	1514.175		1515.178		0
Rental - Drilling Tools and Equipment	1514,580		1015 180	1,000	1,000
Rental - Miscellaneous	1814.185	5,000	1518.185	1,000	6,000
Testing - Drill Stem / Production	1514,195	6,000	1518.195		6,000
Open Hole Logging	1514.200	12,000	NA.		12,000
Mudiogging Services	1014.210	7,500	MA		7,500
Special Services	1514,190		1515.190		0
Plug and Abandon	1514 215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1815 217	12,000	12,000
Reverse Equipment	NA [1814 219	1,200	1,200
Wireline Services	1514.205		1515.205	5,000	5,000
Stimulation	MA		1515.221	20,000	20,000
Pump / Vacuum Truck Services	1514 220		1315.220	1,000	1,000
Transportation	1514.225	2,000	1515.225	2,500	4,500
Tubular Goods - Inspection & Testing	1514.230		1515 230	6,000	6,000
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1814.240	500	1815 240	500	1,000
Engineer / Geologist	1514.250	3,150	1318.250	1,350	4,500
Company Labor - Field Supervision	1514.285	7,500	1515,255	4,500	12,000
Contract Labor / Roustabout	1314 205	1,000	1519.205	2,500	3,500
Legal and Professional Services	1514.270	2,500	1815.270	500	3,000
Insurance	1514.275	10,300	1518 275	N	10,300
Overhead	1514.260	4,600	1515.200	2,000	6,600
SUBTOTAL		267,250		85,600	352,850
Contingencies (10%)		26,725		8,560	35,285
ESTIMATED TOTAL INTANGIBLES	ļ	293,975		94,160	388,135

EST. SPUD DATE:

EST. COMPLETION DATE:

earburg Producing Company

Exploration and Production Dallas, Texas

AUTHORITY FOR EXPENDITURE

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LOCATION: 990' FSL, 660'FWL, Section 22,	T19S, R25E, Eddy County, New N	lexico
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DESCRIPTION OF WORK: Drill and complet	e as a pumping Cisco Canyon oil p	roducer.

EST. COMPLETION DATE:

DATE PREPARED: 7/18/95 EST. SPUD DATE: ACCOUNTING WELL NUMBER: COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1820.303		MA [0
Surface Casing 1,100' @ \$ 18 /F.f	1520,510	19,800	MA		19,800
Intermediate Casing '@\$. /Ft	1520 318		NA		0
Protection Casing '@\$. /Ft	1820.320		MA	· · · · · · · · · · · · · · · · · · ·	
Production Casing 8,100' @ \$15 /Ft	NA		1522.325	121,500	121,500
Protection Liner	1520.590		NA		
Production Liner	MA -		1822 895		
Tubing 7,800'@\$3.10/Ft	MA -		1822.340	24,180	24,180
Rode	MA		1522.345		0
Antificial Lift Equipment	MA		1522.350	80,000	80,000
Tank Battery	NA.		1822 355	15,000	15,000
Separators/Heater Treater/Gas Units/FWKO	NA [1522 350	10,000	10,000
Well Head Equipment & Christmas Tree	1820.583	1,500	1522,360	10,500	12,000
Subsurface Well Equipment	NA T		1322.370		0
Flow Lines	NA		1822.378	5,000	5,000
Saltwater Disposal Pump	NA		1522.301		0
Gas Meter	NA		1522.585	3,000	3,000
Lact Unit	NA		1022.547		0
Vapor Recovery Unit	NA		1022.389	•	0
Other Well Equipment	NAT		1522.300		
ROW and Damages	NA		1822.393		
Surface Equipment Installation Costs	NA		1522 395	10,000	10,000
Elect. Installation	MA		1622 397	15,000	15,000
ESTIMATED TOTAL TANGIBLES	+	21,300		294,180	315,480
ESTIMATED TOTAL WELL COSTS	 	315,275		388,340	703,815

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL		PATE
PREPARED BY:	HRW	7/18/95
APPROVED BY:		

WI APPROVAL: COMPANY BY TITLE

DATE

James T. Alennings Interest 4.101563%
Sancol Donne
James T. Jenn Ings
8-23-95

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