

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

December 20, 1996

CERTIFIED MAIL & RETURN RECEIPT REQUESTED

Attn: Janet Richardson, CPL YATES PETROLEUM CORPORATION 105 South 4th St. Artesia, NM 88210

> 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 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.

TRAVIS AREA December 20, 1996 Fage -2-

- (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 RPW;mmc' Landman Encl. I also wish to receive the SENDER: Complete items 1 and/or 2 for additional e Complete items 3, 4a, and 4b. Print your name and address on the reverfollowing services (for an extra fee): verse of this form so that we can return this using Return Receipt Service your <u>RETURN ADDRESS</u> completed on the reverse 1. 🗋 Addressee's Address or on the back if space does not ard to you. Attach this form to the front of the ma 2. D Restricted Delivery permit. Write "Return Receipt Requested" on the mailpiece below the article number. Write "Return Receipt will show to whom the article was delivered and the date Consult postmaster for fee The Return Receipt livered. 4a. Article Number 3. Article Addressed to: 230 1: JANET Richardson CR 4b. Service Type Certified Registered Perzoleum Lozp. YATES Insured 🔲 Express Mail Sour & 4th ST. 🕒 Return Receipt for Merchandise 🔲 COD you for u 7. Date of Deli Asteria, NM 88210 DEC 23 1996 Thank 8. Addressee's Address (Only auestea 5. Received BYAN and fee is paid) 6 atura IMN Domestic Return Receipt 3811, December 1994

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'
Dritting Days	35
Compl Days	10
AFE	665896

ource	Quantity		Feature	Cond	<u> </u>
	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
<u> </u>		Casing, Intermediate String No. 2	81-12		······
·····		Drilling Liner	81-19		· · · · · · · · · · · · · · · · · · ·
		Drilling Liner Hanger and Tieback Equipment	81-22		
urchase		Drilling Wellhead Equipment	81-80		<b>\$4</b> ,50
urchase		Miscellaneous Materials	81-217		\$1,00
	TC	DTAL DRILLING - TANGIBLE			\$44,50
	DI	RILLING COSTS - INTANGIBLE			
Contract	•••	Surveying, Location & Access	81-2		<b>\$</b> 50
Contract		Well Location & Access	81-5		\$15,00
ontract		Daywork Drig \$5650/24 hour day incl. Fuel	81-36		\$27,50
ontract	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		
		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		
		Stabilizers, Hole Openers, Underreamers	81-70		
		Oil	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		<b>\$</b> 25,0
'ontract		Logging Services, Open Hole	81-93		<b>\$</b> 30,0
		Logging Services, Cased Hole	81-94		
Contract		Mud Logging	81-95		<b>\$</b> 10,0
Contract		Inspection, Pipe & Casing	81-97		<b>\$</b> 3,5
		Directional Services	81-101		
		Coring	81-102		
Ontract		Formation Testing, Open Hole	81-104		\$4,5
		Formation Testing, Cased Hole	81-105		
		Well Control Services	81-120		
Contract		Trucking/Transportation, Other	81-126		\$5,5
Contract		Well Test Equipment	81-127		\$2,5
		Fishing Tools and Services	81-133		····
		Abandoning Tools and Services	81-136		
		Sidetracking, Milling Sections, Whipstocks	81-185		
Contract		Miscellaneous Materials	81-217		\$3,5
Contract		Contract Labor, Welding	81-233		\$1,0
Contract		Contract Labor, Other- \$400/24 hour day	81-237		\$15,0
Contract		Contract Services, Living Qtrs \$100/day	81-243		\$3,
		Contract Services, Other	81-266		
Contract		Hydrogen Sulfide Testing- \$150/day	81-320		\$4,0
		Spill Control Equipment	81-454		
Contract		Computer Hardware- \$25/day	81-568		\$
Contract		Commo, Field- \$30/day	81-658		\$1,1
		Regulatory Compliance	81-685		
MOC		Company Labor & Burden- \$375/day	81-750		\$13,0
		Overhead	81-770		
		Indirect Expense '	81-779		\$446,0
		TOTAL DRILLING - INTANGIBLE			<b>211</b> 0,0
		TOTAL DRILLING COSTS			\$491,
		INTAL DRILLING CUSIS		i	· · · · · · · · · · · · · · · · · · ·

Region Field Lease Location	Mid-Continent Travis Jim Bowie "11" Federal # 1 1,000' FSL & 700' FEL Sec. 11-185-28E, Eddy County, New Mexico	Total Depth Drilling Days Compl Days AFE	10,800' 35 10 665896
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ource	Quantity		Feature Cond	
	C	OMPLETION COST - TANGIBLE		
urchase	10600	Production Casing	82-15	\$75,000
		Production Liner	82-18	\$13,000
	·	Production Liner Hanger & Tieback Equipment	82-21	
urchase	10600	Tubing - 2 3/8* O.D., 4.7#, L-80	82-23	£36.000
urchase	10000	Wellhead Equipment (Drilling)	82-23	\$36,000 \$4,500
urchase		Christmas Tree	82-87	
urchase		Packers	82-137	\$9,000
uiciuse			82-143	\$6,000
		Rod Pump	82-149	
		Electric Submersible Pump Completion Wellhead Equipment	82-167	
	Т	OTAL COMPLETION - TANGIBLE	04101	\$130,500
	C	OMPLETION COST - INTANGIBLE		
Contract	C	Location and Access	82-1	<b>\$</b> 1,500
·····		Drilling Rig During Completion	82-34	\$11,000
Contract		Blowout Preventer	82-41	\$1,500
		Tools - Drilling & Service	82-45	
		Rig, Completion	82-48	
		Workover Units, Company	82-55	
Contract		Workover Units, Contract	82-56	\$7,50
		Snubbing Units, Company	82-62	<b>1</b> 7,50
		Coiled Tubing Service Units, Contract	82-67	
		Snubbing Units, Contract	82-68	<u> </u>
		Underreamers, Stabilizers, Hole Openers	82-70	
			82-70	<u> </u>
		Lubricants		
		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	\$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	\$16,00
Contract		Wireline Services	82-183	\$1,50
		Sidetracking, Milling Sections, Whipstocks	82-185	
Contract		Miscellaneous Materials	82-217	\$3,50
Contract		Miscellaneous Services	82-218	\$7,00
Contract		Contract Labor, Laborer	82-234	<b>\$</b> 3,00
Contract		Contract Services, Other	82-240	\$7,40
Contract		Treating Chemicals, Other	82-291	\$1,00
Contract		Salt Water Disposall & Trans Fees	82-371	\$1,00
Contract	<u>,</u>	Rental Tools & Equip.	82-585	\$4,30
	·····	Communications - Field	82-658	
		Regulatory Compliance	82-685	<u> </u>
MOC		Company Labor & Burden	82-750	\$3,80
		Overbead	82-770	1
		Indirect Expense	82-779	\$3,00
		TOTAL COMPLETION - INTANGIBLE		\$117,50
		TOTAL COMPLETION COSTS		\$248,00

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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Quantity	Feature	Cond	
EACH ITY COSTS			
	83 17		<b>61 60</b>
			<u>\$1,50</u>
		<u>+</u>	\$2,50
		<del></del>	i
		<u> </u>	
			······
	*******		\$10,0
Metering Equipment	83-190		<b>\$</b> 4.0
Instrumentation	83-194		
Electrical Equipment, Other	83-201		
Valves	83-205	]	\$2,5
Miscellaneous Materials	83-217		\$10,0
Contract Labor, Electrical	83-229		
Contract Labor, Welding	83-233		\$1,0
Contract Labor, Other	83-237		\$4,0
Contract Services, Other	83-240		\$2,0
Compressor Installation	83-365		
Dehydration	83-376		\$10,0
Crude Oil Treaters	83-378		
Separator	83-380	+	<b>\$</b> 10,0
Vapor Recovery Units	83-386		
Free Water Knockouts	83-388		
Regulatory Compliance (Includes Permitting)	83-685		
			<b>\$2,0</b>
			\$59,5
SUMMARY OF GROSS COSTS			
Total Drilling			<b>\$</b> 491,1
Total Completion		1	\$248,0
Total Surface Equipment			\$59,5
GRAND TOTAL GROSS COSTS		F	\$798,6
SUMMARY OF NET COSTS			
Total Drilling			
Total Completion			
Total Surface Equipment			
GRAND TOTAL NET COSTS			
		<u></u>	
TOTAL TANGIBLE COSTS			\$234,5
TOTAL INTANGIBLE COSTS			\$564,
TANGIBLE PERCENT OF TOTAL			29
	Electrical Equipment, Other Valves Miscellaneous Materials Contract Labor, Electrical Contract Labor, Other Contract Services, Other Contract Services, Other Compressor Installation Dehydration Crude Oil Treaters Separator Vapor Recovery Units Free Water Knockouts Regulatory Compliance (Includes Permitting) Company Labor & Burden TOTAL FACILITY COSTS SUMMARY OF GROSS COSTS Total Drilling Total Completion Total Surface Equipment GRAND TOTAL GROSS COSTS SUMMARY OF NET COSTS Total Drilling Total Completion Total Surface Equipment GRAND TOTAL RET COSTS	Line Pipe 83-27 Transportation, Other 83-126 Pumping Uni 83-141 Pumping Equipment Rod Pump 83-143 Flowing/Plunger Lift Equipment 83-144 Submersible Pump - Electric Panel 83-149 Submersible Pump - Hydraulic 83-153 Gas Lift Equipment 83-155 Pumps 83-158 Tanks 83-170 Metering Equipment 83-190 Instrumenation 83-190 Instrumenation 83-194 Electrical Equipment, Other 83-201 Valves 83-205 Mitselfaneous Materials 83-217 Contract Labor, Electrical 83-229 Contract Labor, Coter 83-233 Contract Labor, Other 83-240 Compressor Installation 83-365 Dehydration 83-365 Dehydration 83-378 Separator 83-380 Vapor Recovery Units 83-386 Free Water Knockouts 83-386 Free Water Knockouts 83-388 Regulatory Compliance (Includes Permutang) 83-685 Company Labor & Burden 83-750 TOTAL FACILITY COSTS Total Driling Total Completion Total Surface Equipment GRAND TOTAL GROSS COSTS Total Driling Total Completion Total Surface Equipment GRAND TOTAL NET COSTS	Line Pipe 83-27 Transportation, Other 83-136 Pumping Quipment - Rod Pump 83-143 Plowing/Plunger Lift Equipment 83-144 Submershile Pump - Electric Panel 83-149 Submershile Pump - Hydralie 83-152 Gas Lift Equipment 83-153 Pumpa 83-153 Pumpa 83-154 Electrical Equipment 83-100 Instrumentation 83-154 Electrical Equipment 83-201 Valves 83-205 Micellaneous Materials 83-207 Micellaneous Materials 83-207 Micellaneous Materials 83-207 Contract Labor, Pieterical 83-223 Contract Labor, Other 83-233 Contract Labor, Other 83-237 Contract Labor, Other 83-340 Compressor Installation 83-356 Debydration 83-356 Debydration 83-356 Conde Oll Tratters 83-358 Regulatory Compliance (Includes Permutung) 83-485 Company Labor & Burden 83-750 TOTAL FACILITY COSTS SUMMARY OF OROSS COSTS Total Driling Total Completion Total Surface Equipment GRAND TOTAL NET COSTS Total Driling Total Completion Total Surface Equipment GRAND TOTAL NET COSTS

Region	Mid-Continent	Total Depth	10,800'
Licld	Travis	Dulling Days	35
i.casc	Jim Bowie "11" Federal # 1	Compl Days	10
Location	1,000' FSL & 700' FEL Sec 11-18S-28E,	AFF	665896
	Eddy County, New Mexico		

(VIIC\$	Quantity		Feature	Cond	<u> </u>
	DB	ULLING COSTS - TANGIBLE			
		Drive Pipe	81-7		
urchase		Conductor Pipe 201, PE	81-8	}	
urchase	575	Surface Pipe- 13-3/8*,481,H-40,8rd,STC	81-9		\$9,0
urchase	2700	Casing, Inc. 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 Wellhead Equipment	81-80		SH.5
urchuse		Miscellaneous Materials	81-217		\$1.0
	T	)TAL DRILLING - TANGIBLE			\$44,5
	D.	DITUNC COMP. INFANCIDI C			
ontract	171	RILLING COSTS - INTANGIBLE			
ontract		Surveying, Lucanon & Access	81-2		<u></u>
ontract		Well Location & Access	81-5		\$15,0
		Daywork Drig \$5650/24 hour day incl. Fael	81-36		\$27,
ontract	11500	Footage Basis Drig - Dry Hole Drilling	81-37		\$230
		Turnkey Drilling	81-38		
··		Drilling Rig Mob/Demob	81-39		
ontract		Blowout Prevention Equipment	81-41		
		Drill Pipe & Collars	81-44		<u> </u>
		Drilling & Service Tools	81-45		
		Dulling Services	81-50		
		Scubbing Units, Company	81-62		
		Snubbing Units, Contract	81-68		_
ontract		Mud System/Solids Control	81-40		\$4.
Contract		Mud and Mud Services	81-71		\$25.
		Βια	81-69		
		Stabulizers, Hole Openers, Underreamers	81-70		
		OU	81-72		·
		Grease	81.72		
			81-74		
Contract		Fuel, Diesel (Not furnished by Contractor)			
		Water	81-336		\$12,
Contract		Casing Tools and Services	81-90		<u> </u>
<u>ontract</u>		Cement and Cementing Service	81-91		<u>\$25</u>
Contract		Logging Services, Open Hole	81-93		<b>1</b> 30
		Logging Services, Cased Hole	81-94		
Contract		Mud Logging	81-95		\$10
Contract		Inspection, Pipe & Casing	81-97		\$3
		Directional Services	81-101		
		Coring	81-102		
Contract		Formation Testing, Open Hole	81-104		54
		Formation Testing, Cased Hole	81-105		1
		Well Control Services	81-120	· ·····	
Contract		Tracking/Transportation, Other	81-126		\$5
Contract		Well Test Equipment	81-127		52
		Fishing Tools and Services	81-133		
		Abandoning Tools and Services	81-136		
		Sidetracking, Milling Sections, Whipstocks	81-185		
Contract					
		Miscellaneous Materials	81-217		<u>\$3</u>
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		Hydrogen Sulfide Testing- \$150/day	81-320		54
		Spill Control Equipment	81-454		1
Contract		Computer Hardware- \$25/day	81-564		
Contract		Commo, Field- \$50/day	81-658		\$1
		Regulatory Compliance	81-685		
MOC		Company Labor & Burden- \$375/day	81-750		\$13
		Overbead	81-770		1
		Indirect Expense	81-779		1
		TOTAL DRILLING - INTANGIBLE			\$140
		IVIAL DRILLING - INTANGIBLE			
		TOTAL DRILLING - INTANGIBLE			

Region Field	Mid-Continent Travis	Total Depth	10,800'
Lease	Jim Bowie "11" Federal # 1	Drilling Days	35
Location	1,000' FSL & 700' FEL Sec. 11-185-28E,	Compl Days	10
	Eddy County, New Mexico	AFE	665896

(AITCE	Quantity		Feature	Cond A
	C	MPLETION COST - TANGIBLE		
urchase	10600		82-15	\$75,00
		Production Casing Production Liner	82-18	<b>3</b> 75,00
			82-21	
urchase	10600	Production Liner Hanger & Tieback Equipment Tubing - 2 3/8° O.D., 4.7#, L-80	82-23	¢16.00
	10000	Wellhead Equipment (Drilling)	82-80	\$36,00
urchase		Christmas Tree	82-80	<b>\$4,5</b> 0 <b>\$9,0</b> 0
urchase		Packers	82-87	\$6,00
		Rod Pump	82-143	
		Electric Submersible Pump	82-149	
		Completion Wellhead Equipment	82-167	
	T	JTAL COMPLETION - TANGIBLE		\$130,50
	C	DMPLETION COST - INTANGIBLE		
Contract		Location and Access	82-1	\$1,5
		Drilling Rig During Completion	82-34	\$11.0
Contract		Blowout Preventer	82-41	\$1,5
		Tools - Drilling & Service	82-45	
		Rig, Completion	82-48	
		Workover Units, Company	82-55	
Contract		Workover Units, Contract	82-56	\$7,5
		Snubbing Units, Company	82-62	
		Coiled Tubing Service Units, Contract	82-67	
		Stubbing 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	<b>\$15.0</b>
		Logging Services, Open Hole Wells	82-93	
Contract		Logging Services, Cased Hole Wells	82-94	\$3,5
Contract		Tubular Inspection, Testing & Cleaning	82-96	\$7,0
Contract		Formation Testing	82-103	\$3,0
Contract		Formation Treating	82-113	بلا
Contract	·····	Transportation, Other	82-126	\$3,5
Contract		Test Equipment - Well Testing	82-127	\$7,9
		Fishing Tools and Services	82-133	
Contract		Completion and Packer Fluids	82-180	\$1,0
Contract		Perforating	82-182	\$16.0
Contract		Wireline Services	82-183	
		Sidetracking, Milling Sections, Whipstocks	82-185	
Contract		Miscellaneous Materials	82-217	\$3,5
Contract		Miscellaneous Services	82-218	57,0
Contract		Contract Labor, Laborer	82-234	53,0
Contract	· <b></b>	Contract Services, Other	82-240	57,0
Contract		Treating Chemicals, Other	82-291	
Contract	·····	Salt Water Disposall & Trans Fees	82-371	\$1,0
Contract		Rental Tools & Equip.	82-585	
		Communications - Field	82-658	
		Regulatory Compliance	82-685	
мос		Company Labor & Burden	82-750	53,
		Overbead	82-770	
		Indirect Expense	82-779	SJ,
		TOTAL COMPLETION - INTANGIBLE		
				1
		TOTAL CONDEPTION COSTS		\$248.
		TOTAL COMPLETION COSTS		J 4/48,

f' gion F 1d F ase F cation	Mid-Continent Travis Jim Bowie "11" Federal # 1 1,000" FSL & 700" FEL Sec. 11-18S-28E, Eddy County, New Mexico	Total Depth Dritling Days Compl Days AFE	10,800' 35 10 665896
	Eddy County, New Mexico		

1rce	Quantity	Feature	Cond	
	FACILITY COSI S			
rchase	Line Pipe	83-27		\$1,50
rchase	Transportation, Other	83-126		\$7,50
	Pumping Unit	83-141		
	Pumping Equipment - Rod Pump	83-143		
	Flowing/Plugger Lift Equipment	83-146		
	Submersible Pump - Electric Panel	83-149		
	Submersible Parap - Hydraulie	83-147		
	Gas Lift Eq. (pricent	83-155		
		83-158		<del>-</del> -
rchase	Pumps Tanks	83-138		<b>\$1</b> 0,0
ichase				
ICR <b>ASC</b>	Metering Econporent	83-190		\$4.0
		83-194		
	Electrical Ec. in ment, Other	83-201		
rchase	Valves	83-205		\$2,5
rchase	Miscellaneo: s h laterials	83-217		\$10,0
	Contract Lator, Electrical	83-229		
ntract	Contract Labor, Welding	83-233		\$1,0
ninict	Contract Lal or, Other	83-237		\$4,0
ntract	Contract Set / Nes, Other	83-240		\$2,0
	Compressor Installation	83-365		
rchase	Dehydration	83-376		\$10,0
	Crude Oil Treaters	83-378		
irchase	Separator	83-380		\$10,0
	Vapor Recovery Units	83-386		
	Free Water the chouts	83-388		
	Regulatory Compliance (Includes Permitting)	83-685		
OC	Company Livor & Burden	83-750		52,0
	TOTAL FACILIEY COSTS			\$59,1
	SUMMARY OF GROSS COSTS			
	Total Drilling			\$491,
	Total Completion			<b>\$2</b> 48,
	Total Surface F juipment			\$59.
	GRAND TOTAL GROSS COSTS			\$798.
	SUMMARY OF THE COSTS			
	Total Drilling			
	Total Completion			
	Total Surfac: E juipment			
	GRAND TOTAL IF I COSTS			
	TOTAL TA REIBLE COSTS			\$234
	TOTAL IN ANGIBLE COSTS			\$564,
i	TANGIBLE 19 RCENT OF TOTAL			29

Ecgion	MiJ-Continent
Field	Travis
L CASC	Jim Bowie "11" Federal # 1
location	1,000' FSL & 700' FEL Sec 11-18S-28E, Eddy County, New Mexico

Fotal Depth	10,800
Driffing Days	35
Compl Days	10
AFE	66589

n.fl¢	Quantity		Feature	Cond	<u> </u>
	DF	ULLING COSTS - TANGIBLE			
		Drive Pipe	81.7		
irchase		Conductor Pipe 20* PE	81-8		
irchuse	575	Surface Pipe- 13-3/8*,484,H-40,8rd,STC	81.9		\$9,00
irchase	2700	Casing, Inc. 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		
irchase		Drilling Wellhead Equipment	81-80		\$4,5
incluse		Miscellaricous Materials	81-217		\$1,0
	10	DTAL DRILLING - TANGIBLE			\$44,5
	D	RILLING COSTS / INTANGIBLE			
shiract		Surveying, Lication & Access	81-2		54
miract		Well Location & Access	81-5		\$15,(
muact		Daywork Drlg \$5650/24 hour day incl. Fuel	81-36		\$27,5
unract	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		
		Saubbing Units, Company	81-62		
·		Snubbing Units, Contract	81-68		
Dutract		Mud System/Solids Control	81-40		54,
entract		Mud and Mud Services	81-71		\$25
		Bits	81-69		
		Stabilizers, Hole Openers, Underreamers	81.70		
		OU	81-72		
		Grease	81-72		
		· · · · · · · · · · · · · · · · · · ·	81-72		
outract	·····	Fuel, Diesel (Not furnished by Contractor)	81-336		\$12.
		Water			·
ontract		Casing Tools and Services	81-90		<u>\$9,</u>
		Cement and Cementing Service	81-91		<u>\$25,</u>
ontract		Logging Services, Open Hole	81-93		<u>\$30,</u>
		Logging Services, Cased Hole	81-94		
		Mud Logging	81-95		\$10,
ontract		Inspection, Pipe & Casing	81.97		<u> </u>
		Directional Services	81-101	·	
		Coring	81-102		
ohuaet		Formation Testing, Open Hole	81-104		<u>א</u>
		Formation Testing, Cased Hole	81-105		
		Well Control Services	81-120		
ontract		Trucking/Transportation, Other	81-126		\$5.
untract		Well Test Equipment	81-127		\$2,
		Fishing Tools and Services	81-133		
		Abandoning Tools and Services	81-136		
		Sidetracking, Milling Sections, Whipstocks	81-185		
uninat		Miscellaneous Materials	81-217		\$3
ownet		Contract Labor, Welding	81-233		\$1
ONTACE		Contract Labor, Odier- \$400/24 hour day	81-237		\$15
OWTRACE	······································	Contract Services, Living Qtrs \$100/day	81-243		13
		Contract Services, Other	81-266		
UNTICE		Hydrogen Sulfide Testing- \$150/day	81-320		54
····		Spill Control Equipment	81-454		1
'untract		Computer Hardware- \$25/day	81-568	······	
udract		Commo, Field- \$50/day	81-658	·····	\$1
	·····	Regulatory Compliance	81-685		1
.10C		Company Labor & Burden- \$375/day	81-750		\$13
		Overbeal ()	81-770		
		Indirect Expense	81-779		-1
		TUTAL DRILLING - INTANGIBLE			\$146

Region Field Lease Location	Mid-Continent Travis Jim Bowie "11" Federal # 1 1,000" FSL & 700" FEL Sec. 11-185-28E, Eddy County, New Mexico	Total Depth Drilling Days Compl Days AFE	10,800' 35 10 665 <b>896</b>
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ALFCE	Quantity	Feature	Cond A
	COMPLETION 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	\$36,00
	Wellhead Equipment (Drilling)	82-80	\$4,50
urchase	Christmas Tree	82-87	\$9,00
urchase	Packers	82-137	\$6,00
	Rod Pump	82-143	
	Electric Submersible Pump	82-149	
	Completion Wellhead Equipment	82-167	
	TOTAL COMPLETION - TANGIBLE		\$130,50
	COMPLETION COST - INTANGIBLE		
antract	Location and Access	82-1	\$1,50
	Dritting Rig During Completion	82-34	\$11,00
ontract	Blowout Preventer	82-41	\$1,50
	Tools - Drilling & Service	82-45	
	Rig, Completion	82-48	
	Workover Units, Company	82-55	
ontract	Workover Units, Contract	82-56	\$7,50
	Snubbing Units, Company	82-62	
	Coiled Tubing Service Units, Contract	82-67	
	Saubbing Units, Concract	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	\$15,00
	Logging Services, Open Hole Wells	82.93	
ontract	Logging Services, Cased Hole Wells	82-94	\$3,50
i 'oniract	Tubular Inspection, Testing & Cleaning	82-96	\$7,00
ontract	Formation Testing	82-103	\$3,00
ontract	Formation Treating	82-113	<u>51.00</u>
Contract	Transportation, Other	82-126	\$3,5
Contract	Test Equipment - Well Testing	82-127	\$7,5
	Fishing Tools and Services	82-133	
Court <b>act</b>	Completion and Packer Fluids	82-180	\$1,0
outract	Perforating	82-182	\$16.0
'ontract	Wireline Services	82-183	\$1,5
	Sideuracking, Milling Sections, Whipstocks	82-185	
Contract	Miscellaneous Materials	82-217	\$3,5
Contract	Miscellaneous Services	82-218	57.0
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	<u> </u>
	Communications - Field	82-658	
	Regulatory Compliance	82-685	
<u></u>	Company Labor & Burden	82-750	\$3,8
	Overbead	82-770	
	Indirect Expense	82-779	\$3.0
	TOTAL COMPLETION - INTANGIBLE		\$117,5
1			
-	TOTAL COMPLETION COSTS		\$248.0

i cgión Ficid Ficase Fiocatión	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 Compi Days AFE	10,80 35 10 6658	
	Eddy County, New Mexico	AFE	6	658

iource	Quantity	Feature	Cond	Α
	FACILITY COSTS			
urchase	Line Pipe	83-27	ļ	\$1,500
urchase	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		
	Submersible Pump - Hydraulic	83-152		
	Gas Lift Equipment	83-155		
	Pumps	83-158		
urchase	Tanks	83-170		\$10,00
urchase	Metering Equipment	83-190		\$4,00
	Instrumentation	83-194		
	Electrical Equipment, Other	83-201		
'urchase	Valves	83-205		\$2,50
'urchase	Miscellaneous Materials	83-217		\$10,00
	Contract Labor, Electrical	83-229		
ontract	Contract Labor, Welding	83-233		\$1,00
`ontract	Contract Labor, Other	83-237		\$4,00
ontract	Contract Services, Other	83-240		\$2.00
	Compressor Installation	83-365		\$2,00
urchase	Dehydration	83-376		\$10,00
	Crude Oil Treaters	83-378		\$10,00
Purctu se	Separator	83-380		\$10,0
	Vapor Recovery Units	83-386		\$10,0.
	Free Wister Knockouts	83-388		
		83-588		·····
мос	Regulatory Compliance (Includes Permitting)	83-085		
	Company Labor & Burden TOTAL FACILITY COSTS	63-750		\$2,00 \$59,54
				луя, ж
	SUMMARY OF GROSS COSTS			
	Total Drilling			\$491,1
	Total Completion			\$248.0
	Total Surface Equipment			\$59,5
	GRAND TOTAL GROSS COSTS			\$798.6
	SUMMARY OF NET COSTS			8
	Total Drilling			
	Total Completion			
	Total Surface Equipment			
	GRAND TOTAL NET COSTS			
				<b></b>
	TOTAL TANGIBLE COSTS			\$234,5
	TOTAL INTANGIBLE COSTS			\$564,1
1	TANGIBLE PERCENT OF TOTAL			29.