BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 11411 Exhibit No. 1

Submitted by: Medallion Production Company

Hearing Date: November 2, 1995

Medallion Production Co. 50% Kaiser Francis Oil Co. 50% Medallion 100%

S/2 Unit Leasehold

MPC KF	Acres: 180.00 140.00	Percent: 56.25 43.75
Total	320.00	100.00



Medallion Production A MidAmerican Energy Company

Cemetery Prospect

Section 9-20S-25E Eddy County, New Mexico

Scale: 8" = 1 mile

Oct 1995

PROSPECT Cemetary		DATE_I	0/31/95	
LEASE	WELL NO	AFE NO		
LOCATION NW/4 SE/4	SECTION 9	TWP_	20S RANG	E
FIELD	COUNTY Eddy	STATE_	New Mexico	
WELL TD 9550'	PRIM. OBJ. Morrow	SEC. OBJ		
AFE CLASSIFICATION		Medallion W/I		NRI
	(840) CAPITAL (840)	CAPITAL (895)	EXPENSE (870	
DRLG (830 850) RE-COMPLETE	` 1=	P&A	WORKOVER	REPAIR
Description of Work: Drill, Complete & Equ	nip Well As A Single Zone	Drilling	Completion	Total
Morrow Gas Producer		Costs	Costs	
		P. 07	1 OT	
INTANGIBLE COSTS		BCP	ACP	610 400
Location Contracted Equipment		16,000 2,000	2,500	\$18,500 2,000
Rotary Rig: MI, RU, RD, MO		+	+	0
Daywork 2/1@ \$4600/Day		9,200	4,600	13,800
Footage \$18.50/Ft		176,700	+	176,700
Fuel		+	+	0
Drilling Bits		+	+	0
Drilling Fluid		17,000	<u>+</u>	17,000
Mud Disposal		+	+	0
Drill Stem Tests Cement and Cementing Service		4,000 12,000	7,800	4,000 19,800
Casing Crew, Equipment		3,800	2,400	6,200
Logging: Open Hole		9,600	+	9,600
Completion Rig 10 Days @ \$1800/Day	,	+	18,000	18,000
Stimulation		+	25,000	25,000
Log & Perf. Cased Hole		+	6,500	6,500
Rentals		4,000	5,000	9,000
Water/Water Hauling		12,000	5,000	17,000
Hauling/Freight		2,500	2,000	4,500
Testing/Inspection Labor: Contract		1,200 2,000	2,000 2,500	3,200 4,500
	ger @ \$300/Day	7,500	1,200	8,700
Overhead	201 (6) 4 1 1 1 1 1 1 1 1 1 1	4,000	2,500	6,500
Professional Services		13,500	4,500	18,000
Insurance		1,000	+	1,000
Miscellaneous, etc.		3,500	2,000	5,500
TOTAL INTANGIBLE COSTS		\$301,500	\$93,500	\$395,000
TANGIBLE COSTS				
Cattle Guards & Fencing		2,500	1,000	3,500
Casing: Cond.		2,500	+	2,500
Casing: Surface 13-3/8" @ 350'	or	6,500	+	6,500
Casing: Intermediate 8-5/8" 32# J-55 @ 125 Casing: Production 4-1/2" 11.6# N-80 @ 9		12,500	42,600	12,500
Float Equip, Centrizes, etc.	330	1,700	1,100	2,800
Well Head		1,400	8,000	9,400
Tubing 2-3/8* 4.7# N-80 @ 95	50'	+	23,600	23,600
Pump Unit		+	+	0
Motor/Engine		+	+	0
Rods & Pump		+	+	
Pkr&Other Sub-surface Equip.		+	8,000	8,000
Tanks Separator/Production Unit			6,600	6,600
Heater Treater/Dehydrator			+	0,000
Fittings & Small Pipe		+	8,000	8,000
Other Equipment		+	+	0
Installation Costs		+	8,000	8,000
TOTAL TANGIBLE COSTS	· · · · · · · · · · · · · · · · · · ·	\$27,100	\$112,900	\$140,000
TOTAL COSTS		\$328,600	\$206,400	\$535,000
Estimated Spud Date	Estimated Work D			6220 (00
Total Well Cost to Casing Point \$328		Total Dry & Aband	onea Cost	\$338,600
Total Cost Through Evaluation of Zone of Interest	\$498,400			
Propared By: LCE PRANCIS				
MEDALLION PRODUCTION COMPANY AI	PPROVED	WORKING INTE	REST OWNER APP	ROVED
Page				·
By: Ket	Date:	Company Name:_		
By:	Date:	By:		Date:

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. <u>11411</u> Exhibit No. <u>2</u>
Submitted by: <u>Medallion Production Company</u>

Hearing Date: November 2, 1995

file or

KAISER-FRANCIS OIL COMPANY

ECE (D)

OCT 2 3 1995

P.**6**. BOX 21468

TULSA, OKLAHOMA 74121-1468

6733 South Yale Ave. (918) 494-0000

ULION PRODUCTION COMPANY

CERTIFIED MAIL #Z 051 427 684

October 19 1995

Medallion Production Company 7130 South Lewis Avenue, Suite 700 Tulsa, OK 74136

Attn: Mr. D. R. Deffenbaugh, CPL Landman

e: Cemetery Prospect

Compulsory Pooling Hrg.-Oct. 19, 1995 South Half (S/2) of Sec. 9, T20S-R25E

Eddy County, NM

Dear Mr. Deffenbaugh:

Enclosed herewith is your letter dated October 18, 1995 regarding the compulsory pooling application for the S/2 of Section 9, T20S-R25E, Eddy County, New Mexico. The letter has been executed on behalf of Kaiser-Francis Oil Company, a copy was telecopied to you yesterday.

If you need anything further, do not hesitate to contact.

Sincerely,

Debbie Stout Land Assistant

xc: Jim Wakefield

D72:\ltr\cemetery.ret

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. <u>11411</u> Exhibit No. <u>3</u>

Submitted by: Medallion Production Company

Hearing Date: November 2, 1995



October 18, 1995

Medailion Product on Company 7130 South Lewis Avenue Suite 700 Tulsa, Oklahoma 74136 918 488-8283 Telephone 918 488-8182 Fax

VIA FAX 491-4694 AND U.S. MAIL

491-4105 Writers Direct

Kaiser-Francis Oil Company P.O. Box 21468 Tulsa, OK 74121-1468

Attention: Jim Wakefield

Re: Cemetery Prospect

South Half (S/2) of Section 9-20S-25E

Eddy County, New Mexico

Gentlemen:

Medallion Production Company ("Medallion") and Kaiser-Francis Oil Company ("Kaiser") hereby agree to the following:

- 1. Medallion agrees to continue its' compulsory pooling application under Oil Conservation Division, Case No. 11411, currently scheduled for hearing October 19, 1995, for two weeks until November 2, 1995.
- Kaiser agrees to not protest, or cause to be protested, Oil Conservation
 Division Case No. 11411 and further agrees not to appeal any part of the
 order rendered as a result thereof.
- 3. Medallion will continue to negotiate with Kaiser in good faith for alternatives to the options provided for under any order resulting from Oil Conservation Division, Case No. 11411 through the election period provided for therein, including, but not limited to, the cash or farmout alternatives previously offered in Medallion's letter of August 30, 1995.

This agreement shall be binding on Medallion, Kaiser and their respective successors and assigns.



Should the above be consistent with our agreement, please so indicate by signing in the space provided below and returning one copy of this letter to the attention of the undersigned by fax at (918)488-8182.

Sincerely,

MEDALLION PRODUCTION COMPANY

D.R. Deffenbaugh, CPL

Landman

AGREED TO AND ACCEPTED THIS 19 DAY OF OCTOBER, 1995.

KAISER-FRANCIS OIL COMPANY

James T. Wakefield

DRD/nbcemkfoc.agr

F!' E COPY

7130 S. LEWIS AVE, SUITE 700 • TULSA, OK 74136 • PHONE (918) 488-8283 • FAX (918) 488-8182

Writers Direct Number (918) 491-4105

July 20, 1995

Kaiser Francis Oil Company P.O. Box 21468 Tulsa, OK 74121-1468

Attention: Wayne Fields

Re:

Cemetery Prospect

Section 9-20S-25E

Eddy County, New Mexico

Gentlemen:

Medallion Production Company ("Medallion") proposes the drilling of a test well to be located in the S/2 of Section 9-20S-25E, Eddy County, New Mexico. Medallion proposes that the test well be drilled to a depth of about 9,550' in order to sufficiently test the Morrow formation. Dry hole costs are estimated to be \$338,600 with total completed well costs estimated at \$535,000, as shown on the enclosed AFE.

In connection with the test well, Medallion has acquired leasehold rights accounting for 56.25% of this lay down 320 acre unit and proposes that you grant us a farmout of all of your interest in the S/2 of said Section 9 under the following terms:

- 1. On or before 120 days following the execution date of a definitive agreement, Medallion would commence or cause the commencement of a 9,550' Morrow test (the "Test Well") in the S/2 of Section 9-20S-25E, Eddy County, New Mexico.
- 2. In the event the Test Well results in a well capable of producing in commercial quantities, Medallion would earn an assignment of your interest from the surface of the earth to the total depth drilled in the Test Well. Such assignment would be limited to the unit established for the Test Well and any and all equipment used and obtained in connection therewith.
- 3. You would reserve in such assignment an overriding royalty interest equal to the difference between existing leasehold burdens and 25%, proportionately reduced to the interest being assigned.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. <u>11411</u> Exhibit No. <u>4</u>

Submitted by: <u>Medallion Production Company</u>

Hearing Date: November 2, 1995

Kaiser Francis Oil Company July 20, 1995 Page 2

4. Upon payout of the Test Well, you shall have the right and option to convert the previously reserved overriding royalty interest to a proportionately reduced 25% working interest.

As an alternative, Medallion would entertain a purchase of all of your interest in the referenced lands. Please let me know your thoughts on this proposal at your earliest convenience.

Respectfully,

MEDALLION PRODUCTION COMPANY

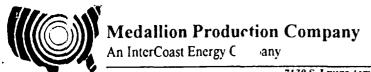
D.R. Deffenbaugh, CPL

Landman

DRD/nb

cemkfoc.ltr

PROSPECT	Cemetary				DATE	7/21/1995 Rev 1	
LEASE		WELL NO.		9-1	AFE NO.		
LOCATION	NW/4 SE/4	SECTION	9 -	TWP	208	RANGE	25E
	COUNTY	- Eddy			STATE	New Mexico	231
FIELD						New MEXICO	
WELL TD	9550' PRIM. OBJ.	Могтом		SEC	ONDARY OBJ.		
						<u> </u>	
CLASSIFICA	TION OF EXPENSE			Drilling	Completion	Total	_
Drill, Complete an	nd Equip Well As A			Costs	Costs		
Single Zone Morr	row Gas Producer						
INTANGIBL	E COSTS			ВСР	ACP		
Location				\$ 16,000	\$2,500	\$18,500	
Contracted Equ				2,000	+	2,000	
Rotary Rig: M	II, RU, RD, MO rk 2/1 @ \$4600/day			9,200	4,600	13,800	
	ge \$18.50/ft			176,700	+,000	176,700	
Fuel				+	+	0	
Drilling Bits				+	+	0	
Drilling Fluid				17,000	+	17,000	
Mud Disposal				4 000	+	4 000	
Drill Stem Test	menting Service			12,000	7,800	4,000 19,800	
Casing Crew, E				3,800	2,400	6,200	
Logging Oper				9,600	+	9,600	
Completion Ri		00/day		+	18,000	18,000	
Stimulation				+	25,000	25,000	
Log & Perf. Ca	ised Hole			4,000	6,500 5,000	6,500 9,000	
Rentals Water/Water H	(auling			12,000	5,000	17,000	
Hauling/Freigh				2,500	2,000	4,500	
Testing/Inspect				1,200	2,000	3,200	
Labor: Contra				2,000	2,500	4,500	
	ogist/Engineer (Mud logger @ \$	300/day)		7,500	1,200	8,700	
Overhead Professional Se	HI I COM	·		4,000 13,500	2,500 4,500	6,500 18,000	
Insurance	171003			1,000	+,200	1,000	
Miscellaneous				3,500	2,000	5,500	
TOTAL INTA	NGIBLE COSTS			301,500	\$ 93,500	\$395,000	
TANGIBLE C	OSTS						_
0.11.0				2.500	1 000	2.500	
Cattle Guards é Casine: Cond.	k rencing			2,500 2,500	1,000	3,500 2,500	
	≈ 13-3/8" @,350'		-	6,500	+	6,500	
	ediate 8-5/8" 32# J-55 @ 1250			12,500	+	12,500	
	ction 4-1/2" 11.6# N-80 @ 9550)'		+	42,600	42,600	
Float Equip, C	entrizrs, etc.			1,700	1,100	2,800	
Well Head Tubing	2-3/8" 4.7# N-80 @,9550'			1,400	8,000 23,600	9,400 23,600	
Pump Unit	2-3/8 4.7# 14-60 (2), 9550			+	25,000	25,000	
Motor/Engine				+	+	0	
Rods & Pump				+	+	0	
	b-surface Equip.	 	_	<u>+</u>	8,000		
Tanks Separator/Prod	hartion I buit	· 		+	6,600		
Heater Treater				_	6,000	6,000	
Fittings & Sma				+	8,000	8,000	
Other Equipme				+	+	0	
Installation Co	rts			+		8,000	
momar = ::-	CIDL D COCC			407.10	£ 110.000	\$1.40.000	
TOTAL TAN	GIBLE COSTS			\$27,100	\$112,900	\$140,000	
	TOTAL COSTS			\$328,600	\$206,400	\$535,000	
Estimated Spuc							
	st to Casing Point	-		\$328,600			
Plugging Cost		\$10,000					
Total Dry and A	Abandoned Cost			\$338,600			
Total Cost Thre	ough Evaluation of Zone of Inte	rest			\$498,400		
MEDALLION	N PRODUCTION COMPANY	<i>t</i>	V	ORKING INTE	REST OWNER	R	
معدد	- .		~				
Ву: ДСЗ	Date:		С	ompany Name:			
Rv.	Date:		R	y:		Date:	
	Law.			,			





7130 S. Lewis Ave, Suite 700 • Tulsa, OK 74136 • Phone (918) 488-8283 • Fax (918) 488-8182

Writers Direct Number (918) 491-4105

July 20, 1995

Kaiser Francis Oil Company P.O. Box 21468 Tulsa, OK 74121-1468

Attention: Wayne Fields

Re:

Cemetery Prospect

Section 9-20S-25E

Eddy County, New Mexico

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Kaiser Francis Oil Company July 20, 1995 Page 2

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Respectfully,

MEDALLION PRODUCTION COMPANY

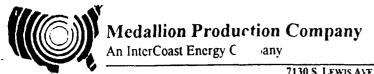
D.R. Deffenbaugh, CPL

Landman

DRD/nb

cemkfoc.ltr

PROSPECT	Cemetary			DATE	7/21/1995 Rev 1	1
LEASE		WELL NO.	9 - 1	AFE NO.		
LOCATION	NW/4 SE/4	SECTION	9 TWP	208	RANGE	25E
				STATE		
FIELD	COUNTY	Eddy			New Mexico	
WELL TD	9550' PRIM. OBJ.	Могтом	SECC	ONDARY OBJ.		
	TION OF EXPENSE		Drilling	Completion	Total	
Drill, Complete an Single Zone Morre	d Equip Well As A ow Gas Producer		Costs	Costs		
INTANGIBLE			ВСР	ACP		
INTANGIBLE			ВСІ	Act		
Location			\$ 16,000	\$2,500	\$18,500	
Contracted Equ			2,000	<u>+</u>	2,000	
Rotary Rig: M			9,200	4,600	12 800	
	k 2/1 @ \$4600/day c \$18.50/ft		176,700	4,600	13,800 176,700	
Fuel	ge \$16.56/ft		+	+	0	
Drilling Bits			+	+	0	
Drilling Fluid			17,000	+	17,000	
Mud Disposal			+	<u> </u>	0	
Drill Stem Test			4,000	+	4,000	
Casing Crew, E	menting Service		12,000 3,800	7,800 2,400	19,800 6,200	
Logging: Open			9,600		9,600	
Completion Rig		00/day	+	18,000	18,000	
Stimulation		<u> </u>	+	25,000	25,000	
Log & Perf. Ca	sed Hole		+	6,500	6,500	
Rentals			4,000	5,000	9,000	
Water/Water H			12,000	5,000	17,000	
Hauling/Freight			2,500	2,000	4,500	
Testing/Inspecti Labor: Contract			1,200 2,000	2,000 2,500	3,200 4,500	
	ogist/Engineer (Mud logger @	\$300/day)	7,500	1,200	8,700	
Overhead	(<u> </u>	4,000	2,500	6,500	
Professional Se	rvices		13,500	4,500	18,000	
Insurance			1,000	+	1,000	
Miscellaneous			3,500	2,000	5,500	
TOTAL INTA	NGIBLE COSTS		301,500	\$93,500	\$ 395,000	
TOTAL INTA	NGIBLE COSTS		301,500	\$ 93,500	\$ 395,000	
TANGIBLE C	OSTS					
TANGIBLE C	OSTS		2,500	1,000	3,500	
TANGIBLE C Cattle Guards & Casing: Cond.	OSTS & Fencing		2,500 2,500	1,000	3,500 2,500	
Cattle Guards & Casing: Cond. Casing: Surface	OSTS & Fencing e 13-3/8" @ 350"		2,500 2,500 6,500	1,000	3,500 2,500 6,500	
Cattle Guards & Casing: Cond. Casing: Surface Casing: Interme	OSTS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250		2,500 2,500	1,000 + + +	3,500 2,500 6,500 12,500	
Cattle Guards & Casing: Cond. Casing: Surface Casing: Interme	COSTS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955		2,500 2,500 6,500 12,500	1,000 + + + + 42,600 1,100	3,500 2,500 6,500	
Castle Guards & Casing Cond. Casing Surface Casing Interm Casing Product Float Equip, Ce Well Head	©STS & Fencing e 13-3/8" @ 350" e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizes, etc.		2,500 2,500 6,500 12,500 + 1,700 1,400	1,000 + + + + 42,600 1,100 8,000	3,500 2,500 6,500 12,500 42,600 2,800 9,400	
Castle Guards & Casing Cond. Casing Surface Casing Interm Casing Product Float Equip, Ce Well Head Tubing	COSTS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955		2,500 2,500 6,500 12,500 + 1,700 1,400 +	1,000 + + + + 42,600 1,100	3,500 2,500 6,500 12,500 42,600 2,800	
Castle Guards & Casing Cond. Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit	©STS & Fencing e 13-3/8" @ 350" e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizes, etc.		2,500 2,500 6,500 12,500 + 1,700 1,400 + +	1,000 + + + 42,600 1,100 8,000 23,600 +	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0	
Castle Guards & Casing: Cond. Casing: Surface Casing: Interm Casing: Produc Float Equip, Ce Will Head Tubing Pump Unit Motor/Engine	©STS & Fencing e 13-3/8" @ 350" e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizes, etc.		2,500 2,500 6,500 12,500 + 1,700 1,400 +	1,000 + + + + 42,600 1,100 8,000	3,500 2,500 6,500 12,500 42,600 2,800 9,400	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump	©STS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 xion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'		2,500 2,500 6,500 12,500 + 1,700 1,400 + +	1,000 + + + + 42,600 1,100 8,000 23,600 + +	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0	
Cattle Guards & Casing Cond. Casing Interm Casing Product Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks	©STS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizes, etc. 2-3/8" 4.7# N-80 @ 9550' -surface Equip.		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Product Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Motor/Engine Pirr&Other Sub Tanks Separator/Product	COSTS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 ediate 8-5/8" 11.6# N-80 @ 955 entrizes, etc. 2-3/8" 4.7# N-80 @ 9550' - surface Equip.		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0 0 0 8,000 6,600 6,000	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Product Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/	COSTS & Fencing e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 ation 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550" estrface Equip. uction Unit Dehydrator		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + +	1,000 + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 +	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 0 0 8,000 6,600 6,000	
Cattle Guards & Casing: Cond. Casing: Surface Casing: Interm Casing: Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal	©STS & Fencing e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 xion 4-1/2" 11.6# N-80 @ 955 xntrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550" surface Equip. uction Unit Dehydrator II Pipe		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0 0 0 8,000 6,600 0 8,000	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme	©STS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 xition 4-1/2" 11.6# N-80 @ 955 entrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' surface Equip. uction Unit Dehydrator II Pipe nt		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + +	1,000 + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 +	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 0 0 8,000 6,600 6,000	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos	©STS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' surface Equip. suction Unit Dehydrator II Pipe nt tts		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + + + + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + + 8,000 6,600 6,000 + 8,000	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos	COSTS & Fencing e 13-3/8" @ 350' ediate 8-5/8" 32# J-55 @ 1250 xion 4-1/2" 11.6# N-80 @ 955 entrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' surface Equip. uction Unit Dehydrator II Pipe not sts		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 1,00	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
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Cattle Guards & Casing: Cond. Casing: Surface Casing: Interm Casing: Interm Casing: Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud	costs & Fencing e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'		2,500 2,500 6,500 12,500 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 1,00	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Cattle Guards & Casing: Cond. Casing: Surface Casing: Interm Casing: Interm Casing: Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud	costs & Fencing e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550'		2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 1,00	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Cattle Guards & Casing: Cond. Casing: Surface Casing: Interm Casing: Interm Casing: Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud	costs & Fencing e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'		2,500 2,500 6,500 12,500 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 1,00	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Cattle Guards & Casing: Cond. Casing: Surface Casing: Interm Casing: Interm Casing: Produc Float Equip, Ce Well Head Tubing: Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud Total Well Cost Plugging Cost	costs & Fencing e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 stion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'	0	2,500 2,500 6,500 12,500 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 1,00	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud Total Well Cost Plugging Cost Total Dry and A	e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 dion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'	\$10,000	2,500 2,500 6,500 12,500 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + + 42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 1,00	3,500 2,500 6,500 12,500 42,600 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
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Cattle Guards & Casing Cond. Casing Surface Casing Interm Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud Total Well Cost Plugging Cost Total Dry and A	e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 dion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'	\$10,000	2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + + 8,000 6,600 6,000 + 8,000 \$3,000 \$112,900 \$206,400	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 \$,000 \$,000 \$,000	
Cattle Guards & Casing Cond. Casing Surface Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud Total Well Cost Plugging Cost Total Dry and A Total Cost Threa	e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 dion 4-1/2" 11.6# N-80 @ 955 entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550'	\$10,000	2,500 2,500 6,500 12,500 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + + 8,000 6,600 6,000 + 8,000 \$3,000 \$112,900 \$206,400	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 \$,000 \$,000 \$,000	
Cattle Guards & Casing Cond. Casing Surface Casing Surface Casing Interm Casing Produc Float Equip, Ce Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sub Tanks Separator/Prod Heater Treater/ Fittings & Smal Other Equipme Installation Cos TOTAL TANG Estimated Spud Total Well Cost Plugging Cost Total Dry and A Total Cost Threa	e 13-3/8" @ 350" ediate 8-5/8" 32# J-55 @ 1250 dion 4-1/2" 11.6# N-80 @ 955 entrizes, etc. 2-3/8" 4.7# N-80 @ 9550'	\$10,000 arest	2,500 2,500 6,500 12,500 + 1,700 1,400 + + + + + + + + + + + + + + + + + +	1,000 + + + 42,600 1,100 8,000 23,600 + + + + 8,000 6,600 6,000 + 8,000 \$3,000 \$112,900 \$206,400	3,500 2,500 6,500 12,500 42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 \$,000 \$,000 \$,000	



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7130 S. LEWIS AVE, SUITE 700 • TULSA, OK 74136 • PHONE (918) 488-8283 • FAX (918) 488-8182

Writers Direct Number (918) 491-4105

July 20, 1995

Kaiser Francis Oil Company P.O. Box 21468 Tulsa, OK 74121-1468

Attention: Wayne Fields

Re:

Cemetery Prospect

Section 9-20S-25E

Eddy County, New Mexico

Gentlemen:

Medallion Production Company ("Medallion") proposes the drilling of a test well to be located in the S/2 of Section 9-20S-25E, Eddy County, New Mexico. Medallion proposes that the test well be drilled to a depth of about 9,550' in order to sufficiently test the Morrow formation. Dry hole costs are estimated to be \$338,600 with total completed well costs estimated at \$535,000, as shown on the enclosed AFE.

In connection with the test well, Medallion has acquired leasehold rights accounting for 56.25% of this lay down 320 acre unit and proposes that you grant us a farmout of all of your interest in the S/2 of said Section 9 under the following terms:

- 1. On or before 120 days following the execution date of a definitive agreement, Medallion would commence or cause the commencement of a 9,550' Morrow test (the "Test Well") in the S/2 of Section 9-20S-25E, Eddy County, New Mexico.
- 2. In the event the Test Well results in a well capable of producing in commercial quantities, Medallion would earn an assignment of your interest from the surface of the earth to the total depth drilled in the Test Well. Such assignment would be limited to the unit established for the Test Well and any and all equipment used and obtained in connection therewith.
- 3. You would reserve in such assignment an overriding royalty interest equal to the difference between existing leasehold burdens and 25%, proportionately reduced to the interest being assigned.

Kaiser Francis Oil Company July 20, 1995 Page 2

4. Upon payout of the Test Well, you shall have the right and option to convert the previously reserved overriding royalty interest to a proportionately reduced 25% working interest.

As an alternative, Medallion would entertain a purchase of all of your interest in the referenced lands. Please let me know your thoughts on this proposal at your earliest convenience.

Respectfully,

MEDALLION PRODUCTION COMPANY

D.R. Defferbaugh, CPL

Landman

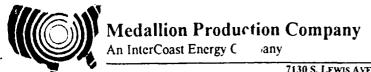
DRD/nb

cemkfoc.ltr

PROSPECT	Cemetary			Ε	DATE		
LEASE	 	WELL NO.		9-1 A	FE NO.		
LOCATION	NW/4 SE/4	SECTION	9 -	TWP	2 0S	RANGE	25E
FIELD	COUNTY	Eddy		S	TATE	New Mexico	
WELL TD	9550' PRIM. OBJ.	Могтоw		SECO	NDARY OBJ.		
CLASSIFICA	TION OF EXPENSE			Drilling	Completion	Total	
Drill, Complete an Single Zone Morr	nd Equip Well As A row Gas Producer			Costs	Costs		
INTANGIBLE	· · · · · · · · · · · · · · · · · · ·			ВСР	ACP		
Location			:	\$ 16,000	\$2,500	\$18,500	
Contracted Equ				2,000	+	2,000	
	II, RU, RD, MO			9,200	4,600	12 900	
	rk 2/1 @ \$4600/day ge \$18.50/ft			176,700	+,000	13,800 176,700	
Fuel	50 910.30/1.			+	+	0	
Drilling Bits				+	+	0	
Drilling Fluid		·		17,000	+	17,000	
Mud Disposal				4,000	+	4,000	
Drill Stem Test Cement and Ce	amenting Service			12,000	7,800	19,800	
Casing Crew, E				3,800	2,400	6,200	
Logging Oper	1 Hole			9,600	+	9,600	
Completion Rig	g 10 days @ \$18	00/day		+	18,000	18,000	
Stimulation	and I I also			+ +	25,000	25,000	
Log & Perf. Ca Rentals	31010			4,000	6,500 5,000	9,000	
Water/Water H	lauling			12,000	5,000	17,000	
Hauling/Freigh				2,500	2,000	4,500	
Testing/Inspect				1,200	2,000	3,200	
Labor: Contrac		#		2,000	2,500	4,500	
Overhead	ogist/Engineer (Mud logger @	\$300/day)		7,500 4,000	1,200 2,500	8,700 6,500	
Professional Se	ervices			13,500	4,500	18,000	
Insurance				1,000	+	1,000	
Miscellaneous				3,500	2,000	5,500	
TOTAL INTA	NGIBLE COSTS			301,500	\$ 93,500	\$ 395,000	
TANGIBLE C	COSTS						
Cattle Guards &	& Fencing			2,500	1,000	3,500	
Casing Cond.				2,500	+	2,500	
	e 13-3/8" @ 350'	N		6,500 12,500	+	6,500	·····
	ediate 8-5/8" 32# J-55 @ 1250 ction 4-1/2" 11.6# N-80 @ 955			12,500	42,600	12,500 42,600	
Float Equip, Co				1,700	1,100	2,800	
Well Head				1,400	8,000	9,400	
Tubing	2-3/8" 4.7# N-80 @ 9550'			+	23,600	23,600	
Pump Unit				+	<u>+</u>	0	
Motor/Engine Rods & Pump				+ +	+	0	
	o-surface Equip.		•	+	8,000	8,000	
Tanks				+	6,600	6,600	
Separator/Prod				+	6,000	6,000	
Heater Treater				+ +	+	0	
Fittings & Sma Other Equipme				+	8,000	8,000	
Installation Cos				+	8,000	8,000	
TOTAL TAN	GIBLE COSTS			\$27,100	\$ 112,900	\$ 140,000	
	TOTAL COSTS			\$ 328,600	\$206,400	\$ 535,000	
Estimated Spuc	i Date						
-	t to Casing Point			\$328,600			
Plugging Cost	=	\$10,000					
	Abandoned Cost			\$338,600			
-	ough Evaluation of Zone of Int	erest			\$ 498,400		
MEDALLION	N PRODUCTION COMPAN	v	u	VORKING INTER	EFST OWNER	2	
_		•			OWNER	•	
Ву: ДСЗ	Date:	 -	C	ompany Name:			

By:______ Date:_____

By:______Date:____



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7130 S. LEWIS AVE, SUITE 700 • TULSA, OK 74136 • PHONE (918) 488-8283 • FAX (918) 488-8182

Writers Direct Number (918) 491-4105

July 20, 1995

Kaiser Francis Oil Company P.O. Box 21468 Tulsa, OK 74121-1468

Attention: Wayne Fields

Re: Cemetery Prospect

Section 9-20S-25E

Eddy County, New Mexico

Gentlemen:

Medallion Production Company ("Medallion") proposes the drilling of a test well to be located in the S/2 of Section 9-20S-25E, Eddy County, New Mexico. Medallion proposes that the test well be drilled to a depth of about 9,550' in order to sufficiently test the Morrow formation. Dry hole costs are estimated to be \$338,600 with total completed well costs estimated at \$535,000, as shown on the enclosed AFE.

In connection with the test well, Medallion has acquired leasehold rights accounting for 56.25% of this lay down 320 acre unit and proposes that you grant us a farmout of all of your interest in the S/2 of said Section 9 under the following terms:

- 1. On or before 120 days following the execution date of a definitive agreement, Medallion would commence or cause the commencement of a 9,550' Morrow test (the "Test Well") in the S/2 of Section 9-20S-25E, Eddy County, New Mexico.
- 2. In the event the Test Well results in a well capable of producing in commercial quantities, Medallion would earn an assignment of your interest from the surface of the earth to the total depth drilled in the Test Well. Such assignment would be limited to the unit established for the Test Well and any and all equipment used and obtained in connection therewith.
- 3. You would reserve in such assignment an overriding royalty interest equal to the difference between existing leasehold burdens and 25%, proportionately reduced to the interest being assigned.

Kaiser Francis Oil Company July 20, 1995 Page 2

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As an alternative, Medallion would entertain a purchase of all of your interest in the referenced lands. Please let me know your thoughts on this proposal at your earliest convenience.

Respectfully,

MEDALLION PRODUCTION COMPANY

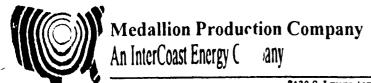
D.R. Defferbaugh, CPL

Landman

DRD/nb

cemkfoc.ltr

PROSPECT	Cemetary			Į.	DATE	7/21/1995 Rev 1	
LEASE		WELL NO.		9-1	AFE NO		
LOCATION	NW/4 SE/4	SECTION	9	TWP	208	RANGE	25E
FIELD	COUNTY	Eddy	<u> </u>		STATE	New Mexico	
WELL TD	9550' PRIM. OBJ.	Могтом			NDARY OBJ.		
							
CLASSIFICA	TION OF EXPENSE	<u> </u>	,	Drilling	Completion	Total	
	nd Equip Well As A row Gas Producer			Costs	Costs		
				ВСР	ACP	<u></u>	
INTANGIBLI	COSIS			bCr	ACF		
Location	 		\$	16,000	\$2,500	\$18,500	
Contracted Equation Return Rior M	II, RU, RD, MO			2,000	+	2,000	
	rk 2/1 @ \$4600/day			9,200	4,600	13,800	
Footag	ge \$18.50/ft			176,700	+	176,700	-
Fuel				+	+	0_	
Drilling Bits				17,000	+	17,000	
Drilling Fluid Mud Disposal				17,000	_	17,000	
Drill Stem Test	is			4,000	+	4,000	
	menting Service			12,000	7,800	19,800	
Casing Crew, F				3,800	2,400	6,200	
Logging Oper				9,600	+	9,600	
Completion Ri	g 10 days @ \$180	0/day		+	18,000	18,000 25,000	
Stimulation Log & Perf. Ca	yed Hole			+	25,000	6,500	
Rentals	isca i loje			4,000	5,000	9,000	
Water/Water H	auling			12,000	5,000	17,000	
Hauling/Freigh				2,500	2,000	4,500	
Testing/Inspect	ion			1,200	2,000	3,200	
Labor. Contra				2,000	2,500	4,500	
	ogist/Engineer (Mud logger @ \$	300/day)		7,500	1,200	8,700	
Overhead Professional Se				4,000 13,500	2,500 4,500	6,500 18,000	
Insurance	z vices			1,000	+	1,000	
Miscellaneous				3,500	2,000	5,500	
TOTAL INTA	NGIBLE COSTS			301,500	\$93,500	\$ 395,000	
TANGIBLE C				· · · · · · · · · · · · · · · · · · ·			
Cattle Guards &	& Fencina			2,500	1,000	3,500	
Casing Cond.	z i danig			2,500	+	2,500	
Casing: Surfac	≈ 13-3/8" @,350'			6,500	+	6,500	
Casing Interm					+		
Canaly, III-and	ediate 8-5/8" 32# J-55 @ 1250'			12,500		12,500	
Casing: Produ	rediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550	Y		+	42,600	42,600	
Casing: Produ Float Equip, C	rediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550	y		+ 1,700	42,600 1,100	42,600 2,800	
Casing Produ Float Equip, C Well Head	nediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550 entrlors, etc.	y		+ 1,700 1,400	42,600 1,100 8,000	42,600 2,800 9,400	
Casing Produ Float Equip, Co Well Head Tubing	rediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550	y		+ 1,700	42,600 1,100	42,600 2,800	
Casing Produ Float Equip, C Well Head	nediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550 entrlors, etc.	y		+ 1,700 1,400 + +	42,600 1,100 8,000 23,600	42,600 2,800 9,400 23,600	
Casing Production Float Equip, Control Head Tubing Pump Unit Motor/Engine Rods & Pump	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550 entrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550'	γ		+ 1,700 1,400 + + + +	42,600 1,100 8,000 23,600 + +	42,600 2,800 9,400 23,600 0 0	
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Casing Production of Control Equip. C. Well Head Tubing Pump Unit Motor/Engine Rods & Pump Pkr&Other Sul Tanks Separator/Prod Heater Treater/Fittings & Sma Other Equipme Installation Control Equipme Control	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550' cntrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' b-surface Equip. haction Unit Dehydrator III Pipe and sts GIBLE COSTS TOTAL COSTS	y		+ 1,700 1,400 + + + + + + + + + + + + + + + + + +	42,600 1,100 8,000 23,600 + + 8,000 6,600 6,000 + 8,000 + 8,000	42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
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Casing Productions of the Control of	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550' cntrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' b-surface Equip. haction Unit Dehydrator III Pipe and sts GIBLE COSTS TOTAL COSTS			+ 1,700 1,400 + + + + + + + + + + + + + + + + *	42,600 1,100 8,000 23,600 + + 8,000 6,600 6,000 + 8,000 + 8,000	42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Casing Production of Productio	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550' cntrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' chection Unit Dehydrator Ill Pipe and sts GIBLE COSTS TOTAL COSTS d Date at to Casing Point	\$10,000		\$27,100 \$328,600	42,600 1,100 8,000 23,600 + + 8,000 6,600 6,000 + 8,000 + 8,000	42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
Casing Productions of the Control of	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550' cntrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' chection Unit Dehydrator Ill Pipe and sts GIBLE COSTS TOTAL COSTS d Date at to Casing Point Abandoned Cost	\$10,000		+ 1,700 1,400 + + + + + + + + + + + + + + + + *	42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,000 + 8,000 3112,900 \$112,900	42,600 2,800 9,400 23,600 0 0 8,000 6,600 6,000 0 8,000 0 8,000	
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Casing Production of Productio	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550' cntrlzrs, etc. 2-3/8" 4.7# N-80 @ 9550' chesurface Equip. chection Unit //Dehydrator III Pipe rat sts GIBLE COSTS TOTAL COSTS d Date at to Casing Point Abandoned Cost ough Evaluation of Zone of Inter	\$10,000 est		\$27,100 \$328,600	42,600 1,100 8,000 23,600 + + + 8,000 6,600 6,600 + 8,000 * * \$ 112,900 \$ 2206,400	42,600 2,800 9,400 23,600 0 0 0 8,000 6,600 6,000 0 8,000 \$,000 \$,000 \$,000 \$,000 \$,000 \$,000	
Casing Productions of the Control of the Country of	ediate 8-5/8" 32# J-55 @ 1250' ction 4-1/2" 11.6# N-80 @ 9550' entrizrs, etc. 2-3/8" 4.7# N-80 @ 9550' b-surface Equip. chection Unit Dehydrator III Pipe and sts GIBLE COSTS TOTAL COSTS d Date at to Casing Point Abandoned Cost ough Evaluation of Zone of Inter	\$10,000 est		\$27,100 \$328,600 \$338,600 \$0RKING INTE	42,600 1,100 8,000 23,600 + + 8,000 6,600 6,000 + 8,000 \$112,900 \$206,400 \$498,400	42,600 2,800 9,400 23,600 0 0 0 8,000 6,600 6,000 0 8,000 \$,000 \$,000 \$,000 \$,000 \$,000 \$,000	





7130 S. LEWIS AVE, SUITE 700 • TULSA, OK 74136 • PHONE (918) 488-8283 • FAX (918) 488-8182

Writers Direct Number (918) 491-4105

July 20, 1995

Kaiser Francis Oil Company P.O. Box 21468 Tulsa, OK 74121-1468

Attention: Wayne Fields

Re:

Cemetery Prospect Section 9-20S-25E

Eddy County, New Mexico

Gentlemen:

Medallion Production Company ("Medallion") proposes the drilling of a test well to be located in the S/2 of Section 9-20S-25E, Eddy County, New Mexico. Medallion proposes that the test well be drilled to a depth of about 9,550' in order to sufficiently test the Morrow formation. Dry hole costs are estimated to be \$338,600 with total completed well costs estimated at \$535,000, as shown on the enclosed AFE.

In connection with the test well, Medallion has acquired leasehold rights accounting for 56.25% of this lay down 320 acre unit and proposes that you grant us a farmout of all of your interest in the S/2 of said Section 9 under the following terms:

- 1. On or before 120 days following the execution date of a definitive agreement, Medallion would commence or cause the commencement of a 9,550' Morrow test (the "Test Well") in the S/2 of Section 9-20S-25E, Eddy County, New Mexico.
- 2. In the event the Test Well results in a well capable of producing in commercial quantities, Medallion would earn an assignment of your interest from the surface of the earth to the total depth drilled in the Test Well. Such assignment would be limited to the unit established for the Test Well and any and all equipment used and obtained in connection therewith.
- 3. You would reserve in such assignment an overriding royalty interest equal to the difference between existing leasehold burdens and 25%, proportionately reduced to the interest being assigned.

Kaiser Francis Oil Company July 20, 1995 Page 2

4. Upon payout of the Test Well, you shall have the right and option to convert the previously reserved overriding royalty interest to a proportionately reduced 25% working interest.

As an alternative, Medallion would entertain a purchase of all of your interest in the referenced lands. Please let me know your thoughts on this proposal at your earliest convenience.

Respectfully,

MEDALLION PRODUCTION COMPANY

D.R. Deffenbeugh, CPL

Landman

DRD/nb

cemkfoc.ltr

Licase	0 00 0 00 00 00 00 00 00 00 00 00 00 00
FIELD	0 00 00 00 00 00 00 00 00 00 00 00 00 0
WELL TD 9550' PRIM. OBJ. Morrow SECONDARY OBJ.	0 00 0 00 00 00 00 00 00 00 00 00 00 00
CLASSIFICATION OF EXPENSE Drilling Completion Total	000 000 000 000 000 000 000 000 000 00
Drill, Complete and Equip Well As A Single Zone Morrow Gas Producer Costs Costs INTANGIBLE COSTS BCP ACP Location \$ 16,000 \$2,500 \$18,50 Contracted Equipment 2,000 + 2,00 Rotary Rig. MI, RU, RD, MO + + + Daywork 2/1 @ \$4600/day 9,200 4,600 13,8 Footage \$18.50/ft 176,700 + + Fuel + + + Drilling Bits + + + Drilling Fluid 17,000 + 17,0 Mud Disposal + + + Drill Stem Tests 4,000 + 4,0 Cement and Cementing Service 12,000 7,800 19,8 Casing Crew, Equipment 3,800 2,400 6,2 Logging Open Hole 9,600 + 9,6 Completion Rig 10 days @ \$1800/day + 18,000 25,00 Log & Perf. Cased Hole + 6,500 6,5 <th>000 000 000 000 000 000 000 000 000 00</th>	000 000 000 000 000 000 000 000 000 00
Single Zone Morrow Gas Producer Single Zone Morrow Gas Producer	000 000 000 000 000 000 000 000 000 00
Location	000 000 000 000 000 000 000 000 000 00
Contracted Equipment 2,000 + 2,000 Rotary Rigr MI, RU, RD, MO + + + + +	000 000 000 000 000 000 000 000 000 00
Contracted Equipment 2,000 + 2,000 Rotary Rigr MI, RU, RD, MO + + + + +	000 000 000 000 000 000 000 000 000 00
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Footage \$18.50/ft	00 0 0 00 00 0 0 00 00 00 00 00 00 00 0
Fuel + + + Drilling Bits + + + Drilling Fluid 17,000 + 17,0 Mud Disposal + + + Drill Stem Tests 4,000 + 4,0 Cement and Cementing Service 12,000 7,800 19,8 Casing Crew, Equipment 3,800 2,400 6,2 Logging. Open Hole 9,600 + 9,6 Completion Rig 10 days @\$1800/day + 18,000 18,0 Stimulation + 25,000 25,0 25,0 Log & Perf. Cased Hole + 6,500 6,5 Rentals 4,000 5,000 9,0 Water/Water Hauling 12,000 5,000 17,0 Hauling/Freight 2,500 2,000 4,5 Testing/Inspection 1,200 2,000 3,2 Labor: Contract 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @\$300/day) 7,500 1,200 </td <td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0</td>	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
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Cement and Cementing Service 12,000 7,800 19,8 Casing Crew, Equipment 3,800 2,400 6,2 Logging: Open Hole 9,600 + 9,6 Completion Rig 10 days @\$1800/day + 18,000 18,0 Stimulation + 25,000 25,0 Log & Perf. Cased Hole + 6,500 6,5 Rentals 4,000 5,000 9,0 Water/Water Hauling 12,000 5,000 17,0 Hauling/Freight 2,500 2,000 4,5 Testing/Inspection 1,200 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @\$300/day) 7,500 1,200 8,7	00 00 00 00 00
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Completion Rig 10 days @ \$1800/day + 18,000 18,00 Stimulation + 25,000 25,0 Log & Perf. Cased Hole + 6,500 6,5 Rentals 4,000 5,000 9,0 Water/Water Hauling 12,000 5,000 17,0 Hauling/Freight 2,500 2,000 4,5 Testing/Inspection 1,200 2,000 3,2 Labor: Contract 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @ \$300/day) 7,500 1,200 8,7	00
Log & Perf. Cased Hole + 6,500 6,5 Rentals 4,000 5,000 9,0 Water/Water Hauling 12,000 5,000 17,0 Hauling/Freight 2,500 2,000 4,5 Testing/Inspection 1,200 2,000 3,2 Labor: Contract 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @ \$300/day) 7,500 1,200 8,7	
Rentals 4,000 5,000 9,0 Water/Water Hauling 12,000 5,000 17,0 Hauling/Freight 2,500 2,000 4,5 Testing/Inspection 1,200 2,000 3,2 Labor: Contract 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @ \$300/day) 7,500 1,200 8,7	W)
Water/Water Hauling 12,000 5,000 17,0 Hauling/Freight 2,500 2,000 4,5 Testing/Inspection 1,200 2,000 3,2 Labor: Contract 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @ \$300/day) 7,500 1,200 8,7	
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Testing/Inspection 1,200 2,000 3,2 Labor: Contract 2,000 2,500 4,5 Company Geologist/Engineer (Mud logger @ \$300/day) 7,500 1,200 8,7	
Company Geologist/Engineer (Mud logger @ \$300/day) 7,500 1,200 8,7	
Overhead 4,000 2,500 6,51	
Overhead 4,000 2,500 6,5 Professional Services 13,500 4,500 18,0	
Trousing 1,000 + 1,0	
Miscellaneous 3,500 2,000 5,5	00
TOTAL INTANGIBLE COSTS 301,500 \$93,500 \$395,00	0
TANGIBLE COSTS	
Cattle Guards & Fencing 2,500 1,000 3,5	
Casing Cond. 2,500 + 2,5	
Casing. Surface 13-3/8" @ 350' 6,500 + 6,50 Casing. Intermediate 8-5/8" 32# J-55 @ 1250' 12,500 + 12,50	
Casing: Production 4-1/2" 11.6# N-80 @ 9550' + 42,600 42,60	
Float Equip, Centrizrs, etc. 1,700 1,100 2,8	
Well Head 1,400 8,000 9,4	
Tubing 2-3/8" 4.7# N-80 @ 9550' + 23,600 23,6	
Pump Unit + + Motor/Engine + +	0
Rods & Pump + +	0
Pkr&Other Sub-surface Equip. + 8,000 8,0	00
Tanks + 6,600 6,6	
Separator/Production Unit + 6,000 6,0	
Heater Treater/Dehydrator + + Fittings & Small Pipe + 8,000 8,0	0
Other Equipment + +	0
Installation Costs + 8,000 8,00	00
TOTAL TANGIBLE COSTS \$27,100 \$112,900 \$140,00	0
TOTAL COSTS \$328,600 \$206,400 \$535,00	0
Estimated Spud Date	
Total Well Cost to Casing Point \$328,600	
Total Well Cost to Casing Point \$328,600 Plugging Cost \$10,000	
Total Well Cost to Casing Point \$328,600	
Total Well Cost to Casing Point \$328,600 Plugging Cost \$10,000 Total Dry and Abandoned Cost \$338,600	
Total Well Cost to Casing Point \$328,600 Plugging Cost \$10,000 Total Dry and Abandoned Cost \$338,600	
Total Well Cost to Casing Point \$328,600 Plugging Cost \$10,000 Total Dry and Abandoned Cost \$338,600 Total Cost Through Evaluation of Zone of Interest \$498,400	

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION OF MEDALLION PRODUCTION COMPANY FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 11411

<u>AFFIDAVIT</u>

STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

William F. Carr, authorized representative of Medallion Production Company, the Applicant herein, being first duly sworn, upon oath, states that in accordance with the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division the Applicant has attempted to find the correct addresses of all interested persons entitled to receive notice of this application and that notice has been given at the addresses shown on Exhibit "A" attached hereto as provided in Rule 1207.

William F. Carr

SUBSCRIBED AND SWORN to before me this 30th day of October, 1995.

Notary Public

My Commission Expires:

EXHIBIT A

Kaiser-Francis Oil Company Post Office Box 21468 Tulsa, OK 74121-1468

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 11411 Exhibit No. 5

Submitted by: Medallion Production Company

Hearing Date: November 2, 1995

AFFIDAVIT, Page 2

CAMPBELL, CARR & BERGE, P.A.

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MICHAEL H. FELDEWERT
TANNIS L. FOX
TANYA M. TRUJILLO
PAUL R OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208

TELEPHONE. (505) 988-4421

TELECOPIER: (505) 983-6043

September 27, 1995

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Kaiser-Francis Oil Company Post Office Box 21468 Tulsa, OK 74121-1468

Re: Application of Medallion Production Company for Compulsory Pooling, Eddy

County, New Mexico

Gentlemen:

This letter is to advise you that Medallion Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of certain mineral interests in all formations from the surface to the base of the Morrow formation, Undesignated Cemetary-Morrow Pool, in and under the S/2 of Section 9, Township 20 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. Medallion Production Company proposes to dedicate the referenced pooled unit to its Harris No. 1 Well to be drilled at an orthodox location in the S/2 of said Section 9.

This application has been set for hearing before a Division Examiner on October 19, 1995. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,

Janza Suijillo Tanya M. Trujillo

TMT:mlh

P 176 015 376



Kaiser-Francis Oil Company Post Office Box 21468 Tulsa, OK 74121-1468

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