

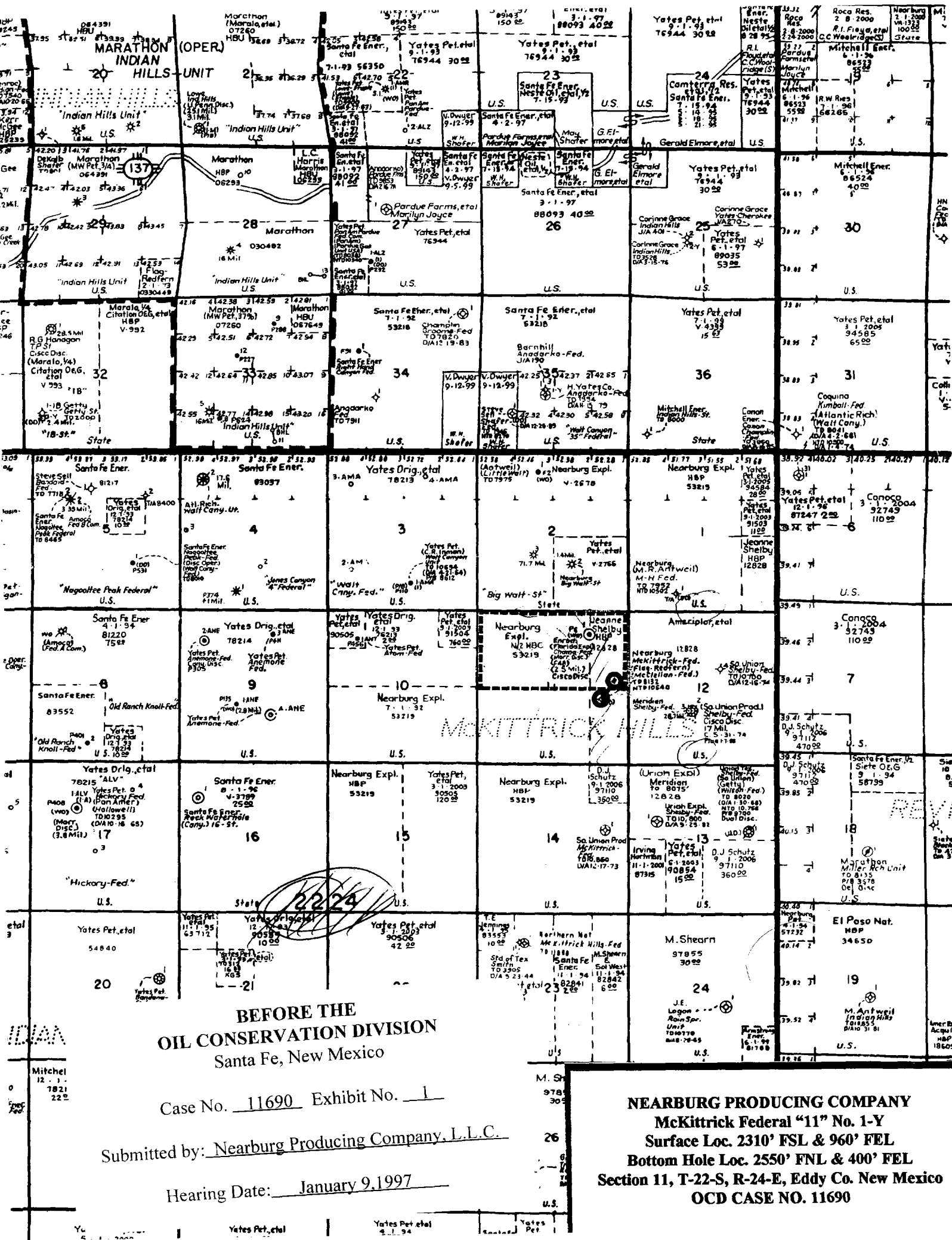
BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11690 Exhibit No. 1

Submitted by: Nearburg Producing Company, L.L.C.

Hearing Date: January 9, 1997

NEARBURG PRODUCING COMPANY
McKittrick Federal "11" No. 1-Y
Surface Loc. 2310' FSL & 960' FEL
Bottom Hole Loc. 2550' FNL & 400' FEL
Section 11, T-22-S, R-24-E, Eddy Co. New Mexico
OCD CASE NO. 11690



BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11690 Exhibit No. 2

Submitted by: Nearburg Producing Company, L.L.C.

Hearing Date: January 9, 1997

NEARBURG PRODUCING COMPANY
McKittrick Federal "11" No. 1-Y
Surface Loc. 2310' FSL & 960' FEL
Bottom Hole Loc. 2550' FNL & 400' FEL
Section 11, T-22-S, R-24-E, Eddy Co. New Mexico
OCD CASE NO. 11690

	Nearburg Producing Company Operator	Nearburg Producing Company Operator	Nearburg Exploration Company, LLC
3			1
Yates Petroleum Corporation Operator	•	2 • *	Jeanne F. Shelby
Yates Petroleum Corporation Operator	•	Nearburg Producing Company Chania Federal No. 1 780' FNL, 1350' FEL	Nearburg Producing Company Merit Energy Company, Merit Energy Partners, LP, Merit Energy Partners, III LP, Merit Energy Partners, VII LP MeritNet Partners, LP Consolidated Oil & Gas, Inc. Hugoton Energy Corporation
10		11 • Bottom Hole Loc. 2550' FNL & 400' FEL	12
Nearburg Exploration Company LLC		Nearburg Exploration Company LLC Surface Loc. 2310' FSL & 960' FEL	*
			Nearburg Producing Company, Operator Merit Energy Company, Merit Energy Partners, LP, Merit Energy Partners, III LP, Merit Energy Partners, VII LP MeritNet Partners, L P Consolidated Oil & Gas, Inc. Hugoton Energy Corporation

MARTIN YATES, III
1912 - 1983
FRANK W. YATES
1934 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

January 7, 1997

Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Mr. Bob Shelton

Re: Directional Drilling
Section 11, T22S-R24E
Eddy County, New Mexico

Dear Mr. Shelton:

Pursuant to our telephone conversation this morning, Yates Petroleum Corporation has no objection to the re-entering the McClellan Federal #1 located in Unit 1 of the captioned section and drilling directionally to a location 2050' FNL and 400' FEL of the same section. This waiver is granted subject to your granting Yates a like waiver should Yates desire a similar well in this area.

If you require anything further, please do not hesitate to contact me.

Very truly yours,

YATES PETROLEUM CORPORATION


Randy G. Patterson
Land Manager

RGP/mw

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11690 Exhibit No. 3

Submitted by: Nearburg Producing Company, L.L.C.

Hearing Date: January 9, 1997

No Exhibit

#4

submitted in
this Case

(11690)

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES


IN THE MATTER OF THE APPLICATION
OF NEARBURG PRODUCING COMPANY, L.L.C.
FOR AN UNORTHODOX BOTTOMHOLE LOCATION,
AND DIRECTIONAL DRILLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11690

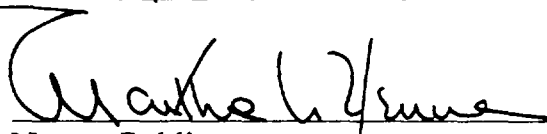
AFFIDAVIT

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

Paul R. Owen, authorized representative of Nearburg Producing Company, L.L.C., 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.


Paul R. Owen

SUBSCRIBED AND SWORN to before me this 8th day of January, 1997.


Notary Public

My Commission Expires: August 19, 1999

EXHIBIT A

Merit Energy Company
12222 Merit Drive, Suite 1500
Dallas, TX 75251

Merit Energy Partners, L.P.
12222 Merit Drive, Suite 1500
Dallas, TX 75251

Merit Energy Partners, III L.P.
12222 Merit Drive, Suite 1500
Dallas, TX 75251

Merit Energy Partners, VI L.P.
12222 Merit Drive, Suite 1500
Dallas, TX 75251

MeritNet Partners, L.P.
12222 Merit Drive, Suite 1500
Dallas, TX 75251

Consolidated Oil & Gas, Inc.
410 17th Street, Suite 2300
Denver, CO 80202

Hugoton Energy Corporation
301 Main Street, Suite 1900
Wichita, KS 67202

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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WILLIAM F. CARR
BRADFORD C. BERGE
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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

December 18, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Merit Energy Company
12222 Merit Drive, Suite 1500
Dallas, TX 75251

Re: Application of Nearburg Producing Company, L.L.C. for an unorthodox location
and directional drilling, Eddy County, New Mexico

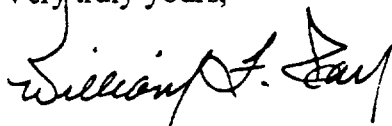
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Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a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

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY, L.L.C.
WFC:mlh
Enc.

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:

Merit Energy Company
12222 Merit Drive, Suite 1500
Dallas, TX 75251

4a. Article Number

P 551 044 456

4b. Service Type

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

7. Date of Delivery

12/23/96

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 1995

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 551 044 456

US Postal Service
Receipt for Certified Mail

Merit Energy Company
12222 Merit Drive, Suite 1500
Dallas, TX 75251

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	DEC 18 1996

PS Form 3800 April 1995

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
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JEFFERSON PLACE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

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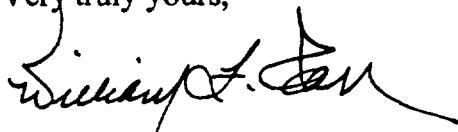
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ATTORNEY FOR NEARBURG PRODUCING COMPANY, L.L.C.

WFC:mlh

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PS Form 3811, December 1994

Domestic Return Receipt

4a. Article Number

1551 044 457

4b. Service Type

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

7. Date of Delivery

12-23-96

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P 551 044 457

US Postal Service

Receipt for Certified Mail

Merit Energy Partners, L.P.
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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	
DEC 18 1996	

Thank you for using Return Receipt Service.

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

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**JEFFERSON PLACE
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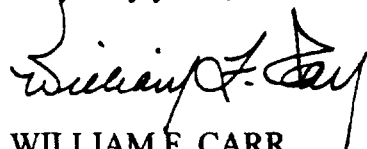
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Domestic Return Receipt

PS Form 3811, December 1994

P 551 044 458

US Postal Service
Receipt for Certified Mail

Merit Energy Partners, III L.P.
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Dallas, TX 75251

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	DEC 18 1996

PS Form 3800, April 1995

Thank you for using Return Receipt Service.

CAMPBELL, CARR, BERGE

8 SHERIDAN, P.A.

LAWYERS

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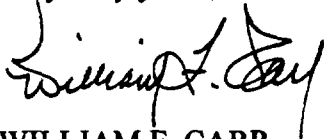
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DEC 13 96

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X *[Signature]*

PS Form 3811, December 1994

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US Postal Service
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Certified Fee	
Special Delivery Fee	
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TOTAL Postage & Fees	\$
Postmark or Date	DEC 18 1996

PS Form 3800, April 1995

CAMPBELL, CARR, BERGE
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LAWYERS

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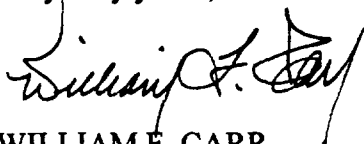
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12222 Merit Drive, Suite 1500
Dallas, TX 75251

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1551 044 460

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Postage	\$
Certified Fee	
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Re: Application of Nearburg Producing Company, L.L.C. for an unorthodox location
and directional drilling, Eddy County, New Mexico

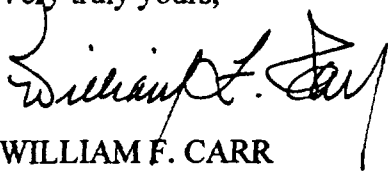
Gentlemen:

This letter is to advise you that Nearburg Producing Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking authority to drill its proposed McKittrick Federal 11 Well No. 1Y from a surface location 2310 feet from the South line and 960 feet from the East line and directionally drill to a bottom hole location 2550 feet from the North line and 400 feet from the East line of Section 11, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico. The McKittrick Federal 11 Well No. 1Y will be the second well on the existing 320-acre spacing and proration unit comprised of the N/2 of said Section 11 in the Cisco Canyon formation, Indian Basin-Upper Pennsylvanian Associated Pool.

This application has been set for hearing before a Division Examiner on January 9, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, 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,



WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY, L.L.C.
WFC:mlh
Enc.

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

**MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN**

**MICHAEL H. FELDEWERT
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**

December 18, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Hugoton Energy Corporation
301 Main Street, Suite 1900
Wichita, KS 67202

Re: Application of Nearburg Producing Company, L.L.C. for an unorthodox location
and directional drilling, Eddy County, New Mexico

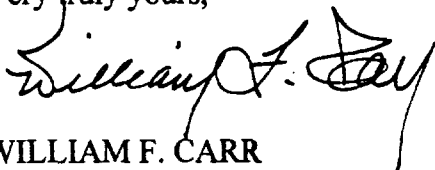
Gentlemen:

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Very truly yours,



**WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY, L.L.C.**

WFC:mlh

Enc.

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:

Hugoton Energy Corporation
301 Main Street, Suite 1900
Wichita, KS 67202

4a. Article Number

P 551 044 462

4b. Service Type

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

7. Date of Delivery

ST 12-23-96

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

5. Received By: (Print Name)

TAMMIE M. PRINING

6. Signature: (Addressee or Agent)

PS Form 3811, December 1994

Domestic Return Receipt

P 551 044 462
US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided

Hugoton Energy Corporation
301 Main Street, Suite 1900
Wichita, KS 67202

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	DEC 18 1996

PS Form 3800, April 1995

Thank you for using Return Receipt Service.

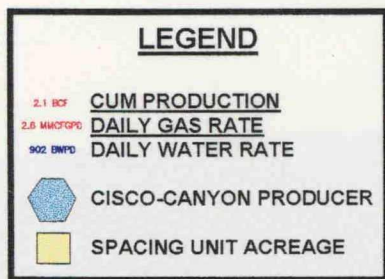
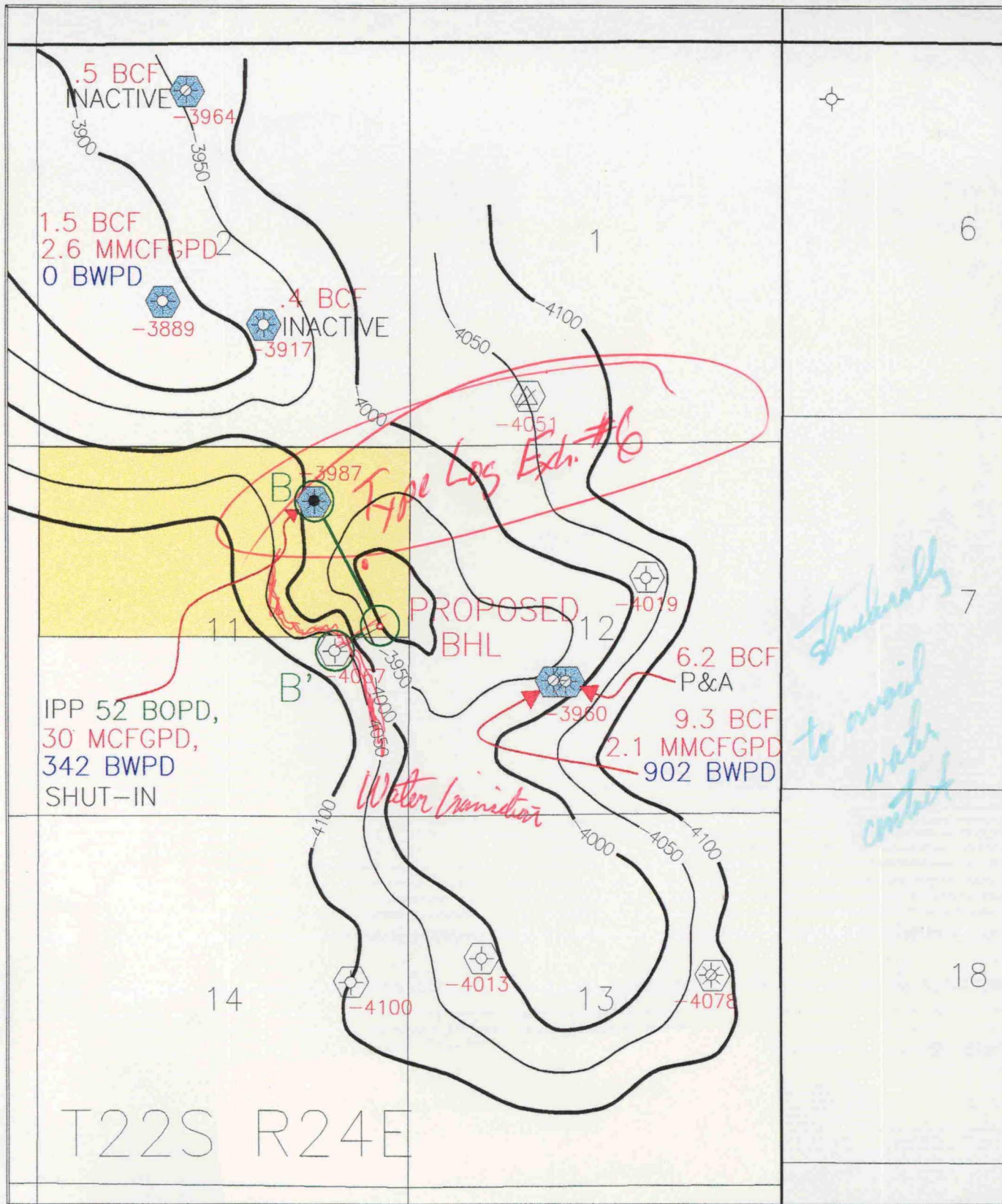
**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11690 Exhibit No. 5

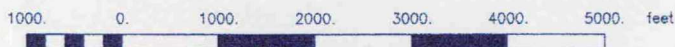
Submitted by: Nearburg Producing Company, L.L.C.

Hearing Date: January 9, 1997

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE



Nearburg Producing Company Exploration and Production Midland, Texas			
MCKITTRICK FEDERAL "11" I #1-Y EDDY COUNTY, NEW MEXICO			
T/CISCO-CANYON STRUCTURE MAP PRODUCTION MAP (CUM TO 7/96)			
C.I. = 50'			
GEOLOGIST	DATE	DRAWN BY	FILE NO.
J. B. ELGER	1/96	LCG/NKM	Htcisco.gpf



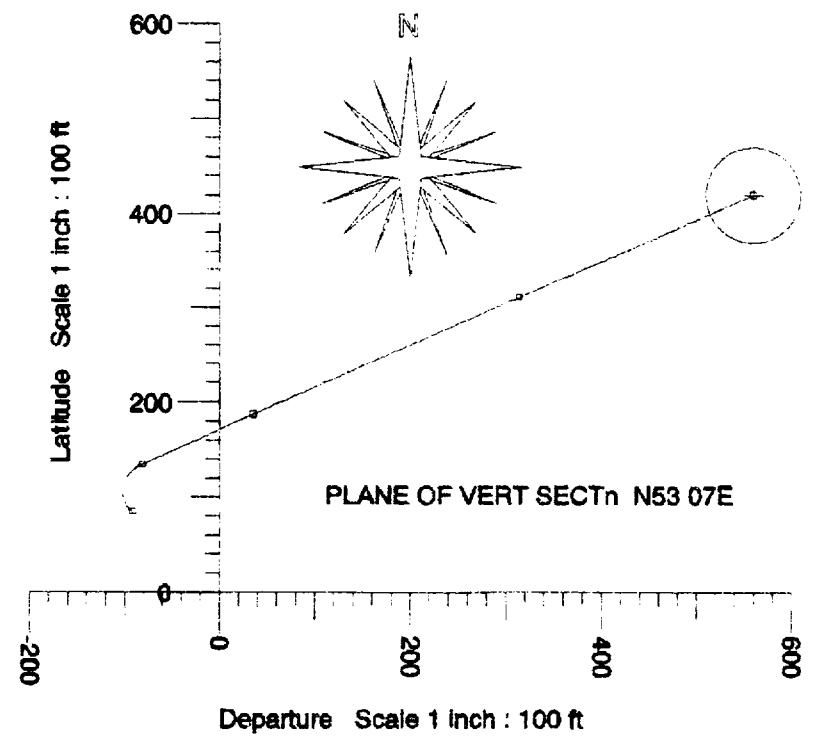
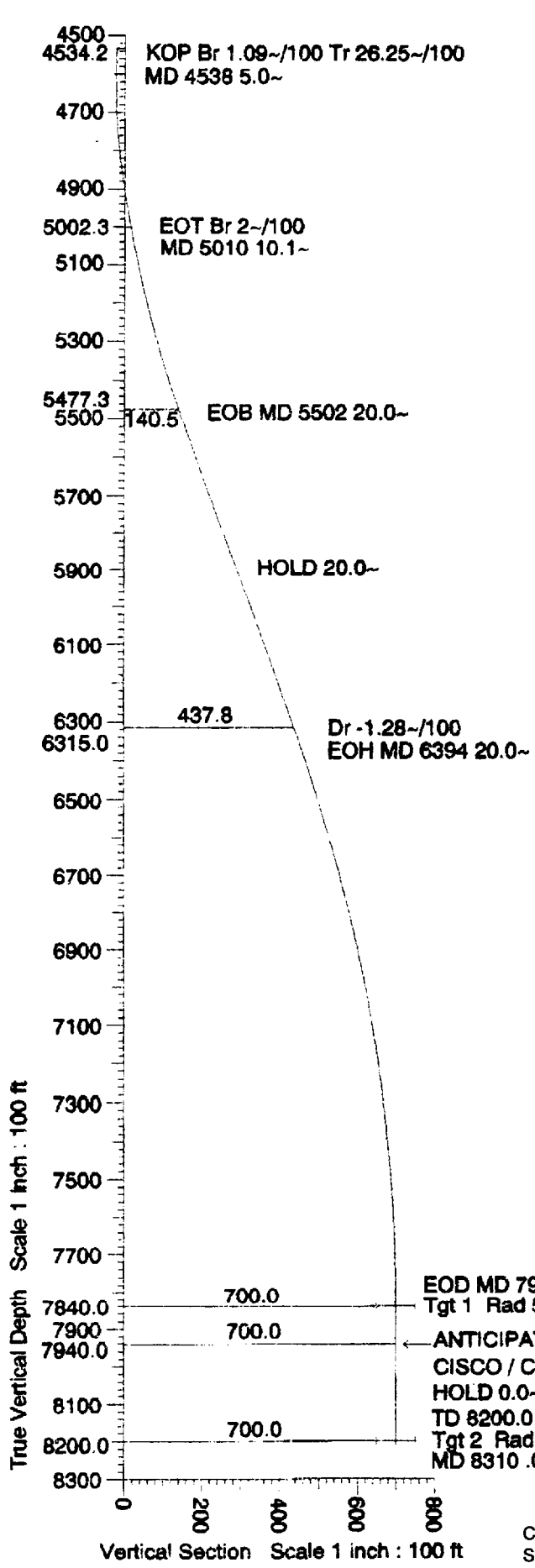
**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11690 Exhibit No. 7

Submitted by: Nearburg Producing Company, L.L.C.

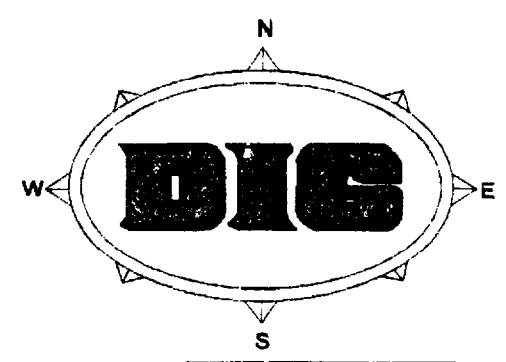
Hearing Date: January 9, 1997

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE



WELL PROPOSAL						
MD	TVD	VS	INC	DIR	LAT	DEP
4538.0	4534.2	-22.5	5.0	N58 00W	84.5	-91.6
5010.4	5002.3	15.8	10.1	N66 00E	134.7	-81.3
5502.9	5477.3	140.5	20.0	N66 00E	186.8	35.6
6394.4	6315.0	437.8	20.0	N66 00E	310.8	314.1
7950.8	7840.0	700.0	0.0	N66 08E	420.0	560.0
8310.8	8200.0	700.0	0.0	N66 08E	420.0	560.0

NEARBURG PRODUCING COMPANY
McKITTRICK FED. 11 #1Y
EDDY COUNTY, NEW MEXICO



TARGET DETAILS			
No	TVD	Lat	Dep
1	7840.0	420.0	560.0
2	8200.0	420.0	560.0

BEFORE THE
 OIL CONSERVATION DIVISION
 Case No. 11690 Exhibit No. 9
 Submitted By: **Nearburg Producing Company**
 Hearing Date: January 9, 1997

PLOT DATE 01-08-1997

MCKITTRK MCKITTRICK FED. 11 #1Y 1-3-97
Plane of Vertical Section 53.13

Section 1 (Const Build/Turn)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
4538.0	5.00	302.00	4534.2	-22.5	84.5	-91.6	1.1	26.2	2.5	64.5
4600.0	5.68	318.28	4595.9	-23.8	88.2	-95.9	1.1	26.3	2.8	67.2
4800.0	7.86	10.77	4794.5	-15.0	110.3	-101.5	1.1	26.3	3.7	73.1
5000.0	10.04	63.27	4992.1	14.0	133.9	-82.9	1.1	26.3	4.7	76.6

Section 2 (Const Build/Turn)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
5010.4	10.15	66.00	5002.3	15.8	134.7	-81.3	2.0	0.0	2.0	0.0
5200.0	13.94	66.00	5187.7	54.4	150.8	-45.1	2.0	0.0	2.0	0.0
5400.0	17.94	66.00	5380.0	107.9	173.1	5.0	2.0	0.0	2.0	0.0

Section 3 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
5502.9	20.00	66.00	5477.3	140.5	186.8	35.6	0.0	0.0	0.0	0.0
5600.0	20.00	66.00	5568.5	172.9	200.3	65.9	0.0	0.0	0.0	0.0
5800.0	20.00	66.00	5756.4	239.6	228.1	128.4	0.0	0.0	0.0	0.0
6000.0	20.00	66.00	5944.4	306.3	255.9	190.9	0.0	0.0	0.0	0.0
6200.0	20.00	66.00	6132.3	373.0	283.7	253.4	0.0	0.0	0.0	0.0

Section 4 (Const Build/Turn)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
6394.4	20.00	66.00	6315.0	437.8	310.8	314.1	-1.3	0.0	1.3	180.0
6400.0	19.93	66.00	6320.3	439.6	311.5	315.9	-1.3	0.0	1.3	179.9
6600.0	17.36	66.02	6509.7	502.0	337.5	374.3	-1.3	0.0	1.3	179.9
6800.0	14.79	66.04	6701.9	555.9	360.0	424.9	-1.3	0.0	1.3	179.9
7000.0	12.22	66.05	6896.4	601.5	379.0	467.6	-1.3	0.0	1.3	179.9
7200.0	9.65	66.07	7092.7	638.4	394.4	502.3	-1.3	0.0	1.3	179.9
7400.0	7.08	66.09	7290.6	666.8	406.2	528.9	-1.3	0.0	1.3	180.0
7600.0	4.52	66.11	7489.5	686.5	414.4	547.3	-1.3	0.0	1.3	180.0
7800.0	1.95	66.13	7689.2	697.5	419.0	557.6	-1.3	0.0	1.3	180.0

Section 5 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
7950.8	0.00	66.13	7840.0	700.0	420.0	560.0	0.0	0.0	0.0	0.0
8000.0	0.00	66.13	7889.2	700.0	420.0	560.0	0.0	0.0	0.0	0.0
8200.0	0.00	66.13	8089.2	700.0	420.0	560.0	0.0	0.0	0.0	0.0
8310.8	0.00	66.13	8200.0	700.0	420.0	560.0	0.0	0.0	0.0	0.0

Nearburg Producing Company

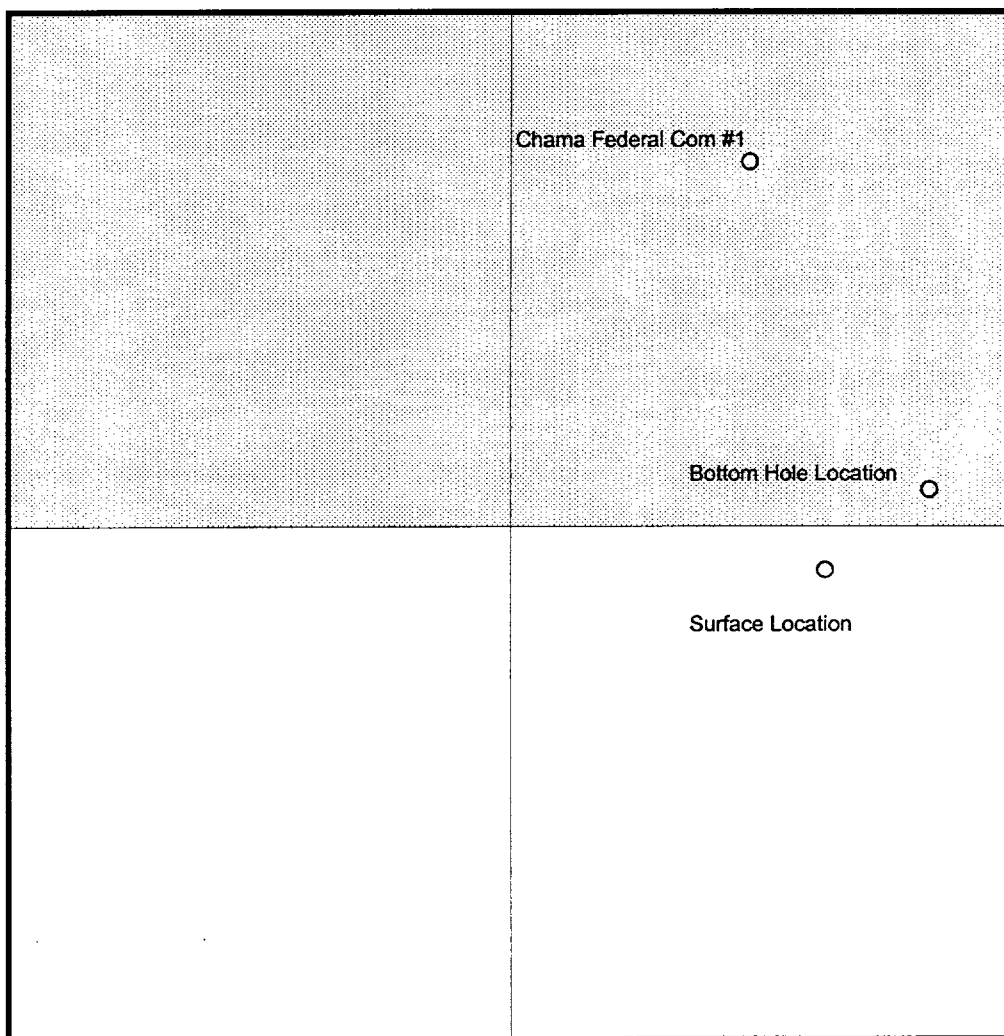
Exploration and Production

McKittrick Fed 11 #1-Y

Surface Location: 2310' FSL & 960' FEL, Section 11, T22S, R24E

Proposed BH Location: 2550' FNL & 400' FEL,

Section 11, T22S, R24E



Length of Lateral = 700'

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11690 Exhibit No. 10
Submitted By: **Nearburg Producing Company**
Hearing Date: January 9, 1997

Nearburg Producing Company

Exploration and Production

Dallas, Texas

COST ESTIMATE - RE-ENTRY

LEASE: McKittrick Fed 11 WELL NUMBER: 1-Y PROPOSED TOTAL DEPTH: 8,200'
SURFACE LOCATION: 2310' FSL & 960' FEL, Section 11, T22S, R24E, Eddy County, New Mexico
FIELD: Indian Basin Upper Penn Assoc. EXPLORATORY,DEVELOPMENT,WORKOVER: E
DESCRIPTION OF WORK: Re-enter existing wellbore, kickoff and sidetrack to a bottom hole location of 2550' FNL & 400' FEL, Section 11, T22S, R24E and complete as a flowing Cisco/Canyon gas producer.

DATE PREPARED: 1/3/97 EST. SPUD DATE: 2/17/97 EST. COMPLETION DATE: 3/17/97

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 0 Ft @ 0.00 \$/Ft	1514.101	0	NA		0
Drilling Daywork D/C\$/da 20 2 4600	1514.105	92,000	1515.105	9,200	101,200
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115	20,000	1515.115		20,000
Road & Location Expense	1514.120	5,000	1515.123	1,000	6,000
Damages	1514.125		1515.125		0
Directional Drilling - Tools and Service	1514.130	47,250	1515.130		47,250
Drilling Fluids	1514.135	16,000	NA		16,000
Fuel, Power, and Water	1514.140	7,500	1515.140	500	8,000
Supplies - Bits	1514.145		1515.145	750	750
Supplies - Casing Equipment	1514.150		1515.150	5,100	5,100
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	500	1515.160	500	1,000
Cement and Cmt. Services - Surface Csg	1514.165		NA		0
Cement and Cmt. Services - Int. Csg	1514.170		NA		0
Cement and Cmt. Services - Prod. Csg	NA		1515.172	20,000	20,000
Cement and Cmt. Services - Other	1514.175	5,000	1515.175		5,000
Rental - Drilling Tools and Equipment	1514.180	500	1515.180	1,000	1,500
Rental - Miscellaneous	1514.185	4,000	1515.185	500	4,500
Testing - Drill Stem / Production	1514.195	9,000	1515.195		9,000
Open Hole Logging	1514.200	20,000	NA		20,000
Mudlogging Services	1514.210	10,000	NA		10,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	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	5,000	5,000
Stimulation	NA		1515.221	20,000	20,000
Pump / Vacuum Truck Services	1514.220	1,000	1515.220	2,000	3,000
Transportation	1514.225	1,500	1515.225	2,000	3,500
Tubular Goods - Inspection & Testing	1514.230	500	1515.230	6,000	6,500
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,000	1515.240	500	1,500
Engineer / Geologist	1514.250	3,150	1515.250	900	4,050
Company Labor - Field Supervision	1514.255	9,000	1515.255	3,000	12,000
Contract Labor / Roustabout	1514.265	500	1515.265	3,000	3,500
Legal and Professional Services	1514.270	3,000	1515.270	500	3,500
Insurance	1514.275	12,000	1515.275		12,000
Overhead	1514.280	5,000	1515.280	2,000	7,000
SUBTOTAL		283,400		81,950	365,350
Contingencies (10%)		28,340		8,195	36,535
ESTIMATED TOTAL INTANGIBLES		311,740		90,145	401,885

COST ESTIMATE - RE-ENTRY

LEASE: McKittrick Fed 11 WELL NUMBER: 1-Y PROPOSED TOTAL DEPTH: 8,200'
SURFACE LOCATION: 2310' FSL & 960' FEL, Section 11, T22S, R24E, Eddy County, New Mexico
FIELD: Indian Basin Upper Penn Assoc. EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Re-enter existing wellbore, kickoff and sidetrack to a bottom hole location of 2550' FNL &
400' FEL, Section 11, T22S, R24E and complete as a flowing Cisco/Canyon gas producer.

DATE PREPARED: 1/3/97 EST. SPUD DATE: 2/17/97 EST. COMPLETION DATE: 3/17/97

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing			1520.305		NA		0
Surface Csg	Ft @	\$/Ft	1520.310	0	NA		0
Intermediate Csg	Ft @	\$/Ft	1520.315	0	NA		0
Protection Csg			1520.320	0	NA		
Production Csg	8,300 Ft @	12.50 \$/Ft	NA		1522.325	103,750	103,750
Protection Liner			1520.330		NA		
Production Liner			NA		1522.335		
Tubing	8,100 Ft @	3.10 \$/Ft	NA		1522.340	25,110	25,110
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	10,500	12,000
Subsurface Well Equipment			NA		1522.370		0
Flow Lines			NA		1522.375	7,500	7,500
Saltwater Disposal Pump			NA		1522.391		0
Gas Meter			NA		1522.385	3,000	3,000
Lact Unit			NA		1522.387		0
Vapor Recovery Unit			NA		1522.389		0
Other Well Equipment			NA		1522.380		
ROW and Damages			NA		1522.393		
Surface Equipment Installation Costs			NA		1522.395	7,500	7,500
Elect. Installation			NA		1522.397		0
ESTIMATED TOTAL TANGIBLES				1,500		179,360	180,860
ESTIMATED TOTAL WELL COSTS				313,240		269,505	582,745

NPC APPROVAL	DATE
PREPARED BY: TRM	01/03/97

Nearburg Producing Company

Exploration and Production

Dallas, Texas

COST ESTIMATE - NEW DRILL

LEASE: McKittrick Fed 11 WELL NUMBER: 2 PROPOSED TOTAL DEPTH: 8,200'
LOCATION: 2550' FNL & 400' FEL, Section 11, T22S, R24E, Eddy County, New Mexico
FIELD: Indian Basin Upper Penn Assoc. EXPLORATORY,DEVELOPMENT,WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Cisco/Canyon gas producer.

DATE PREPARED: 1/3/97 EST. SPUD DATE: 2/17/97 EST. COMPLETION DATE: 3/17/97

INTANGIBLE COSTS:		CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage	8,200 Ft @ 19.00 \$/Ft	1514.101	155,800	NA		155,800
Drilling Daywork	D/C\$/da 3 2 4600	1514.105	13,800	1515.105	9,200	23,000
Drilling Turnkey		1514.110		1515.110		0
Rig Mobilization and Demobilization		1514.115		1515.115		0
Road & Location Expense		1514.120	50,000	1515.123	1,000	51,000
Damages		1514.125	5,000	1515.125		5,000
Directional Drilling - Tools and Service		1514.130		1515.130		0
Drilling Fluids		1514.135	16,000	NA		16,000
Fuel, Power, and Water		1514.140	7,500	1515.140	500	8,000
Supplies - Bits		1514.145		1515.145	750	750
Supplies - Casing Equipment		1514.150	700	1515.150	5,100	5,800
Supplies - Liner Equipment		1514.155		1515.155		0
Supplies - Miscellaneous		1514.160	500	1515.160	500	1,000
Cement and Cmt. Services - Surface Csg		1514.165	12,000	NA		12,000
Cement and Cmt. Services - Int. Csg		1514.170		NA		0
Cement and Cmt. Services - Prod. Csg		NA		1515.172	20,000	20,000
Cement and Cmt. Services - Other		1514.175		1515.175		0
Rental - Drilling Tools and Equipment		1514.180	500	1515.180	1,000	1,500
Rental - Miscellaneous		1514.185	4,000	1515.185	500	4,500
Testing - Drill Stem / Production		1514.195	9,000	1515.195		9,000
Open Hole Logging		1514.200	20,000	NA		20,000
Mudlogging Services		1514.210	10,000	NA		10,000
Special Services		1514.190		1515.190		0
Plug and Abandon		1514.215	10,000	1515.215	(10,000)	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	5,000	5,000
Stimulation		NA		1515.221	20,000	20,000
Pump / Vacuum Truck Services		1514.220	1,000	1515.220	2,000	3,000
Transportation		1514.225	1,500	1515.225	2,000	3,500
Tubular Goods - Inspection & Testing		1514.230	500	1515.230	6,000	6,500
Unclassified		1514.245		1515.245		0
Telephone and Radio Expense		1514.240	1,000	1515.240	500	1,500
Engineer / Geologist		1514.250	3,150	1515.250	900	4,050
Company Labor - Field Supervision		1514.255	11,250	1515.255	3,000	14,250
Contract Labor / Roustabout		1514.265	500	1515.265	3,000	3,500
Legal and Professional Services		1514.270	3,000	1515.270	500	3,500
Insurance		1514.275	12,000	1515.275		12,000
Overhead		1514.280	5,000	1515.280	2,000	7,000
SUBTOTAL			353,700		81,950	435,650
Contingencies (10%)			35,370		8,195	43,565
ESTIMATED TOTAL INTANGIBLES			389,070		90,145	479,215

COST ESTIMATE - NEW DRILL

LEASE: McKittrick Fed 11 WELL NUMBER: 2 PROPOSED TOTAL DEPTH: 8,200'
LOCATION: 2550' FNL & 400' FEL, Section 11, T22S, R24E, Eddy County, New Mexico
FIELD: Indian Basin Upper Penn Assoc. EXPLORATORY,DEVELOPMENT,WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Cisco/Canyon gas producer.

DATE PREPARED: 1/3/97 EST. SPUD DATE: 2/17/97 EST. COMPLETION DATE: 3/17/97

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1520.305		NA		0
Surface Csg 1,300 Ft @ 18.00 \$/Ft	1520.310	23,400	NA		23,400
Intermediate Csg Ft @ \$/Ft	1520.315	0	NA		0
Protection Csg	1520.320	0	NA		
Production Csg 8,100 Ft @ 12.50 \$/Ft	NA		1522.325	101,250	101,250
Protection Liner	1520.330		NA		
Production Liner	NA		1522.335		
Tubing 8,000 Ft @ 3.10 \$/Ft	NA		1522.340	24,800	24,800
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	10,500	12,000
Subsurface Well Equipment	NA		1522.370		0
Flow Lines	NA		1522.375	7,500	7,500
Saltwater Disposal Pump	NA		1522.391		0
Gas Meter	NA		1522.385	3,000	3,000
Lact Unit	NA		1522.387		0
Vapor Recovery Unit	NA		1522.388		0
Other Well Equipment	NA		1522.380		
ROW and Damages	NA		1522.393		
Surface Equipment Installation Costs	NA		1522.395	7,500	7,500
Elect. Installation	NA		1522.397		0
ESTIMATED TOTAL TANGIBLES		24,900		176,550	201,450
ESTIMATED TOTAL WELL COSTS		413,970		266,695	680,665

NPC APPROVAL	DATE
PREPARED BY: TRM	01/03/97