

# **BURLINGTON RESOURCES**

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MID-CONTINENT DIVISION

November 19, 1996

Mr. Ron Lanning  
Texaco Exploration and Production Inc.  
P. O. Box 3109  
Midland, Texas 79702

Re: Rhodes "23" Fed Com No. 1 Well  
660' FSL & 1100' FWL  
Section 23, T-26-S, R-37-E  
Lea County, New Mexico

Dear Ron:

Burlington Resources Oil & Gas Company ("BR") is reviewing Texaco Exploration and Production Inc's ("Texaco") proposal of the multi-lateral horizontal well in the Middle Yates interval referenced above. Because the cost estimate of this wellbore is more than twice the projected cost of a vertical wellbore, BR is having difficulty understanding the economic advantage of developing our combined asset in the manner in which you propose. We have discussed the potential of horizontal development on numerous occasions, but frankly, were unaware of the complexity and expense of the multi-lateral well which you have proposed. BR is continuing to evaluate our participation in your multi-lateral horizontal well and in order to fairly complete our evaluation, a drilling prognosis and wellbore schematic would expedite the process. Please fax same to the undersigned at (915) 688-6010 at your earliest possible convenience.

Given the above facts, BR suggests an alternative to Texaco's more expensive, multi-lateral horizontal well and hereby proposes the drilling of the Dublin "23" Federal No. 1, a vertical Yates test to be drilled at a legal location in the SW/4 SW/4 Section 23, T-26-S, R-37-E, Lea County, New Mexico. For your review and approval, enclosed please find an AFE in the amount of \$234,735 which represents the costs of drilling, completing and equipping the Dublin "23" Federal No. 1. Pending the results of this well, a second well could be drilled at a later date at similar costs. A higher economic return could be realized by drilling two vertical wells at BR's costs and ensure the protection of correlative rights without the mechanical risk of a multi-lateral horizontal well. Please realize also, that BR's AFE includes the cost of facilities which your AFE has not represented.

**BEFORE THE**

**OIL CONSERVATION DIVISION**

Case No. 11678 Exhibit No. **3**

Submitted By:

**Burlington Oil & Gas Company**

Hearing Date: December 19, 1996

Mr. Ron Lanning  
Texaco Exploration and Production Inc  
November 19, 1996  
Page 2

We have received your Amended Application for Compulsory Pooling an unorthodox surface location and are advised that it has been set for the December 5th hearing. Rather than appearing before the NMOCD regarding a compulsory pooling of a horizontal well, please consider the viability of drilling the vertical wells as stated herein. You may contact me at 688-6928 if you wish to discuss this proposal in further detail.

Very truly yours,

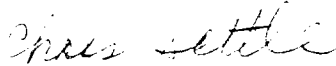
BURLINGTON RESOURCES  
OIL & GAS COMPANY

A handwritten signature in cursive script, reading "Leslyn M. Swierc".

Leslyn M. Swierc, CPL  
Senior Staff Landman

LMS/bgm  
Attachment

cc: Tom Kellahin \_

A handwritten signature in cursive script, reading "Tom Kellahin".

Mid-Continent Division  
Post Office Box 51810  
Midland, Texas 79710-1810  
915) 688-6800

Date: 11/12/96  
AFE No.: \_\_\_\_\_

**BURLINGTON RESOURCES OIL & GAS  
AUTHORITY FOR EXPENDITURE**

Foreman Area: Kermit  
DP Number: \_\_\_\_\_

Lease/Well Name: Dublin Federal 23 #1  
Field Prospect: Rhodes Gas Pool  
Location: M Section 23 T26S R37E County: Lea  
AFE Type: Development 01 Original ☒ Supplement Addendum API Well Type  
Operator: Burlington Resources  
Objective Formation: Yates Authorized Total Depth (Feet): 3,200'  
Project Description: Drill, complete and equip new gas well.

Estimated Start Date: 1/1/97 Prepared By: C. J. Settle  
Estimated Completion Date: 1/20/97

**GROSS WELL DATA**

	Drilling		Workover/ Completion	Construction Facility	Total
Days:	Dry Hole	Suspended			
	6	6	5	2	19
This AFE:	\$123,300	\$139,400	\$76,335	\$19,000	\$234,735
Prior AFE's:					\$0
Total Costs:	\$123,300	\$139,400	\$76,335	\$19,000	\$234,735

**JOINT INTEREST OWNERS**

Company:	Working Interest	Dry Hole \$	Completed \$
	Percent		
Texaco	50.00000 %	\$0	\$117,368
Other	1.95313 %	\$1,157	\$4,585
		\$0	\$0
		\$0	\$0
Burlington Resources	48.04688 %	\$59,242	\$112,783
AFE TOTAL:	100.00000 %	\$123,300	\$234,735

**BURLINGTON RESOURCES APPROVAL**

Recommended: \_\_\_\_\_ Date: \_\_\_\_\_ Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Recommended: \_\_\_\_\_ Date: \_\_\_\_\_ Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Recommended: \_\_\_\_\_ Date: \_\_\_\_\_ Approved: \_\_\_\_\_ Date: \_\_\_\_\_

**PARTNER APPROVAL**

Company Name: \_\_\_\_\_  
Authorized By: \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_

**MERIDIAN OIL INC.**  
**DRILLING WELL COST ESTIMATE**

LEASE WELL: <u>Dublin Federal 23 No. 1</u>	PREPARED BY: <u>L. H. Sinclair</u>	DATE: _____
COUNTY STATE: <u>Lea, New Mexico</u>	APPROVED BY: <u>H. A. Lee</u>	DATE: _____
PROPOSED TOTAL DEPTH: <u>3,200</u>	WELL TYPE: <u>Development Drilling</u>	
FOOTAGE TOTAL DEPTH: <u>3,200</u>		

ACCT	WELL NOMENCLATURE	DAYS:	DRYHOLE COST	SUSPENDED COST
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248-

**INTANGIBLE DRILLING COSTS**

- |  |            |
|--|------------|
| 1 Environmental Studies                        |            |
| 2 Construction (location, roads, etc)          |            |
| 4 Surface restoration                          |            |
| 5 Move in, move out                            |            |
| 6 Contractor Fees-Footage; \$/ foot:           | \$11.00    |
| 7 Contractor Fees-Daywork; \$/day:             | \$4,600.00 |
| 8 Environmental fire and safety                |            |
| 9 Drilling fluids                              |            |
| 10 Gas and Air Drilling                        |            |
| 11 Drilling fluids - Processing & Maint. equip |            |
| 12 Specialty fluids and chemicals              |            |
| 13 Engineering services-fluids and chemicals   |            |
| 14 Salt/brine water                            |            |
| 15 Salt water disposal                         |            |
| 16 Water                                       |            |
| 17 Bits, reamers and stabilizers               |            |
| 18 Primary cement, services and accessories    |            |
| 19 Squeeze cement, services and accessories    |            |
| 20 Mud logging/paleo                           |            |
| 21 Wireline logging                            |            |
| 22 Coring and analysis                         |            |
| 23 Fuel  |            |
| 24 BOP's and wellhead rentals - surface        |            |
| 25 Drill/work string rentals - subsurface      |            |
| 26 Fishing tool rentals                        |            |
| 27 Tank rentals                                |            |
| 28 Other rentals                               |            |
| 29 Transportation                              |            |
| 30 Disposal services (offsite)                 |            |
| 31 Drill stem tests                            |            |
| 32 Directional drilling                        |            |
| 33 Tubular inspection                          |            |
| 34 Cased hole logs                             |            |
| 40 Casing crews and laydown services           |            |
| 43 Consultants                                 |            |
| 45 Roustabout and contract labor               |            |
| 46 Miscellaneous                               |            |
| 62 Environmental compliance                    |            |
| 72 Company supervision and overhead            |            |

2	\$11.000	2	\$11.000
3	\$36.500	3	\$36.500
4		4	
5		5	
6	\$35.200	6	\$35.200
7	\$2.300	7	\$2.300
8	\$1.700	8	\$1.700
9	\$2.800	9	\$2.800
10		10	
11		11	
12		12	
13		13	
14	\$2.000	14	\$2.000
15		15	
16	\$2.000	16	\$2.000
17		17	
18	\$10.000	18	\$13.000
19		19	
20	\$1.600	20	\$1.600
21	\$4.400	21	\$4.400
22		22	
23		23	
24		24	
25		25	
26		26	
27		27	
28		28	
29	\$1.500	29	\$1.500
30		30	
31		31	
32		32	
33	\$700	33	\$700
34		34	
40		40	
43		43	
45	\$500	45	\$500
46	\$300	46	\$300
62		62	
72	\$3,600	72	\$3,600

**TOTAL INTANGIBLE COST**

\$116.100

\$119.100

**TANGIBLE DRILLING COST**

- |   |  |
|---|--|
| 30 Casing                                     |  |
| 550 ft. o 8 5/8 in. \$10.40 ft (SURFACE)      |  |
| ft. of _____ in. _____ ft (INTERMEDIATE)      |  |
| 3,200 ft. o 4 1/2 in. \$4.10 ft (PRODUCTION)  |  |
| ft. of _____ in. _____ ft (LINER)             |  |
| 32 Downhole equipment (packers, bridge plugs) |  |
| 34 Downhole equipment accessories             |  |
| 36 Wellhead equipment.                        |  |
| 37 Miscellaneous                              |  |

80	\$5,700	80	\$5,700
			\$13.100
82		82	
84		84	
86	\$1,500	86	\$1,500
87		87	

**TOTAL TANGIBLE COST**

\$7,200

\$20,300

**TOTAL DRILLING COST ESTIMATE**

\$123,300

\$139,400

\$38.53 ft. \$43.56 ft.

# BURLINGTON RESOURCES OIL & GAS

## Completion Estimate

Well Name: Dublin Federal 23 #1  
 Location: M Section 23 T26S R37E  
 AFE Type: Development 01  
 Formation: Yates

Prepared By: C. J. Settle  
 Date: 11/12/96  
 Approved By: \_\_\_\_\_

		<b>Intangible Costs</b>	
		Estimated Days:	5
Acct No.	249	Estimated Cost	
02	Location, Roads or Canals		0
03	Construction and Maintenance		0
04	Surface Restoration		0
05	Move-in, Move-out		0
07	Fees of Contractor - Daywork	5 Days	6,000
09	Drilling Fluid System - Liquids		0
10	Gas and Air Drilling		0
12	Specialty Fluids and Chemicals		0
15	Onsite Disposal Svc.		0
16	Fresh Water		3,500
17	Bits		0
18	Primary Cement		0
19	Remedial Cementing		0
20	Mud Logging		0
21	Open Hole Logs		0
22	Coring and Analysis		0
23	Fuel/Electricity		0
24	BOP & Wellhead Rentals(Surface)		1,000
25	Drill Work String Rentals (Surface)		1,000
26	Fishing Tool Rentals		0
27	Tank Rentals		1,100
28	Other Rental		0
29	Transportation		0
30	Offsite Disposal Service		0
33	Tubular Inspection		0
34	Cased Hole Services		3,500
36	Production Testing		1,500
37	Swabbing & Coiled Tubing		0
38	Stimulation		3,500
39	Fracturing		37,500
40	Casing Crew and Laydown		0
42	BOP Testing		0
43	Consultants		0
44	Technical Contract Svc.		0
45	Roustabout Labor		1,500
46	Miscellaneous		0
49	Packer Rental		1,000
50	Pumping Charges		0
68	Direct Labor		0
72	Company Supervision and Overhead		7,000
74	Employee Expense		0
	<b>Total Intangibles</b>		<b>68,100</b>
		<b>Tangible Costs</b>	
80	Casing	0' @4.84 /ft	0
81	Tubing 2-3/8" J-55 Yellow	3150' @2.60 /ft	8,235
		0' @2.30 /ft	
82	Packers and Bridge Plugs		0
84	Casing/Liner Equipment		0
85	Tubing Equipment		0
86	Wellhead Equipment & Tree		0
	<b>Total Tangibles</b>		<b>8,235</b>
<b>Total Completion Cost</b>		<b>76,335</b>	

**BURLINGTON RESOURCES OIL & GAS**  
**Facilities / Production Estimate**

Well Name: Dublin Federal 23 #1  
Location: M Section 23 T26S R37E  
AFE Type: Development 01  
Formation: Yates  
Acct No. 247

Prepared By: C. J. Settle  
Date: 11/12/96  
Approved By: \_\_\_\_\_

				Production	Facilities	Estimated Cost
	<b>Intangible</b>					
02	Install Labor	2	Days	0	6,000	6,000
	Labor			0	3,000	
	Dirt Work			0	2,000	
	Painting			0	1,000	
03	Company Vehicles			0	0	0
08	Location, Roads & Canals			0	0	0
12	Overhead			0	0	0
17	Damages, Property Losses			0	0	0
43	Safety			0	0	0
44	Technical Contract Svc.			0	0	0
47	Rental Compressors & Maintenance			0	0	0
48	Rental Equipment			0	0	0
49	Cathodic Protection			0	0	0
50	Right Of Way		@ \$/rod	0	0	0
57	Pulling Unit Costs	0	\$/Day	0	0	0
62	Env. Compliance-Assessment			0	0	0
63	Env. Compliance (Remediation)			0	0	0
68	Direct Labor			0	1,000	1,000
73	Freight /Transportation			0	1,000	1,000
	<b>Total Intangible</b>			<b>0</b>	<b>8,000</b>	<b>8,000</b>
	<b>Tangible</b>					
20	Equip. Coating and Insulation			0	0	0
26	SWD Filtering			0	0	0
27	Separators Total			0	3,000	3,000
	Unfired			0	3,000	
	Fired			0	0	
28	Gas Sweetening			0	0	0
29	Pumping Units			0	0	0
31	Prime Mover			0	0	0
32	Tanks Battery Total			0	4,000	4,000
	Oil Tank		500 bbl@	0	0	
	Wtr Tank	1	500 bbl@	0	4,000	
	Tank Walkway			0	0	
33	Metering Equipment			0	0	0
	Lact Unit			0	0	0
35	Compressors - Company Owned			0	0	0
36	Buildings			0	0	0
39	Flowlines, Piping, Valves & Fittings			0	4,000	4,000
51	Minor Pipelines			0	0	0
53	Surface Pumps			0	0	0
54	Electrical Accessories			0	0	0
55	Miscellaneous-Facility Expense			0	0	0
81	Tubing			0	0	0
82	Rods			0	0	0
83	Downhole Pumps			0	0	0
84	Alternative Artificial Lift Equip. POC			0	0	0
86	Convent Artificial Lift Wellhead Equip.			0	0	0
96	Gas Dehydrator			0	0	0
	<b>Total Tangible</b>			<b>0</b>	<b>11,000</b>	<b>11,000</b>
	<b>Total Facility Cost</b>			<b>0</b>	<b>19,000</b>	<b>19,000</b>

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**BURLINGTON RESOURCES**  
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