

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 | | \$4 ,50 |
| urchase | | Miscellaneous Materials | 81-217 | | \$1,00 |
| | TC | DTAL DRILLING - TANGIBLE | | | \$44,50 |
| | DI | RILLING COSTS - INTANGIBLE | | | |
| Contract | ••• | Surveying, Location & Access | 81-2 | | \$ 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 | | \$ 25,0 |
| 'ontract | | Logging Services, Open Hole | 81-93 | | \$ 30,0 |
| | | Logging Services, Cased Hole | 81-94 | | |
| Contract | | Mud Logging | 81-95 | | \$ 10,0 |
| Contract | | Inspection, Pipe & Casing | 81-97 | | \$ 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 | | | 211 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 |
|--------------------------------------|--|---|-------------------------------|
|--------------------------------------|--|---|-------------------------------|

| 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 | \$ 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 | 1 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 | \$ 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 | | 61 60 |
| | | | <u>\$1,50</u> |
| | | <u>+</u> | \$2,50 |
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| | | | |
| | | | |
| | | | |
| | ******* | | \$10,0 |
| Metering Equipment | 83-190 | | \$ 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 | + | \$ 10,0 |
| Vapor Recovery Units | 83-386 | | |
| Free Water Knockouts | 83-388 | | |
| Regulatory Compliance (Includes Permitting) | 83-685 | | |
| | | | \$2,0 |
| | | | \$59,5 |
| | | | |
| SUMMARY OF GROSS COSTS | | | |
| Total Drilling | | | \$ 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 | | 1 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 | 3 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 | \$4,5 0 \$9,0 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 | \$15.0 |
| | | 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 | · | 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 | | - - |
| rchase | Pumps Tanks | 83-138 | | \$1 0,0 |
| ichase | | | | |
| ICR ASC | 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 | | | \$2 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 10 665 896 |
|--------------------------------------|--|---|---------------------------------------|
|--------------------------------------|--|---|---------------------------------------|

| 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 act | 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 | | | |
| | | | | |
| | | | | |
| | TOTAL TANGIBLE COSTS | | | \$234,5 |
| | TOTAL INTANGIBLE COSTS | | | \$564,1 |
| 1 | TANGIBLE PERCENT OF TOTAL | | | 29. |