

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland Texas 79705
915 686-8235
Fax 915 686-7806

September 13, 1996

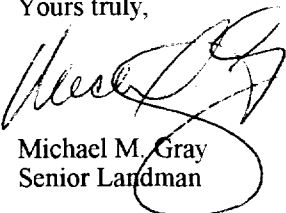
State of New Mexico
Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RE: Case #11563, Order #1-0637
Nike "3" #1 Well
Section 3, T-16-S, R-35-E
Lea County, New Mexico

Gentlemen:

Enclosed is a copy of the estimated well cost for the captioned well. Estimated well costs were furnished to the parties subject to the order by certified mail on August 7, 1996. Copies of those letters are enclosed for your files.

Yours truly,



Michael M. Gray
Senior Landman

MMG/dw

nike.msc

SEP 18 1996

CONSERVATION DIVISION

E. Tanach

JK

*FILE
11563*

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

August 7, 1996

A.L. Cone Partnership
12 Briercroft Office Park
Lubbock, Texas 79412-3002

CERTIFIED RETURN RECEIPT

ATTN: Mr. Larry Petrie

RE: Nike "3" #1 Well
T-16-S, R-35-E, Section 3
3,070' FSL/330' FEL
Lea County, New Mexico

Gentlemen:

Order No. R-10637 has been issued for Case #11563 by the Oil Conservation Division of the State of New Mexico. Pursuant to that order, we are enclosing our Authority for Expenditure setting forth the estimated cost of drilling and completing the well. Under the terms of the order, you have 30 days from receipt of this letter and AFE to elect to participate or not to participate in the captioned well.

As we have indicated to you in the past, we would welcome and prefer that you join under the terms of our proposed Operating Agreement or we would still be willing to consider leasing from you under mutually acceptable terms.

Yours truly,


Michael M. Gray
Senior Landman

MMG/dw
encl.

CONE 8696

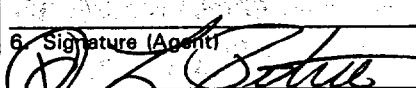
Z 740 463 190



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Back)

Nike "3" #1

SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): <ul style="list-style-type: none">1. <input type="checkbox"/> Addressee's Address2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Mr. Larry Petrie A.L. Cone Partnership 12 Briercroft Office Park Lubbock, TX 79412-3002		4a. Article Number Z 740 463 190	
4b. Service Type <ul style="list-style-type: none"><input type="checkbox"/> Registered<input checked="" type="checkbox"/> Certified<input type="checkbox"/> Express Mail		<input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature (Addressee)		7. Date of Delivery AUG 13 1996	
6. Signature (Agent) 		8. Addressee's Address (if requested and fee is paid)	

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Nike 3

WELL NUMBER: 1

TOTAL DEPTH: 12,300'

LOCATION: 3070' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM

FIELD: Wildcat Mississippian

EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat

DESCRIPTION OF WORK: Drill and complete as a flowing Mississippian gas producer

DATE PREPARED: 6/4/96

EST. START DATE:

EST. COMPLETION DATE:

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage - 12,300' @ \$18 /Ft	1514.101	221,400	NA		221,400
Drilling Daywork - 3/2 Days @ \$4,500/Day	1514.105	13,500	1515.105	9,000	22,500
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.120	2,500	17,500
Damages	1514.125	5,000	1515.125	1,000	6,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	35,000	NA	1,000	36,000
Fuel, Power & Water	1514.140	15,000	1515.140	2,000	17,000
Supplies - Bits	1514.145		1515.145	500	500
Supplies - Casing Equipment	1514.150	2,500	1515.150	7,000	9,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	1,500	1515.160	500	2,000
Cement and Cmt. Services - Surface Csg	1514.165	5,000	NA		5,000
Cement and Cmt. Services - Int. Csg	1514.170	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.175	25,000	25,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	10,000	1515.180		10,000
Rental - Misc.	1514.185	2,500	1515.185	3,000	5,500
Testing - Drill Stem / Production	1514.190	9,000	1515.195		9,000
Open Hole Logging	1514.200	35,000	NA		35,000
Mudlogging Services	1514.210	15,000	NA		15,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	10,500	10,500
Reverse Equipment	NA		1515.219	1,200	1,200
Wireline Services	1514.205		1515.205	7,500	7,500
Stimulation	NA		1515.221	9,500	9,500
Pump / Vacuum Truck Services	1514.220		1515.220	2,500	2,500
Transportation	1514.225	2,500	1515.225	4,000	6,500
Tubular Goods - Inspection & Testing	1514.230	1,500	1515.230	8,000	9,500
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,500	1515.240	300	1,800
Engineer / Geologist	1514.250	7,500	1515.250	2,500	10,000
Company Labor - Field Supervision	1514.255	15,000	1515.255	4,500	19,500
Contract Labor / Roustabout	1514.265	2,000	1515.265	3,000	5,000
Legal and Professional Services	1514.270	5,000	1515.270	2,000	7,000
Insurance	1514.275	27,900	1515.275	2,000	29,900
Overhead	1514.280	10,000	1515.280	2,000	12,000
SUBTOTAL		485,300		96,000	581,300
Contingencies (10%)		48,530		9,600	58,130
ESTIMATED TOTAL INTANGIBLES		533,830		105,600	639,430

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Nike 3

WELL NUMBER: 1

TOTAL DEPTH: 12,300'

LOCATION: 3070' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM

FIELD: Wildcat Mississippian

EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat

DESCRIPTION OF WORK: Drill and complete as a flowing Mississippian gas producer

DATE PREPARED: 6/4/96

EST. START DATE:

EST. COMPLETION DATE:

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

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Drilling Footage - 12,300' @ \$18 /Ft	1514.101	221,400	NA		221,400
Drilling Daywork - 3/2 Days @ \$4,500/Day	1514.105	13,500	1515.105	9,000	22,500
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.125	2,500	17,500
Damages	1514.125	5,000	1515.125	1,000	6,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	35,000	NA	1,000	36,000
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Supplies - Bits	1514.145		1515.145	500	500
Supplies - Casing Equipment	1514.150	2,500	1515.150	7,000	9,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	1,500	1515.160	500	2,000
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Cement and Cmt. Services - Int. Csg	1514.170	12,000	NA		12,000
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Mudlogging Services	1514.210	15,000	NA		15,000
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Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
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Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

August 7, 1996

CERTIFIED RETURN RECEIPT

Enserch Exploration, Inc.
4849 Greenville Ave., Suite 1200
Dallas, Texas 75206

ATTN: Mr. Jerry R. Anderson

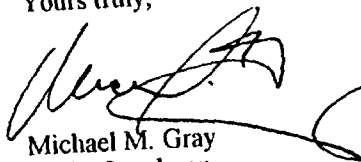
RE: Nike "3" #1 Well
T-16-S, R-35-E, Section 3
3,070' FSL/330' FEL
Lea County, New Mexico

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As we have indicated to you in the past, we would welcome and prefer that you join under the terms of our proposed Operating Agreement.

Yours truly,


Michael M. Gray
Senior Landman

MMG/dw
encl.

ENSERCH 8696

Z 740 463 189

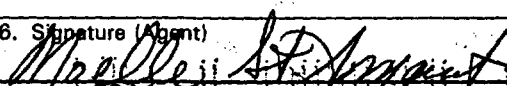


**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to
Jerry Anderson

Nike "3" #1

Is your RETURN ADDRESS completed on the reverse side?	SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.	I also wish to receive the following services (for an extra fee): <ul style="list-style-type: none">1. <input type="checkbox"/> Addressee's Address2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
	3. Article Addressed to: Mr. Jerry R. Anderson Enserch Exploration, Inc. 4849 Greenville Ave., S-1200 Dallas, TX 75206	4a. Article Number Z 740 463 189
	5. Signature (Addressee)	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
	6. Signature (Agent) 	7. Date of Delivery 8/9/96
	8. Addressee's Address (Only if requested and fee is paid)	

Dallas, Texas

AUTHORITY FOR EXPENDITURE

TOTAL DEPTH: 12,300'

EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat

EST. COMPLETION DATE:

COMMUNICATIONS ACCOUNT NUMBER:

<u>TANGIBLE COSTS:</u>	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1520.305		NA		0
Surface Casing 13-3/8"-500'@\$24/ft	1520.310	12,000	NA		12,000
Intermediate Casing 8-5/8"-4,900'@\$14/ft	1520.315	68,600	NA		68,600
Protection Casing	1520.320		NA		
Production Casing 12,300'@\$13.50/ft	NA		1522.325	166,100	166,100
Protection Liner	1520.330		NA		
Production Liner	NA		1522.335		
Tubing 2-3/8" - 11,900'@\$3.30/ft	NA		1522.340	39,300	39,300
Rods	NA		1522.345		0
Artificial Lift Equipment	NA		1522.350		0
Tank Battery	NA		1522.355	20,000	20,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	12,000	12,000
Well Head Equipment & Christmas Tree	1520.365	1,500	1522.365	10,500	12,000
Subsurface Well Equipment	NA		1522.370	6,000	6,000
Flow Lines	NA		1522.375	7,500	7,500
Saltwater Disposal Pump	NA		1522.380		0
Gas Meter	NA		1522.385	3,500	3,500
Lact Unit	NA		1522.387	12,000	12,000
Vapor Recovery Unit	NA		1522.388	2,500	2,500
Other Well Equipment	NA		1522.390		
ROW and Damages	NA		1522.393	2500	
Surface Equipment Installation Costs	NA		1522.395	10,000	10,000
Elect. Installation	NA		1522.397	5,000	5,000
ESTIMATED TOTAL TANGIBLES		82,100		296,900	379,000
ESTIMATED TOTAL WELL COSTS		615,930		402,500	1,018,430

NPC APPROVAL	DATE
PREPARED BY: HRW	6/04/96
REVIEWED BY: ESK	6/04/96
APPROVED BY:	

DATE _____

TITLE

Dallas, Texas

LEASE: Nike 3 WELL NUMBER: 1 TOTAL DEPTH: 12,300'
LOCATION: 3070' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM
FIELD: Wildcat Mississippian EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat
DESCRIPTION OF WORK: Drill and complete as a flowing Mississippian gas producer
DATE PREPARED: 6/4/96 EST. START DATE: EST. COMPLETION DATE:
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

NPC APPROVAL	DATE
PREPARED BY: HRW	6/04/96
REVIEWED BY: ESK	6/04/96
APPROVED BY:	

TITLE

DATE _____