

**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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

November 21, 1996

**Mewbourne Oil Company**  
500 West Texas, Suite 1050  
Midland, Texas 79701

Re: Hummer "4" State Com #1 Well  
660' FEL and 1650' FNL of Section 4,  
T-18-S, R-28-E, Eddy County, New Mexico  
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Mewbourne Oil Company's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Mewbourne delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush  
Consulting Landman

DR:kg

xc: Bob Shelton  
Cap Horning  
Tim MacDonald

Msoffice\winword\drtartesia mewbourne

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 11684 Exhibit No. 3  
Submitted By:  
**Nearburg Exploration Company**  
Hearing Date: January 23, 1997

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

|   |    |
|---|----|
| Sent to<br>Mewbourne Oil Co.  |    |
| Street & Number<br>500 W. Texas, S-1050   |    |
| Post Office, State, & ZIP Code<br>Midland, TX 79701                                       |    |
| Postage   | \$ |
| Certified Fee   |    |
| Special Delivery Fee  |    |
| Restricted Delivery Fee   |    |
| Return Receipt Showing to Whom & Date Delivered   |    |
| Return Receipt Showing to Whom, Date, & Addressee's Address                               |    |
| TOTAL Postage & Fees  | \$ |
| Postmark or Date<br>Hummer "4" St. Com. #1<br>Artesia Prospect<br>Ltr. dtd. 11-21-96 (DR) |    |

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- 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):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Mewbourne Oil Company  
 500 West Texas, Suite 1050  
 Midland, TX 79701

4a. Article Number

P 268 415 380

4b. Service Type

- |   |   |
|---|---|
| <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 | <input type="checkbox"/> COD                  |

7. Date of Delivery

11-22-96

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X *[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

**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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

November 21, 1996

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702-0552

Re: Hummer "4" State Com #1 Well  
660' FEL and 1650' FNL of Section 4,  
T-18-S, R-28-E, Eddy County, New Mexico  
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Marathon Oil Company's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Marathon delivering an 80% net revenue interest. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush  
Consulting Landman

DR:kg

xc: Bob Shelton  
Cap Homing  
Tim MacDonald

PS Form 3800, April 1995

# Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

|   |    |
|---|----|
| Sent to   |    |
| Marathon Oil Company  |    |
| Street & Number   |    |
| P.O. Box 552  |    |
| Post Office, State, & ZIP Code                              |    |
| Midland, TX 79702-0552                                      |    |
| Postage   | \$ |
| Certified Fee   |    |
| Special Delivery Fee  |    |
| Restricted Delivery Fee                                     |    |
| Return Receipt Showing to Whom & Date Delivered             |    |
| Return Receipt Showing to Whom, Date, & Addressee's Address |    |
| TOTAL Postage & Fees  | \$ |
| Postmark or Date  |    |
| Hummer "4" St. Com. #1                                      |    |
| Artesia Prospect  |    |
| Ltr. dtd. 11-21-96 (DR)                                     |    |

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

## SENDER:

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
Marathon Oil Company  
P. O. Box 552  
Midland, TX 79702-0552

4a. Article Number  
P 263 415 381

4b. Service Type  
☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery  
NOV 22 1996

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)



PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

**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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

November 21, 1996

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79702

Re: Hummer "4" State Com #1 Well  
660' FEL and 1650' FNL of Section 4,  
T-18-S, R-28-E, Eddy County, New Mexico  
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Exxon Corporation's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Exxon delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush  
Consulting Landman

DR:kg

xc: Bob Shelton  
Cap Homing  
Tim MacDonald

USPS Special Service  
**Receipt for Certified Mail.**

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

|   |    |
|---|----|
| Sent to   |    |
| Exxon Corporation   |    |
| Street & Number   |    |
| P. O. Box 1600  |    |
| Post Office, State, & ZIP Code                              |    |
| Midland, TX 79702   |    |
| Postage   | \$ |
| Certified Fee   |    |
| Special Delivery Fee  |    |
| Restricted Delivery Fee                                     |    |
| Return Receipt Showing to Whom & Date Delivered             |    |
| Return Receipt Showing to Whom, Date, & Addressee's Address |    |
| TOTAL Postage & Fees  | \$ |
| Postmark or Date  |    |
| Hummer "4" St. Com. #1                                      |    |
| Artesia Prospect  |    |
| Ltr. dtd. 11-21-96 (DR)                                     |    |

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Exxon Corporation  
P. O. Box 1600  
Midland, TX 79702

4a. Article Number

P 268 415 382

4b. Service Type

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

NOV 22 1996

5. Received By: (Print Name)

6. Signature (Addressee or Agent)

X. 

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3817, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

**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*

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

November 21, 1996

Atlantic Richfield Company  
P. O. Box 1610  
Midland, Texas 79702

Re: Hummer "4" State Com #1 Well  
660' FEL and 1650' FNL of Section 4,  
T-18-S, R-28-E, Eddy County, New Mexico  
Artesia Prospect

Gentlemen:

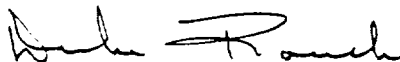
Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that ARCO's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with ARCO delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush  
Consulting Landman

DR:kg

xc: Bob Shelton  
Cap Homing  
Tim MacDonald

US Postal Service

# Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

|   |    |
|---|----|
| Sent to<br>Atlantic Richfield Co.   |    |
| Street & Number<br>P. O. Box 1610   |    |
| Post Office, State, & ZIP Code<br>Midland, TX 79702                                       |    |
| Postage   | \$ |
| Certified Fee   |    |
| Special Delivery Fee  |    |
| Restricted Delivery Fee   |    |
| Return Receipt Showing to Whom & Date Delivered   |    |
| Return Receipt Showing to Whom, Date, & Addressee's Address                               |    |
| TOTAL Postage & Fees  | \$ |
| Postmark or Date<br>Hummer "4" St. Com. #1<br>Artesia Prospect<br>Ltr. dtd. 11-21-96 (DR) |    |

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

## SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
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I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

### 3. Article Addressed to:

Atlantic Richfield Company  
P. O. Box 1610  
Midland, TX 79702

### 4a. Article Number

P 268 415 384

### 4b. Service Type

- |   |   |
|---|---|
| <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 | <input type="checkbox"/> COD                  |

### 7. Date of Delivery

NOV 22 1996

### 5. Received By: (Print Name)

*[Signature]*

### 6. Signature: (Addressee or Agent)

X

### 8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.



**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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

November 21, 1996

Oxy USA, Inc.  
P. O. Box 50250  
Midland, Texas 79710

Re: Hummer "4" State Com #1 Well  
660' FEL and 1650' FNL of Section 4,  
T-18-S, R-28-E, Eddy County, New Mexico  
Artesia Prospect

Gentlemen:


Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Oxy USA, Inc.'s leasehold ownership would equate to a 25% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Oxy delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush  
Consulting Landman

DR:kg

xc: Bob Shelton  
Cap Homing  
Tim MacDonald

US Postal Service

# Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

|   |    |
|---|----|
| Sent to   |    |
| Oxy USA, Inc.   |    |
| Street & Number   |    |
| P. O. Box 50250   |    |
| Post Office, State, & ZIP Code                              |    |
| Midland, TX 79710   |    |
| Postage   | \$ |
| Certified Fee   |    |
| Special Delivery Fee  |    |
| Restricted Delivery Fee                                     |    |
| Return Receipt Showing to Whom & Date Delivered             |    |
| Return Receipt Showing to Whom, Date, & Addressee's Address |    |
| TOTAL Postage & Fees  | \$ |
| Postmark or Date  |    |
| Hummer "4" St. Com. #1                                      |    |
| Artesia Prospect  |    |
| Lt. dtd. 11-21-96 (DR)                                      |    |

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

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- 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):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

### 3. Article Addressed to:

Oxy USA, Inc.  
P. O. Box 50250  
Midland, TX 79710

### 4a. Article Number

P 268 415 383

### 4b. Service Type

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

### 7. Date of Delivery

NOV 21 1996

### 5. Received By: (Print Name)

### 6. Signature: (Addressee or Agent)

*[Signature]*

### 8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Exploration and Production

Dallas, Texas

## AUTHORITY FOR EXPENDITURE

WELL NAME: Hummer "4" State Com #1 well WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 10,900'

LOCATION: 660' FEL and 1650' FNL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico

FIELD: Undesignated Morrow

PROSPECT: Artesia

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 10/23/96

EST. SPUD DATE:

EST. COMPLETION DATE:

ACCOUNTING WELL NUMBER:

01/31/97

03/31/97

COMMUNICATIONS ACCOUNT NUMBER:

| <b>INTANGIBLE COSTS:</b>                 | <b>CODE</b> | <b>TO CSG PT</b> | <b>CODE</b> | <b>COMPLETION</b> | <b>TOTAL WELL</b> |
|--|-------------|------------------|-------------|-------------------|-------------------|
| Drilling Footage 10,900 Ft @ 19.00 \$/Ft | 1514.101    | 207,100          | NA          |                   | 207,100           |
| Drilling Daywork D/C\$/day 3 2 4500      | 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           | 1515.123    | 1,500             | 16,500            |
| Damages                                  | 1514.125    | 3,000            | 1515.125    |                   | 3,000             |
| Directional Drilling - Tools and Service | 1514.130    |                  | 1515.130    |                   | 0                 |
| Drilling Fluids                          | 1514.135    | 25,000           | NA          |                   | 25,000            |
| Fuel, Power, and Water                   | 1514.140    | 10,000           | 1515.140    | 2,000             | 12,000            |
| 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    | 4,000            | NA          |                   | 4,000             |
| Cement and Cmt. Services - Int. Csg      | 1514.170    | 10,000           | NA          |                   | 10,000            |
| Cement and Cmt. Services - Prod. Csg     | NA          |                  | 1515.172    | 25,000            | 25,000            |
| Cement and Cmt. Services - Other         | 1514.175    |                  | 1515.175    |                   | 0                 |
| Rental - Drilling Tools and Equipment    | 1514.180    | 5,000            | 1515.180    |                   | 5,000             |
| Rental - Miscellaneous                   | 1514.185    | 500              | 1515.185    | 2,500             | 3,000             |
| Testing - Drill Stem / Production        | 1514.195    | 6,000            | 1515.195    | 1,500             | 7,500             |
| Open Hole Logging                        | 1514.200    | 25,000           | NA          |                   | 25,000            |
| Mudlogging Services                      | 1514.210    | 10,000           | NA          |                   | 10,000            |
| Special Services                         | 1514.190    |                  | 1515.190    |                   | 0                 |
| Plug and Abandon                         | 1514.215    | 12,000           | 1515.215    | (12,000)          | 0                 |
| Pulling and/or Swabbing Unit             | NA          |                  | 1515.217    | 7,500             | 7,500             |
| Reverse Equipment                        | NA          |                  | 1515.219    | 1,000             | 1,000             |
| Wireline Services                        | 1514.205    |                  | 1515.205    | 10,000            | 10,000            |
| Stimulation                              | NA          |                  | 1515.221    | 10,000            | 10,000            |
| Pump / Vacuum Truck Services             | 1514.220    | 500              | 1515.220    | 1,500             | 2,000             |
| Transportation                           | 1514.225    | 1,500            | 1515.225    | 2,500             | 4,000             |
| Tubular Goods - Inspection & Testing     | 1514.230    |                  | 1515.230    | 7,500             | 7,500             |
| Unclassified                             | 1514.245    |                  | 1515.245    |                   | 0                 |
| Telephone and Radio Expense              | 1514.240    | 1,000            | 1515.240    | 250               | 1,250             |
| Engineer / Geologist / Landman           | 1514.250    | 5,000            | 1515.250    | 1,800             | 6,800             |
| Company Labor - Field Supervision        | 1514.255    | 12,000           | 1515.255    | 4,500             | 16,500            |
| Contract Labor / Roustabout              | 1514.265    | 2,000            | 1515.265    | 2,500             | 4,500             |
| Legal and Professional Services          | 1514.270    | 2,500            | 1515.270    | 500               | 3,000             |
| Insurance                                | 1514.275    | 9,500            | 1515.275    |                   | 9,500             |
| Overhead                                 | 1514.280    | 6,000            | 1515.280    | 1,250             | 7,250             |
| <b>SUBTOTAL</b>                          |             | 390,100          |             | 88,300            | 478,400           |
| Contingencies (10%)                      |             | 39,010           |             | 8,830             | 47,840            |
| <b>ESTIMATED TOTAL INTANGIBLES</b>       |             | 429,110          |             | 97,130            | 526,240           |

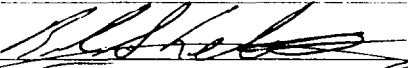
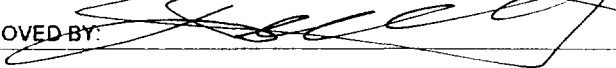
AUTHORITY FOR EXPENDITURE

WELL NAME: Hummer "4" State Com #1 well WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 10,900'  
LOCATION: 660' FEL and 1650' FNL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico  
FIELD: Undesignated Morrow PROSPECT: Artesia EXPLORATORY, DEVELOPMENT, WO: E  
DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 10/23/96 EST. SPUD DATE: 01/31/97 EST. COMPLETION DATE: 03/31/97  
ACCOUNTING WELL NUMBER: COMMUNICATIONS ACCOUNT NUMBER:

| TANGIBLE COSTS:                          | CODE     | TO CSG PT | CODE     | COMPLETION | TOTAL WELL |
|--|----------|-----------|----------|------------|------------|
| Conductor Casing                         | 1520.305 |           | NA       |            | 0          |
| Surface Csg 600 Ft @ 20.00 \$/Ft         | 1520.310 | 12,000    | NA       |            | 12,000     |
| Intermediate Csg 2,800 Ft @ 15.00 \$/Ft  | 1520.315 | 42,000    | NA       |            | 42,000     |
| Protection Csg                           | 1520.320 | 0         | NA       |            |            |
| Production Csg 10,900 Ft @ 12.00 \$/Ft   | NA       |           | 1522.325 | 130,800    | 130,800    |
| Protection Liner                         | 1520.330 |           | NA       |            |            |
| Production Liner                         | NA       |           | 1522.335 |            |            |
| Tubing 10,700 Ft @ 3.10 \$/Ft            | NA       |           | 1522.340 | 33,170     | 33,170     |
| Rods Ft @ \$/Ft                          | NA       |           | 1522.345 | 0          | 0          |
| Artificial Lift Equipment                | NA       |           | 1522.350 |            | 0          |
| Tank Battery                             | NA       |           | 1522.355 | 10,000     | 10,000     |
| Separators/Heater Treater/Gas Units/FWKO | NA       |           | 1522.360 | 12,000     | 12,000     |
| Well Head Equipment & Christmas Tree     | 1520.365 | 1,500     | 1522.365 | 10,000     | 11,500     |
| Subsurface Well Equipment                | NA       |           | 1522.370 | 5,000      | 5,000      |
| Flow Lines                               | NA       |           | 1522.375 | 5,000      | 5,000      |
| Saltwater Disposal Pump                  | NA       |           | 1522.381 |            | 0          |
| Gas Meter                                | NA       |           | 1522.385 | 2,500      | 2,500      |
| Lact Unit                                | NA       |           | 1522.387 |            | 0          |
| Vapor Recovery Unit                      | NA       |           | 1522.389 |            | 0          |
| Other Well Equipment                     | NA       |           | 1522.390 |            |            |
| ROW and Damages                          | NA       |           | 1522.393 | 1500       |            |
| Surface Equipment Installation Costs     | NA       |           | 1522.395 | 5,000      | 5,000      |
| Elect. Installation                      | NA       |           | 1522.397 |            | 0          |
| ESTIMATED TOTAL TANGIBLES                |          | 55,500    |          | 214,970    | 270,470    |
| ESTIMATED TOTAL WELL COSTS               |          | 484,610   |          | 312,100    | 796,710    |

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   | DATE     |
|--|----------|
| PREPARED BY: TRM   | 3/27/96  |
| REVIEWED BY:  |          |
| APPROVED BY:  | 11/21/96 |

WI APPROVAL: COMPANY  
BY  
TITLE