

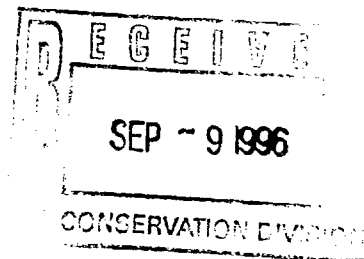


Case 11588
September 3, 1996

M.S.
InterCoast Oil and Gas Company
7130 South Lewis Avenue
Suite 700
Tulsa, Oklahoma 74136
918 488-8283 Telephone
918 488-8182 Fax

VIA CERTIFIED MAIL

Bright Hawk/Burkhard Venture
Attn: James W. Carroll
700 Louisiana St.
Suite 2480
Houston, TX 77002



Re: Elk-2
Un-named Well
E/2 of Section 2-17S-34E
Lea County, New Mexico

Dear Mr. Carroll:

Enclosed please find State of New Mexico, Oil Conservation Division Order No. R-10650 issued August 15, 1996, in InterCoast's Oil and Gas Company's compulsory pooling case No. 11588 which covers the referenced lands.

In accordance with Order No. R-11588 we are furnishing to you InterCoast's AFE dated July 2, 1996, provided as an itemized schedule of estimated well costs for the referenced well. This same AFE is being provided to the State of New Mexico, Oil Conservation Division by copy of this letter.

I look forward to your reply in this matter and please feel free to call me at (918) 491-4111 should you have any questions.

Sincerely,

Chris Girouard
Vice President - Land

CG:tw
0903-01a

cc: State of New Mexico
Oil Conservation Division

INTERCOAST OIL AND GAS COMPANY


AUTHORIZATION FOR EXPENDITURES

Description of Work: Footage Drill, Log, DST, complete and equip a single zone Morrow Sand gas well

Prospect	Elk-2	Well No.	1	Date	7/2/96
Lease	To Be Determined			AFE No.	
Location	1650' FNL-660 FEL	Section	2	Twp	17S Range 34E
Field	S. Kennitz Atoka Morrow	County	Lea	State	New Mexico
Well TD	12700'	Prim. Obj.	Morrow	Sec. Obj.	

	Before Csg Point	After Csg Point	Total		Before Csg Point	After Csg Point	Total
INTANGIBLE COSTS	BCP-820	ACP-840		TANGIBLE COSTS	BCP-830	ACP-850	
.01 Location/Damage Payment	4,500		4,500	.01 Cattle Guards & Fencing	0	0	0
.02 Location Construction	17,500	1,500	19,000	.02 Csg: Cond.	0	X	0
.03 Contracted Equipment	0	0	0	.03 Csg: Surface	6,500	X	\$ 6,500
.04 Rotary Rig: MI, RU, RD, MO	0	0	0	400' 13-3/8" 48# H-40			
.05 Rotary Rig: Daywork	11,000	11,000	22,000	.04 Csg: Intermediate	43,200	X	\$ 43,200
.06 Rotary Rig: Footage	242,250	0	242,250	4600' 9-5/8" 40#			
.07 Fuel	2,000	0	2,000	.05 Csg: Production	X	91,900	91,900
.08 Drilling Bits	0	0	0	5-1/2" @ 12750'			
.09 Drilling Fluid	42,000	1,000	43,000	.06 Float Equip, Centrizers, etc.		2,000	2,000
.10 Mud Disposal	3,000	X	3,000	.07 Well Head	8,800	11,500	20,300
.11 Drill Stem Tests	4,000	X	4,000	.08 Tubing	X	38,250	38,250
.12 Cement and Cementing Service	18,000	12,000	30,000	2-7/8"			
.13 Casing Crew, Equipment	3,500	3,500	7,000	.09 Pump Unit	X	0	0
.14 Logging: Open Hole	15,000	X	15,000	.10 Motor/Engine	X	0	0
.15 Completion Rig	X	15,000	15,000	.11 Rods & Pump	X	0	0
.16 Stimulation	X	55,000	55,000	.12 Pkr & Sub-surface Equip.	X	10,000	10,000
.17 Misc. Pumping Services	0	3,500	3,500	.13 Tanks	X	5,500	5,500
.18 Log & Perf Cased Hole	X	8,000	8,000	.14 Separator/Production Unit	X	9,700	9,700
.19 Rentals	5,000	5,000	10,000	.15 Heater Treater/Dehydrator	X	7,500	\$ 7,500
.20 Water/Water Hauling	10,500	6,000	16,500	.16 Fittings & Small Pipe	X	12,500	12,500
.21 Hauling/Freight	0	1,000	1,000	.17 Other Equipment	0	0	0
.22 Tubular Inspection	1,500	2,500	4,000	.18 Installation Costs	X	15,000	15,000
.23 Well Testing	1,500	1,000	2,500	.19 Miscellaneous			
.24 Labor: Contract	1,500	2,500	4,000	.20 Contingency			
.25 Company Geologist/Engineer	2,500	0	2,500	Subtotal	58,500	203,850	262,350
.26 Overhead	3,700	1,000	4,700				
.27 Professional Services	19,500	6,000	25,500	Pipeline		PL-880	
.28 Insurance	1,700	0	1,700	.01 Line Pipe	X	25,000	25,000
.29 Miscellaneous tax	15,000	8,550	23,550	.02 Metering Equipment	X	0	
.30 Contingency	500	0	500	.03 Meter Sta. Valves, Fittings	X	0	
.31 Coiled Tubing Work	0	3,500	3,500	Subtotal		25,000	25,000
.32 Packer Redress	X		0	TOTAL TANGIBLE COSTS	58,500	228,850	287,350
Subtotal	425,650	147,550	573,200				
Pipeline		PL-880		TOTAL WELL COSTS	484,150	376,400	860,550
.01 Tapping Fee	X			Total Well Cost to Casing Point			484,150
.02 Purchased Right of Way	X			Plugging Cost			\$15,000
.03 Damage Payments	X			Total Dry & Abandonment Cost			\$499,150
.04 Right of Way Acquisition	X			Total Cost Through Evaluation of Zone of Interest			775,350
.05 Permits	X			Prepared By:	LCF/TR		
.06 Freight	X			Estimated Spud Date			
.07 PL & Meter Sta. Construction	X			InterCoast WIO %			
.08 Surveying and Drafting	X			InterCoast Net Expenditure			\$0
.09 Field Construction Sup.	X			Supplement No.			
.10 Misc. and Contingency	X			Original AFE Amount			
Subtotal				Amount This Supplement			
TOTAL INTANGIBLE COSTS	\$425,650	\$147,550	\$573,200	Revised AFE Amount			

INTERCOAST OIL AND GAS COMPANY APPROVED

By:  Date: 8/30/96

By: _____ Date: _____

By: _____ Date: _____

WORKING INTEREST OWNER APPROVED

Company Name: _____

By: _____ Date: _____

Name: _____