

P.O. Box 552 Midland, TX 79702-0552 Telephone 915/682-1626

December 20, 1996

CERTIFIED MAIL & RETURN RECEIPT REQUESTED

÷.,

Attn: Rusty Waters LOUIS DREYFUS NATURAL GAS CORP. 14000 Quail Springs Prkwy., Ste. 600 Oklahoma City, OK 73134

> Re: Marathon Oil Company Travis Area Jim Bowie "11" Federal #1 S/2 Section 11, T-18-S, R-28-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

Marathon Oil Company (Marathon), as Operator, hereby proposes the drilling of a well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 10,800'. Furthermore, Marathon shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 11 will be dedicated as the proration unit for the well.

The above well will be located approximately 1000' FSL & 700' FEL of Section 11, T-18-S, R-28-E, Eddy County, New Mexico. An AFE is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

A Joint Operating Agreement will be provided for your review and execution upon receipt of the executed AFE, or by prior written request.

In the event you do not wish to participate, Marathon respectfully requests you elect one of the following options as to your interest:

- 1. Farmout all of your interest in the S/2 of Section 11 for a period of one hundred-eighty (180) days to Marathon under the following general terms:
 - (a) If any well drilled, deepened, completed or recompleted under the terms of our Farmout Agreement results in oil and/or gas production on a proration unit that includes your acreage, Marathon will earn an assignment of 100% of your rights and interest, free of any liens or encumbrances, in the proration unit assigned to each well from a depth of 500' below the top

BEFORE THE OIL CONSERVATION COMMISSION Case No.11774 Exhibit No. Submitted By: Marathon Oil Company Hearing Date: May 1 1997 of the San Andres formation to a depth of 100' below the total depth drilled for each well, not to exceed the base of the Morrow formation.

- (b) Upon completion of the initial test well as a producer or dry hole, Marathon would have the recurring option, but not the obligation, to commence additional wells on New Mexico Oil Conservation approved proration units that include your acreage to establish oil and/or gas production under the captioned lands or land pooled therewith. If any such option is exercised, Marathon agrees to allow not more than 180 days to elapse between the completion of one well and the commencement of operations for any next well.
- (c) You will retain an overriding royalty interest equal to the difference, if any, between 25% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other burden or lawful claims upon production to which your leases may be currently subject, so that Marathon will be assigned a 75% net revenue interest in your lease(s) as to rights below a depth of 500' below the top of the San Andres formation to 100' below the total depth drilled, not to exceed the base of the Morrow formation. Such overriding royalty interest retained by you shall be subject to proportionate reduction.
- (d) Upon acceptance of our farmout proposal, you agree to furnish, at no cost to Marathon, title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable to you, our formal Farmout Agreement will be provided under separate cover.

(2) Sell all of your right, title and interest in the S/2 of Section 11, subject to title approval, for \$250 per net acre delivering an 81.25% net revenue interest to Marathon.

Your earliest response to this proposal would be greatly appreciated. If there should happen to be any questions, please call the undersigned at (915) 687-8476.

Very truly yours,

Randal P. Wilson, CPL Landman

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 card to you. • Attach this form to the front of the mailpiece, or on the back if space permit. • Write 'Return Receipt Requested' on the mailpiece below the article The Return Receipt will show to whom the article was delivered and delivered.	a does not a number.	I also wish to rece following services extra fee): 1.	d Delivery
your RETURN ADDRESS completed o	3. Article Addressed to: ATTI: JUSTY WATELS LOUIS DLEYFUS NATULAI BAJ LOLJ. 14000 WUSIL SPLINGS PLANY. STE. 600 OK/ALOMA CITY OK 73134 5. Received By: (Print Name) 11 6. Signature (Addressee or Agent) K MAL ON A DA	7. Date of D	143 23 Type ad Mail ceipt for Merchandise elivery - 22-46 e's Address (Only)	∠ and a set of the
ls	PS Form 3811 , December 1994	L	Domestic Ret	urn Receipt

Region	Mid-Continent
Field	Travis
Lease	Jim Bowie "11" Federal # 1
Location	1,000' FSL & 700' FEL Sec 11-18S-28E.
	Eddy County, New Mexico

Total Depth	10,800'
Drilling Days	35
Compl Days	10
AFE	665896

ource	Quantity		Feature	Cond	
	DR	ILLING COSTS - TANGIBLE			
		Drive Pipe	81-7		
urchase		Conductor Pipe- 20*, PE	81-8		
urchase	575	Surface Pipe- 13-3/8*,48#,H-40,8rd,STC	81.9		\$ 9,00
urchase	2700	Casing, Int. String No. 1- 9-5/8*	81-11		\$30,00
		Casing, Intermediate String No. 2	81-12		
		Drilling Liner	81-19		
		Drilling Liner Hanger and Tieback Equipment	81-22		
urchase		Drilling Wellbead Equipment	81-80		\$4,5
urchase		Miscellaneous Materials	81-217		\$1,0
	TC	DTAL DRILLING - TANGIBLE			\$44,5
	DE	RILLING COSTS - INTANGIBLE			
ontract		Surveying, Location & Access	81-2		\$ 5
ontract		Well Location & Access	81-5		\$15,0
ontract		Daywork Drlg \$5650/24 hour day incl. Fuel	81-36		\$27,5
ontract	11500	Footage Basis Drlg - Dry Hole Drilling	81-37		\$ 230,0
		Turnkey Drilling	81-38		
		Drilling Rig Mob/Demob	81-39		
ontract		Blowout Prevention Equipment	81-41		
		Drill Pipe & Collars	81-44		
		Drilling & Service Tools	81-45		
		Drilling Services	81-50		
		Snubbing Units, Company	81-62		
		Snubbing Units, Contract	81-68		
ontract	·	Mud System/Solids Control	81-40		\$4 ,0
ontract		Mud and Mud Services	81-71		\$ 25,0
		Bits	81-69		
	<u> </u>	Stabilizers, Hole Openers, Underreamers	81-70		
·		Oil	81-72		
		Grease	81-72		
		Fuel, Diesel (Not furnished by Contractor)	81-74		
Ontract		Water	81-336		\$12,0
ontract		Casing Tools and Services	81-90		\$9.0
ontract		Cement and Cementing Service	81-91		\$2 5,0
ontract		Logging Services, Open Hole	81-93		\$ 30,0
		Logging Services, Cased Hole	81-94		
Ontract		Mud Logging	81-95		\$10,0
ontract		Inspection, Pipe & Casing	81-97		\$3,5
		Directional Services	81-101		
·····		Coring	81-102		
ontract		Formation Testing, Open Hole	81-104		\$ 4,:
		Formation Testing, Cased Hole	81-105		
		Well Control Services	81-120		
Contract		Trucking/Transportation, Other	81-126		\$5,:
Contract		Well Test Equipment	81-127		\$2,:
		Fishing Tools and Services	81-133		
		Abandoning Tools and Services	81-136		
		Sidetracking, Milling Sections, Whipstocks	81-185		
ontract		Miscellaneous Materials	81-217		\$3,
Contract		Contract Labor, Welding	81-233		\$1,
Contract		Contract Labor, Other- \$400/24 hour day	81-237		\$15,
Contract		Contract Services, Living Qtrs \$100/day	81-243		\$3.
		Contract Services, Other	81-266		
Contract			81-320		\$4,
		Hydrogen Sulfide Testing- \$150/day	81-454		
		Spill Control Equipment	81-568		\$
Contract		Computer Hardware- \$25/day	81-558		\$1,
Contract		Commo, Field- \$50/day			> 1,
100		Regulatory Compliance	81-685		
MOC		Company Labor & Burden- \$375/day	81-750		\$ 13,
		Overhead kin	81-770		
		Indirect Expense '	81-779		\$446.
		I TAL DRILLING • INTANGIBLE			· ••••,
		TOTAL DRILLING COSTS			\$491,

Region Field Lease Location	Mid-Continent Travis Jim Bowie "11" Federal # 1 1,000' FSL & 700' FEL Sec. 11-18S-28E, Eddy County, New Mexico	Total Depth Drilling Days Compl Days AFE	10,800' 35 10 665896
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ource (Quantity		Feature	Cond	
	cc	MPLETION COST - TANGIBLE			
urchase	10600	Production Casing	82-15		\$75,00
	10000	Production Liner	82.18		\$75,00
		Production Liner Hanger & Tieback Equipment	82-21		
urchase	10600	Tubing - 2 3/8" O.D., 4.7#, L-80	82-23		\$36,00
	10000	Wellhead Equipment (Drilling)	82-80		\$30,00 \$4,50
urchase		Christmas Tree	82-87		\$9,00
urchase	· <u> </u>	Packers	82-137		\$6,00
		Rod Pump	82-143		
••••••		Electric Submersible Pump	82-149		
		Completion Wellhead Equipment	82-167		
	T	DTAL COMPLETION - TANGIBLE			\$130,50
	C	OMPLETION COST - INTANGIBLE			
Contract	~	Location and Access	82-1		\$1,50
		Drilling Rig During Completion	82-34		\$11,00
Contract		Blowout Preventer	82-41		\$1,50
		Tools - Drilling & Service	82-45		
·····		Rig, Completion	82-48		
	<u> </u>	Workover Units, Company	82-55		
Contract		Workover Units, Contract	82-56		\$7,50
		Snubbing Units, Company	82-62		
		Coiled Tubing Service Units, Contract	82-67		
		Snubbing Units, Contract	82-68		
		Underreamers, Stabilizers, Hole Openers	82-70		
		Lubricants	82-72		
		Fuel, Diesel	82-74		
		Casing Tools & Services- Longstring	82-90		
		Cement & Cementing Services- Longstring	82-91		\$15,00
		Logging Services, Open Hole Wells	82-93		
Contract		Logging Services, Cased Hole Wells	82-94		\$3,50
Contract		Tubular Inspection, Testing & Cleaning	82-96		\$ 7,0
Contract		Formation Testing	82-103		\$3,0
Contract	_	Formation Treating	82-113		\$ 4,00
Contract		Transportation, Other	82-126		\$3,50
Contract		Test Equipment - Well Testing	82-127		\$7,50
		Fishing Tools and Services	82-133		
Contract		Completion and Packer Fluids	82-180		\$1,00
Contract		Perforating	82-182		\$16,0
Contract		Wireline Services	82-183		\$1,5
		Sidetracking, Milling Sections, Whipstocks	82-185		
Contract		Miscellaneous Materials	82-217		\$ 3,5
Contract		Miscellaneous Services	82-218		\$7,0
Contract		Contract Labor, Laborer	82-234		\$3,0
Contract		Contract Services, Other	82-240		\$7,4
Contract		Treating Chemicals, Other	82-291		\$ 1,0
Contract		Salt Water Disposall & Trans Fees	82-371		\$1,0
Contract		Rental Tools & Equip.	82-585		\$ 4,3
		Communications - Field	82-658		
		Regulatory Compliance	82-685		
мос		Company Labor & Burden	82-750	. <u></u>	\$3,8
		Overhead	82-770		
		Indirect Expense	82-779		\$3,0
		TOTAL COMPLETION - INTANGIBLE			\$117,5
		TOTAL COMPLETION COSTS			\$248,0

Region Field Lease Location	Mid-Continent Travis Jim Bowie "11" Federal # 1 1,000' FSL & 700' FEL Sec. 11-18S-28E, Eddy County, New Mexico	Total Depth Drilling Days Compl Days AFE	10,800' 35 10 665896	
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Source	Quantity	Feature	Cond	
	FACILITY COSTS			
Purchase	Line Pipe	83-27	1	\$1,500
Purchase	Transportation, Other	83-126		\$2,500
	Pumping Unit	83-141		
	Pumping Equipment - Rod Pump	83-143		
	Flowing/Plunger Lift Equipment	83-146		
	Submersible Pump - Electric Panel	83-149	+	
<u>-</u> <u>-</u>	Submersible Pump - Hydraulic	83-152		
	Gas Lift Equipment	83-155		
	Pumps	83-158		
Purchase	Tanks	83-170		\$10,000
Purchase	Metering Equipment	83-190		\$4,000
	Instrumentation	83-194		1 7,000
	Electrical Equipment, Other	83-201		
Purchase	Valves	83-201		
				\$2,500
Purchase	Miscellaneous Materials	83-217		\$10,000
	Contract Labor, Electrical	83-229		
Contract	Contract Labor, Welding	83-233		\$1,000
Contract	Contract Labor, Other	83-237		\$4,000
Contract	Contract Services, Other	83-240		\$2,000
	Compressor Installation	83-365		
Purchase	Dehydration	83-376		\$10,00
	Crude Oil Treaters	83-378		
Purchase	Separator	83-380		\$10,00
<u> </u>	Vapor Recovery Units	83-386		<u> </u>
	Free Water Knockouts	83-388		
	Regulatory Compliance (Includes Permitting)	83-685		
MOC	Company Labor & Burden	83-750		\$2,00
	TOTAL FACILITY COSTS			\$59,50
	SUMMARY OF GROSS COSTS			
	Total Drilling		}	\$ 491,10
	Total Completion			\$248,00
	Total Surface Equipment			\$59,50
	GRAND TOTAL GROSS COSTS			\$798,60
	SUMMARY OF NET COSTS			
	Total Drilling			\$
	Total Completion			Ş
	Total Surface Equipment			\$
	GRAND TOTAL NET COSTS		Ì	\$
]	
	TOTAL TANGIBLE COSTS			\$234,50
	TOTAL INTANGIBLE COSTS			\$564,10
	TANGIBLE PERCENT OF TOTAL			29.4

Region Eicld Lesse	Mid-Continent Travis Jim Bowie "11" Federal # 1 1.000: FST # 700: FST Sec. 11.185.386	Fotal Depth Drifting Days Compl Days	10,800° 35 10
1 ocation	1,000' FSL & 700' FEL Sec. 11-185-28E, Eddy County, New Mexico	ALE	665896

urchaise	DF	ULING COSTS TANGULE			
urchase		ULLING COSTS - TANGIBLE		}	
urchase		Drive Pipe	81-7		
		Conductor Pipe 20* PE	81-8	1	
urchuse	575	Surface Pipe 13-3/8", 481, H-40, 8rd, STC	81-9		\$ 9,00
urchase	2700	Casing, Int. String No. 1-9-5/8*	81-11		\$30,00
		Casing, Intermediate String No. 2	81-12		
		Drilling Liner	81-19		
		Drilling Luter Hanger and Tieback Equipment	81-22		
turchase		Drilling Wellhead Equipment	81-80		\$4,50
hirchase		Miscellationis Materials	81-217		\$1,00
	T	DTAL DRILLING - TANGIBLE			\$44,50
	D	RILLING COSTS - INTANGIBLE			
ONHALL		Surveying, Location & Access	81-2		<u> </u>
ontract		Well Location & Access	81-5		<u>\$15,00</u>
ontract		Daywork Drig - \$5650/24 hour day incl. Fuel	81-36		\$27,50
iontract	11500	Footage Basis Drlg - Dry Hole Drilling	81-37		\$230,00
		Turnkey Drilling	81-38		
		Drilling Rig Mob/Demob	81-39		
ontract		Blowout Prevention Equipment	81-41		
		Drill Pipe & Collars	81-44		
	· · · · · · · · · · · · · · · · · · ·	Drilling & Service Tools	81-45		
	<u>-</u>	Drilling Services	81-50		
		Snubbing Units, Company	81-62		
		Southing Units, Contract	81-68		
		Mud System/Solids Control	81-40		\$ 4,0
Contract		Mud and Mud Services	81-71		\$ 25,0
		Biu	81-69		·
		Stabilizers, Hole Openers, Underreamers	81-70		
··		<u>لان</u>	81-72		
	· · · · · · · · · · · · · · · · · · ·	Grease	81-72		
		Fuel, Diesel (Not furnished by Contractor)	81-74		
Contract		Water	81-336		\$12,0
Contract		Casing Tools and Services	81-90		\$9.0
Contract		Cement and Cementing Service	81-91		\$25,0
Contract		Logging Services, Open Hole	81-93		<u>\$20,0</u>
		Logging Services, Cased Hole	81-94		
Contract		Mud Logging	81-95		<u>\$10,0</u>
Contract		Inspection, Pipe & Casing	81-97		<u> </u>
		Directional Services	81-101		
Contract		Coring	81-102		
- ontract		Formation Testing, Open Hole	81-104		\$4,5
		Formation Testing, Cased Hole	81-105		ł
		Well Control Services	81-120		
Contract	······	Trucking/Transportation, Other	81-126	·····	\$5,5
Contract		Well Test Equipment	81-127		<u> </u>
		Fishing Tools and Services	81-133		ł
		Abandoning Tools and Services			ł
		Sidetracking, Milling Sections, Whipstocks	81-185		
Contract		Miscellaneous Materials	81-217		\$3.5
Contract		Contract Labor, Welding	81-233		\$1,0
Contract		Contract Labor, Odier- \$400/24 hour day			·
Contract	·	Contract Services, Living Qtrs \$100/day	81-243	······	\$3,5
Contract		Contract Services, Other	81-200		\$4.0
	······································	Hydrogen Sulfide Testing- \$150/day	81-520		
Contract		Spill Control Equipment	81-564	<u></u>	s
Contract	· • • • • • • • • • • • • • • • • • • •	Computer Hardware- \$23/day	81-558		S1 ,
Contract		Commo, Field- \$50/day	81-685		
MOC		Regulatory Compliance	81-083		\$13,
51UC		Company Labor & Burden-\$375/day	81-730		
		Overbead	<u>81-779</u>		
		Indirect Expense TOTAL DRILLING - INTANGIBLE	01-1/7		\$446.
ł		I O LAT DELITIO - DALAMOTOLIS			
Y					

Region	Mid-Continent	Total Deoth	10.800'
Field	Travis	· · · ·	
Lease	Jim Bowie "11" Federal # 1	Drilling Days	35
Location	1,000' FSL & 700' FEL Scc 11-18S-28E,	Compl Days	10
	Eddy County, New Mexico	AFE	665896

CALIFCE	Quantity	Feature	Cond	
	COMPLETION COST TANGIBLE	83.16		m (
urchase	10600 Production Casing	82-15		\$75,000
	Production Liner	82-18		
	Production Liner Hanger & Tieback Equipment	82.21		
urchase	10600 Tubing - 2 3/8° O.D., 4.7#, L-80	82-23		\$36,000
	Wellhead Equipment (Drilling)	82-80		\$4,500
urchase	Christmas Tree	82-87		\$9,000
urchase	Packers	82-137		\$6,00
	Rod Pump	82-143		
<u></u>	Electric Subniersible Pump	82-149		
	Completion Wellhead Equipment	82-167		
	TOTAL COMPLETION - TANGIBLE			\$130,50
	COMPLETION COST - INTANGIBLE			
Contract	Location and Access	82-1		\$1,50
	Drilling Rig During Completion	82-34		\$11,00
Contract	Blowout Preventer	82-41		\$1,50
	Tools - Drilling & Service	82-45		
<u></u>	Rig, Completion	82-48		·····
	Workover Units, Company	82-55		
Contract	Workover Units, Contract	82-56		\$7,50
	Snubbing Units, Company	82-62		
	Coiled Tubing Service Units, Contract	82-67		
	Snubbing Units, Contract	82-68		
	Underreamers, Stabilizers, Hole Openers	82-70		
	Lubricants	82-72		
	Fuel, Diesel	82-74		
······	Casing Tools & Services- Longstring	82-90		·
	Cement & Cementing Services- Longstring	82-91		\$15,00
	Logging Services, Open Hole Wells	82-93		
Contract	Logging Services, Cased Hole Wells	82-94		\$3,50
Contract	Tubular Inspection, Testing & Cleaning	82-96		\$7.00
Contract	Formation Testing	82-103		\$3.00
Contract	Formation Treating	82-113		54 ,00
Contract	Transportation, Other	82-126		\$3,50
Contract	Test Equipment - Well Testing	82-127		\$7,50
	Fishing Tools and Services	82-133		
Contract	Completion and Packer Fluids	82-180		\$1,00
Contract	Perforating	82-182		\$16,00
Contract	Wireline Services	82-183		\$1,5
	Sidetracking, Milling Sections, Whipstocks	82-185		
Contract	Miscellaneous Materials	82-217		\$3,5
Contract	Miscellaneous Services	82-218		\$7,0
Contract	Contract Labor, Laborer	82-234		\$3,0
Contract	Contract Services, Other	82-240		\$7.4
Cooknick	Treating Chemicals, Other	82-291		\$1.0
Contract	Salt Water Disposall & Trans Fees	82-371		\$1.0
Contract	Rental Tools & Equip.	82-585		\$4,3
	Communications - Field	82-658		
	Regulatory Compliance	82-685		[
мос	Company Labor & Burden	82-750		\$3,8
	Overbead	82-770		1
	Indirect Expense	82-779		\$3,0
	TOTAL COMPLETION - INTANGIBLE			\$117,5
	TOTAL COMPLETION COSTS			\$248,0

l'gion I Id I ase I cation	Mid-Continent Travis Jim Bowie "11" Federal # 1 1,000" FSL & 700" FEL Sec. 11-18S-28E, Eddy County, New Mexico	Total Depth Drilling Days Compl Days AFE	10,800' 35 10 665896
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A11C E	Quantity	Feature	Cond A
	FACILITY COST S		
irchase	Line Pipe	83-27	\$ 1,50
rchase	Transportat: n, Other	83-126	
	Pumping Unit	83-141	
	Pumping Equipment - Rod Pump	83-143	
<u> </u>	Flowing/Plunger Lift Equipment	83-145	
	Submersible Purip - Electric Panel	83-149	
	Submersible Parap - Hydraulie	83-152	
	Gas Lift Equipment	83-155	
	Pumps	83-158	
rchase	Tanks	83-170	\$10.0
rchase	Metering Explipment	83-190	\$4,0
	Instrumenta an	83-194	
	Electrical Eq. in ment, Other	83-201	
rchase	Valves	83-205	\$2,5
rchase	Miscellaneo: 3 Materials	83-217	\$10,0
	Contract Lator, Electrical	83-229	
ontract	Contract Labor, Welding	83-233	\$1,0
ouract	Contract Labor, Other	83-237	\$4,0
ontract	Contract Services, Other	83-240	\$2,0
·····	Compressor Installation	83-365	
irchase	Dehydration	83-376	\$10. 0
	Crude Oil Testers	83-378	
urchase	Separator	83-378	\$ 10,0
ILURA	Vapor Recoursy Units	83-386	
	Free Water The chouts	83-388	
	Regulatory Compliance (Includes Permitting)	83-685	
	Company Lator & Burden	83-750	52,0
	TOTAL FACILIEY COSTS		\$59.
	SUMMARY OF GROSS COSTS		
	Total Drillin		\$491.
	Total Completion		\$248.
	Total Surface C juipment		\$59,
	GRAND TOTAL GROSS COSTS		\$798.
	SUMMARY OF COSTS		
	Total Drilling		1
	Total Complexity		ł
	Total Surfac: 1 juipment		
	GRAND TOTAL HEF COSTS		
 			
			\$234
	TOTAL TA REIBLE COSIS		
	TOTAL TA REIBLE COSTS		
	TOTAL TA REIBLE COSTS TOTAL IN ARGIBLE COSTS TANGIBLE PERCENT OF TOTAL		\$564 2'

Picgion	Mid-Continent
t ield	Travis
l case	Jim Bowie "11" Federal # 1
Location	1,000' FSL & 700' FEL Sec. 11-18S-28E,
	Eddy County, New Mexico

Total Depth Drilling Days	10,800
• •	10
Compl Days	• -
AFE	605890

wirce	Quantity		Feature	Cond	
	DR	ULLING COSTS - TANGIBLE			
		Drive Pipe	81.7		
Victorse		Conductor Pipe 20 PE	81-8		
urchase	575	Surface Pipe- 13-3/8*,48#,11-40,8rd,STC	81.9		\$9,0
urchase	2700	Casing, Inc. String No. 1-9-5/8*	81.11		\$30,0
		Casing, Incernediate String No. 2			
			81-12		<u> </u>
		Drilling Liner	81-19		
		Drilling Liner Hanger and Tieback Equipment	81-22		
urchase	· · · · · · · · · · · · · · · · · · ·	Drilling Wellbead Equipment	81.80		\$4,5
'urcli ase		Miscellaneous Materials	81-217		\$1,0
	10	DTAL DRILLING - TANGIBLE			\$44,5
	D	RILLING COSTS - INTANGIBLE			
ontract		Surveying, Location & Access	31-2		55
ontract		Well Location & Access	81-5		\$15,0
ontract		Daywork Drig \$5650/24 hour day incl. Fuel	81-36		\$27,5
'ontract	11500	Footage Basis Drig. Dry Hole Drilling	81-37		\$230,0
		Tumkey Dalling	81-38		
		Drilling Rig Mub/Demob	81-39		
'outract		Blowout Prevention Equipment	81-41		
		Drill Pipe & Collars	81-44		
		Drilling & Service Tools	81-45		
		Drilling Services	81-50		
		Snubbing Unus, Company	81-62		
		Snutbing Units, Contract	81-68		
ontract		Mud System/Solids Control	81-40		54.0
ontract		Mud and Mud Services	81-71		<u></u> \$25,0
		Bits	81-69		
		Stabilizers, Hole Openers, Underreamers	81-70		
·		<u>О</u>	81-72		
		Grease	81-72		
		Fuel, Diesel (Not furnished by Contractor)	81-74		
untract		Water	81-336		\$12,
10011301		Casing Tools and Services	81-90		59
ontract		Cement and Cementing Service	81-91		\$25,
ontract		Logging Services, Open Hole	81-93		\$ 30,
		Logging Services, Cased Hole	81.94		
`ontract		Mud Logging	81-95		\$10.
ontract		Inspection, Pipe & Casing	81-97		\$3.
		Directional Services	81-101		
		Coring	81-102		
iontr∡ct		Formation Tesung, Open Hole	81-104		54.
		Formation Testing, Cased Hole	81-105		
					ł
		Well Control Services	81-120		
onlinet		Trucking/Transportation, Other	81-126		\$5,
ontract		Well Test Equipment	81-127		<u></u>
		Fishing Tools and Services	81-133		
	·	Abandoning Tools and Services	81-136		
	·	Sidetracking, Milling Sections, Whipstocks	81-185		
'ontract		Miscellaneous Materials	81-217		\$3,
'onstruct		Contract Labor, Welding	81-233		\$1,
· `OIVINCI		Contract Labor, Odier- \$400/24 hour day	81-237		\$15
outract		Contract Services, Living Quis \$100/day	81-243		\$3
		Contract Services, Other	81-266]
· 'untract		Hydrogen Sulfide Testing- \$150/day	81-320		54
		Spill Control Equipticat	81-454		1
outract		Computer Hardware- \$25/day	81-568		
Contract		Commo, Ficid- \$50/day	81-658		51
		Regulatory Compliance	81-685		-1
10C	~ ~	Company Labor & Burden- \$375/day	81-750		513
			81-720	<u> </u>	- <u> </u>
	·····	Overbead it	81-779		
		Indirect Expense	01-//7		\$145
		TO FAL DRILLING - INTANGIBLE			+1+0
					\$491
		TVITAL DRILLING COSTS			

Region Field Ec ase Focation	1,000' FSI	linent c "11" Federal # 1 1. & 700' I'EL Sec. 11-18S-28E, unty, New Mexico	Total Depth Drilling Days Compl Days AFE	10,800 35 10 665896	
ALICE	Quantity	iny, new filtrice	Feature	Cond	*
	Quantity				
	СС	DMPLETION COST - TANGIBLE			
urchase	10600	Production Casing	82-15		\$75,00
		Production Liner	82-18		
		Production Liner Hanger & Tieback Equipment	82-21		
urchase	10600	Tubing - 2 3/8" O.D., 4.7#, L-80	82-23		\$36,0
		Wellbead Equipment (Drilling)	82-80		\$4,5
urchase		Christmas Tree	82-87		\$ 9,0
urchase		Packers	82-137		\$ 6,0
		Rod Pump	82-143		
		Electric Submersible Pump	82-149		
		Completion Wellhead Equipment	82-167		
	Ţ	OTAL COMPLETION - TANGIBLE			\$130,5
ontract	C	OMPLETION COST - INTANGIBLE Location and Access	82-1		\$1,5
		Drilling Rig During Completion	82-34		\$ 11,0
untract		Blowout Prevencer	82-41		\$1,5
		Tools - Drilling & Service	82-45		
		Rig, Completion	82-48		
·		Workover Units, Company	82-55		
ontract		Workover Units, Contract	82-56		\$7.
		Snubbing Units, Company	82-62		
		Coiled Tubing Service Units, Contract	82-67		
		Snubbing Units, Contract	82-68		
		Underreamers, Stabilizers, Hole Openers	82-70		
		Lubricants	82-72		
		Puel, Diesel	82-74		
		Casing Tools & Services- Longstring	82.90		
		Cement & Cementing Services- Longstring	82-91		\$15.
		Logging Services, Open Hole Wells	82-93		
ontract		Logging Services, Cased Hole Wells	82-94		\$3.
ontract		Tubular Inspection, Testing & Cleaning	82-96		57.
`ontract		Formation Testing	82-103		\$3
ontract		Formation Treating	82-113		<u></u> Я
Contract		Transportation, Other	82-126		53
Contract		Test Equipment - Well Testing	82-127		57
		Fishing Tools and Services	82-133		
01/1301	·	Completion and Packer Fluids	82-180		51
ontract		Perforating	82-182		\$16
ontract		Wireline Services	82-183		\$10. \$1
		Sidetracking, Milling Sections, Whipstocks	82-185		
Contract		Miscellaneous Materials	82-217		53
Contract		Miscellaneous Materials Miscellaneous Services	82-218		57
Contract			82-218		57
Contract		Contract Labor, Laborer	82-234		\$3 \$7
Contract		Contract Services, Other	82-291		\$1 \$1
Contract		Treating Chemicals, Other Salt Water Disposall & Trans Fees	82-371		51 51
Contract			82-585	·····	54
Contract		Rental Tools & Equip.	82-585		
	•••••	Communications - Field	82-685		+
		Regulatory Compliance	82-085		57
<u></u>		Company Labor & Burden	82-750		 *
		Overhead	82-770		5
		Indirect Expense TOTAL COMPLETION - INTANGIBLE	02-117		\$11
		TUTAL COMPLETION - INTANOIBLE			····
		TOTAL COMPLETION COSTS			\$2.4

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1 cgion	Mid-Continent	Total Depth	10.800'
l-eld	Travis	Drilling Days	35
l asc	Jim Bowie "11" Federal # 1	Compt Days	10
Location	1,000' FSL & 700' FEL Sec. 11-18S-28E, Eddy County, New Mexico	AFE	665896

Source	Quantity	Feature	Cond	<u>A</u>
	FACILITY COSTS			
urchase	Line Pipe	83-27		\$1,500
urchase	Transportation, Other	83-126		\$7,50
dicitate	Pumping Unit	83-141		
	Pumping Equipment - Rod Pump	83-143		
	Flowing/Plunger Lift Equipment	83-145		
	Submersible Pump - Electric Panel	83-149		
	Submersible Pump - Hydraulic	83-152		
	Gas Lift Equipment	83-155		
		83-158		
urchase	Pumps Tanks	83-135		\$10,00
urchase	Metering Equipment	83-190		\$10,00
STCTA SC	Instrumentation	83-194		, ,,,
	Electrical Equipment, Other	83-201		
'urchase	Valves	83-205		\$2,50
orchase	Miscellaneous Materials	83-217		\$10,00
	Contract Labor, Electrical	83-229		\$10,00
ontract				<u> </u>
`ontract	Contract Labor, Welding	<u>83-233</u> 83-237		\$1,00
	Contract Labor, Other	83-240		\$4,00
ontract	Contract Services, Other			\$2,00
	Compressor Installation	83-365		***
l'urchase	Dehydration	83-376		\$10,00
())	Crude Oil Treaters	83-378		
Parctu se	Separator	83-380		\$10,00
	Vapor Recovery Units	83-386		
	Free Water Knockous	83-388		
MOC	Regulatory Compliance (Includes Permitting)	83-685		
MUC	Company Labor & Burden	83-750		\$2,00
	TOTAL FACILITY COSTS			\$59,50
	SUMMARY OF GROSS COSTS			
	Total Drilling			\$ 491,10
	Total Completion			\$248,00
	Total Surface Equipment			\$59.5
	GRAND TOTAL GROSS COSTS			\$798.6
	SUMMARY OF NET COSTS			
	Total Drilling			
	Total Completion			
	Total Surface Equipment			
	GRAND TOTAL NET COSTS			
	TOTAL TINCIDI D COMP.			M11.7
ļ	TOTAL TANGIBLE COSTS			\$234.5
	TOTAL INTANGIBLE COSTS			\$564,1
{	TANGIBLE PERCENT OF TOTAL			29.